

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-CSRS
April 09, 2007

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21157

Nuveen Arizona Dividend Advantage Municipal Fund 3

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

Jessica R. Droeger
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Name and address of agent for service)

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

Date of fiscal year end: July 31

Date of reporting period: January 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.

ITEM 1. REPORTS TO STOCKHOLDERS.

SEMIANNUAL REPORT January 31, 2007

Nuveen Investments
Municipal Closed-End Funds

NUVEEN ARIZONA
PREMIUM INCOME
MUNICIPAL FUND, INC.
NAZ

NUVEEN ARIZONA
DIVIDEND ADVANTAGE
MUNICIPAL FUND
NFZ

NUVEEN ARIZONA
DIVIDEND ADVANTAGE
MUNICIPAL FUND 2
NKR

NUVEEN ARIZONA
DIVIDEND ADVANTAGE
MUNICIPAL FUND 3
NXE

NUVEEN TEXAS
QUALITY INCOME
MUNICIPAL FUND
NTX

Photo of: Woman and man at the beach.

Photo of: A child.

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

Logo: NUVEEN Investments

Photo of: Woman

Photo of: Woman

Photo of: Man and child

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OR

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if you get your Nuveen Fund dividends
and statements directly from Nuveen.

(Be sure to have the address sheet that
accompanied this report handy. You'll need
it to complete the enrollment process.)

Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

Chairman's
LETTER TO SHAREHOLDERS

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

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

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

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

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

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

March 15, 2007

Nuveen Investments Municipal Closed-End Funds
(NAZ, NFZ, NKR, NXE, NTX)

Portfolio Managers'
COMMENTS

Portfolio managers Scott Romans and Cathryn Steeves review key investment strategies and the six-month performance of these five Nuveen Funds. Scott, who joined Nuveen in 2000, has managed the Arizona Funds since 2003. Cathryn, who has been with Nuveen since 1996, assumed portfolio management responsibility for NTX in 2004.

WHAT KEY STRATEGIES WERE USED TO MANAGE THE ARIZONA AND TEXAS FUNDS DURING THIS REPORTING PERIOD?

During this six-month period, we saw very little change in short-term interest rates, while longer-term rates continued to decline, resulting in further flattening of the yield curve. In this environment, we continued to emphasize a disciplined approach to duration management and yield curve positioning. As part of this approach, our purchases for the Funds' portfolios focused mainly on attractively priced bonds in the 15-year to 20-year part of the yield curve for the Arizona Funds and in the 25-year to 30-year range for NTX. We believed that, in those states, bonds across these parts of the curve generally offered better value and reward opportunities more commensurate with their risk levels. To help us maintain the Funds' durations within our preferred strategic range, we also selectively sold holdings with shorter durations, including pre-refunded bonds and bonds priced to short call dates, in all of the Funds.

We also continued to emphasize maintaining the Funds' weightings of lower credit quality bonds. As credit spreads continued to narrow during this period, we generally saw fewer interesting lower-rated credit offerings in the Texas market. However, Texas's status as the second largest state issuer of municipal debt (behind California) meant that we were still able to find opportunities to add lower-rated bonds, including a BBB rated long-term care credit, to NTX.

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At the same time, Arizona's rapid population growth and resulting infrastructure needs provided a number of value opportunities in the lower-rated and non-rated sectors. During this period, we added four new positions in community development district bonds to NFZ, NKR, and NXE. The relative newness of this type of credit in the Arizona market, plus the state's continued growth, made these bonds attractive value prospects. Among the other lower-rated credits we purchased during this period were hospital bonds, increasing the exposure of all four Funds to the lower credit quality categories.

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

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Apart from credit, we also continued to find value in single family housing bonds, which were added to all of the Arizona Funds.

During this period, we also purchased inverse floating rate trusts, a type of derivative financial instrument, in all of the Funds. The inverse floaters had the benefit of increasing the Funds' distributable income and bringing their durations closer to our preferred strategic target. In past shareholder reports, we have discussed the use of hedging as part of our duration management strategies. Going into this reporting period, NXE used forward interest rate swaps to reduce net asset value (NAV) volatility. We believed this strategy had been effective, and we removed the hedge in August 2006.

HOW DID THE FUNDS PERFORM?

Individual results for these Arizona and Texas 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 1/31/07

| ARIZONA FUNDS | 6-MONTH | 1-YEAR | 5-YEAR | 10-YEAR |
|---|---------|--------|--------|---------|
| NAZ | 3.30% | 4.00% | 5.90% | 5.57% |
| NFZ | 3.51% | 4.48% | 7.01% | NA |
| NKR | 3.27% | 4.34% | NA | NA |
| NXE | 3.48% | 4.83% | NA | NA |
| TEXAS FUND | | | | |
| NTX | 3.47% | 4.67% | 6.56% | 6.24% |
| Lehman Brothers Municipal Bond Index2 | | | | |
| | 3.06% | 4.29% | 5.11% | 5.71% |
| Lipper Other States Municipal Debt Funds | | | | |

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| | | | | |
|----------------------|-------|-------|-------|-------|
| Average ³ | 3.75% | 4.98% | 6.96% | 6.57% |
|----------------------|-------|-------|-------|-------|

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

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares.

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

- 2 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 Brothers Municipal Bond Index do not reflect any expenses.
- 3 The Lipper Other State Municipal Debt Funds category average is calculated using the returns of all closed-end funds in this category for each period as follows: 6 months, 46; 1 year, 46; 5 years, 27; and 10 years, 18. Fund and Lipper returns assume reinvestment of dividends.

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For the six months ended January 31, 2007, the cumulative returns on NAV for all of the Funds outperformed the return on the Lehman Brothers Municipal Bond Index. All five of these Funds lagged the average return for the Lipper Other States peer group. Shareholders should note that the performance of the Lipper Other States category represents the overall average of returns for funds from 10 different states with a wide variety of municipal market conditions, making direct comparisons less meaningful.

Factors that influenced the Funds' returns during this period included duration management, allocations to lower-rated credits (or credit risk), sector weightings, advance refunding activity⁴ and the use of financial leverage.

As the yield curve continued to flatten over the course of this period, bonds with shorter maturities generally underperformed longer bonds. Overall, NTX was strategically well positioned in terms of duration, with limited exposure to the shortest maturities and good exposure to those parts of the yield curve that performed well during this period. However, the durations of all four of the Arizona Funds, particularly those of NAZ and NKR, were shorter than our preferred strategic target, which meant that these Funds were not able to capture as much performance as funds with longer durations. As previously mentioned, we worked to address this situation by purchasing inverse floaters in all of these Funds during this period.

With bonds rated BBB or lower and non-rated bonds generally outperforming other credit quality sectors during this period, all of the Funds benefited from their weightings in lower-quality credits. The performance of this sector was largely the result of investor demand for the higher yields typically associated with lower-rated bonds, which drove up their value.

Among the lower-rated holdings making contributions to the Funds' returns for this period were health care (including hospitals) credits and industrial development revenue bonds, which ranked as the top performing revenue sectors in

the Lehman Brothers Municipal Bond Index. While lower-rated tobacco bonds also performed well during

- 4 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.

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this period, NAZ, NXE, and NTX held only small allocations (approximately 1% of their portfolios) of these bonds, and NFZ and NKR did not hold any tobacco bonds. In addition, NTX's exposure to the housing sector was a slightly negative factor in its six-month performance.

In the Arizona Funds, especially in NAZ, we continued to see positive contributions from advance refunding activity, which benefited these four Funds through price appreciation and enhanced credit quality. All four of the Arizona Funds also benefited from the credit quality upgrade of their holdings of Catholic Healthcare West bonds to A2/A from A3/A-.

On the other hand, holdings of older, previously pre-refunded bonds in the Funds tended to underperform the general municipal market, due primarily to their shorter effective maturities and higher credit quality. Among these five Funds, NAZ had the heaviest allocation of pre-refunded bonds going into this period.

Another factor in the six-month performance of these Funds, especially relative to that of the unleveraged Lehman Brothers Municipal Bond Index, was the use of financial leverage. While leverage can add volatility to a Fund's NAV and share price, this strategy can also provide opportunities for additional income and total return for common shareholders. The Funds' leveraging strategy positively impacted their results over this period.

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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. While the Funds' leveraging strategy continued to provide incremental income, the extent of this benefit was reduced during this period due to higher short-term interest rates, which increased the Funds' borrowing costs. 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. These factors resulted in one monthly dividend reduction in NKR and NTX and two in NFZ over the six-month period ended January 31, 2007. The dividends of NAZ and NXE remained stable during this period.

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

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| | LONG-TERM CAPITAL GAINS (PER SHARE) | ORDINARY INCOME (PER SHARE) |
|-----|--|--------------------------------|
| NFZ | \$0.0614 | \$0.0016 |
| NKR | \$0.0405 | -- |
| NTX | \$0.0363 | -- |

These distributions, which were generated by bond calls and sales of appreciated securities, had a slight negative impact on the earning power per common share of these Funds and were a minor factor in the common share dividend reductions noted above.

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of January 31, 2007, all of the Arizona Funds had negative UNII balances for financial statement purposes and positive UNII balances, based on our best estimates, for tax purposes, while NTX had positive UNII balances for both financial statement and, based on our best estimates, for tax purposes.

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

| | 1/31/07 PREMIUM/DISCOUNT | 6-MONTH AVERAGE PREMIUM/DISCOUNT |
|-----|-----------------------------|-------------------------------------|
| NAZ | -2.31% | -3.80% |
| NFZ | +1.48% | +4.15% |
| NKR | +0.53% | +1.76% |
| NXE | -1.59% | -4.45% |
| NTX | -4.22% | -3.45% |

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Nuveen Arizona Premium Income Municipal Fund, Inc.
NAZ

Performance

OVERVIEW As of January 31, 2007

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Pie Chart:

CREDIT QUALITY

(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 78% |
| AA | 6% |
| A | 5% |
| BBB | 9% |
| N/R | 2% |

Bar Chart:

2006-2007 MONTHLY TAX-FREE DIVIDENDS PER SHARE

| | |
|-----|-------|
| Feb | 0.058 |
| Mar | 0.055 |
| Apr | 0.055 |
| May | 0.055 |
| Jun | 0.051 |
| Jul | 0.051 |
| Aug | 0.051 |
| Sep | 0.051 |
| Oct | 0.051 |
| Nov | 0.051 |
| Dec | 0.051 |
| Jan | 0.051 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|---------|--------|
| 2/01/06 | 14.24 |
| | 14.18 |
| | 14.19 |
| | 14.3 |
| | 14.25 |
| | 14.13 |
| | 14.26 |
| | 14.23 |
| | 14.19 |
| | 14.14 |
| | 14.2 |
| | 14.22 |
| | 14.1 |
| | 14.18 |
| | 13.75 |
| | 13.46 |
| | 13.64 |
| | 13.63 |
| | 13.62 |
| | 13.64 |
| | 13.29 |
| | 13.44 |
| | 13.2 |
| | 13.32 |
| | 13.3 |
| | 13.35 |
| | 13.44 |
| | 13.46 |
| | 13.82 |
| | 13.68 |
| | 13.767 |
| | 13.75 |

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| | |
|---------|---------|
| | 13.72 |
| | 13.69 |
| | 13.85 |
| | 13.8 |
| | 13.69 |
| | 13.8 |
| | 13.7 |
| | 13.7501 |
| | 13.86 |
| | 13.75 |
| | 13.88 |
| | 14.01 |
| | 13.92 |
| | 13.86 |
| | 13.9212 |
| | 14.2 |
| | 13.97 |
| | 13.75 |
| | 13.81 |
| | 13.81 |
| | 13.88 |
| | 13.94 |
| | 13.88 |
| | 13.85 |
| 1/31/07 | 13.93 |

FUND SNAPSHOT

| | |
|---|----------|
| Common Share Price | \$13.93 |
| Common Share Net Asset Value | \$14.26 |
| Premium/(Discount) to NAV | -2.31% |
| Market Yield | 4.39% |
| Taxable-Equivalent Yield ¹ | 6.37% |
| Net Assets Applicable to Common Shares (\$000) | \$63,713 |
| Average Effective Maturity on Securities (Years) | 14.18 |
| Leverage-Adjusted Duration | 8.52 |

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

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 4.02% | 3.30% |
| 1-Year | 2.30% | 4.00% |
| 5-Year | 2.43% | 5.90% |
| 10-Year | 5.39% | 5.57% |

INDUSTRIES
(as a % of total investments)

| | |
|-----------------------------------|-------|
| Tax Obligation/Limited | 26.3% |
| U.S. Guaranteed | 23.4% |
| Water and Sewer | 16.0% |
| Education and Civic Organizations | 9.9% |
| Health Care | 8.3% |
| Utilities | 8.1% |
| Other | 8.0% |

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.1%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

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Nuveen Arizona Dividend Advantage Municipal Fund
NFZ

Performance
OVERVIEW As of January 31, 2007

Pie Chart:
CREDIT QUALITY
(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 69% |
| AA | 12% |
| A | 5% |
| BBB | 10% |
| N/R | 4% |

Bar Chart:
2006-2007 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

| | |
|-----|--------|
| Feb | 0.069 |
| Mar | 0.069 |
| Apr | 0.069 |
| May | 0.069 |
| Jun | 0.0655 |
| Jul | 0.0655 |
| Aug | 0.0655 |
| Sep | 0.0615 |
| Oct | 0.0615 |
| Nov | 0.0615 |
| Dec | 0.0585 |
| Jan | 0.0585 |

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Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|---------|---------|
| 2/01/06 | 16.36 |
| | 16.35 |
| | 16.55 |
| | 16.74 |
| | 16.04 |
| | 15.78 |
| | 15.76 |
| | 16 |
| | 16.03 |
| | 15.91 |
| | 15.19 |
| | 15.1 |
| | 15.49 |
| | 15.8 |
| | 16.5 |
| | 16.05 |
| | 16.1 |
| | 15.9 |
| | 16.08 |
| | 15.66 |
| | 15.48 |
| | 15.35 |
| | 15.35 |
| | 15.57 |
| | 15.67 |
| | 16.02 |
| | 15.7 |
| | 15.9 |
| | 16 |
| | 16.45 |
| | 16.13 |
| | 16 |
| | 16.18 |
| | 15.97 |
| | 16 |
| | 16.1 |
| | 15.9 |
| | 16.22 |
| | 15.79 |
| | 15.54 |
| | 15.66 |
| | 15.7699 |
| | 15.85 |
| | 15.65 |
| | 15.51 |
| | 15.51 |
| | 15.7 |
| | 15.5 |
| | 15.29 |
| | 15.24 |
| | 15.045 |
| | 15.045 |
| | 15.35 |
| | 15.24 |
| | 14.98 |
| | 14.9 |
| 1/31/07 | 15.08 |

FUND SNAPSHOT

| | |
|---|----------|
| Common Share Price | \$15.08 |
| Common Share Net Asset Value | \$14.86 |
| Premium/(Discount) to NAV | 1.48% |
| Market Yield | 4.66% |
| Taxable-Equivalent Yield ¹ | 6.76% |
| Net Assets Applicable to Common Shares (\$000) | \$23,011 |
| Average Effective Maturity on Securities (Years) | 15.09 |
| Leverage-Adjusted Duration | 9.13 |

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

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | -2.50% | 3.51% |
| 1-Year | -1.22% | 4.48% |
| 5-Year | 5.63% | 7.01% |
| Since Inception | 5.97% | 6.81% |

INDUSTRIES

(as a % of total investments)

| | |
|------------------------|-------|
| Tax Obligation/Limited | 34.3% |
| Utilities | 15.6% |
| Tax Obligation/General | 13.7% |
| U.S. Guaranteed | 11.7% |
| Water and Sewer | 7.2% |
| Health Care | 5.1% |
| Other | 12.4% |

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 combined federal and state income tax

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rate of 31.1%. 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 \$0.0630 per share.

