

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-CSRS
April 07, 2006

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, 2006

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

Semiannual Report January 31, 2006

Nuveen Investments
Municipal Exchange-Traded
Closed-End
Funds

NUVEEN ARIZONA
PREMIUM INCOME
MUNICIPAL FUND, INC.
NAZ

NUVEEN ARIZONA
DIVIDEND ADVANTAGE
MUNICIPAL FUND
NFZ

[GRAPHIC OMITTED]

NUVEEN ARIZONA
DIVIDEND ADVANTAGE
MUNICIPAL FUND 2
NKR

NUVEEN ARIZONA
DIVIDEND ADVANTAGE
MUNICIPAL FUND 3
NXE

NUVEEN TEXAS
QUALITY INCOME
MUNICIPAL FUND
NTX

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

[LOGO]
NUVEEN
Investments

[PHOTO OMITTED]

NOW YOU CAN RECEIVE YOUR
NUVEEN FUND REPORTS FASTER.

NO MORE WAITING.
SIGN UP TODAY TO RECEIVE NUVEEN FUND INFORMATION BY E-MAIL.

It only takes a minute to sign up for E-Reports. Once enrolled, you'll

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

receive an e-mail as soon as your Nuveen Investments Fund information is ready -- no more waiting for delivery by regular mail. Just click on the link within the e-mail to see the report, and save it on your computer if you wish.

DELIVERY DIRECT TO
YOUR E-MAIL INBOX

IT'S FAST, EASY & FREE:

www.investordelivery.com

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

OR

www.nuveen.com/accountaccess

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 OMITTED]

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 Distribution and Share Price Information, and the Performance Overview sections of this report.

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. I encourage you to contact your personal financial advisor who can explain the advantages of diversification in more detail.

"Portfolio diversification is a recognized way to try to reduce some of the risk that comes with investing."

Nuveen Investments is pleased to offer you choices when it comes to receiving your Fund reports. Instead of mailed printed copies, you can sign up to receive future Fund reports and other Fund information by e-mail and the Internet. Not only will you be able to receive the

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

information faster, but this also may help lower your Fund's expenses. The inside front cover of this report contains information on how you can sign up - just follow the quick and easy step-by-step instructions.

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, 2006

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

Portfolio Managers'
Comments

Portfolio managers Scott Romans and Cathryn Steeves review key investment strategies and the semiannual 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 the six-month reporting period ended January 31, 2006?

During this period, bond valuations generally declined as yields generally rose and the yield curve flattened, with shorter-term rates rising to approach the levels of longer-term rates.

In this environment, one of our key strategies continued to be careful duration management. 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. Our purchase activity focused mainly on finding attractively priced bonds maturing in 15 to 20 years for the Arizona Funds and in 15 to 25 years for NTX. As the yield curve flattened, we believed that bonds in this range of the curve generally offered the most attractive opportunities and the best values. We also continued to look for bonds with premium coupons; that is, bonds that at the time of purchase were trading above their par value because their coupons were higher than current interest rate levels. Premium bonds have been in demand recently because historically they have held their value better than current coupon bonds when long-term interest rates rise.

To help us maintain the Funds' durations within our preferred range, we also selectively sold holdings with shorter maturities, including pre-refunded bonds, and reinvested the proceeds in longer maturities as attractive opportunities arose. Proceeds from called bonds also were reinvested into longer maturities.

We also kept an opportunistic eye out for all types of bonds that we believed

could add value to the Funds. Because of the overall high credit quality of new issue supply in both states, the majority of our new purchases were highly rated and/or insured. However, due to Arizona's rapid population growth and corresponding infrastructure

4

needs, the credit market in that state also offered some unique opportunities among lower-rated land-secured issues and community facilities district bonds. In NTX, we found some good opportunities in AAA-rated utilities bonds.

In NFZ, NKR and NXE, our duration management strategies also included the use of forward interest rate swaps, a type of derivative financial instrument. As discussed in our last shareholder report, we began using these swaps in late 2004 in an effort to reduce the interest rate risk of these three Funds. These hedges were not an attempt to profit from correctly predicting the timing and direction of interest rate movements. Instead, our sole objective was to reduce the Funds' durations (and resulting price sensitivity) without having a negative impact on their income streams or common share dividends over the short term. During this reporting period, the hedges performed as expected and had a positive impact on the returns of NFZ, NKR and NXE. As long-term interest rates rose, the value of the hedges increased while the valuation of the Funds' holdings generally declined.

How did the Funds perform?

Individual results for these Funds, as well as for relevant indexes and peer groups, are presented in the accompanying table.

Total Returns on Net Asset Value*

For periods ended 1/31/06

Arizona Funds	6-Month	1-Year	5-Year	10-Year
NAZ	1.16%	2.80%	5.78%	5.40%
NFZ	1.20%	2.71%	7.29%	NA
NKR	1.44%	2.90%	NA	NA
NXE	1.70%	3.07%	NA	NA
Texas Fund				
NTX	1.59%	3.10%	6.97%	6.14%
Lehman Brothers Municipal Bond Index(1)				
	1.33%	2.85%	5.44%	5.67%
Lipper Other States Municipal Debt Funds Average(2)				
	1.06%	1.90%	4.18%	4.46%

* 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

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

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.

