

SECURITIES AND EXCHANGE COMMISSION

FORM NSAR-B

Annual report for management companies filed on Form N-SAR

Filing Date: **2012-04-30** | Period of Report: **2012-02-29**  
SEC Accession No. [0001083839-12-000127](#)

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FILER

**NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3**

CIK: [1177212](#) | IRS No.: [431969054](#) | State of Incorporation: **MA**  
Type: **NSAR-B** | Act: **40** | File No.: [811-21157](#) | Film No.: [12794823](#)

Business Address  
*333 WEST WACKER DRIVE  
CHICAGO IL 60606  
3129178146*

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SIGNATURE STEPHEN D. FOY  
TITLE VP & CONTROLLER

Report of Independent Registered Public Accounting Firm  
To the Shareholders and Board of Directors/Trustees of  
Nuveen Closed-End Funds

In planning and performing our audit of the financial statements of each of the Nuveen Closed-End Funds listed in Exhibit A attached hereto (the Funds ) as of and for the year/period ended February 29, 2012, in accordance with the standards of the Public Company Accounting Oversight Board (United States), we considered the Funds internal control over financial reporting, including controls over safeguarding securities, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with the requirements of Form N-SAR, but not for the purpose of expressing an opinion on the effectiveness of the Funds internal control over financial reporting. Accordingly, we express no such opinion.

The management of the Funds is responsible for establishing and maintaining effective internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. A funds internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A funds internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the fund; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the fund are being made only in accordance with authorizations of management and directors of the fund; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a funds assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the funds annual or interim financial statements will not be prevented or detected on a timely basis.

Our consideration of the Funds internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily disclose all deficiencies in internal control that might be material weaknesses under standards established by the Public Company Accounting Oversight Board (United States). However, we noted no deficiencies in the Funds internal control over financial reporting and its operation, including controls over safeguarding securities that we consider to be a material weakness as defined above as of February 29, 2012.

This report is intended solely for the information and use of management and the Board of Directors/Trustees of the Funds and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

/s/ERNST & YOUNG LLP

Chicago, Illinois

April 25, 2012

<table>

<c>Exhibit A

<s>Fund

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)

Nuveen Michigan Quality Income Municipal Fund, Inc. (NUM)

Nuveen Michigan Premium Income Municipal Fund, Inc. (NMP)

Nuveen Michigan Dividend Advantage Municipal Fund (NZW)

Nuveen Ohio Quality Income Municipal Fund, Inc. (NUO)

Nuveen Ohio Dividend Advantage Municipal Fund (NXI)

Nuveen Ohio Dividend Advantage Municipal Fund 2 (NBJ)

Nuveen Ohio Dividend Advantage Municipal Fund 3 (NVJ)

Nuveen California Municipal Value Fund, Inc. (NCA)

Nuveen California Municipal Value Fund 2 (NCB)

Nuveen California Performance Plus Municipal Fund, Inc. (NCP)

Nuveen California Municipal Market Opportunity Fund, Inc. (NCO)

Nuveen California Investment Quality Municipal Fund, Inc. (NQC)

Nuveen California Select Quality Municipal Fund, Inc. (NVC)  
Nuveen California Quality Income Municipal Fund, Inc. (NUC)  
Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC)  
Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)  
Nuveen California Premium Income Municipal Fund (NCU)  
Nuveen California Dividend Advantage Municipal Fund (NAC)  
Nuveen California Dividend Advantage Municipal Fund 2 (NVX)  
Nuveen California Dividend Advantage Municipal Fund 3 (NZH)  
Nuveen Insured California Dividend Advantage Municipal Fund (NKL)  
Nuveen Insured California Tax-Free Advantage Municipal Fund (NKX)  
</table>

Form N-SAR, Sub-Item 77C  
Submission of matters to a vote of security holders

Nuveen Arizona Dividend Advantage Municipal Fund 3  
333-92290  
811-21157

The annual meeting of shareholders was held in the offices of Nuveen Investments on November 15, 2011; at this meeting the shareholders were asked to vote on the election of Board Members, the elimination of Fundamental Investment Policies and the approval of new Fundamental Investment Policies. The meeting was subsequently adjourned to December 16, 2011 and then to January 31, 2012. The fundamental policy items were further adjourned to March 5, 2012 where the items were approved by shareholders.

Voting results for January 31 are as follows:

<table>  
<c>  
<c> Common and Preferred shares voting  
together as a class  
<c> Preferred shares voting  
together as a class  
To approve the elimination of the  
fundamental policies relating to the Funds  
ability to make loans.

For	2,279,256
	608,700
Against	239,195
	91,800
Abstain	100,908
	20,000
Broker Non-Votes	494,557
	202,749
Total	3,113,916
	923,249

To approve the new fundamental policy relating to the Funds ability to make loans.

For	2,260,006
	603,700
Against	255,195
	96,800
Abstain	104,158
	20,000
Broker Non-Votes	494,557
	202,749
Total	3,113,916
	923,249

</table>

Proxy materials are herein incorporated by reference to the SEC filing on October 14, 2011, under Conformed Submission Type DEF 14A, accession number 0000950123-11-089999.

Form N-SAR, Sub-Item 77E  
Legal Proceedings

Nuveen Arizona Dividend Advantage Municipal Fund 3  
811-21157

Certain Nuveen leveraged closed-end funds (including the Nuveen Arizona Dividend Advantage Municipal Fund 3 (symbol NXE ) (hereafter, the Fund )) were the subject of a putative shareholder derivative action complaint filed on February 18, 2011 in the Circuit Court of Cook County, Illinois, Chancery Division (the Cook County Chancery Court ) captioned Martin Safier, et al., v. Nuveen Asset Management, et al. (the Complaint ). The Complaint was filed on behalf of purported holders of each funds common shares and also names Nuveen Fund Advisors as a defendant, together with current and former officers and a trustee of each of the funds (together with the nominal defendants, collectively, the Defendants ). The Complaint alleged that Nuveen Fund Advisors (the funds investment adviser) and the funds officers and Board of Directors or Trustees, as applicable (the Board of Trustees ) breached their fiduciary duties by favoring the interests of holders of the funds auction rate preferred shares ( ARPS ) over those of its common shareholders in connection with each funds ARPS refinancing and/or redemption activities.

The suit sought a declaration that the Defendants breached their fiduciary duties, indeterminate monetary damages in favor of the funds and an award of plaintiffs costs and disbursements in pursuing the action. On April 29, 2011, each of the Defendants filed a motion to dismiss the Complaint. By decision dated December 16, 2011, the Court granted the Defendants Motion to Dismiss with prejudice and the plaintiffs failed to appeal that decision within the required time frame.