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Nuveen Arizona Dividend Advantage Municipal Fund 2
 NKR

Performance

OVERVIEW As of January 31, 2007

Pie Chart:

CREDIT QUALITY

(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 67% |
| AA | 8% |
| A | 10% |
| BBB | 11% |
| N/R | 4% |

Bar Chart:

2006-2007 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

| | |
|-----|--------|
| Feb | 0.0685 |
| Mar | 0.0685 |
| Apr | 0.0685 |
| May | 0.0685 |
| Jun | 0.0645 |
| Jul | 0.0645 |
| Aug | 0.0645 |
| Sep | 0.0615 |
| Oct | 0.0615 |
| Nov | 0.0615 |
| Dec | 0.0615 |
| Jan | 0.0615 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|---------|-------|
| 2/01/06 | 15.55 |
| | 15.55 |
| | 15.67 |
| | 15.74 |
| | 15.65 |
| | 15.41 |
| | 15.53 |
| | 15.21 |
| | 15.2 |
| | 15.15 |
| | 14.99 |
| | 15.4 |
| | 15.06 |
| | 15.3 |
| | 14.96 |
| | 14.96 |

| | |
|---------|---------|
| | 15.5 |
| | 15 |
| | 15.38 |
| | 15.15 |
| | 14.91 |
| | 15.1 |
| | 14.82 |
| | 14.75 |
| | 14.9 |
| | 15.17 |
| | 15.23 |
| | 15.27 |
| | 15.95 |
| | 15.9 |
| | 15.75 |
| | 15.9 |
| | 15.66 |
| | 15.55 |
| | 15.35 |
| | 15.55 |
| | 15.71 |
| | 16.28 |
| | 15.73 |
| | 15.55 |
| | 15.47 |
| | 15.7 |
| | 15.82 |
| | 15.24 |
| | 15.35 |
| | 15.35 |
| | 15.27 |
| | 15.23 |
| | 15.2 |
| | 15.19 |
| | 15.0307 |
| | 15.0307 |
| | 15.21 |
| | 14.94 |
| | 14.89 |
| | 15.0501 |
| 1/31/07 | 15.16 |

FUND SNAPSHOT

| | |
|---|----------|
| ----- | |
| Common Share Price | \$15.16 |
| ----- | |
| Common Share Net Asset Value | \$15.08 |
| ----- | |
| Premium/(Discount) to NAV | 0.53% |
| ----- | |
| Market Yield | 4.87% |
| ----- | |
| Taxable-Equivalent Yield ¹ | 7.07% |
| ----- | |
| Net Assets Applicable to Common Shares (\$000) | \$36,679 |
| ----- | |
| Average Effective Maturity on Securities (Years) | 15.36 |
| ----- | |

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Leverage-Adjusted Duration 9.04

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

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 1.31% | 3.27% |
| 1-Year | 3.15% | 4.34% |
| Since Inception | 6.21% | 7.10% |

INDUSTRIES
(as a % of total investments)

| | |
|--------------------------------------|-------|
| Tax Obligation/Limited | 32.9% |
| Tax Obligation/General | 18.3% |
| Health Care | 10.6% |
| U.S. Guaranteed | 9.4% |
| Water and Sewer | 7.8% |
| Education and Civic Organizations | 7.2% |
| Housing/Multifamily | 5.4% |
| Other | 8.4% |

- 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 combined federal and state income tax rate of 31.1%. 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 \$0.0405 per share.

Nuveen Arizona Dividend Advantage Municipal Fund 3
NXE

Performance
OVERVIEW As of January 31, 2007

Pie Chart:

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CREDIT QUALITY
(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 69% |
| AA | 8% |
| A | 8% |
| BBB | 11% |
| N/R | 4% |

Bar Chart:
2006-2007 MONTHLY TAX-FREE DIVIDENDS PER SHARE

| | |
|-----|--------|
| Feb | 0.0605 |
| Mar | 0.0605 |
| Apr | 0.0605 |
| May | 0.0605 |
| Jun | 0.0565 |
| Jul | 0.0565 |
| Aug | 0.0565 |
| Sep | 0.0565 |
| Oct | 0.0565 |
| Nov | 0.0565 |
| Dec | 0.0565 |
| Jan | 0.0565 |

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

| | |
|---------|---------|
| 2/01/06 | 14.35 |
| | 14.2 |
| | 14.27 |
| | 14.56 |
| | 14.4 |
| | 14.36 |
| | 14.43 |
| | 14.5 |
| | 14.4 |
| | 14.3 |
| | 14.3 |
| | 14.7 |
| | 14.19 |
| | 14.5 |
| | 14.3 |
| | 13.85 |
| | 13.7 |
| | 13.6 |
| | 14 |
| | 13.65 |
| | 13.8 |
| | 13.56 |
| | 13.59 |
| | 13.62 |
| | 13.59 |
| | 13.45 |
| | 13.64 |
| | 13.58 |
| | 13.89 |
| | 13.81 |
| | 14 |
| | 13.95 |
| | 13.98 |
| | 13.8201 |
| | 13.78 |

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| | |
|---------|---------|
| | 13.8635 |
| | 13.8 |
| | 14.05 |
| | 13.75 |
| | 13.8 |
| | 13.99 |
| | 14.1 |
| | 13.9 |
| | 14.08 |
| | 14 |
| | 14 |
| | 14.19 |
| | 14.4 |
| | 14.42 |
| | 13.8 |
| | 13.85 |
| | 13.85 |
| | 13.9 |
| | 14.1 |
| | 13.76 |
| | 13.99 |
| 1/31/06 | 14.25 |

FUND SNAPSHOT

| | |
|---------------------------------------|----------|
| ----- | |
| Common Share Price | \$14.25 |
| ----- | |
| Common Share | |
| Net Asset Value | \$14.48 |
| ----- | |
| Premium/(Discount) to NAV | -1.59% |
| ----- | |
| Market Yield | 4.76% |
| ----- | |
| Taxable-Equivalent Yield ¹ | 6.91% |
| ----- | |
| Net Assets Applicable to | |
| Common Shares (\$000) | \$44,429 |
| ----- | |
| Average Effective | |
| Maturity on Securities (Years) | 15.65 |
| ----- | |
| Leverage-Adjusted Duration | 8.52 |
| ----- | |

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

| | | |
|--------------|----------------|--------|
| ----- | | |
| | ON SHARE PRICE | ON NAV |
| ----- | | |
| 6-Month | | |
| (Cumulative) | 7.97% | 3.48% |
| ----- | | |
| 1-Year | 4.46% | 4.83% |
| ----- | | |
| Since | | |
| Inception | 4.25% | 5.62% |
| ----- | | |

INDUSTRIES
(as a % of total investments)

| | |
|-----------------------------------|-------|
| Tax Obligation/Limited | 25.5% |
| U.S. Guaranteed | 15.4% |
| Health Care | 12.2% |
| Education and Civic Organizations | 9.1% |
| Transportation | 9.0% |
| Utilities | 8.1% |
| Water and Sewer | 7.4% |
| Tax Obligation/General | 6.1% |
| Other | 7.2% |

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.1%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

Nuveen Texas Quality Income Municipal Fund
NTX

Performance

OVERVIEW As of January 31, 2007

Pie Chart:

CREDIT QUALITY

(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 68% |
| AA | 11% |
| A | 7% |
| BBB | 11% |
| BB or Lower | 1% |
| N/R | 2% |

Bar Chart:

2006-2007 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

| | |
|-----|--------|
| Feb | 0.0695 |
| Mar | 0.066 |
| Apr | 0.066 |
| May | 0.066 |
| Jun | 0.0635 |
| Jul | 0.0635 |
| Aug | 0.0635 |
| Sep | 0.0605 |
| Oct | 0.0605 |

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| | |
|-----|--------|
| Nov | 0.0605 |
| Dec | 0.0605 |
| Jan | 0.0605 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|---------|--------|
| 2/01/06 | 15.01 |
| | 15.12 |
| | 15.15 |
| | 15.35 |
| | 15.14 |
| | 15.11 |
| | 14.96 |
| | 14.95 |
| | 14.93 |
| | 14.99 |
| | 14.961 |
| | 14.95 |
| | 14.96 |
| | 15.04 |
| | 14.86 |
| | 14.48 |
| | 14.52 |
| | 14.39 |
| | 14.43 |
| | 14.43 |
| | 14.25 |
| | 14.05 |
| | 14.2 |
| | 14.35 |
| | 14.46 |
| | 14.14 |
| | 14.14 |
| | 14.95 |
| | 14.79 |
| | 15 |
| | 14.95 |
| | 14.86 |
| | 14.96 |
| | 14.88 |
| | 14.84 |
| | 14.9 |
| | 14.83 |
| | 14.73 |
| | 14.59 |
| | 14.64 |
| | 14.67 |
| | 14.86 |
| | 14.81 |
| | 14.87 |
| | 14.91 |
| | 14.87 |
| | 14.87 |
| | 14.8 |
| | 14.58 |
| | 14.62 |
| | 14.64 |
| | 14.64 |
| | 14.6 |
| | 14.69 |

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| | |
|---------|-------|
| | 14.61 |
| | 14.63 |
| 1/31/07 | 14.54 |

FUND SNAPSHOT

| | |
|---|-----------|
| Common Share Price | \$14.54 |
| Common Share Net Asset Value | \$15.18 |
| Premium/(Discount) to NAV | -4.22% |
| Market Yield | 4.99% |
| Taxable-Equivalent Yield ¹ | 6.93% |
| Net Assets Applicable to Common Shares (\$000) | \$144,142 |
| Average Effective Maturity on Securities (Years) | 16.35 |
| Leverage-Adjusted Duration | 7.51 |

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

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 1.57% | 3.47% |
| 1-Year | 2.35% | 4.67% |
| 5-Year | 5.82% | 6.56% |
| 10-Year | 6.16% | 6.24% |

INDUSTRIES

(as a % of total investments)

| | |
|--------------------------------------|-------|
| Tax Obligation/General | 30.9% |
| U.S. Guaranteed | 13.0% |
| Education and Civic Organizations | 12.5% |
| Health Care | 9.0% |
| Water and Sewer | 7.3% |
| Utilities | 6.5% |
| Long-Term Care | 4.8% |
| Transportation | 4.3% |

Other 11.7%

- 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 capital gains distribution in December 2006 of \$.0363 per share.

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Shareholder
MEETING REPORT

The shareholder meeting was held in the offices of Nuveen Investments on November 14, 2006.

| | NAZ | | NFZ | |
|--|--|--|--|--|
| APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS: | Common and MuniPreferred shares voting together as a class | MuniPreferred shares voting together as a class | Common and MuniPreferred shares voting together as a class | MuniPreferred shares voting together as a class |
| Robert P. Bremner | | | | |
| For | 4,201,587 | -- | 1,524,703 | -- |
| Withhold | 65,555 | -- | 3,051 | -- |
| Total | 4,267,142 | -- | 1,527,754 | -- |
| Lawrence H. Brown | | | | |
| For | 4,194,800 | -- | 1,524,703 | -- |
| Withhold | 72,342 | -- | 3,051 | -- |
| Total | 4,267,142 | -- | 1,527,754 | -- |
| Jack B. Evans | | | | |
| For | 4,201,587 | -- | 1,521,103 | -- |
| Withhold | 65,555 | -- | 6,651 | -- |
| Total | 4,267,142 | -- | 1,527,754 | -- |
| William C. Hunter | | | | |
| For | 4,204,087 | -- | 1,521,103 | -- |
| Withhold | 63,055 | -- | 6,651 | -- |
| Total | 4,267,142 | -- | 1,527,754 | -- |
| David J. Kundert | | | | |
| For | 4,203,087 | -- | 1,524,703 | -- |

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| | | | | |
|-------------------------|-----------|-------|-----------|-----|
| Withhold | 64,055 | -- | 3,051 | -- |
| Total | 4,267,142 | -- | 1,527,754 | -- |
| ===== | | | | |
| William J. Schneider | | | | |
| For | -- | 1,068 | -- | 467 |
| Withhold | -- | 1 | -- | 1 |
| Total | -- | 1,069 | -- | 468 |
| ===== | | | | |
| Timothy R. Schwertfeger | | | | |
| For | -- | 1,068 | -- | 467 |
| Withhold | -- | 1 | -- | 1 |
| Total | -- | 1,069 | -- | 468 |
| ===== | | | | |
| Judith M. Stockdale | | | | |
| For | 4,178,759 | -- | 1,519,803 | -- |
| Withhold | 88,383 | -- | 7,951 | -- |
| Total | 4,267,142 | -- | 1,527,754 | -- |
| ===== | | | | |
| Eugene S. Sunshine | | | | |
| For | 4,195,900 | -- | 1,524,703 | -- |
| Withhold | 71,242 | -- | 3,051 | -- |
| Total | 4,267,142 | -- | 1,527,754 | -- |
| ===== | | | | |

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Shareholder
MEETING REPORT (continued)

NXE

APPROVAL OF THE BOARD MEMBERS
WAS REACHED AS FOLLOWS:

| | Common and MuniPreferred shares voting together as a class | MuniPreferred shares voting together as a class |
|-------------------|--|--|
| ===== | | |
| Robert P. Bremner | | |
| For | 2,979,003 | -- |
| Withhold | 25,690 | -- |
| Total | 3,004,693 | -- |
| ===== | | |
| Lawrence H. Brown | | |
| For | 2,960,435 | -- |
| Withhold | 44,258 | -- |
| Total | 3,004,693 | -- |
| ===== | | |
| Jack B. Evans | | |
| For | 2,958,809 | -- |

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| | | |
|-------------------------|-----------|-----|
| Withhold | 45,884 | -- |
| Total | 3,004,693 | -- |
| ===== | | |
| William C. Hunter | | |
| For | 2,979,109 | -- |
| Withhold | 25,584 | -- |
| Total | 3,004,693 | -- |
| ===== | | |
| David J. Kundert | | |
| For | 2,975,303 | -- |
| Withhold | 29,390 | -- |
| Total | 3,004,693 | -- |
| ===== | | |
| William J. Schneider | | |
| For | -- | 880 |
| Withhold | -- | -- |
| Total | -- | 880 |
| ===== | | |
| Timothy R. Schwertfeger | | |
| For | -- | 880 |
| Withhold | -- | -- |
| Total | -- | 880 |
| ===== | | |
| Judith M. Stockdale | | |
| For | 2,974,303 | -- |
| Withhold | 30,390 | -- |
| Total | 3,004,693 | -- |
| ===== | | |
| Eugene S. Sunshine | | |
| For | 2,976,335 | -- |
| Withhold | 28,358 | -- |
| Total | 3,004,693 | -- |
| ===== | | |

16

Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ)
 Portfolio of
 INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------|--|--------------------------|
| | CONSUMER STAPLES - 1.5% (1.0% OF TOTAL INVESTMENTS) | |
| \$ 895 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | 5/12 at 100 |

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EDUCATION AND CIVIC ORGANIZATIONS - 14.8% (9.9% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 1,000 | Arizona State University, System Revenue Bonds, Series 2002, 5.000%, 7/01/25 - FGIC Insured | 7/12 at 100 |
| 2,455 | Arizona State University, System Revenue Bonds, Series 2005: 5.000%, 7/01/20 - AMBAC Insured | 7/15 at 100 |
| 1,500 | 5.000%, 7/01/21 - AMBAC Insured | 7/15 at 100 |
| 1,250 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31 | 5/11 at 101 |
| 1,180 | Northern Arizona University, System Revenue Bonds, Series 2006, 5.000%, 6/01/24 - FGIC Insured | 6/17 at 100 |
| 1,500 | Tempe Industrial Development Authority, Arizona, Lease Revenue Bonds, Arizona State University Foundation Project, Series 2003, 5.000%, 7/01/34 - AMBAC Insured | 7/13 at 100 |
| ----- | | |
| 8,885 | Total Education and Civic Organizations | |
| ----- | | |

HEALTH CARE - 12.4% (8.3% OF TOTAL INVESTMENTS)

| | | |
|-------|---|--------------|
| 800 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| 1,450 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 1999A, 6.125%, 11/15/22 | 11/09 at 100 |
| 675 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37 | 12/15 at 100 |
| 550 | Maricopa County Industrial Development Authority, Arizona, Health Facilities Revenue Bonds, Mayo Clinic, Series 2006, 5.000%, 11/15/36 | 5/16 at 100 |
| 2,150 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |
| 385 | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 | 4/15 at 100 |
| 515 | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Hospital Revenue Bonds, Hospital de la Concepcion, Series 2000A, 6.375%, 11/15/15 | 11/10 at 101 |
| 1,055 | Winslow Industrial Development Authority, Arizona, Hospital Revenue Bonds, Winslow Memorial Hospital, Series 1998, 5.500%, 6/01/22 | 6/08 at 101 |
| ----- | | |
| 7,580 | Total Health Care | |
| ----- | | |