- (1) The Lehman Brothers Municipal Bond Index is an unleveraged, unmanaged national index comprising a broad range of investment-grade municipal bonds. Results for the Lehman index do not reflect any expenses. It is not possible to invest directly in an index.
- (2) The Lipper Other State Municipal Debt Funds category average is calculated using the returns of all closed-end exchange-traded funds in this category for each period as follows: 6 months, 44 funds; 1 year, 44 funds; 5 years, 19 funds; and 10 years, 17 funds. Fund and Lipper returns assume reinvestment of dividends.

5

For the six months ended January 31, 2006, the cumulative returns on net asset value (NAV) for NKR, NXE and NTX outperformed the return on the Lehman Brothers Municipal Bond Index, while NAZ and NFZ underperformed this measure. All five of the Funds in this report exceeded the average return for the Lipper Other States peer group over the reporting period.

One of the factors affecting the six-month performance of the Funds relative to that of the unleveraged Lehman Brothers municipal index was the Funds' use of financial leverage. While leveraging provides opportunities for additional income and total returns for common shareholders when interest rates fall or remain consistently low (as they have over the past several years), this benefit is reduced when interest rates rise. With the increase in long-term interest rates during this six-month period, the decline in value of the bonds in these Funds' portfolios was exacerbated by the effects of leveraging. In addition, the benefits of leveraging are tied in part to the short-term rates leveraged Funds pay their MuniPreferred(R) shareholders. During periods of low short-term rates, these Funds generally pay lower dividends to their MuniPreferred shareholders, which can leave more earnings to support common share dividends. Conversely, when short-term interest rates rise, as they did during this reporting period, the Funds' borrowing costs also rise, impacting the Funds' income streams, and total returns. However, we remain convinced that, over the long term, leveraging should work to the benefit of the Funds' performance as the older Funds' 5-year and 10-year absolute and relative return performance illustrates.

During this reporting period, positive contributors to the Funds' returns included exposure to the intermediate part of the yield curve, allocations to lower-rated credits, pre-refunding activity in all of the Funds, and credit upgrades of several of the Arizona Funds' holdings. As mentioned earlier, the hedging strategies we employed in NFZ, NKR and NXE also had a positive impact on the performance of these Funds for the period.

As the yield curve continued to flatten over the course of this period, bonds with intermediate maturities generally outperformed both longer-maturity bonds and those with short maturities. Yield curve positioning or, more specifically, greater exposure to the intermediate part of the curve helped the performance of all of these Funds. However, NAZ had more exposure to the longer end of the curve than the other four

6

Funds in this report, which hampered its performance. Part of the duration management strategies discussed earlier included efforts to more closely align the yield curve positioning of all of these Funds.

All of the Funds also benefited from their allocations of lower-quality credits, as bonds rated BBB or lower and non-rated bonds generally outperformed higher-rated securities. This was largely the result of investor demand for the higher yields typically associated with lower-quality bonds, which drove up the prices of these bonds. Among the holdings making positive contributions to the Funds' returns for this period were those from sectors that tend to have a greater number of lower-quality credits, including healthcare (especially hospitals), housing, and bonds backed by the 1998 master tobacco settlement agreement. With some signs of improvement in the airline industry, NTX's small position in American Airlines bonds, which were rated CCC by S&P as of the end of the reporting period, also contributed to this Fund's performance.

We continued to see a substantial number of refinancings during this period, which benefited the Funds through price appreciation and enhanced credit quality. As the yield curve flattened, the impact of price appreciation from advance refundings generally was less than in the previous reporting period.

NAZ, NKR and NXE also benefited from price appreciation associated with the recent credit upgrade and improved tradability of bonds issued by Arizona Health for Phoenix Children's Hospital. These bonds, which had been rated Ba2 (sub-investment grade) by Moody's were upgraded prior to the beginning of this reporting period to Baa3 (investment-grade) based on the hospital's stronger financial picture. Due to the size of NAZ's position (\$2 million in par value), the appreciation of these bonds made this holding the second largest contributor to NAZ's performance for the period.

While pre-refundings generally enhanced performance for this six-month period, the rising interest rate environment (especially in the one- to five-year part of the yield curve) during this time meant that the Funds' holdings of older, previously pre-refunded bonds tended to underperform the general municipal market, due primarily to the shorter effective maturities of these bonds. This was especially true in NAZ, which had the largest allocation of pre-refunded bonds among the Funds in this report. In addition, NFZ

7

held bonds issued for a federally guaranteed multifamily housing project that were restructured by the Federal Housing Administration, which had a negative impact on the Fund's performance during this period.

How were the Funds positioned in terms of credit quality and bond calls as of January 31, 2006?

We continued to believe that maintaining strong credit quality was an important requirement. As of January 31, 2006, all of these Funds continued to offer excellent credit quality, with allocations of bonds rated AAA/U.S. guaranteed and AA ranging from 75% in NKR to 78% in NXE, 79% in NTX and 81% in NFZ and NAZ.

As of January 31, 2006, potential call exposure for the period February 2006 through the end of 2007 ranged from 0% in NXE to 1% in NKR, 4% in NAZ, 6% in NTX and 10% in NFZ. The number of actual bond calls in all of these Funds depends largely on future market interest rates.