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HOUSING/MULTIFAMILY - 1.5% (1.0% OF TOTAL INVESTMENTS)

| | | |
|-----|--|-------------|
| 400 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson, Series 2001, 5.700%, 6/20/31 (Alternative Minimum Tax) | 6/11 at 100 |
| 530 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |

930 Total Housing/Multifamily

HOUSING/SINGLE FAMILY - 2.7% (1.8% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 1,690 | The Industrial Development Authority of The City of Tucson, Arizona, Tax-Exempt Single Family Mortgage Revenue Bonds, Series 2007A-1, 5.100%, 7/01/38 | 1/17 at 100 |
|-------|---|-------------|

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Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ) (continued)
Portfolio of INVESTMENTS January 31, 2007 (Unaudited)

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

INDUSTRIALS - 2.1% (1.4% OF TOTAL INVESTMENTS)

| | | |
|----------|--|-----------|
| \$ 1,345 | Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management Inc., Series 2003B, 4.450%, 3/01/28 (Mandatory put 3/01/08) (Alternative Minimum Tax) | No Opt. C |
|----------|--|-----------|

TAX OBLIGATION/GENERAL - 4.1% (2.8% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 630 | Maricopa County Union High School District 210 Phoenix, Arizona, General Obligation Bonds, Series 2006C, 5.000%, 7/01/24 - MBIA Insured | 7/16 at 100 |
| 1,525 | Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2004A, 5.000%, 7/01/21 - FSA Insured | 7/14 at 100 |
| 330 | Puerto Rico, General Obligation and Public Improvement Bonds, Series 2001A, 5.375%, 7/01/28 | 7/11 at 100 |

2,485 Total Tax Obligation/General

TAX OBLIGATION/LIMITED - 39.3% (26.3% OF TOTAL INVESTMENTS)

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| | | |
|--------|---|-------------|
| | Bullhead City, Arizona, Special Assessment Bonds, Parkway District Improvements, Series 1993: | |
| 720 | 6.100%, 1/01/08 | 7/07 at 100 |
| 775 | 6.100%, 1/01/09 | 7/07 at 100 |
| 474 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at 102 |
| | Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A: | |
| 740 | 5.000%, 8/01/23 - MBIA Insured | 8/16 at 100 |
| 875 | 5.000%, 8/01/25 - MBIA Insured | 8/16 at 100 |
| 1,280 | Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006, 5.000%, 8/01/22 - MBIA Insured | 8/16 at 100 |
| 575 | Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/28 - AMBAC Insured | 7/13 at 100 |
| 1,110 | Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26 | 7/16 at 100 |
| 3,400 | Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002, 5.375%, 6/01/18 - AMBAC Insured | 6/12 at 100 |
| 3,400 | Mesa, Arizona, Street and Highway User Tax Revenue Bonds, Series 2005, 5.000%, 7/01/24 - FSA Insured | 7/15 at 100 |
| 2,000 | Phoenix Civic Improvement Corporation, Arizona, Subordinate Lien Excise Tax Revenue Bonds, Series 2003A, 5.000%, 7/01/21 - MBIA Insured | 7/13 at 100 |
| 1,200 | Prescott Valley Municipal Property Corporation, Arizona, Municipal Facilities Revenue Bonds, Series 2003, 5.000%, 1/01/27 - FGIC Insured | 1/13 at 100 |
| | Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005A | |
| 11,970 | 0.000%, 7/01/42 - FGIC Insured (UB) | No Opt. C |
| 2,875 | 0.000%, 7/01/43 - AMBAC Insured (UB) | No Opt. C |
| 1,000 | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24 | 7/12 at 100 |
| 1,610 | San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - XLCA Insured | 7/15 at 100 |
| 1,350 | Tempe, Arizona, Excise Tax Revenue Bonds, Series 2004, 5.250%, 7/01/20 - AMBAC Insured | 7/14 at 100 |
| 500 | Tucson, Arizona, Certificates of Participation, Series 2000, 5.700%, 7/01/20 - MBIA Insured | 7/08 at 100 |

35,854 Total Tax Obligation/Limited

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U.S. GUARANTEED - 35.1% (23.4% OF TOTAL INVESTMENTS) (4)

| | | |
|-------|---|--------------|
| 1,000 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 7.000%, 12/01/25 (Pre-refunded 12/01/10) | 12/10 at 102 |
| 1,000 | Arizona State University, Certificates of Participation, Series 2002, 5.375%, 7/01/19 (Pre-refunded 7/01/12) - MBIA Insured | 7/12 at 100 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------------|--|--------------------------|
| ----- | | |
| U.S. GUARANTEED (4) (continued) | | |
| \$ 1,000 | Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A: 5.375%, 7/01/20 (Pre-refunded 7/01/13) - MBIA Insured | 7/13 at 100 |
| 1,000 | 5.375%, 7/01/21 (Pre-refunded 7/01/13) - MBIA Insured | 7/13 at 100 |
| 1,250 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Refunding Bonds, Samaritan Health Services, Series 1990A, 7.000%, 12/01/16 - MBIA Insured (ETM) | No Opt. C |
| 3,000 | Mesa Industrial Development Authority, Arizona, Revenue Bonds, Discovery Health System, Series 1999A, 5.750%, 1/01/25 (Pre-refunded 1/01/10) - MBIA Insured | 1/10 at 101 |
| 345 | Mohave County Industrial Development Authority, Arizona, GNMA Collateralized Healthcare Revenue Refunding Bonds, Chris Ridge and Silver Village Projects, Series 1996, 6.375%, 11/01/31 (Pre-refunded 2/01/07) | 2/07 at 100 |
| 1,050 | Northern Arizona University, System Revenue Bonds, Series 2002, 5.000%, 6/01/34 (Pre-refunded 6/01/12) - FGIC Insured | 6/12 at 100 |
| 2,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2000, 6.000%, 7/01/24 (Pre-refunded 7/01/10) - FGIC Insured | 7/10 at 101 |
| 700 | Phoenix Industrial Development Authority, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC, Series 2000: 5.375%, 9/15/22 (Pre-refunded 9/15/10) - AMBAC Insured | 9/10 at 100 |
| 2,000 | 5.500%, 9/15/27 (Pre-refunded 9/15/10) - AMBAC Insured | 9/10 at 100 |
| 1,000 | Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2000B, 6.500%, 7/01/27 (Pre-refunded 7/01/10) | 7/10 at 101 |
| 1,500 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11) | 12/11 at 101 |
| 3,215 | Tucson Industrial Development Authority, Arizona, Senior | 7/10 at 101 |

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Living Facilities Revenue Bonds, Christian Care Project,
Series 2000A, 5.625%, 7/01/20 (Pre-refunded 7/01/10) -
RAAI Insured

600 Tucson, Arizona, Junior Lien Street and Highway User Revenue Bonds, Series 2000E, 5.000%, 7/01/18 (Pre-refunded 7/01/10) - FGIC Insured 7/10 at 100

20,660 Total U.S. Guaranteed

UTILITIES - 12.1% (8.1% OF TOTAL INVESTMENTS)

1,000 Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/15 No Opt. C

620 Pima County Industrial Development Authority, Arizona, Lease Obligation Revenue Refunding Bonds, Tucson Electric Power Company, Series 1988A, 7.250%, 7/15/10 - FSA Insured 7/07 at 100

2,170 Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/27 - XLCA Insured 7/15 at 100

530 Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22 1/13 at 100

2,000 Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A: 5.125%, 1/01/27 1/12 at 101

1,000 5.000%, 1/01/31 1/12 at 101

7,320 Total Utilities

WATER AND SEWER - 24.0% (16.0% OF TOTAL INVESTMENTS)

1,825 Arizona Water Infrastructure Finance Authority, Water Quality Revenue Bonds, Series 2004A, 5.000%, 10/01/19 10/14 at 100

1,005 Cottonwood, Arizona, Senior Lien Water System Revenue Bonds, Municipal Property Corporation, Series 2004, 5.000%, 7/01/24 - XLCA Insured 7/14 at 100

3,500 Glendale, Arizona, Water and Sewer Revenue Bonds, Subordinate Lien, Series 2003, 5.000%, 7/01/28 - AMBAC Insured 7/13 at 100

600 Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured 7/13 at 100

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Portfolio of INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------|---|--------------------------|
| ----- | | |
| | WATER AND SEWER (continued) | |
| \$ 1,415 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2004, 5.000%, 7/01/24 - MBIA Insured | 7/14 at 100 |
| 1,500 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured | 7/12 at 100 |
| 3,295 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/23 - MBIA Insured | 7/15 at 100 |
| 1,250 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/21 - FGIC Insured | No Opt. C |
| ----- | | |
| 14,390 | Total Water and Sewer | |
| ----- | | |
| \$ 102,034 | Total Investments (cost \$91,688,321) - 149.6% | |
| ===== | | |
| | Floating Rate Obligations - (3.2)% | |
| | Other Assets Less Liabilities - 0.7% | |
| | Preferred Shares, at Liquidation Value - (47.1)% | |
| | Net Assets Applicable to Common Shares - 100% | |
| ===== | | |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- N/R Not rated.
- (ETM) Escrowed to maturity.

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(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.

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Nuveen Arizona Dividend Advantage Municipal Fund (NFZ)
 Portfolio of
 INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------|---|--------------------------|
| ----- | | |
| | EDUCATION AND CIVIC ORGANIZATIONS - 7.2% (4.7% OF TOTAL INVESTMENTS) | |
| \$ 1,000 | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Ana G. Mendez University System, Series 1999, 5.375%, 2/01/29 | 2/09 at 101 |
| 300 | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, University of the Sacred Heart, Series 2001, 5.250%, 9/01/21 | 9/11 at 100 |
| 305 | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34 | 9/14 at 100 |
| ----- | | |
| 1,605 | Total Education and Civic Organizations | |
| ----- | | |
| | HEALTH CARE - 7.9% (5.1% OF TOTAL INVESTMENTS) | |
| 365 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| 10 | California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A, 5.000%, 3/01/28 | 3/13 at 100 |
| 250 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37 | 12/15 at 100 |
| 200 | Maricopa County Industrial Development Authority, Arizona, Health Facilities Revenue Bonds, Mayo Clinic, Series 2006, 5.000%, 11/15/36 | 5/16 at 100 |
| 750 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |

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| | | |
|-----|--|-------------|
| 140 | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 | 4/15 at 100 |
|-----|--|-------------|

| | | |
|-------|-------------------|--|
| 1,715 | Total Health Care | |
|-------|-------------------|--|

HOUSING/MULTIFAMILY - 6.7% (4.3% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 1,000 | Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Revenue Bonds, Whispering Palms Apartments, Series 1999A, 5.900%, 7/01/29 - MBIA Insured | 7/09 at 102 |
|-------|---|-------------|

| | | |
|-----|--|-------------|
| 275 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson, Series 2001, 5.700%, 6/20/31 (Alternative Minimum Tax) | 6/11 at 102 |
|-----|--|-------------|

| | | |
|-----|---|-------------|
| 205 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |
|-----|---|-------------|

| | | |
|-------|---------------------------|--|
| 1,480 | Total Housing/Multifamily | |
|-------|---------------------------|--|

HOUSING/SINGLE FAMILY - 3.0% (1.9% OF TOTAL INVESTMENTS)

| | | |
|----|--|--------------|
| 25 | Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, Series 2001A-4, 5.050%, 5/01/17 | 11/10 at 101 |
|----|--|--------------|

| | | |
|-----|---|-------------|
| 635 | The Industrial Development Authority of The City of Tucson, Arizona, Tax-Exempt Single Family Mortgage Revenue Bonds, Series 2007A-1, 5.100%, 7/01/38 | 1/17 at 103 |
|-----|---|-------------|

| | | |
|-----|-----------------------------|--|
| 660 | Total Housing/Single Family | |
|-----|-----------------------------|--|

INDUSTRIALS - 2.2% (1.5% OF TOTAL INVESTMENTS)

| | | |
|-----|--|-----------|
| 510 | Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management Inc., Series 2003B, 4.450%, 3/01/28 (Mandatory put 3/01/08) (Alternative Minimum Tax) | No Opt. C |
|-----|--|-----------|

TAX OBLIGATION/GENERAL - 21.1% (13.7% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 1,000 | Maricopa County Unified School District 11, Peoria, Arizona, General Obligation Bonds, Second Series 2005, 5.000%, 7/01/20 - FGIC Insured | 7/15 at 100 |
|-------|---|-------------|

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Nuveen Arizona Dividend Advantage Municipal Fund (NFZ) (continued)
 Portfolio of INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---|--|--------------------------|
| ----- | | |
| TAX OBLIGATION/GENERAL (continued) | | |
| \$ 240 | Maricopa County Union High School District 210 Phoenix, Arizona, General Obligation Bonds, Series 2006C, 5.000%, 7/01/24 - MBIA Insured | 7/16 at 100 |
| 1,020 | Tucson, Arizona, General Obligation Refunding Bonds, Series 1997, 5.000%, 7/01/19 | 7/07 at 100 |
| 2,340 | Yuma & La Paz Counties Community College District, Arizona, General Obligation Bonds, Series 2006, 5.000%, 7/01/21 - MBIA Insured | 7/16 at 100 |
| ----- | | |
| 4,600 | Total Tax Obligation/General | |
| ----- | | |
| TAX OBLIGATION/LIMITED - 52.8% (34.3% OF TOTAL INVESTMENTS) | | |
| 1,500 | Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2004A, 5.750%, 7/01/18 - AMBAC Insured | 7/14 at 100 |
| 1,220 | Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.000%, 7/01/31 - MBIA Insured | 7/13 at 100 |
| 98 | Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29 | 7/15 at 100 |
| 184 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at 102 |
| 275 | Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A, 5.000%, 8/01/23 - MBIA Insured | 8/16 at 100 |
| 1,000 | Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006, 5.000%, 8/01/22 - MBIA Insured | 8/16 at 100 |
| 1,180 | Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/23 - AMBAC Insured | 7/13 at 100 |
| 415 | Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26 | 7/16 at 100 |
| 330 | Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31 | 7/16 at 100 |
| 100 | Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31 | 7/16 at 100 |
| 900 | Phoenix Industrial Development Authority, Arizona, Government Bonds, Capitol Mall LLC II, Series 2001, | 3/12 at 100 |

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| | | |
|--------|--|-------------|
| | 5.250%, 9/15/16 - AMBAC Insured | |
| 680 | Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt. C |
| 75 | Puerto Rico Infrastructure Financing Authority, Special Tax Bonds, Residual Series 1534, 5.655%, 7/01/42 - AMBAC Insured (IF) | No Opt. C |
| 4,495 | Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005A, 0.000%, 7/01/42 - FGIC Insured (UB) | No Opt. C |
| 600 | San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - XLCA Insured | 7/15 at 100 |
| 1,000 | Tempe, Arizona, Excise Tax Revenue Bonds, Series 2004, 5.250%, 7/01/20 - AMBAC Insured | 7/14 at 100 |
| 500 | Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24 | 7/15 at 100 |
| 355 | Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30 | 7/16 at 100 |
| 225 | Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31 | 7/16 at 100 |
| ----- | | |
| 15,132 | Total Tax Obligation/Limited | |
| ----- | | |

U.S. GUARANTEED - 18.0% (11.7% OF TOTAL INVESTMENTS) (4)

| | | |
|-------|---|--------------|
| 550 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20 (Pre-refunded 12/01/10) | 12/10 at 102 |
| 1,000 | Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.375%, 7/01/21 (Pre-refunded 7/01/13) - MBIA Insured | 7/13 at 100 |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------|--|--------------------------|
| ----- | | |
| | U.S. GUARANTEED (4) (continued) | |
| \$ 1,300 | Maricopa County Industrial Development Authority, Arizona, Education Revenue Bonds, Horizon Community Learning Center Project, Series 2000, 6.350%, 6/01/26 (Pre-refunded 6/01/07) - ACA Insured | 6/07 at 102 |

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| | | |
|---|--|--------------|
| 1,000 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11) | 12/11 at 101 |
| ----- | | |
| 3,850 | Total U.S. Guaranteed | |
| ----- | | |
| UTILITIES - 24.0% (15.6% OF TOTAL INVESTMENTS) | | |
| 1,500 | Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/17 | No Opt. C |
| 1,000 | Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17 - FGIC Insured | No Opt. C |
| 1,000 | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR: 5.000%, 7/01/26 - XLCA Insured | 7/15 at 100 |
| 170 | 5.000%, 7/01/27 - XLCA Insured | 7/15 at 100 |
| 200 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22 | 1/13 at 100 |
| 235 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 1997A, 5.000%, 1/01/20 | 1/08 at 101 |
| 1,000 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A, 5.250%, 1/01/18 | 1/12 at 101 |
| ----- | | |
| 5,105 | Total Utilities | |
| ----- | | |
| WATER AND SEWER - 11.1% (7.2% OF TOTAL INVESTMENTS) | | |
| 225 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured | 7/13 at 100 |
| 200 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2004, 5.000%, 7/01/24 - MBIA Insured | 7/14 at 100 |
| 1,500 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured | 7/12 at 100 |
| 520 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/23 - MBIA Insured | 7/15 at 100 |
| ----- | | |
| 2,445 | Total Water and Sewer | |

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 \$ 37,102 Total Investments (cost \$34,306,399) - 154.0%
 =====

Floating Rate Obligations - (2.7)%

Other Assets Less Liabilities - 0.8%

Preferred Shares, at Liquidation Value - (52.1)%

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

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
 - (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
 - (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
 - (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- N/R Not rated.
- (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.