8

Dividend and Share Price
Information

All of these Funds use leverage to potentially enhance opportunities for additional income for common shareholders. During periods of rising short-term interest rates, as was the case during this reporting period, the Funds' borrowing costs also rise, reducing the extent of the benefits of leveraging. The Funds' income streams were also impacted as the proceeds from older, higher-yielding bonds that matured or were called and were reinvested into bonds that generally offered lower yields. These factors resulted in one monthly dividend reduction in NKR, NXE and NTX and two reductions in NAZ and NFZ over the six-month period ended January 31, 2006.

In addition, due to normal portfolio activity, common shareholders of the following Funds received capital gains or net ordinary income distributions at the end of December 2005 as follows:

	Long-Term Capital Gains (per share)	Ordinary Income (per share)
NFZ	\$0.0764	--
NKR	\$0.1058	--
NTX	--	\$0.0020

These distributions, which represented an important part of NFZ's and NKR's total returns for this period, were generated by bond calls and the sale of appreciated securities. This had a slight negative impact on the Funds' earning power per common share and was 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, 2006, NFZ, NKR and NTX had positive UNII balances for financial statement purposes, and positive UNII balances, based on our best estimate, for tax purposes. As of January 31, 2006, NAZ and NXE had negative UNII balances for financial statement purposes and positive UNII balances, based on our best estimates, for tax purposes.

9

As of January 31, 2006, the Funds' share prices were trading at premiums or discounts to their NAVs as shown in the accompanying chart:

	1/31/06 Premium/Discount	6-Month Average Premium/Discount
NAZ	-0.56%	+3.14%

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

NFZ	+7.05%	+11.31%
NKR	+1.64%	+3.78%
NXE	-1.10%	+1.17%
NTX	-1.90%	-2.89%

10

Nuveen Arizona Premium Income Municipal Fund, Inc.

NAZ

Performance

Overview As of January 31, 2006

Credit Quality

(as a % of total investments)

AAA/U.S. Guaranteed	69%
AA	12%
A	7%
BBB	9%
BB or Lower	1%
N/R	2%

[PIE CHART]

2005-2006 Monthly Tax-Free Dividends Per Share

[BAR CHART]

Feb	0.071
Mar	0.068
Apr	0.068
May	0.068
Jun	0.0645
Jul	0.0645
Aug	0.0645
Sep	0.0615
Oct	0.0615

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

Nov	0.0615
Dec	0.058
Jan	0.058

Share Price Performance

[LINE GRAPH]

Date	Weekly Closing Price
2/01/2005	16.04
	15.95
	15.74
	15.88
	15.81
	15.75
	15.9
	15.93
	15.66
	15.82
	15.78
	15.75
	15.72
	15.45
	15.51
	15.76
	15.71
	15.9
	15.92
	15.85
	15.9
	15.83
	15.87
	15.95
	16.17
	16.08
	16
	15.9
	15.76
	15.92
	15.9
	15.83
	15.73
	15.61
	15.6
	15.39
	15.4
	15.33
	15.1
	15.12
	15.02
	15.1
	15.2
	15.25
	15.21
	15.2
	15.25

15.25
15.18
15.14
15.12
15.13
15.25
15.21
15.21
15.02
15.15
15.03
15.12
15.33
15.39
15.4
15.4
15.4
15.4
15.52
15.52
15.58
15.5
15.56
15.57
15.6
15.6
15.45
15.39
15.46
15.44
15.45
15.44
15.48
15.45
15.46
15.48
15.59
15.62
15.63
15.61
15.61
15.54
15.6
15.58
15.48
15.35
15.16
15.14
15.16
15.16
15.17
15.16
15.28
15.38
15.41
15.42
15.51
15.6
15.47
15.47
15.23
15.32

15.3
15.38
15.37
15.52
15.44
15.35
15.4
15.25
15.12
14.99
15
15.04
15.05
15.03
15.14
15.2
15.22
15.22
15.44
15.52
15.54
15.55
15.47
15.3
15.5
15.5
15.34
15.17
15.19
15.19
15.32
15.2
15.2
15.26
15.4
15.36
15.28
15.34
15.49
15.4
15.38
15.54
15.62
15.5
15.4
15.48
15.48
15.39
15.29
15.29
15.4
15.3
15.3
15.38
15.47
15.3
15.27
15.27
15.31
15.32
15.21
15.3

15.21
15.32
15.31
15.2
15.23
15.2
15.19
15.18
15.1
15
15
15.07
15
14.77
14.85
14.82
14.69
14.55
14.63
14.49
14.5
14.48
14.5
14.5
14.5
14.51
14.59
14.56
14.37
14.46
14.44
14.45
14.45
14.35
14.27
14.36
14.41
14.44
14.49
14.56
14.45
14.66
14.7
14.77
14.42
14.35
14.36
14.33
14.36
14.12
14.09
14
14.08
14.07
14.01
14.09
14.34
14.53
14.58
14.68
14.67
14.63

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

	14.45
	14.45
	14.5
	14.67
	14.5
	14.33
	14.46
	14.15
	14.3
	14.35
	14.25
	14.36
	14.36
	14.34
	14.39
	14.43
	14.37
	14.26
	14.26
	14.29
	14.44
1/31/2006	14.25

Past performance is not predictive of future results.

Fund Snapshot

Common Share Price	\$14.25
Common Share Net Asset Value	\$14.33
Premium/(Discount) to NAV	-0.56%
Market Yield	4.88%
Taxable-Equivalent Yield(1)	7.12%
Net Assets Applicable to Common Shares (\$000)	\$64,003
Average Effective Maturity on Securities (Years)	15.25
Leverage-Adjusted Duration	8.27

Average Annual Total Return
(Inception 11/19/92)

	On Share Price	On NAV
6-Month (Cumulative)	-4.04%	1.16%
1-Year	-5.24%	2.80%
5-Year	3.64%	5.78%
10-Year	5.67%	5.40%

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

Industries (as a % of total investments)	
Tax Obligation/Limited	24.7%
U.S. Guaranteed	17.3%
Water and Sewer	15.7%
Education and Civic Organizations	12.7%
Health Care	9.8%
Utilities	7.1%
Tax Obligation/General	5.1%
Other	7.6%

(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 31.5%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

11

Nuveen Arizona Dividend Advantage Municipal Fund

NFZ

Performance

Overview As of January 31, 2006

Fund Snapshot

Common Share Price	\$16.10
Common Share Net Asset Value	\$15.04
Premium/(Discount) to NAV	7.05%
Market Yield	5.14%
Taxable-Equivalent Yield(1)	7.50%
Net Assets Applicable to Common Shares (\$000)	\$23,266
Average Effective Maturity on Securities (Years)	15.43
Leverage-Adjusted Duration	7.72

Average Annual Total Return
(Inception 1/30/01)

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

	On Share Price	On NAV
6-Month (Cumulative)	3.20%	1.20%
1-Year	2.85%	2.71%
5-Year	7.48%	7.29%
Since Inception	7.47%	7.28%

Industries
(as a % of total investments)

Tax Obligation/Limited	36.4%
Utilities	20.8%
U.S. Guaranteed	10.1%
Tax Obligation/General	8.1%
Health Care	7.2%
Water and Sewer	6.7%
Other	10.7%

Credit Quality
(as a % of total investments)

AAA/U.S. Guaranteed	61%	
AA	20%	
A	8%	[PIE CHART]
BBB	7%	
BB or Lower	1%	
N/R	3%	

2005-2006 Monthly Tax-Free Dividends Per Share(2)

[BAR CHART]

Feb	0.0765
Mar	0.0765
Apr	0.0765
May	0.0765

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

Jun	0.0765
Jul	0.0765
Aug	0.0765
Sep	0.073
Oct	0.073
Nov	0.073
Dec	0.069
Jan	0.069

Share Price Performance

[LINE GRAPH]

Date	Weekly Closing Price
2/01/2005	16.55
	16.45
	16.38
	16.46
	16.48
	16.39
	16.39
	16.39
	16.34
	16.54
	16.54
	16.44
	16.5
	16.48
	16.55
	16.7
	16.8
	16.37
	16.39
	16.39
	16.39
	16.35
	16.35
	16.17
	16.2
	16.15
	15.97
	16
	16.15
	16.15
	16.15
	16.05
	16.05
	16.05
	16.05
	15.95
	15.95

15.83
15.83
15.83
15.5
15.5
15.5
15.42
15.44
15.33
15.4
15.4
15.32
15.11
15.01
15.06
15.25
15.3
15.22
15.3
15.31
15.2
15.35
15.57
15.54
15.55
15.55
15.55
15.54
15.45
15.54
15.55
15.62
15.6
15.72
15.7
16.04
15.9
15.7
15.66
15.9
16.02
15.83
16.08
16.02
16.02
16.02
16.14
16.14
16.5
16.59
16.42
16.58
16.6
16.84
16.65
16.46
16.35
16.35
16.6
16.53
16.33
16.2

16.14
16.25
16.27
16.35
16.75
16.9
17.15
17.1
17.3
17.79
17.95
18
17.05
16.91
17.25
16.78
16.74
16.68
16.35
16.3
16.25
16.25
16.03
15.94
16.1
16.1
16.08
16.08
16.07
16.16
16.25
16.25
16.25
16.25
16.21
16.55
16.7
17.25
17.35
17.64
17.85
17.82
17.82
17.75
17.75
17.7
17.6
17.6
17.75
17.75
17.72
17.73
18.25
18.4
18.4
18.4
18.4
18.4
18.15
18
17.7
17.65

17.65
17.56
17.56
17.47
17.47
17.03
16.86
16.86
17.03
16.7
16.7
16.8
16.8
16.81
16.81
16.8
16.7
16.7
16.8
16.8
17
16.9
16.99
17.25
17.38
17.2
17.25
16.7
16.45
16.45
16.55
16.55
16.62
16.58
16.5
16.35
16.45
16.58
16.45
16.45
16.08
16.08
15.7
15.8
15.8
15.78
15.89
15.76
15.95
15.98
16.05
16.3
16.3
16.55
16.59
16.6
16.59
16.6
16.6
16.6
16.4
16.1

	16.1
	16.48
	16.47
	16.55
	16.59
	16.8
	17
	16.9
	16.9
	17.01
	17.11
	17.11
	17.2
	17.15
	17.05
	17.1
	16.9
	17
	17.08
	17.09
	17
	16.8
	16.8
	16.6
	16.6
	16.51
	16.64
	16.64
	16.64
	16.64
	16.2
1/31/2006	16.1

Past performance is not predictive of future results.