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR)
 Portfolio of
 INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------|---|--------------------------|
| ----- | | |
| | EDUCATION AND CIVIC ORGANIZATIONS - 10.9% (7.2% OF TOTAL INVESTMENTS) | |
| \$ 1,250 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31 | 5/11 at 101 |
| 460 | Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah Webster Basic | 12/14 at 100 |

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Schools Inc., Series 2004, 6.000%, 12/15/24

| | | |
|-----|---|-------------|
| 320 | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Ana G. Mendez University System, Series 1999, 5.375%, 2/01/19 | 2/09 at 101 |
| 480 | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34 | 9/14 at 100 |
| | University of Arizona, Certificates of Participation, Series 2002A: | |
| 750 | 5.500%, 6/01/18 - AMBAC Insured | 6/12 at 100 |
| 500 | 5.125%, 6/01/22 - AMBAC Insured | 6/12 at 100 |

3,760 Total Education and Civic Organizations

HEALTH CARE - 16.0% (10.6% OF TOTAL INVESTMENTS)

| | | |
|-------|---|--------------|
| 400 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| 735 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 2002A, 6.250%, 2/15/21 | 2/12 at 101 |
| 600 | Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20 | 4/14 at 100 |
| 400 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37 | 12/15 at 100 |
| 320 | Maricopa County Industrial Development Authority, Arizona, Health Facilities Revenue Bonds, Mayo Clinic, Series 2006, 5.000%, 11/15/36 | 5/16 at 100 |
| 1,375 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |
| 500 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37 | 5/08 at 101 |
| 225 | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 | 4/15 at 100 |
| 1,000 | Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33 | 8/13 at 100 |

5,555 Total Health Care

HOUSING/MULTIFAMILY - 8.1% (5.4% OF TOTAL INVESTMENTS)

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| | | |
|-------|---|--------------|
| 1,000 | Maricopa County Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Refunding Bonds, Pine Ridge, Cambridge Court, Cove on 44th and Fountain Place Apartments, Series 2001A-1, 6.000%, 10/20/31 | 10/11 at 105 |
| 325 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |
| 1,425 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Summit Apartments, Series 2002, 6.450%, 7/20/32 | 7/12 at 105 |
| ----- | | |
| 2,750 | Total Housing/Multifamily | |
| ----- | | |

24

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|------------------------|---|-----------------------|
| ----- | | |
| | HOUSING/SINGLE FAMILY - 2.9% (2.0% OF TOTAL INVESTMENTS) | |
| \$ 15 | Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, Series 2001A-1, 5.350%, 11/01/24 (Alternative Minimum Tax) | 11/10 at 101 |
| 1,000 | The Industrial Development Authority of The City of Tucson, Arizona, Tax-Exempt Single Family Mortgage Revenue Bonds, Series 2007A-1, 5.100%, 7/01/38 | 1/17 at 103 |
| ----- | | |
| 1,015 | Total Housing/Single Family | |
| ----- | | |
| | TAX OBLIGATION/GENERAL - 27.6% (18.3% OF TOTAL INVESTMENTS) | |
| 1,725 | Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/17 | 7/12 at 100 |
| 1,000 | Maricopa County School District 6, Arizona, General Obligation Refunding Bonds, Washington Elementary School, Series 2002A, 5.375%, 7/01/16 - FSA Insured | No Opt. C |
| 1,165 | Maricopa County Unified School District 69, Paradise Valley, Arizona, General Obligation Refunding Bonds, Series 2002A, 5.250%, 7/01/14 - FGIC Insured | No Opt. C |
| 375 | Maricopa County Union High School District 210 Phoenix, Arizona, General Obligation Bonds, Series 2006C, 5.000%, 7/01/24 - MBIA Insured | 7/16 at 100 |
| 1,405 | Mesa, Arizona, General Obligation Bonds, Series 2002, 5.375%, 7/01/15 - FGIC Insured | No Opt. C |
| | Phoenix, Arizona, Various Purpose General Obligation Bonds, | |

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| | | |
|-------|--|-------------|
| | Series 2002B: | |
| 1,700 | 5.000%, 7/01/22 | 7/12 at 100 |
| 500 | 5.000%, 7/01/27 | 7/12 at 100 |
| 1,000 | Pinal County Unified School District 43, Apache Junction, Arizona, General Obligation Refunding Bonds, Series 2001, 5.750%, 7/01/15 - FGIC Insured | No Opt. C |
| 510 | Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24 | 7/11 at 100 |
| ----- | | |
| 9,380 | Total Tax Obligation/General | |
| ----- | | |

TAX OBLIGATION/LIMITED - 49.4% (32.9% OF TOTAL INVESTMENTS)

| | | |
|-------|--|-------------|
| | Arizona State, Certificates of Participation, Series 2002A: | |
| 750 | 5.000%, 11/01/17 - MBIA Insured | 5/12 at 100 |
| 1,000 | 5.000%, 11/01/18 - MBIA Insured | 5/12 at 100 |
| 500 | 5.000%, 11/01/20 - MBIA Insured | 5/12 at 100 |
| 138 | Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29 | 7/15 at 100 |
| 291 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at 102 |
| 670 | Goodyear Community Facilities Utility District 1, Arizona, General Obligation Bonds, Series 2003, 5.350%, 7/15/28 - ACA Insured | 7/13 at 100 |
| 650 | Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26 | 7/16 at 100 |
| 870 | Maricopa County Public Finance Corporation, Arizona, Lease Revenue Bonds, Series 2001, 5.500%, 7/01/15 - AMBAC Insured | 7/11 at 100 |
| | Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002: | |
| 840 | 5.375%, 6/01/18 - AMBAC Insured | 6/12 at 100 |
| 2,645 | 5.375%, 6/01/19 - AMBAC Insured | 6/12 at 100 |
| 530 | Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31 | 7/16 at 100 |
| 140 | Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31 | 7/16 at 100 |
| 1,500 | Phoenix Industrial Development Authority, Arizona, Government Bonds, Capitol Mall LLC II, Series 2001, 5.250%, 9/15/16 - AMBAC Insured | 3/12 at 100 |
| 1,070 | Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt. C |
| 111 | Puerto Rico Infrastructure Financing Authority, Special Tax | No Opt. C |

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Bonds, Residual Series 1534, 5.655%, 7/01/42 -
 AMBAC Insured (IF)

25

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR) (continued)
 Portfolio of INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|------------------------------------|---|--------------------------|
| ----- | | |
| TAX OBLIGATION/LIMITED (continued) | | |
| \$ 7,065 | Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005A, 0.000%, 7/01/42 - FGIC Insured (UB) | No Opt. C |
| 1,000 | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24 | 7/12 at 100 |
| 960 | San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - XLCA Insured | 7/15 at 100 |
| 750 | Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24 | 7/15 at 100 |
| 560 | Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30 | 7/16 at 100 |
| 350 | Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31 | 7/16 at 100 |
| 640 | Yuma Municipal Property Corporation, Arizona, Municipal Facilities Tax Revenue Bonds, Series 2001, 5.000%, 7/01/21 - AMBAC Insured | 7/10 at 100 |
| ----- | | |
| 23,030 | Total Tax Obligation/Limited | |
| ----- | | |

TRANSPORTATION - 5.6% (3.7% OF TOTAL INVESTMENTS)

| | | |
|-------|--|-------------|
| 1,000 | Phoenix Civic Improvement Corporation, Arizona, Senior Lien Airport Revenue Bonds, Series 1998A, 5.000%, 7/01/25 - FSA Insured | 7/08 at 101 |
| 1,000 | Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B, 5.250%, 7/01/27 - FGIC Insured (Alternative Minimum Tax) | 7/12 at 100 |
| ----- | | |
| 2,000 | Total Transportation | |
| ----- | | |

U.S. GUARANTEED - 14.1% (9.4% OF TOTAL INVESTMENTS) (4)

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| | | |
|-------|--|--------------|
| 715 | Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 (Pre-refunded 7/01/12) - FGIC Insured | 7/12 at 100 |
| 100 | Maricopa County Unified School District 89, Dysart, Arizona, General Obligation Bonds, Series 2004B, 5.250%, 7/01/20 (Pre-refunded 7/01/14) - FSA Insured | 7/14 at 100 |
| 1,000 | Mesa, Arizona, Street and Highway User Tax Revenue Bonds, Series 2004, 5.125%, 7/01/23 (Pre-refunded 7/01/14) - FSA Insured | 7/14 at 100 |
| 1,000 | Mesa, Arizona, Utility System Revenue Bonds, Series 2002, 5.000%, 7/01/20 (Pre-refunded 7/01/11) - FGIC Insured | 7/11 at 100 |
| 1,000 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11) | 12/11 at 101 |
| 990 | Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24 (Pre-refunded 7/01/11) | 7/11 at 100 |

| | | |
|-------|-----------------------|--|
| 4,805 | Total U.S. Guaranteed | |
|-------|-----------------------|--|

UTILITIES - 4.1% (2.7% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 1,115 | Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/15 | No Opt. C |
| 270 | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/27 - XLCA Insured | 7/15 at 100 |

| | | |
|-------|-----------------|--|
| 1,385 | Total Utilities | |
|-------|-----------------|--|

WATER AND SEWER - 11.7% (7.8% OF TOTAL INVESTMENTS)

| | | |
|-----|---|--------------|
| 500 | Maricopa County Industrial Development Authority, Arizona, Water System Improvement Revenue Bonds, Chaparral City Water Company, Series 1997A, 5.400%, 12/01/22 - AMBAC Insured (Alternative Minimum Tax) | 12/07 at 102 |
| 360 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured | 7/13 at 100 |

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

WATER AND SEWER (continued)

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| | | | |
|----|-------|---|-------------|
| \$ | 320 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2004, 5.000%, 7/01/24 - MBIA Insured | 7/14 at 100 |
| | 765 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/23 - MBIA Insured | 7/15 at 100 |
| | 1,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/22 - FGIC Insured | No Opt. C |
| | 1,000 | Tucson, Arizona, Water System Revenue Refunding Bonds, Series 2002, 5.500%, 7/01/18 - FGIC Insured | 7/12 at 102 |

| | | | |
|--|-------|-----------------------|--|
| | 3,945 | Total Water and Sewer | |
|--|-------|-----------------------|--|

| | | | |
|----|--------|--|--|
| \$ | 57,625 | Total Investments (cost \$52,824,958) - 150.4% | |
|----|--------|--|--|

Floating Rate Obligations - (2.7)%

Other Assets Less Liabilities - 2.7%

Preferred Shares, at Liquidation Value - (50.4)%

Net Assets Applicable to Common Shares - 100%

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
 - (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
 - (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
 - (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- N/R Not rated.
- (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.

Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE)
 Portfolio of
 INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---|--|--------------------------|
| ----- | | |
| CONSUMER STAPLES - 1.3% (1.0% OF TOTAL INVESTMENTS) | | |
| \$ 570 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | 5/12 at 100 |
| ----- | | |
| EDUCATION AND CIVIC ORGANIZATIONS - 13.7% (9.1% OF TOTAL INVESTMENTS) | | |
| 1,250 | Arizona State University, System Revenue Bonds, Series 2005, 5.000%, 7/01/20 - AMBAC Insured | 7/15 at 100 |
| 1,130 | Energy Management Services LLC, Arizona State University, Energy Conservation Revenue Bonds, Main Campus Project, Series 2002, 5.250%, 7/01/18 - MBIA Insured | 7/12 at 100 |
| 270 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 1998A, 5.375%, 5/15/28 | 5/08 at 101 |
| 540 | Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah Webster Basic Schools Inc., Series 2004, 6.000%, 12/15/24 | 12/14 at 100 |
| 565 | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34 | 9/14 at 100 |
| 2,000 | University of Arizona, Certificates of Participation, Series 2002B, 5.125%, 6/01/20 - AMBAC Insured | 6/12 at 100 |
| ----- | | |
| 5,755 | Total Education and Civic Organizations | |
| ----- | | |
| HEALTH CARE - 18.2% (12.2% OF TOTAL INVESTMENTS) | | |
| 300 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 1999A: | | |
| 350 | 6.125%, 11/15/22 | 11/09 at 100 |
| 520 | 6.250%, 11/15/29 | 11/09 at 100 |
| 625 | Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20 | 4/14 at 100 |
| 475 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37 | 12/15 at 100 |

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| | | |
|-------|---|-------------|
| 390 | Maricopa County Industrial Development Authority, Arizona, Health Facilities Revenue Bonds, Mayo Clinic, Series 2006, 5.000%, 11/15/36 | 5/16 at 100 |
| 1,825 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |
| 2,000 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37 | 5/08 at 101 |
| 270 | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 | 4/15 at 100 |
| 1,000 | Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33 | 8/13 at 100 |
| <hr/> | | |
| 7,755 | Total Health Care | |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|--|--|-----------------------|
| HOUSING/MULTIFAMILY - 4.5% (3.0% OF TOTAL INVESTMENTS) | | |
| \$ 1,545 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson, Series 2001, 5.600%, 6/20/21 (Alternative Minimum Tax) | 6/11 at 102 |
| 380 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |
| <hr/> | | |
| 1,925 | Total Housing/Multifamily | |
| <hr/> | | |
| HOUSING/SINGLE FAMILY - 2.7% (1.8% OF TOTAL INVESTMENTS) | | |
| 1,175 | The Industrial Development Authority of The City of Tucson, Arizona, Tax-Exempt Single Family Mortgage Revenue Bonds, Series 2007A-1, 5.100%, 7/01/38 | 1/17 at 103 |
| <hr/> | | |
| INDUSTRIALS - 2.1% (1.4% OF TOTAL INVESTMENTS) | | |
| 945 | Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management Inc., Series 2003B, 4.450%, 3/01/28 (Mandatory put 3/01/08) (Alternative Minimum Tax) | No Opt. C |

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TAX OBLIGATION/GENERAL - 9.1% (6.1% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 660 | Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/18 | 7/12 at 100 |
| 730 | Glendale, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/19 | 7/11 at 100 |
| 445 | Maricopa County Union High School District 210 Phoenix, Arizona, General Obligation Bonds, Series 2006C, 5.000%, 7/01/24 - MBIA Insured | 7/16 at 100 |
| 1,575 | Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2004A, 5.000%, 7/01/20 - FSA Insured | 7/14 at 100 |
| 440 | Tucson, Arizona, General Obligation Bonds, Series 2001B, 5.000%, 7/01/20 | 7/11 at 100 |

3,850 Total Tax Obligation/General

TAX OBLIGATION/LIMITED - 38.3% (25.5% OF TOTAL INVESTMENTS)

| | | |
|-------|--|-------------|
| 2,000 | Arizona State Transportation Board, Highway Revenue Refunding Bonds, Series 2002A, 5.250%, 7/01/18 | 7/12 at 102 |
| 158 | Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29 | 7/15 at 100 |
| 2,250 | DC Ranch Community Facilities District, Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/15/27 - AMBAC Insured | 7/13 at 100 |
| 341 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at 102 |
| 800 | Goodyear Community Facilities Utility District 1, Arizona, General Obligation Bonds, Series 2003, 5.350%, 7/15/28 - ACA Insured | 7/13 at 100 |
| 525 | Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A, 5.000%, 8/01/23 - MBIA Insured | 8/16 at 100 |
| 785 | Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26 | 7/16 at 100 |
| 2,000 | Mohave County, Arizona, Certificates of Participation, Series 2004, 5.250%, 7/01/19 - AMBAC Insured | 7/14 at 100 |
| 640 | Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31 | 7/16 at 100 |
| 160 | Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31 | 7/16 at 100 |

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| | | |
|-------|--|-----------|
| 1,250 | Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt. C |
|-------|--|-----------|

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Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE) (continued)
Portfolio of INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---|---|--------------------------|
| TAX OBLIGATION/LIMITED (continued) | | |
| \$ 136 | Puerto Rico Infrastructure Financing Authority, Special Tax Bonds, Residual Series 1534, 5.655%, 7/01/42 - AMBAC Insured (IF) | No Opt. C |
| 8,470 | Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005A, 0.000%, 7/01/42 - FGIC Insured (UB) | No Opt. C |
| 1,130 | San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - XLCA Insured | 7/15 at 100 |
| 1,250 | Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24 | 7/15 at 100 |
| 665 | Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30 | 7/16 at 100 |
| 425 | Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31 | 7/16 at 100 |
| 22,985 Total Tax Obligation/Limited | | |
| TRANSPORTATION - 13.5% (9.0% OF TOTAL INVESTMENTS) | | |
| Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B: | | |
| 1,000 | 5.750%, 7/01/16 - FGIC Insured (Alternative Minimum Tax) | 7/12 at 100 |
| 2,300 | 5.250%, 7/01/21 - FGIC Insured (Alternative Minimum Tax) | 7/12 at 100 |
| 2,450 | Tucson Airport Authority Inc., Arizona, Revenue Refunding Bonds, Series 2001B, 5.000%, 6/01/20 - AMBAC Insured (Alternative Minimum Tax) | 6/11 at 100 |
| 5,750 Total Transportation | | |

U.S. GUARANTEED - 23.2% (15.4% OF TOTAL INVESTMENTS) (4)

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| | | |
|-------|---|--------------|
| 1,000 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20 (Pre-refunded 12/01/10) | 12/10 at 102 |
| 1,760 | Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 (Pre-refunded 7/01/12) - FGIC Insured | 7/12 at 100 |
| 2,660 | Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.375%, 7/01/20 (Pre-refunded 7/01/13) - MBIA Insured | 7/13 at 100 |
| 1,250 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11) | 12/11 at 101 |
| 2,770 | Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/22 (Pre-refunded 7/01/13) | 7/13 at 100 |
| <hr/> | | |
| 9,440 | Total U.S. Guaranteed | |
| <hr/> | | |

UTILITIES - 12.1% (8.1% OF TOTAL INVESTMENTS)

| | | |
|-------|---|--------------|
| 1,250 | Maricopa County Pollution Control Corporation, Arizona, Revenue Bonds, Arizona Public Service Company - Palo Verde Project, Series 2002A, 5.050%, 5/01/29 - AMBAC Insured | 11/12 at 100 |
| | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR: | |
| 1,660 | 5.000%, 7/01/26 - XLCA Insured | 7/15 at 100 |
| 935 | 5.000%, 7/01/27 - XLCA Insured | 7/15 at 100 |
| | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B: | |
| 270 | 5.000%, 1/01/22 | 1/13 at 100 |
| 1,000 | 5.000%, 1/01/31 | 1/13 at 100 |
| <hr/> | | |
| 5,115 | Total Utilities | |
| <hr/> | | |

30

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---|--|-----------------------|
| <hr/> | | |
| WATER AND SEWER - 11.1% (7.4% OF TOTAL INVESTMENTS) | | |
| \$ 405 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured | 7/13 at 100 |
| 380 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2004, 5.000%, 7/01/24 - MBIA Insured | 7/14 at 100 |
| 1,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien | 7/11 at 100 |

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Wastewater System Revenue Refunding Bonds, Series 2001,
5.125%, 7/01/21 - FGIC Insured

| | | |
|-------|---|-------------|
| 2,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/18 - FGIC Insured | 7/12 at 100 |
| 920 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/23 - MBIA Insured | 7/15 at 100 |

| | | |
|-----------|--|--|
| 4,705 | Total Water and Sewer | |
| \$ 69,970 | Total Investments (cost \$64,637,108) - 149.8% | |
| | Floating Rate Obligations - (2.7)% | |
| | Other Assets Less Liabilities - 2.4% | |
| | Preferred Shares, at Liquidation Value - (49.5)% | |
| | Net Assets Applicable to Common Shares - 100% | |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
 - (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
 - (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
 - (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- N/R Not rated.
- (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.

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INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|--|--|--------------------------|
| ----- | | |
| CONSUMER STAPLES - 1.9% (1.3% OF TOTAL INVESTMENTS) | | |
| \$ 2,680 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | 5/12 at 100 |
| ----- | | |
| EDUCATION AND CIVIC ORGANIZATIONS - 18.6% (12.5% OF TOTAL INVESTMENTS) | | |
| 6,000 | Board of Regents, University of Texas System, Financing System Revenue Bonds, Series 2006F, 4.250%, 8/15/36 (UB) | 2/17 at 100 |
| | Red River Education Finance Corporation, Texas, Revenue Bonds, Hockaday School, Series 2005: | |
| 1,170 | 5.000%, 5/15/27 | 5/15 at 100 |
| 1,230 | 5.000%, 5/15/28 | 5/15 at 100 |
| 1,290 | 5.000%, 5/15/29 | 5/15 at 100 |
| | Texas Public Finance Authority, Revenue Bonds, Texas Southern University Financing System, Series 2003: | |
| 1,710 | 5.000%, 5/01/18 - FGIC Insured | 5/13 at 100 |
| 1,795 | 5.000%, 5/01/19 - FGIC Insured | 5/13 at 100 |
| 1,885 | 5.000%, 5/01/20 - FGIC Insured | 5/13 at 100 |
| 1,665 | Texas State University System, Financing Revenue Bonds, Series 2004, 5.000%, 3/15/24 - FSA Insured | 9/14 at 100 |
| 2,000 | Texas State University System, Financing Revenue Refunding Bonds, Series 2002, 5.000%, 3/15/20 - FSA Insured | 3/12 at 100 |
| 2,330 | Universal City Education Facilities Corporation, Texas, Revenue Bonds, Wayland Baptist University Project, Series 2001, 5.625%, 3/01/26 | 3/11 at 102 |
| 5,000 | University of North Texas, Financing System Revenue Bonds, Series 2001, 5.000%, 4/15/24 - FSA Insured | 4/12 at 100 |
| ----- | | |
| 26,075 | Total Education and Civic Organizations | |
| ----- | | |
| ENERGY - 2.1% (1.4% OF TOTAL INVESTMENTS) | | |
| 3,000 | Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Energy Corporation Project, Series 1998, 5.600%, 4/01/32 (Alternative Minimum Tax) | 4/08 at 102 |
| ----- | | |
| HEALTH CARE - 13.3% (9.0% OF TOTAL INVESTMENTS) | | |
| 3,500 | Abilene Health Facilities Development Corporation, Texas, Hospital Revenue Refunding and Improvement Bonds, Hendrick Medical Center Project, Series 1995C, 6.150%, 9/01/25 - MBIA Insured | 3/07 at 101 |

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| | | | |
|--------|--|--|--------------|
| | Brazoria County Health Facilities Development Corporation, Texas, Revenue Bonds, Brazosport Memorial Hospital, Series 2004: | | |
| 1,745 | 5.250%, 7/01/20 - RAAI Insured | | 7/14 at 100 |
| 1,835 | 5.250%, 7/01/21 - RAAI Insured | | 7/14 at 100 |
| 5,750 | Midland County Hospital District, Texas, Hospital Revenue Bonds, Series 1992, 0.000%, 6/01/11 | | No Opt. C |
| 2,000 | North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Baylor Healthcare System, Series 2001A, 5.125%, 5/15/29 | | 5/11 at 100 |
| 2,000 | Richardson Hospital Authority, Texas, Revenue Bonds, Richardson Regional Medical Center, Series 2004, 5.875%, 12/01/24 | | 12/13 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 |
| 1,000 | Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Healthcare Center, Series 2001, 6.000%, 7/01/31 | | 7/12 at 100 |
| ----- | | | |
| 19,830 | Total Health Care | | |
| ----- | | | |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------|--|--------------------------|
| ----- | | |
| | HOUSING/MULTIFAMILY - 3.5% (2.3% OF TOTAL INVESTMENTS) | |
| | Bexar County Housing Finance Corporation, Texas, Insured Multifamily Housing Revenue Bonds, Waters at Northern Hills Apartments Project, Series 2001A: | |
| \$ 2,000 | 6.000%, 8/01/31 - MBIA Insured | 8/11 at 102 |
| 750 | 6.050%, 8/01/36 - MBIA Insured | 8/11 at 102 |
| 2,064 | Houston Housing Finance Corporation, Texas, GNMA Collateralized Mortgage Multifamily Housing Revenue Bonds, RRG Apartments Project, Series 2001, 6.250%, 9/20/35 | 9/11 at 105 |
| ----- | | |
| 4,814 | Total Housing/Multifamily | |
| ----- | | |

| | | |
|-------|---|-------------|
| | HOUSING/SINGLE FAMILY - 3.9% (2.7% OF TOTAL INVESTMENTS) | |
| 2,416 | El Paso Housing Finance Corporation, Texas, GNMA Collateralized Single Family Mortgage Revenue Bonds, Series 2001A-3, 6.180%, 4/01/33 | 4/11 at 106 |
| 110 | Galveston Property Finance Authority Inc., Texas, Single Family Mortgage Revenue Bonds, Series 1991A, | 3/07 at 100 |

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| | | |
|-------|---|-------------|
| | 8.500%, 9/01/11 | |
| 2,900 | Texas Department of Housing and Community Affairs, Single Family Mortgage Bonds, Series 2002B, 5.550%, 9/01/33 - MBIA Insured (Alternative Minimum Tax) | 3/12 at 100 |
| 20 | Victoria Housing Finance Corporation, Texas, FNMA Single Family Mortgage Revenue Refunding Bonds, Series 1995, 8.125%, 1/01/11 | No Opt. C |
| ----- | | |
| 5,446 | Total Housing/Single Family | |
| ----- | | |

LONG-TERM CARE - 7.1% (4.8% OF TOTAL INVESTMENTS)

| | | |
|--------|---|--------------|
| | Bell County Health Facilities Development Corporation, Texas, Retirement Facility Revenue Bonds, Buckner Retirement Services Inc. Obligated Group, Series 1998: | |
| 3,400 | 5.250%, 11/15/19 | 11/08 at 101 |
| 5,000 | 5.250%, 11/15/28 | 11/08 at 101 |
| | Bexar County, Texas, Health Facilities Development Corporation Revenue Bonds, Army Retirement Residence, Series 2007: | |
| 1,000 | 5.000%, 7/01/27 | 7/17 at 100 |
| 600 | 5.000%, 7/01/37 | 7/17 at 100 |
| ----- | | |
| 10,000 | Total Long-Term Care | |
| ----- | | |

MATERIALS - 4.3% (2.9% OF TOTAL INVESTMENTS)

| | | |
|-------|--|-------------|
| 3,000 | Cass County Industrial Development Corporation, Texas, Environmental Improvement Revenue Bonds, International Paper Company, Series 2000A, 6.600%, 3/15/24 (Alternative Minimum Tax) | 3/10 at 101 |
| 3,000 | Guadalupe-Blanco River Authority, Texas, Sewage and Solid Waste Disposal Facility Bonds, E.I. DuPont de Nemours and Company Project, Series 1996, 6.400%, 4/01/26 (Alternative Minimum Tax) | 4/07 at 101 |
| ----- | | |
| 6,000 | Total Materials | |
| ----- | | |

TAX OBLIGATION/GENERAL - 45.9% (30.9% OF TOTAL INVESTMENTS)

| | | |
|-------|--|-------------|
| 1,260 | Bexar County, Texas, Combined Tax and Revenue Certificates of Obligation, Series 2004, 5.000%, 6/15/19 | 6/14 at 100 |
| 2,500 | Borger Independent School District, Hutchison County, Texas, General Obligation Bonds, Series 2006, 5.000%, 2/15/36 | 2/16 at 100 |
| 1,190 | Canutillo Independent School District, El Paso County, Texas, General Obligation Bonds, Series 2006A, 5.000%, 8/15/22 | 8/15 at 100 |
| 4,130 | Coppell Independent School District, Dallas County, Texas, | 8/09 at 75 |

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| | | |
|-------|---|-------------|
| | Unlimited Tax School Building and Refunding Bonds, Series 1992, 0.000%, 8/15/14 - MBIA Insured | |
| 1,275 | Copperas Cove, Texas, Certificates of Obligation, Series 2003, 5.000%, 8/15/23 - MBIA Insured | 8/12 at 100 |
| 2,305 | Corpus Christi, Texas, Combination Tax and Municipal Hotel Occupancy Tax Revenue Certificates of Obligation, Series 2002, 5.500%, 9/01/21 - FSA Insured | 9/12 at 100 |
| 2,595 | Denton County, Texas, Permanent Improvement General Obligation Bonds, Series 2005, 5.000%, 7/15/25 | 7/12 at 100 |
| 2,110 | Duncanville Independent School District, Dallas County, Texas, General Obligation Bonds, Series 2005, 5.000%, 2/15/26 | 2/15 at 100 |

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Nuveen Texas Quality Income Municipal Fund (NTX) (continued)
Portfolio of INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|---------------------------|---|--------------------------|
| ----- | | |
| | TAX OBLIGATION/GENERAL (continued) | |
| \$ 1,750 | El Paso County, Texas, Certificates of Obligation, Series 2001, 5.000%, 2/15/21 - FSA Insured | No Opt. C |
| | Fort Bend County Municipal Utility District 25, Texas, General Obligation Bonds, Series 2005: | |
| 1,330 | 5.000%, 10/01/26 - FGIC Insured | 10/12 at 100 |
| 1,320 | 5.000%, 10/01/27 - FGIC Insured | 10/12 at 100 |
| 3,615 | Frisco, Texas, General Obligation Bonds, Series 2006, 5.000%, 2/15/26 - FGIC Insured | 2/16 at 100 |
| | Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003: | |
| 2,500 | 5.000%, 2/15/20 - AMBAC Insured | 2/13 at 100 |
| 2,235 | 5.000%, 2/15/21 - AMBAC Insured | 2/13 at 100 |
| 5,000 | Houston, Texas, General Obligation Bonds, Series 2005E, 5.000%, 3/01/23 - AMBAC Insured | 3/15 at 100 |
| 1,500 | Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21 | 2/11 at 100 |
| 5,220 | Leander Independent School District, Williamson and Travis Counties, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 0.000%, 8/15/21 | 8/09 at 46 |
| 1,000 | Mansfield Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2004, 5.000%, 2/15/20 | 2/14 at 100 |
| 1,010 | Mercedes Independent School District, Hidalgo County, Texas, General Obligation Bonds, Series 2005, | 8/15 at 100 |