- (1) Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.5%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- (2) The Fund also paid shareholders a capital gains distribution in December 2005 of \$0.1058 per share.

12

Nuveen Arizona Dividend Advantage Municipal Fund 2

NKR

Performance

Overview As of January 31, 2006

Credit Quality

(as a % of total investments)

AAA/U.S. Guaranteed	64%

AA	11%

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

A	12%	[PIE CHART]
BBB	10%	
N/R	3%	

2005-2006 Monthly Tax-Free Dividends Per Share(2)

[BAR CHART]

Feb	0.072
Mar	0.072
Apr	0.072
May	0.072
Jun	0.072
Jul	0.072
Aug	0.072
Sep	0.072
Oct	0.072
Nov	0.072
Dec	0.0685
Jan	0.0685

Share Price Performance

[LINE GRAPH]

Date	Weekly Closing Price
2/01/2005	16.01
	16.03
	16.14
	16.14
	16.21
	16.22
	16.22
	16.4
	16.33
	16.32
	16.25
	16.25
	16.14
	15.96
	15.68

15.83
15.9
16.24
16.28
16.27
16.16
16.19
15.97
15.87
15.95
15.5
15.64
15.49
15.49
15.26
15.28
15
15
14.82
14.7
14.41
14.55
14.6
14.57
14.57
14.6
14.65
14.68
14.78
14.78
14.78
14.74
14.7
14.77
14.8
14.66
14.68
14.72
15
14.97
14.82
14.85
14.8
14.8
14.87
14.8
14.71
14.71
14.77
14.83
14.85
14.93
14.84
14.84
14.84
14.8
14.93
14.83
14.94
14.99
14.97
15.1

15.28
15.4
15.5
15.5
15.42
15.39
15.48
15.57
15.51
15.67
15.65
15.85
15.87
15.82
15.82
15.82
15.69
15.7
15.7
15.59
15.64
15.64
15.88
15.74
15.7
15.8
15.76
15.9
15.93
15.83
15.83
15.83
15.81
15.82
16
16.1
15.96
15.85
16.05
16.05
15.97
15.89
16.09
16.01
16.01
16.25
16.2
16.19
16.19
16.19
16.12
16.31
16.15
16.39
16.39
16.39
16.2
16.16
16.09
16.5
16.45
16.77

16.77
16.77
16.75
16.6
16.37
16.45
16.4
16.33
16.33
16.25
16.17
16.14
16.25
16.25
16.25
16.44
16.44
16.24
16.52
16.69
16.77
16.55
16.55
16.55
16.55
16.39
16.27
16.15
15.86
15.86
16
15.87
15.87
15.87
15.72
15.85
15.85
15.74
15.74
15.6
15.91
16.12
16.12
16.2
16.06
16.3
16.5
16.11
16.11
16.06
15.84
15.74
15.8
15.7
15.72
15.72
15.71
15.59
16.16
16.3
16.2
16.2

16.07
 16.19
 16.19
 16.22
 16.1
 16.45
 16.45
 16.25
 16.25
 15.95
 15.63
 15.6
 15.74
 15.63
 15.74
 15.74
 15.6
 15.6
 15.29
 15.13
 14.95
 14.94
 14.83
 15.25
 15.05
 14.93
 15.2
 15.52
 15.3
 14.97
 15.35
 15.5
 15.54
 15.54
 15.46
 15.35
 15.39
 15.4
 15.65
 15.99
 15.8
 15.9
 15.9
 15.9
 15.63
 15.63
 15.74
 15.85
 15.75
 15.75
 15.61
 15.64
 15.51
 15.5

1/31/2006

Past performance is not predictive of future results.

Fund Snapshot

 Common Share Price \$15.50

Common Share

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

Net Asset Value	\$15.25
Premium/(Discount) to NAV	1.64%
Market Yield	5.30%
Taxable-Equivalent Yield(1)	7.74%
Net Assets Applicable to Common Shares (\$000)	\$37,022
Average Effective Maturity on Securities (Years)	15.17
Leverage-Adjusted Duration	7.83

Average Annual Total Return
(Inception 3/25/02)

	On Share Price	On NAV
6-Month (Cumulative)	-0.98%	1.44%
1-Year	3.98%	2.90%
Since Inception	7.01%	7.83%

Industries
(as a % of total investments)

Tax Obligation/Limited	27.0%
Tax Obligation/General	22.5%
Health Care	11.5%
U.S. Guaranteed	9.0%
Water and Sewer	7.3%
Education and Civic Organizations	7.2%
Housing/Multifamily	5.3%
Other	10.2%

(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 31.5%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

(2) The Fund also paid shareholders a capital gains distribution in December 2005 of \$0.1058 per share.