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| | | |
|--------|---|--------------|
| | 5.000%, 8/15/23 | |
| 5,515 | Midlothian Independent School District, Ellis County, Texas, General Obligation Bonds, Series 2005, 5.000%, 2/15/34 | 2/15 at 100 |
| 1,545 | Montgomery County, Texas, General Obligation Refunding Bonds, Series 1997, 0.000%, 3/01/14 - MBIA Insured | 9/07 at 72 |
| 925 | Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25 | 8/10 at 100 |
| 500 | Puerto Rico, General Obligation and Public Improvement Bonds, Series 2001A, 5.500%, 7/01/29 | No Opt. C |
| | Roma Independent School District, Texas, General Obligation Bonds, Series 2005: | |
| 1,110 | 5.000%, 8/15/22 | 8/15 at 100 |
| 1,165 | 5.000%, 8/15/23 - FSA Insured | 8/15 at 100 |
| 1,440 | South Texas Community College District, General Obligation Bonds, Series 2002, 5.500%, 8/15/17 - AMBAC Insured | 8/12 at 100 |
| 1,250 | Southside Independent School District, Bexar County, Texas, General Obligation Bonds, Series 2004A, 5.000%, 8/15/22 | 8/14 at 100 |
| 1,140 | Sunnyvale School District, Texas, General Obligation Bonds, Series 2004, 5.250%, 2/15/25 | 2/14 at 100 |
| 5,000 | Texas, General Obligation Bonds, Transportation Commission Mobility Fund, Series 2006A, 5.000%, 4/01/33 | 4/17 at 100 |
| 2,000 | Texas, General Obligation Bonds, Water Financial Assistance Program, Series 2001, 5.250%, 8/01/23 | 8/11 at 100 |
| 1,500 | Texas, General Obligation Refunding Bonds, Public Finance Authority, Series 2002, 5.000%, 10/01/18 | 10/12 at 100 |
| | West Texas Independent School District, McLennan and Hill Counties, General Obligation Refunding Bonds, Series 1998: | |
| 1,000 | 0.000%, 8/15/22 | 8/13 at 61 |
| 1,000 | 0.000%, 8/15/24 | 8/13 at 54 |
| 68,935 | Total Tax Obligation/General | |
| | TAX OBLIGATION/LIMITED - 1.6% (1.1% OF TOTAL INVESTMENTS) | |
| 2,250 | Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Bonds, Series 2001G, 5.250%, 11/15/22 - MBIA Insured | 11/11 at 100 |

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

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TRANSPORTATION - 6.4% (4.3% OF TOTAL INVESTMENTS)

| | | | |
|----|-------|---|--------------|
| \$ | 1,000 | Austin, Texas, Airport System Prior Lien Revenue Bonds, Series 2003, 5.250%, 11/15/16 - MBIA Insured | 11/13 at 100 |
| | 3,260 | Central Texas Regional Mobility Authority, Travis and Williamson Counties, Toll Road Revenue Bonds, Series 2005, 5.000%, 1/01/22 - FGIC Insured | 1/15 at 100 |
| | 2,600 | Dallas-Ft. Worth International Airport Facility Improvement Corporation, Texas, Revenue Bonds, American Airlines Inc., Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax) | 11/09 at 101 |
| | 2,000 | Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 2000A, 5.625%, 7/01/30 - FSA Insured (Alternative Minimum Tax) | 7/10 at 100 |

8,860 Total Transportation

U.S. GUARANTEED - 19.4% (13.0% OF TOTAL INVESTMENTS) (4)

Gregg County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Good Shepherd Medical Center Project, Series 2000:

| | | | |
|--|-------|--|--------------|
| | 2,000 | 6.875%, 10/01/20 (Pre-refunded 10/01/10) - RAAI Insured | 10/10 at 101 |
| | 3,250 | 6.375%, 10/01/25 (Pre-refunded 10/01/10) - RAAI Insured | 10/10 at 101 |
| | 2,000 | Harris County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Memorial Hermann Healthcare System, Series 2001A, 6.375%, 6/01/29 (Pre-refunded 6/01/11) | 6/11 at 101 |
| | 1,500 | Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, St. Luke's Episcopal Hospital, Series 2001A, 5.500%, 2/15/21 (Pre-refunded 8/15/11) | 8/11 at 100 |
| | 1,000 | North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Presbyterian Healthcare System, Series 1996B, 5.750%, 6/01/26 - MBIA Insured (ETM) | No Opt. C |
| | 1,075 | Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25 (Pre-refunded 8/15/10) | 8/10 at 100 |
| | 1,760 | Parker County Hospital District, Texas, Hospital Revenue Bonds, Campbell Health System, Series 1999, 6.250%, 8/15/19 (Pre-refunded 8/15/09) | 8/09 at 102 |
| | 2,500 | Retama Development Corporation, Texas, Special Facilities Revenue Bonds, Retama Park Racetrack, Series 1993, 8.750%, 12/15/18 (Pre-refunded 12/15/17) (5) | 12/17 at 100 |
| | 1,750 | San Antonio, Texas, Electric and Gas System Revenue Refunding Bonds, Series 2002, 5.375%, 2/01/20 (Pre-refunded 2/01/12) | 2/12 at 100 |
| | 1,050 | Tarrant County Health Facilities Development Corporation, | 11/08 at 101 |

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| | | |
|--------|---|--------------|
| | Texas, Hospital Revenue Bonds, Adventist Health System - Sunbelt Obligated Group, Series 1998, 5.375%, 11/15/20 (Pre-refunded 11/15/08) | |
| 3,500 | Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System - Sunbelt Obligated Group, Series 2000, 6.625%, 11/15/20 (Pre-refunded 11/15/10) | 11/10 at 101 |
| 2,000 | Tarrant County Health Facilities Development Corporation, Texas, Tax-Exempt Mortgage Revenue Bonds, South Central Nursing Homes Inc., Series 1997A, 6.000%, 1/01/37 (Pre-refunded 1/01/08) - MBIA Insured | 1/08 at 105 |
| 1,790 | Weslaco Independent School District, Hidalgo County, Texas, General Obligation School Building Bonds, Series 2000, 5.500%, 2/15/25 (Pre-refunded 2/15/10) | 2/10 at 100 |
| ----- | | |
| 25,175 | Total U.S. Guaranteed | |
| ----- | | |

UTILITIES - 9.6% (6.5% 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 |
| 2,400 | Brazos River Authority, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999A, 5.375%, 4/01/19 | 4/09 at 101 |
| 5,000 | Brownsville, Texas, Utility System Priority Revenue Bonds, Series 2005A, 5.000%, 9/01/27 - AMBAC Insured | 9/15 at 100 |

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Nuveen Texas Quality Income Municipal Fund (NTX) (continued)
Portfolio of INVESTMENTS January 31, 2007 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL C PROVISIONS |
|------------------------|---|-----------------------|
| ----- | | |
| | UTILITIES (continued) | |
| \$ 2,000 | Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2000, 5.750%, 2/15/15 - AMBAC Insured (Alternative Minimum Tax) | 2/10 at 100 |
| 1,000 | 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 |
| ----- | | |
| 12,960 | Total Utilities | |
| ----- | | |

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WATER AND SEWER - 10.8% (7.3% OF TOTAL INVESTMENTS)

| | | | |
|-------|--|--|--------------|
| | Coastal Water Authority, Texas, Contract Revenue Bonds, Houston Water Projects, Series 2004: | | |
| 1,005 | 5.000%, 12/15/20 - FGIC Insured | | 12/14 at 100 |
| 1,030 | 5.000%, 12/15/21 - FGIC Insured | | 12/14 at 100 |
| 3,000 | Houston, Texas, First Lien Combined Utility System Revenue Bonds, Series 2004A, 5.250%, 5/15/23 - FGIC Insured | | 5/14 at 100 |
| 3,500 | Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2001A, 5.500%, 12/01/17 - FSA Insured | | 12/11 at 100 |
| | Irving, Texas, Subordinate Lien Waterworks and Sewerage Revenue Bonds, Series 2004: | | |
| 1,680 | 5.000%, 8/15/22 - AMBAC Insured | | 8/14 at 100 |
| 1,760 | 5.000%, 8/15/23 - AMBAC Insured | | 8/14 at 100 |
| 1,260 | Rowlett, Rockwall and Dallas Counties, Texas, Waterworks and Sewerage System Revenue Bonds, Series 2004A, 5.000%, 3/01/22 - MBIA Insured | | 3/14 at 100 |
| 1,500 | Texas Water Development Board, Senior Lien State Revolving Fund Revenue Bonds, Series 1999A, 5.500%, 7/15/21 | | 7/09 at 100 |

14,735 Total Water and Sewer

\$ 210,760 Total Investments (cost \$204,934,890) - 148.4%

Floating Rate Obligations - (2.6)%

Other Assets Less Liabilities - 2.1%

Preferred Shares, at Liquidation Value - (47.9)%

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

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (5) The issuer has received a formal adverse determination

from the Internal Revenue Service (the "IRS") regarding the tax-exempt status of the bonds' coupon payments. The Fund will continue to treat coupon payments as tax-exempt income until such time that it is formally determined that the interest on the bonds should be treated as taxable.

- N/R Not rated.
- (ETM) Escrowed to maturity.
- (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.

Statement of
ASSETS AND LIABILITIES January 31, 2007 (Unaudited)

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |
|---|---------------------------------------|---|---|
| ASSETS | | | |
| Investments, at value (cost \$91,688,321, \$34,306,399, \$52,824,958, \$64,637,108 and \$204,934,890, respectively) | \$95,323,188 | \$35,430,221 | \$55,161,709 |
| Cash | -- | -- | -- |
| Receivables: | | | |
| Interest | 666,070 | 286,404 | 415,193 |
| Investments sold | -- | -- | 1,113,599 |
| Other assets | 1,398 | 1,190 | 2,951 |
| Total assets | 95,990,656 | 35,717,815 | 56,693,452 |
| LIABILITIES | | | |
| Cash overdraft | 126,716 | 51,037 | 485,808 |
| Floating rate obligations | 2,054,352 | 622,856 | 994,488 |
| Accrued expenses: | | | |
| Management fees | 50,724 | 11,483 | 15,741 |
| Other | 29,202 | 20,379 | 7,456 |
| Preferred share dividends payable | 16,272 | 1,035 | 11,352 |
| Total liabilities | 2,277,266 | 706,790 | 1,514,845 |
| Preferred shares, at liquidation value | 30,000,000 | 12,000,000 | 18,500,000 |
| Net assets applicable to Common shares | \$63,713,390 | \$23,011,025 | \$36,678,607 |
| Common shares outstanding | 4,468,210 | 1,548,711 | 2,433,004 |
| Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) | \$ 14.26 | \$ 14.86 | \$ 15.08 |

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NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

| | | | |
|---|--------------|--------------|--------------|
| Common shares, \$.01 par value per share | \$ 44,682 | \$ 15,487 | \$ 24,330 |
| Paid-in surplus | 62,143,653 | 21,908,212 | 34,477,587 |
| Undistributed (Over-distribution of) net investment income | (116,585) | (38,104) | (55,747) |
| Accumulated net realized gain (loss) from investments and derivative transactions | (1,993,227) | 1,608 | (104,314) |
| Net unrealized appreciation (depreciation) of investments and derivative transactions | 3,634,867 | 1,123,822 | 2,336,751 |
| Net assets applicable to Common shares | \$63,713,390 | \$23,011,025 | \$36,678,607 |
| Authorized shares: | | | |
| Common | 200,000,000 | Unlimited | Unlimited |
| Preferred | 1,000,000 | Unlimited | Unlimited |

See accompanying notes to financial statements.

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Statement of
OPERATIONS Six Months Ended January 31, 2007 (Unaudited)

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |
|--|---------------------------------------|---|---|
| INVESTMENT INCOME | \$2,262,239 | \$826,734 | \$1,335,947 |
| EXPENSES | | | |
| Management fees | 301,947 | 113,011 | 178,142 |
| Preferred shares - auction fees | 37,808 | 15,123 | 23,315 |
| Preferred shares - dividend disbursing agent fees | 5,041 | 5,041 | 5,041 |
| Shareholders' servicing agent fees and expenses | 2,144 | 172 | 163 |
| Floating rate obligations interest expense and fees | 15,474 | 4,691 | 7,488 |
| Custodian's fees and expenses | 16,502 | 10,366 | 10,693 |
| Directors'/Trustees' fees and expenses | 1,244 | 394 | 814 |
| Professional fees | 6,698 | 5,388 | 5,826 |
| Shareholders' reports - printing and mailing expenses | 7,614 | 4,032 | 5,363 |
| Stock exchange listing fees | 4,974 | 66 | 104 |
| Investor relations expense | 6,116 | 2,260 | 3,519 |
| Other expenses | 8,103 | 6,231 | 6,821 |
| Total expenses before custodian fee credit and expense reimbursement | 413,665 | 166,775 | 247,289 |
| Custodian fee credit | (6,956) | (4,367) | (3,657) |
| Expense reimbursement | -- | (44,466) | (84,112) |
| Net expenses | 406,709 | 117,942 | 159,520 |
| Net investment income | 1,855,530 | 708,792 | 1,176,427 |
| REALIZED AND UNREALIZED GAIN (LOSS) | | | |

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| | | | |
|--|-------------|-----------|-------------|
| Net realized gain (loss) from investments | 111,296 | 1,665 | 61,460 |
| Net realized gain (loss) from forward swaps | -- | -- | -- |
| Change in net unrealized appreciation (depreciation) of investments | 579,343 | 292,793 | 246,863 |
| Change in net unrealized appreciation (depreciation) of forward swaps | -- | -- | -- |
| ----- | | | |
| Net realized and unrealized gain (loss) | 690,639 | 294,458 | 308,323 |
| ----- | | | |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS | | | |
| From net investment income | (489,202) | (180,715) | (282,079) |
| From accumulated net realized gains | -- | (24,096) | (24,790) |
| ----- | | | |
| Decrease in net assets applicable to Common shares from distributions to Preferred shareholders | (489,202) | (204,811) | (306,869) |
| ----- | | | |
| Net increase (decrease) in net assets applicable to Common shares from operations | \$2,056,967 | \$798,439 | \$1,177,881 |
| ===== | | | |

See accompanying notes to financial statements.

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Statement of
CHANGES IN NET ASSETS (Unaudited)

| | ARIZONA PREMIUM INCOME (NAZ) | | ARIZONA DIVIDEND ADVANTAGE (NFZ) | |
|---|---------------------------------|--------------|-------------------------------------|--------------|
| | SIX MONTHS ENDED | YEAR ENDED | SIX MONTHS ENDED | YEAR ENDED |
| | 1/31/07 | 7/31/06 | 1/31/07 | 7/31/06 |
| ----- | | | | |
| OPERATIONS | | | | |
| Net investment income | \$ 1,855,530 | \$ 3,721,825 | \$ 708,792 | \$ 1,443,825 |
| Net realized gain (loss) from investments | 111,296 | 118,668 | 1,665 | 129,875 |
| Net realized gain (loss) from forward swaps | -- | -- | -- | 45,965 |
| Change in net unrealized appreciation (depreciation) of investments | 579,343 | (1,870,680) | 292,793 | (781,655) |
| Change in net unrealized appreciation (depreciation) of forward swaps | -- | -- | -- | (25,345) |
| Distributions to Preferred shareholders: | | | | |
| From net investment income | (489,202) | (787,320) | (180,715) | (305,985) |
| From accumulated net realized gains | -- | -- | (24,096) | (14,815) |
| ----- | | | | |
| Net increase (decrease) in net assets applicable to Common shares from operations | 2,056,967 | 1,182,493 | 798,439 | 491,865 |
| ----- | | | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | | | |
| From net investment income | (1,367,272) | (3,081,682) | (570,721) | (1,299,915) |
| From accumulated net realized gains | -- | -- | (95,091) | (118,135) |

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| | | | | |
|--|--------------|--------------|--------------|-------------|
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (1,367,272) | (3,081,682) | (665,812) | (1,418,04 |
| CAPITAL SHARE TRANSACTIONS | | | | |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | -- | 100,418 | 16,893 | 35,01 |
| Net increase in net assets applicable to Common shares from capital share transactions | -- | 100,418 | 16,893 | 35,01 |
| Net increase (decrease) in net assets applicable to Common shares | 689,695 | (1,798,771) | 149,520 | (891,17 |
| Net assets applicable to Common shares at the beginning of period | 63,023,695 | 64,822,466 | 22,861,505 | 23,752,67 |
| Net assets applicable to Common shares at the end of period | \$63,713,390 | \$63,023,695 | \$23,011,025 | \$22,861,50 |
| Undistributed (Over-distribution of) net investment income at the end of period | | | | |
| | \$ (116,585) | \$ (115,641) | \$ (38,104) | \$ 4,54 |

See accompanying notes to financial statements.