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

Nuveen Arizona Dividend Advantage Municipal Fund 3

NXE

Performance

Overview As of January 31, 2006

Fund Snapshot

Common Share Price	\$14.33
Common Share Net Asset Value	\$14.49
Premium/(Discount) to NAV	-1.10%
Market Yield	5.07%
Taxable-Equivalent Yield(1)	7.40%
Net Assets Applicable to Common Shares (\$000)	\$44,461
Average Effective Maturity on Securities (Years)	16.31
Leverage-Adjusted Duration	7.12

Average Annual Total Return
(Inception 9/25/02)

	On Share Price	On NAV
6-Month (Cumulative)	1.50%	1.70%
1-Year	2.91%	3.07%
Since Inception	4.19%	5.86%

Industries
(as a % of total investments)

Tax Obligation/Limited	25.6%
Health Care	13.9%
Tax Obligation/General	13.1%
Education and Civic Organizations	10.9%
Transportation	9.1%
Water and Sewer	8.0%
U.S. Guaranteed	7.2%

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

Utilities	6.8%
Other	5.4%

Credit Quality
(as a % of total investments)

AAA/U.S. Guaranteed	63%	[PIE CHART]
AA	15%	
A	10%	
BBB	8%	
N/R	4%	

2005-2006 Monthly Tax-Free Dividends Per Share

[BAR CHART]

Feb	0.067
Mar	0.067
Apr	0.067
May	0.067
Jun	0.0635
Jul	0.0635
Aug	0.0635
Sep	0.0635
Oct	0.0635
Nov	0.0635
Dec	0.0605
Jan	0.0605

Share Price Performance

[LINE GRAPH]

Date	Weekly Closing Price
2/01/2005	15.4
	15.43
	15.36

15.48
15.48
15.52
15.57
15.9
15.84
15.96
15.99
15.71
15.77
15.71
15.44
15.45
15.62
15.77
15.94
16.15
16.11
15.92
15.87
16.06
15.94
15.96
15.96
16.08
15.85
15.76
15.76
15.52
15.43
15.25
14.82
14.75
14.58
14.62
14.71
14.8
15
15.2
15.3
15.5
15.8
15.55
15.46
15.26
15.16
15.14
15.13
15.1
15.11
15.11
15.16
15.2
15.15
15.2
15.26
15.44
15.44
15.47
15.47
15.8
15.88

15.89
15.71
15.45
15.58
15.78
15.85
15.81
15.71
15.78
15.75
15.94
15.92
15.83
15.87
15.9
15.9
15.85
15.87
15.87
15.94
15.98
15.95
15.9
15.88
15.86
15.85
15.74
15.65
15.69
15.6
15.51
15.52
15.52
15.64
15.79
15.87
15.96
16.09
16.3
16.2
16.12
16.2
16.09
16.01
16.03
16.02
16.13
16.44
16.31
16.28
16.4
16.29
16.26
16.2
16.15
16.15
16.08
16.06
16.07
16.14
16.19
16.19

16.2
16
15.95
15.84
15.84
15.69
15.63
15.48
15.3
15.45
15.48
15.55
15.59
15.68
15.61
15.61
15.6
15.61
15.56
15.52
15.61
15.63
15.72
15.7
15.64
15.61
15.51
15.59
15.67
15.58
15.61
15.57
15.4
15.4
15.43
15.4
15.29
15.2
15.07
15.09
14.9
14.92
14.87
14.99
14.97
14.99
14.8
14.78
14.64
14.66
14.59
14.55
14.28
14.29
14.27
14.03
14.07
14.12
14.37
14.41
14.5
14.29

14.38
14.42
14.37
14.45
14.4
14.38
14.46
14.37
14.37
14.4
14.27
14.21
14.19
14.17
14.24
14.22
14.26
14.35
14.4
14.39
14.45
14.44
14.44
14.41
14.45
14.39
14.43
14.4
14.42
14.55
14.43
14.44
14.46
14.48
14.55
14.5
14.45
14.44
14.45
14.45
14.5
14.57
14.55
14.49
14.6
14.6
14.69
14.85
14.76
14.87
14.81
14.92
14.77
14.74
14.75
14.69
14.64
14.65
14.76
14.75
14.82
14.77

	14.8
	14.91
	15.07
1/31/2006	14.99

Past performance is not predictive of future results.

- (1) Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.5%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

14

Nuveen Texas Quality Income Municipal Fund

NTX

Performance

Overview As of January 31, 2006

Credit Quality

(as a % of total investments)

AAA/U.S. Guaranteed	67%	

AA	12%	

A	7%	[PIE CHART]

BBB	12%	

BB or Lower	2%	

2005-2006 Monthly Tax-Free Dividends Per Share(2)

[BAR CHART]

Feb	0.08

Mar	0.077

Apr	0.077

May	0.077

Jun	0.073

Jul	0.073

Aug	0.073

Sep	0.0695

Oct	0.0695

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

Nov	0.0695
Dec	0.0695
Jan	0.0695

Share Price Performance

[LINE GRAPH]

Date	Weekly Closing Price
2/01/2005	14.8
	14.77
	14.76
	14.75
	15.1
	14.96
	15.12
	15.1
	15.08
	15
	14.98
	14.82
	14.57
	14.33
	14.2
	14.24
	14.47
	14.63
	14.76
	14.75
	14.65
	14.4
	14.4
	14.29
	14.4
	13.92
	13.91
	13.97
	14.04
	14.2
	13.93
	13.79
	13.96
	13.81
	13.78
	13.61
	13.45
	13.33
	13.3
	13.37
	13.35
	13.45
	13.5
	13.73
	13.73
	13.78

13.75
13.72
13.76
13.6
13.6
13.76
13.74
13.82
13.63
13.69
13.65
13.54
13.77
13.78
13.68
13.8
13.8
13.81
13.88
13.93
13.94
13.88
13.95
14.03
13.95
13.96
14.1
14.09
14
14.09
14.01
13.97
14.2
14.3
14.29
14.24
14.22
14.32
14.39
14.33
14.39
14.4
14.4
14.5
14.35
14.28
14.34
14.37
14.39
14.39
14.35
14.43
14.36
14.62
14.63
14.63
14.62
14.55
14.62
14.56
14.68
14.82

14.84
14.7
14.79
14.83
14.72
14.75
14.82
14.72
14.32
14.38
14.51
14.5
14.59
14.72
14.68
14.45
14.59
14.48
14.48
14.45
14.33
14.3
14.39
14.16
14.22
14.08
14.21
14.11
14.18
14.17
14.24
14.29
14.39
14.47
14.51
14.52
14.63
14.85
14.75
15.1
15.1
14.8
15
15.1
15
15
14.81
15.1
14.95
15.01
15.26
15.05
14.7
14.6
14.63
14.63
14.63
14.63
14.68
14.75
14.8
14.65

14.78
14.78
14.78
14.78
14.89
14.87
15.13
14.8
14.73
14.66
14.66
14.53
14.6
14.98
14.99
14.8
14.9
14.9
14.72
14.95
14.86
14.99
14.95
14.7
14.74
14.4
14.35
14.5
14.3
14.15
14.18
14.17
14.48
14.49
14.5
14.5
14.5
14.5
14.62
14.67
14.4
14.52
14.42
14.55
14.6
14.61
14.94
14.98
14.98
14.97
15.02
14.82
14.91
14.91
14.95
14.95
15.01
14.95
14.73
14.76
14.9
14.9

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

	15.05
	15.05
	15.05
	15.02
	14.95
	15.05
	15.05
	15.11
	14.8
	14.71
	14.44
	14.44
	14.45
	14.5
	14.43
	14.42
	14.5
	14.41
	14.16
	14.12
	14.25
	14.15
1/31/2006	14.33

Past performance is not predictive of future results.

Fund Snapshot

Common Share Price	\$14.99
Common Share Net Asset Value	\$15.28
Premium/(Discount) to NAV	-1.90%
Market Yield	5.56%
Taxable-Equivalent Yield(1)	7.72%
Net Assets Applicable to Common Shares (\$000)	\$145,068
Average Effective Maturity on Securities (Years)	16.94
Leverage-Adjusted Duration	7.67

Average Annual Total Return (Inception 10/17/91)

	On Share Price	On NAV
6-Month (Cumulative)	-4.75%	1.59%
1-Year	3.93%	3.10%
5-Year	7.09%	6.97%
10-Year	6.49%	6.14%

Industries (as a % of total investments)	
Tax Obligation/General	26.5%
Health Care	13.1%
U.S. Guaranteed	11.3%
Education and Civic Organizations	9.9%
Water and Sewer	7.4%
Utilities	6.5%
Long-Term Care	5.1%
Housing/Multifamily	4.4%
Transportation	4.0%
Other	11.8%

- (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 also paid shareholders a net ordinary income distribution in December 2005 of \$.0020 per share.

15

Special Shareholder
Meeting Report

The Special Shareholder Meeting was held at the offices of Nuveen Investments on November 15, 2005.

	NAZ		NFZ	
Approval of the 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	MuniPreferre shares votin togethe as a clas
Robert P. Bremner				
For	4,198,565	--	1,516,999	--
Withhold	56,771	--	9,266	--

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

Total	4,255,336	--	1,526,265	--
=====				
Lawrence H. Brown				
For	4,197,283	--	1,514,999	--
Withhold	58,053	--	11,266	--

Total	4,255,336	--	1,526,265	--
=====				
Jack B. Evans				
For	4,199,203	--	1,514,999	--
Withhold	56,133	--	11,266	--

Total	4,255,336	--	1,526,265	--
=====				
William C. Hunter				
For	4,188,834	--	1,516,999	--
Withhold	66,502	--	9,266	--

Total	4,255,336	--	1,526,265	--
=====				
David J. Kundert				
For	4,194,891	--	1,514,999	--
Withhold	60,445	--	11,266	--

Total	4,255,336	--	1,526,265	--
=====				
William J. Schneider				
For	--	1,081	--	45
Withhold	--	--	--	--

Total	--	1,081	--	45
=====				
Timothy R. Schwertfeger				
For	--	1,081	--	45
Withhold	--	--	--	--

Total	--	1,081	--	45
=====				
Judith M. Stockdale				
For	4,198,565	--	1,516,999	--
Withhold	56,771	--	9,266	--

Total	4,255,336	--	1,526,265	--
=====				
Eugene S. Sunshine				
For	4,184,522	--	1,516,999	--
Withhold	70,814	--	9,266	--

Total	4,255,336	--	1,526,265	--
=====				

16

NXE

NTX

Approval of the the Board Members
was reached as follows:

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

	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	2,970,894	--	8,425,789	--
Withhold	21,280	--	62,749	--

Total	2,992,174	--	8,488,538	--
=====				
Lawrence H. Brown				
For	2,970,894	--	8,424,085	--
Withhold	21,280	--	64,453	--

Total	2,992,174	--	8,488,538	--
=====				
Jack B. Evans				
For	2,970,894	--	8,425,143	--
Withhold	21,280	--	63,395	--