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Statement of
CHANGES IN NET ASSETS (Unaudited) (continued)

| | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) | |
|---|---------------------------------------|----------------------|
| | SIX MONTHS ENDED 1/31/07 | YEAR ENDED 7/31/0 |
| OPERATIONS | | |
| Net investment income | \$ 1,366,855 | \$ 2,706,00 |
| Net realized gain (loss) from investments | 23,544 | 111,24 |
| Net realized gain (loss) from forward swaps | 10,344 | 143,85 |
| Change in net unrealized appreciation (depreciation) of investments | 581,385 | (1,013,67 |
| Change in net unrealized appreciation (depreciation) of forward swaps | (48,098) | (30,56 |
| Distributions to Preferred shareholders: | | |
| From net investment income | (379,010) | (597,77 |
| From accumulated net realized gains | -- | - |
| Net increase (decrease) in net assets applicable to Common shares from operations | 1,555,020 | 1,319,09 |

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| | | |
|--|--------------|-------------|
| ----- | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From net investment income | (1,039,894) | (2,239,24 |
| From accumulated net realized gains | -- | - |
| ----- | | |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (1,039,894) | (2,239,24 |
| ----- | | |
| CAPITAL SHARE TRANSACTIONS | | |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | -- | 4,30 |
| ----- | | |
| Net increase in net assets applicable to Common shares from capital share transactions | -- | 4,30 |
| ----- | | |
| Net increase (decrease) in net assets applicable to Common shares | 515,126 | (915,84 |
| Net assets applicable to Common shares at the beginning of period | 43,913,470 | 44,829,31 |
| ----- | | |
| Net assets applicable to Common shares at the end of period | \$44,428,596 | \$43,913,47 |
| ===== | | |
| Undistributed (Over-distribution of) net investment income at the end of period | \$ (145,516) | \$ (93,46 |
| ===== | | |

See accompanying notes to financial statements.

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Notes to
FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The state funds (the "Funds") covered in this report and their corresponding Common share stock exchange symbols are Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ), Nuveen Arizona Dividend Advantage Municipal Fund (NFZ), Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR), Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE) and Nuveen Texas Quality Income Municipal Fund (NTX). Common shares of Arizona Premium Income (NAZ) and Texas Quality Income (NTX) are traded on the New York Stock Exchange while Common shares of Arizona Dividend Advantage (NFZ), Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) are traded on the American Stock Exchange. The Funds are registered under the Investment Company Act of 1940, as amended, as closed-end management investment companies.

Each Fund seeks to provide current income exempt from both regular federal and designated state income taxes by investing primarily in a diversified portfolio of municipal obligations issued by state and local government authorities within a single state 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. If the pricing service is unable to supply a price for a municipal bond or a forward swap contract, each Fund may use a market price or fair market value quote provided by a major broker/dealer in such investments. If it is determined that the market price or fair market value for an investment is unavailable or 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 January 31, 2007, there were no such outstanding purchase commitments in any of the Funds.

Investment Income

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

Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

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 and designated state income taxes, to retain such tax-exempt status when distributed to shareholders of the Funds. Net realized capital gains and ordinary income distributions paid by the Funds are subject to federal taxation.

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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 one or more Series. The dividend rate paid by the Funds on each Series is determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and is payable at the end of each rate period. The number of Preferred shares outstanding, by Series and in total, for each Fund is as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|-------------------|---------------------------------------|---|---|---|
| ----- | | | | |
| Number of shares: | | | | |
| Series M | -- | -- | -- | 880 |
| Series T | -- | 480 | -- | -- |
| Series W | -- | -- | 740 | -- |
| Series TH | 1,200 | -- | -- | -- |
| ----- | | | | |
| Total | 1,200 | 480 | 740 | 880 |
| ===== | | | | |

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"). 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 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 "Floating rate obligations interest expense and fees" in the Statement of Operations.

During the six months ended January 31, 2007, each Fund invested in externally deposited inverse floaters and/or self-deposited inverse floaters.

The average floating rate obligations outstanding and average annual interest rate related to self-deposited inverse floaters during the six months ended January 31, 2007, were as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|-----------------------------------|---------------------------------------|---|---|---|
| Average floating rate obligations | \$790,628 | \$239,705 | \$382,743 | \$456,203 |
| Average annual interest rate | 3.88% | 3.88% | 3.88% | 3.88% |

Forward Swap Transactions

The Funds are authorized to invest in certain derivative financial instruments. The Funds' use of forward interest rate swap transactions is intended to help the Fund manage its overall interest rate sensitivity, either shorter or longer, generally to more closely align the Fund's interest rate sensitivity with that of the broader municipal market. Forward interest rate swap transactions involve each Fund's agreement with a counterparty to pay, in the future, a fixed or variable rate payment in exchange for the counterparty paying the Fund a variable or fixed rate payment, the accruals for which would begin at a specified date in the future (the "effective date"). The amount of the payment obligation is based on the notional amount of the forward swap contract and the termination date of the swap (which is akin to a bond's maturity). The value of the Fund's swap commitment would increase or decrease based primarily on the extent to which long-term interest rates for bonds having a maturity of the swap's termination date increases or decreases. The Funds may terminate a swap

contract prior to the effective date, at which point a realized gain or loss is recognized. When a forward swap is terminated, it ordinarily does not involve the delivery of securities or other underlying assets or principal, but rather is settled in cash on a net basis. Each Fund intends, but is not obligated, to terminate its forward swaps before the effective date. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the credit risk associated with a counterparty failing to honor its commitment to pay any realized gain to the Fund upon termination. To reduce such credit risk, all counterparties are required to pledge collateral daily (based on the daily valuation of each swap) on behalf of each Fund with a value approximately equal to the amount of any unrealized gain above a pre-determined threshold. Reciprocally, when any of the Funds have an unrealized loss on a swap contract, the Funds have instructed the custodian to pledge assets of the Funds as collateral with a value approximately equal to the amount of the unrealized loss above a pre-determined threshold. Collateral pledges are monitored and subsequently adjusted if and when the swap valuations fluctuate, either up or down, by at least the predetermined threshold amount.

Custodian Fee Credit

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

Indemnifications

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

Use of Estimates

The preparation of financial statements in conformity with 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.

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

2. FUND SHARES

Transactions in Common shares were as follows:

ARIZONA PREMIUM
INCOME (NAZ)

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

ARIZON
ADVANT

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| | SIX MONTHS ENDED 1/31/07 | YEAR ENDED 7/31/06 | SIX MONTHS ENDED 1/31/07 | YEAR ENDED 7/31/06 | SIX MONTHS ENDED 1/31/07 |
|---|--------------------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| Common shares issued to shareholders due to reinvestment of distributions | -- | 6,761 | 1,067 | 2,135 | 2,508 |

| | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) | | TEXAS INCO | |
|---|---------------------------------------|-----------------------|--------------------------------|--------------------------------|
| | SIX MONTHS ENDED 1/31/07 | YEAR ENDED 7/31/06 | SIX MONTHS ENDED 1/31/07 | SIX MONTHS ENDED 1/31/07 |
| Common shares issued to shareholders due to reinvestment of distributions | -- | 288 | -- | -- |

3. INVESTMENT TRANSACTIONS

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

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|----------------------|---------------------------------------|---|---|---|
| Purchases | \$7,608,870 | \$4,400,459 | \$4,904,775 | \$6,997,732 |
| Sales and maturities | 5,998,571 | 1,672,813 | 4,208,100 | 6,361,859 |

4. INCOME TAX INFORMATION

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to the treatment of paydown gains and losses, timing differences in recognizing taxable market discount, 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.

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

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| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|---------------------|---------------------------------------|---|---|---|
| Cost of investments | \$89,609,894 | \$33,672,049 | \$51,950,749 | \$63,510,713 |

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

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|--|---------------------------------------|---|---|---|
| Gross unrealized: Appreciation | \$3,873,457 | \$1,201,738 | \$2,455,281 | \$2,071,975 |
| Depreciation | (215,447) | (74,212) | (229,121) | (199,058) |
| Net unrealized appreciation (depreciation) of investments | \$3,658,010 | \$1,127,526 | \$2,226,160 | \$1,872,917 |

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

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|---|---------------------------------------|---|---|---|
| Undistributed net tax-exempt income * | \$98,264 | \$106,365 | \$118,647 | \$91,940 |
| Undistributed net ordinary income ** | -- | 3,027 | -- | -- |
| Undistributed net long-term capital gains | -- | 119,130 | 69,876 | -- |

* Undistributed net tax-exempt income (on a tax basis) has not been reduced for the dividend declared on July 3, 2006, paid on August 1, 2006.

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

The tax character of distributions paid during the Funds' last tax year ended July 31, 2006, was designated for purposes of the dividends paid deduction as follows:

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| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|--|---------------------------------------|---|---|---|
| Distributions from net tax-exempt income | \$3,923,547 | \$1,618,663 | \$2,507,532 | \$2,850,308 |
| Distributions from net ordinary income ** | -- | -- | -- | -- |
| Distributions from net long-term capital gains | -- | 132,955 | 290,789 | -- |

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

At July 31, 2006, the Funds' last tax year end, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

| Expiration year: | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|------------------|---------------------------------------|---|
| 2011 | \$ 477,877 | \$ -- |
| 2012 | 1,553,627 | 205,820 |
| 2013 | -- | 160,902 |
| 2014 | -- | 218,127 |
| Total | \$2,031,504 | \$584,849 |

The following Funds elected to defer net realized losses from investments incurred from November 1, 2005 through July 31, 2006 ("post-October losses"), in accordance with Federal income tax regulations. Post-October losses are treated as having arisen on the first day of the current fiscal year:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|--|---------------------------------------|---|
| | \$73,017 | \$23,223 |

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

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

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the amount of assets within each individual fund. This pricing structure enables Nuveen fund shareholders to benefit from growth in the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

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

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

| AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TOPREFERRED SHARES) | ARIZONA DIVIDEND ADVANTAGE (NFZ) ARIZONA DIVIDEND ADVANTAGE 2 (NKR) ARIZONA DIVIDEND ADVANTAGE 3 (NXE) FUND-LEVEL FEE RATE |
|---|---|
| For the first \$125 million | .4500% |
| For the next \$125 million | .4375 |
| For the next \$250 million | .4250 |
| For the next \$500 million | .4125 |
| For the next \$1 billion | .4000 |
| For net assets over \$2 billion | .3750 |

The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the table below. As of January 31, 2007, the complex-level fee rate was .1844%.

| COMPLEX-LEVEL ASSETS (1) | COMPLEX-LEVEL FEE RATE |
|--|------------------------|
| For the first \$55 billion | .2000% |
| For the next \$1 billion | .1800 |
| For the next \$1 billion | .1600 |
| For the next \$3 billion | .1425 |
| For the next \$3 billion | .1325 |
| For the next \$3 billion | .1250 |
| For the next \$5 billion | .1200 |
| For the next \$5 billion | .1175 |
| For the next \$15 billion | .1150 |
| For Managed Assets over \$91 billion (2) | .1400 |

(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.

(2) With respect to the complex-wide Managed Assets over \$91 billion, the fee rate or rates that will apply to such assets will be determined at a later

date. In the unlikely event that complex-wide Managed Assets reach \$91 billion prior to a determination of the complex-level fee rate or rates to be applied to Managed Assets in excess of \$91 billion, the complex-level fee rate for such complex-wide Managed Assets shall be .1400% until such time as a different rate or rates is determined.

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

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

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

* From the commencement of operations.

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

For the first ten years of Arizona Dividend Advantage 2's (NKR) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets (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, | |
|--------------------------|------|--------------------------|------|
| 2002* | .30% | 2008 | .25% |
| 2003 | .30 | 2009 | .20 |
| 2004 | .30 | 2010 | .15 |
| 2005 | .30 | 2011 | .10 |
| 2006 | .30 | 2012 | .05 |
| 2007 | .30 | | |

* From the commencement of operations.

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

For the first eight years of Arizona Dividend Advantage 3's (NXE) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets (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, | |
|------------------------------|------|------------------------------|------|
| 2002* | .32% | 2007 | .32% |
| 2003 | .32 | 2008 | .24 |
| 2004 | .32 | 2009 | .16 |
| 2005 | .32 | 2010 | .08 |
| 2006 | .32 | | |

* From the commencement of operations.

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

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Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

6. NEW ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board Interpretation No. 48

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Recent 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 July 31, 2007. 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

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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 January 31, 2007, the Funds do not believe the adoption of SFAS No. 157 will impact the financial statement amounts; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements included within the Statement of Operations for the period.

7. SUBSEQUENT EVENTS

Distributions to Common Shareholders

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid on March 1, 2007, to shareholders of record on February 15, 2007, as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|--------------------|---------------------------------------|---|---|---|
| Dividend per share | \$.0510 | \$.0585 | \$.0615 | \$.0565 |

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Financial
HIGHLIGHTS (Unaudited)

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Financial
HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

| Beginning Common Share Net Asset Value | Investment Operations | | | | | |
|--|-----------------------------|---|---|---|-------|--|
| | 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 | |
| | | | | | | |

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ARIZONA PREMIUM
INCOME (NAZ)

Year Ended 7/31:

| | | | | | | |
|----------|---------|--------|-------|----------|-------|--------|
| 2007 (a) | \$14.10 | \$.42 | \$.16 | \$ (.11) | \$ -- | \$.47 |
| 2006 | 14.53 | .83 | (.39) | (.18) | -- | .26 |
| 2005 | 14.04 | .86 | .56 | (.09) | -- | 1.33 |
| 2004 | 13.66 | .92 | .43 | (.05) | -- | 1.30 |
| 2003 | 14.25 | .97 | (.57) | (.07) | -- | .33 |
| 2002 | 14.77 | 1.07 | (.57) | (.09) | (.01) | .40 |

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:

| | | | | | | |
|----------|-------|------|-------|-------|-------|------|
| 2007 (a) | 14.77 | .46 | .20 | (.12) | (.02) | .52 |
| 2006 | 15.37 | .93 | (.40) | (.20) | (.01) | .32 |
| 2005 | 15.00 | .97 | .46 | (.10) | -- | 1.33 |
| 2004 | 14.45 | .99 | .57 | (.06) | -- | 1.50 |
| 2003 | 14.81 | 1.00 | (.38) | (.07) | (.01) | .54 |
| 2002 | 14.37 | 1.04 | .36 | (.11) | -- | 1.29 |

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** |
|--|--|---|---------------------------|----------------------------------|---|
|--|--|---|---------------------------|----------------------------------|---|

ARIZONA PREMIUM
INCOME (NAZ)

Year Ended 7/31:

| | | | | | |
|----------|-------|---------|---------|--------|-------|
| 2007 (a) | \$ -- | \$14.26 | \$13.93 | 4.02% | 3.30% |
| 2006 | -- | 14.10 | 13.69 | (5.62) | 1.84 |
| 2005 | -- | 14.53 | 15.22 | 5.17 | 9.69 |
| 2004 | -- | 14.04 | 15.27 | 7.97 | 9.66 |
| 2003 | -- | 13.66 | 15.00 | (5.98) | 2.21 |
| 2002 | -- | 14.25 | 16.90 | 9.63 | 2.88 |

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:

| | | | | | |
|----------|-----|-------|-------|--------|-------|
| 2007 (a) | -- | 14.86 | 15.08 | (2.50) | 3.51 |
| 2006 | -- | 14.77 | 15.90 | 4.54 | 2.14 |
| 2005 | -- | 15.37 | 16.08 | 10.88 | 9.04 |
| 2004 | -- | 15.00 | 15.40 | 7.05 | 10.56 |
| 2003 | .02 | 14.45 | 15.30 | 3.06 | 3.67 |
| 2002 | -- | 14.81 | 15.75 | 6.38 | 9.32 |

Ratios/Supplemental Data

Ratios to Average Net Assets
Applicable to Common Shares

Ratios to Average Net Assets
Applicable to Common Shares

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| | Ending Net Assets Applicable to Common Shares (000) | Before Credit/Reimbursement | | | After Credit/ | |
|------------------------------|--|---|---|-------------------------------|---|--------------------|
| | | Expenses Including Interest++ (b) | Expenses Excluding Interest++ (b) | Net Investment Income++ | Expenses Including Interest++ (b) | Exp Excl Int |
| ARIZONA PREMIUM INCOME (NAZ) | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2007 (a) | \$63,713 | 1.28%* | 1.23%* | 5.71%* | 1.26%* | |
| 2006 | 63,024 | 1.21 | 1.21 | 5.83 | 1.19 | |
| 2005 | 64,822 | 1.20 | 1.20 | 5.91 | 1.19 | |
| 2004 | 62,431 | 1.22 | 1.22 | 6.49 | 1.21 | |
| 2003 | 60,547 | 1.25 | 1.25 | 6.81 | 1.24 | |
| 2002 | 62,876 | 1.28 | 1.28 | 7.45 | 1.26 | |

ARIZONA DIVIDEND ADVANTAGE (NFZ)

| | | | | | | |
|------------------|--------|-------|-------|-------|-------|--|
| Year Ended 7/31: | | | | | | |
| 2007 (a) | 23,011 | 1.42* | 1.38* | 5.62* | 1.00* | |
| 2006 | 22,862 | 1.36 | 1.36 | 5.79 | .92 | |
| 2005 | 23,753 | 1.34 | 1.34 | 5.82 | .87 | |
| 2004 | 23,153 | 1.30 | 1.30 | 6.10 | .83 | |
| 2003 | 22,290 | 1.35 | 1.35 | 6.11 | .91 | |
| 2002 | 22,791 | 1.41 | 1.41 | 6.72 | .93 | |

| | 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 |
| ARIZONA PREMIUM INCOME (NAZ) | | | | | |
| Year Ended 7/31: | | | | | |
| 2007 (a) | \$30,000 | \$25,000 | \$78,094 | \$2,054 | \$46,617 |
| 2006 | 30,000 | 25,000 | 77,520 | -- | -- |
| 2005 | 30,000 | 25,000 | 79,019 | -- | -- |
| 2004 | 30,000 | 25,000 | 77,026 | -- | -- |
| 2003 | 30,000 | 25,000 | 75,456 | -- | -- |
| 2002 | 30,000 | 25,000 | 77,397 | -- | -- |

ARIZONA DIVIDEND ADVANTAGE (NFZ)

| | | | | | |
|------------------|--------|--------|--------|-----|--------|
| Year Ended 7/31: | | | | | |
| 2007 (a) | 12,000 | 25,000 | 72,940 | 623 | 57,210 |
| 2006 | 12,000 | 25,000 | 72,628 | -- | -- |
| 2005 | 12,000 | 25,000 | 74,485 | -- | -- |
| 2004 | 12,000 | 25,000 | 73,235 | -- | -- |
| 2003 | 12,000 | 25,000 | 71,438 | -- | -- |
| 2002 | 12,000 | 25,000 | 72,480 | -- | -- |

- * Annualized.
 - ** Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. Total Return on Common Share Net Asset Value is the combination of changes in Common Share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. Total returns are not annualized.
 - *** After custodian fee credit and expense reimbursement, 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) For the six months ended January 31, 2007.
- (b) 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.

50-51 spread

FINANCIAL HIGHLIGHTS (Unaudited) (continued)

Selected data for a Common share outstanding throughout each period:

| | Investment Operations | | | | | | Total |
|---------------------------------------|--|-----------------------------|---|---|---|--|--------|
| | Beginning Common Share Net Asset Value | Net Investment Income | Net Realized/ Unrealized Gain (Loss) | Distributions from Net Investment Income to Preferred Share- holders+ | Distributions from Capital Gains to Preferred Share- holders+ | | |
| ===== | | | | | | | |
| ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | | | | | | | |
| ----- | | | | | | | |
| Year Ended 7/31: | | | | | | | |
| 2007 (c) | \$15.00 | \$.48 | \$.14 | \$ (.12) | \$ (.01) | | \$.49 |
| 2006 | 15.56 | .96 | (.37) | (.20) | (.01) | | .38 |
| 2005 | 15.10 | .97 | .59 | (.11) | (.01) | | 1.44 |
| 2004 | 14.57 | .96 | .53 | (.06) | -- | | 1.43 |
| 2003 | 14.88 | .96 | (.31) | (.08) | -- | | .57 |
| 2002 (a) | 14.33 | .24 | .71 | (.02) | -- | | .93 |

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

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| Year Ended 7/31: | | | | | | |
|------------------|-------|-----|-------|-------|----|-------|
| 2007 (c) | 14.32 | .45 | .17 | (.12) | -- | .50 |
| 2006 | 14.62 | .88 | (.26) | (.19) | -- | .43 |
| 2005 | 14.01 | .89 | .62 | (.10) | -- | 1.41 |
| 2004 | 13.45 | .89 | .54 | (.06) | -- | 1.37 |
| 2003 (b) | 14.33 | .66 | (.67) | (.05) | -- | (.06) |

| 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** |

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

| Year Ended 7/31: | | | | | |
|------------------|-------|---------|---------|--------|-------|
| 2007 (c) | \$ -- | \$15.08 | \$15.16 | 1.31% | 3.27% |
| 2006 | -- | 15.00 | 15.37 | .82 | 2.49 |
| 2005 | -- | 15.56 | 16.19 | 16.30 | 9.74 |
| 2004 | -- | 15.10 | 14.82 | 9.46 | 9.98 |
| 2003 | (.01) | 14.57 | 14.40 | (3.53) | 3.67 |
| 2002 (a) | (.16) | 14.88 | 15.80 | 6.81 | 5.38 |

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

| Year Ended 7/31: | | | | | |
|------------------|-------|-------|-------|--------|--------|
| 2007 (c) | -- | 14.48 | 14.25 | 7.97 | 3.48 |
| 2006 | -- | 14.32 | 13.52 | (1.80) | 3.03 |
| 2005 | -- | 14.62 | 14.48 | 15.11 | 10.21 |
| 2004 | (.01) | 14.01 | 13.30 | 1.01 | 10.25 |
| 2003 (b) | (.21) | 13.45 | 13.97 | (2.76) | (2.05) |

Ratios/Supplemental Data

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

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

| Year Ended 7/31: | | | | | |
|------------------|--------|--------|--------|--------|-------|
| 2007 (c) | 36,679 | 1.32%* | 1.28%* | 5.82%* | .85%* |

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| | | | | | |
|----------|--------|-------|-------|-------|------|
| 2006 | 36,465 | 1.28 | 1.28 | 5.88 | .82 |
| 2005 | 37,704 | 1.27 | 1.27 | 5.76 | .82 |
| 2004 | 36,543 | 1.27 | 1.27 | 5.83 | .80 |
| 2003 | 35,237 | 1.27 | 1.27 | 5.78 | .82 |
| 2002 (a) | 35,913 | 1.19* | 1.19* | 4.43* | .77* |

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:

| | | | | | |
|----------|--------|-------|-------|-------|------|
| 2007 (c) | 44,429 | 1.31* | 1.27* | 5.56* | .81* |
| 2006 | 43,913 | 1.26 | 1.26 | 5.63 | .78 |
| 2005 | 44,829 | 1.25 | 1.25 | 5.63 | .76 |
| 2004 | 42,983 | 1.25 | 1.25 | 5.80 | .76 |
| 2003 (b) | 41,247 | 1.19* | 1.19* | 5.05* | .73* |

| 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 |

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

Year Ended 7/31:

| | | | | | |
|----------|----------|----------|----------|--------|----------|
| 2007 (c) | \$18,500 | \$25,000 | \$74,566 | \$ 994 | \$56,484 |
| 2006 | 18,500 | 25,000 | 74,277 | -- | -- |
| 2005 | 18,500 | 25,000 | 75,952 | -- | -- |
| 2004 | 18,500 | 25,000 | 74,382 | -- | -- |
| 2003 | 18,500 | 25,000 | 72,618 | -- | -- |
| 2002 (a) | 18,500 | 25,000 | 73,531 | -- | -- |

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:

| | | | | | |
|----------|--------|--------|--------|-------|--------|
| 2007 (c) | 22,000 | 25,000 | 75,487 | 1,185 | 57,040 |
| 2006 | 22,000 | 25,000 | 74,902 | -- | -- |
| 2005 | 22,000 | 25,000 | 75,942 | -- | -- |
| 2004 | 22,000 | 25,000 | 73,844 | -- | -- |
| 2003 (b) | 22,000 | 25,000 | 71,872 | -- | -- |

* Annualized.

** Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. Total Return on Common Share Net Asset Value is the combination of changes in Common Share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. Total returns are not annualized.

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

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred

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shareholders; income ratios reflect income earned on assets attributable to Preferred shares.

- (a) For the period March 25, 2002 (commencement of operations) through July 31, 2002.
- (b) For the period September 25, 2002 (commencement of operations) through July 31, 2003.
- (c) For the six months ended January 31, 2007.
- (d) 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.

52-53 spread

FINANCIAL HIGHLIGHTS (Unaudited) (continued)

Selected data for a Common share outstanding throughout each period:

| Beginning Common Share Net Asset Value | Investment Operations | | | | | Total |
|--|-----------------------------|--|---|---|--|-------|
| | Net Investment Income | Realized/ Unrealized Gain (Loss) | Distributions from Net Investment Income to Preferred Share- holders+ | Distributions from Capital Gains to Preferred Share- holders+ | | |

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:

| | | | | | | |
|----------|---------|--------|-------|----------|----------|--------|
| 2007 (a) | \$15.06 | \$.48 | \$.18 | \$ (.12) | \$ (.01) | \$.53 |
| 2006 | 15.46 | .96 | (.32) | (.22) | -- | .42 |
| 2005 | 15.12 | 1.00 | .41 | (.13) | -- | 1.28 |
| 2004 | 14.57 | 1.03 | .55 | (.07) | -- | 1.51 |
| 2003 | 15.14 | 1.05 | (.58) | (.08) | -- | .39 |
| 2002 | 15.16 | 1.11 | (.02) | (.10) | (.02) | .97 |

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** |
|--|---|---------------------------|----------------------------------|---|
|--|---|---------------------------|----------------------------------|---|

TEXAS QUALITY

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INCOME (NTX)

| Year Ended 7/31: | | | | | |
|------------------|-------|---------|---------|--------|-------|
| 2007 (a) | \$ -- | \$15.18 | \$14.54 | 1.57% | 3.47% |
| 2006 | -- | 15.06 | 14.71 | (4.03) | 2.77 |
| 2005 | -- | 15.46 | 16.19 | 17.83 | 8.61 |
| 2004 | -- | 15.12 | 14.59 | 5.87 | 10.51 |
| 2003 | -- | 14.57 | 14.71 | 4.14 | 2.54 |
| 2002 | -- | 15.14 | 15.07 | 9.29 | 6.61 |

Ratios/Supplemental Data

| | Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement | | | Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement | | |
|----------|--|---|---|---|---|---|
| | Ending Net Assets Applicable to Common Shares (000) | Expenses Including Interest++ (b) | Expenses Excluding Interest++ (b) | Net Investment Income++ | Expenses Including Interest++ (b) | Expenses Excluding Interest++ (b) |
| 2007 (a) | 144,142 | 1.20%* | 1.18%* | 6.14%* | 1.18%* | 1.18%* |
| 2006 | 143,009 | 1.19 | 1.19 | 6.31 | 1.18 | 1.18 |
| 2005 | 146,718 | 1.18 | 1.18 | 6.42 | 1.16 | 1.16 |
| 2004 | 143,233 | 1.18 | 1.18 | 6.77 | 1.18 | 1.18 |
| 2003 | 137,975 | 1.20 | 1.20 | 6.93 | 1.19 | 1.19 |
| 2002 | 143,305 | 1.23 | 1.23 | 7.40 | 1.22 | 1.22 |

TEXAS QUALITY
INCOME (NTX)

| Year Ended 7/31: | | | | | |
|------------------|---------|--------|--------|--------|--------|
| 2007 (a) | 144,142 | 1.20%* | 1.18%* | 6.14%* | 1.18%* |
| 2006 | 143,009 | 1.19 | 1.19 | 6.31 | 1.18 |
| 2005 | 146,718 | 1.18 | 1.18 | 6.42 | 1.16 |
| 2004 | 143,233 | 1.18 | 1.18 | 6.77 | 1.18 |
| 2003 | 137,975 | 1.20 | 1.20 | 6.93 | 1.19 |
| 2002 | 143,305 | 1.23 | 1.23 | 7.40 | 1.22 |

| 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 | |
| 2007 (a) | \$69,000 | \$25,000 | \$77,225 | \$3,775 | \$57,461 |
| 2006 | 69,000 | 25,000 | 76,815 | -- | -- |
| 2005 | 69,000 | 25,000 | 78,159 | -- | -- |
| 2004 | 69,000 | 25,000 | 76,896 | -- | -- |
| 2003 | 69,000 | 25,000 | 74,991 | -- | -- |
| 2002 | 69,000 | 25,000 | 76,922 | -- | -- |

TEXAS QUALITY INCOME (NTX)

| Year Ended 7/31: | | | | | |
|------------------|----------|----------|----------|---------|----------|
| 2007 (a) | \$69,000 | \$25,000 | \$77,225 | \$3,775 | \$57,461 |
| 2006 | 69,000 | 25,000 | 76,815 | -- | -- |
| 2005 | 69,000 | 25,000 | 78,159 | -- | -- |
| 2004 | 69,000 | 25,000 | 76,896 | -- | -- |
| 2003 | 69,000 | 25,000 | 74,991 | -- | -- |
| 2002 | 69,000 | 25,000 | 76,922 | -- | -- |

* Annualized.

** Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. Total Return on Common Share Net Asset Value is

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the combination of changes in Common Share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. Total returns are not annualized.

- *** After custodian fee credit and expense reimbursement, 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) For the six months ended January 31, 2007.
- (b) 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.

54-55 spread

Reinvest Automatically
EASILY AND CONVENIENTLY

Sidebar text: 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 then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on

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

FLEXIBLE

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

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

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

CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

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

Automatic Dividend REINVESTMENT PLAN

NOTICE OF AMENDMENT TO THE TERMS AND CONDITIONS

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

Fund shareholders who elect to participate in the Plan are able to have Fund distributions consisting of income dividends, realized capital gains and returns of capital automatically reinvested in additional Fund shares. Under the Plan's existing terms, the Plan Agent purchases Fund shares in the open market if the Fund's shares are trading at a discount to their net asset value on the payable date for the distribution. If the Fund's shares are trading at or above their

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

Under the Plan's amended terms, if the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value. This change will permit Plan participants under these circumstances to reinvest Fund distributions at a lower aggregate cost than is possible under the existing Plan.

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Notes

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Other Useful
INFORMATION

QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

Each Fund's (i) quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the 12-month period ended June 30, 2006, and (iii) a description of the policies and procedures that the Funds used to determine how to vote proxies relating to portfolio securities are available without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at www.nuveen.com.

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 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 New York Stock 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.

GLOSSARY OF TERMS USED IN THIS REPORT

AVERAGE ANNUAL TOTAL RETURN: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the

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investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

AVERAGE EFFECTIVE MATURITY: The average of 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.

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.

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.

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

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

TAXABLE-EQUIVALENT YIELD: The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.

BOARD OF DIRECTORS/TRUSTEES

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

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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 or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the period covered by this report. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

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Nuveen Investments:

SERVING Investors

For GENERATIONS

Photo of: 2 women looking at a photo album.

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

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

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

Managing approximately \$162 billion in assets, as of December 31, 2006, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its

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capabilities under six distinct brands: NWQ, specializing in value-style equities; Nuveen, managing fixed-income investments; Santa Barbara, committed to growth equities; Tradewinds, specializing in global value equities; Rittenhouse, focused on "blue-chip" growth equities; and Symphony, with expertise in alternative investments as well as equity and income portfolios.

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

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

Be sure to obtain a prospectus, where applicable. Investors should consider the investment objective and policies, risk considerations, charges and expenses of the Fund carefully before investing. The prospectus contains this and other 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.

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| Learn more about Nuveen Funds at WWW.NUVEEN.COM/CEF | <ul style="list-style-type: none">o Share priceso Fund detailso Daily financial newso Investor educationo Interactive planning tools |
|---|--|

Logo: NUVEEN Investments

ESA-A-0107D

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

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

Not applicable to this filing.

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

Not applicable to this filing.

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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.

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

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: Ex-99.CERT attached hereto.

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

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. Ex-99.906 CERT attached hereto.

SIGNATURES

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

(Registrant) Nuveen Arizona Dividend Advantage Municipal Fund 3

By (Signature and Title)* /s/ Jessica R. Droeger

Jessica R. Droeger
Vice President and Secretary

Date: April 9, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Gifford R. Zimmerman

Gifford R. Zimmerman
Chief Administrative Officer
(principal executive officer)

Date: April 9, 2007

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

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

Date: April 9, 2007

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