Total	2,992,174	--	8,488,538	--
=====				
William C. Hunter				
For	2,970,894	--	8,425,793	--
Withhold	21,280	--	62,745	--

Total	2,992,174	--	8,488,538	--
=====				
David J. Kundert				
For	2,968,894	--	8,422,340	--
Withhold	23,280	--	66,198	--

Total	2,992,174	--	8,488,538	--
=====				
William J. Schneider				
For	--	874	--	2,590
Withhold	--	--	--	--

Total	--	874	--	2,590
=====				
Timothy R. Schwertfeger				
For	--	874	--	2,590
Withhold	--	--	--	--

Total	--	874	--	2,590
=====				
Judith M. Stockdale				
For	2,970,894	--	8,427,443	--
Withhold	21,280	--	61,095	--

Total	2,992,174	--	8,488,538	--
=====				

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

Eugene S. Sunshine				
For	2,970,894	--	8,426,443	--
Withhold	21,280	--	62,095	--

Total	2,992,174	--	8,488,538	--
=====				

17

Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ)

Portfolio of
Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

	Consumer Staples - 1.4% (1.0% of Total Investments)	
\$ 910	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at

	Education and Civic Organizations - 18.4% (12.7% of Total Investments)	
1,000	Arizona State University, Certificates of Participation, Series 2002, 5.375%, 7/01/19 - MBIA Insured	7/12 at
1,000	Arizona State University, System Revenue Bonds, Series 2002, 5.000%, 7/01/25 - FGIC Insured	7/12 at
2,455	Arizona State University, System Revenue Bonds, Series 2005: 5.000%, 7/01/20 - AMBAC Insured	7/15 at
1,500	5.000%, 7/01/21 - AMBAC Insured	7/15 at
1,395	5.000%, 7/01/26 - AMBAC Insured	7/15 at
1,250	Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31	5/11 at
1,050	Northern Arizona University, System Revenue Bonds, Series 2002, 5.000%, 6/01/34 - FGIC Insured	6/12 at
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

11,150	Total Education and Civic Organizations	

	Health Care - 14.2% (9.8% of Total Investments)	
800	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20	7/10 at
2,000	Arizona Health Facilities Authority, Hospital System Revenue Bonds,	11/09 at

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

	Phoenix Children's Hospital, Series 1999A, 6.125%, 11/15/22	
675	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37	12/15 at
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
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
1,500	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31	12/11 at
1,055	Winslow Industrial Development Authority, Arizona, Hospital Revenue Bonds, Winslow Memorial Hospital, Series 1998, 5.500%, 6/01/22	6/08 at

8,695	Total Health Care	

Housing/Multifamily - 6.7% (4.7% 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
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
3,215	Tucson Industrial Development Authority, Arizona, Senior Living Facilities Revenue Bonds, Christian Care Project, Series 2000A, 5.625%, 7/01/20 - RAAI Insured	7/10 at

4,145	Total Housing/Multifamily	

18

Principal Amount (000)	Description (1)	Option Provisi

Industrials - 2.1% (1.5% 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)	3/28 at

Long-Term Care - 0.6% (0.4% of Total Investments)		
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	5/06 at

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

Tax Obligation/General - 7.0% (4.8% of Total Investments)		
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
465	Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2005B, 5.000%, 7/01/23 - MBIA Insured	7/15 at
330	Puerto Rico, General Obligation and Public Improvement Bonds, Series 2001A, 5.375%, 7/01/28	7/11 at
500	Puerto Rico, General Obligation and Public Improvement Bonds, Series 2002A, 5.500%, 7/01/19 - FGIC Insured	No Op
1,340	Tucson, Arizona, General Obligation Bonds, Series 2005, 5.000%, 7/01/20 - FGIC Insured	No Op

4,160	Total Tax Obligation/General	

Tax Obligation/Limited - 35.8% (24.7% of Total Investments)		
2,000	Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2004A, 5.750%, 7/01/18 - AMBAC Insured	7/14 at
2,000	Arizona State Transportation Board, Subordinate Highway Revenue Bonds, Series 2004B, 5.000%, 7/01/22	7/14 at
	Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A:	
3,000	5.375%, 7/01/20 - MBIA Insured	7/13 at
1,000	5.375%, 7/01/21 - MBIA Insured	7/13 at
	Bullhead City, Arizona, Special Assessment Bonds, Parkway District Improvements, Series 1993:	
730	6.100%, 1/01/08	7/06 at
785	6.100%, 1/01/09	7/06 at
499	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at
575	Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/28 - AMBAC Insured	7/13 at
3,400	Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002, 5.375%, 6/01/18 - AMBAC Insured	6/12 at
1,340	Phoenix Civic Improvement Corporation, Arizona, Subordinate Excise Tax Revenue Bonds, Civic Plaza Expansion Project, Series 2005A, 5.000%, 7/01/22 - FGIC Insured	7/15 at
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
1,200	Prescott Valley Municipal Property Corporation, Arizona, Municipal Facilities Revenue Bonds, Series 2003, 5.000%, 1/01/27 - FGIC Insured	1/13 at
1,000	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24	7/12 at

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

1,350	Tempe, Arizona, Excise Tax Revenue Bonds, Series 2004, 5.250%, 7/01/20 - AMBAC Insured	7/14 at
500	Tucson, Arizona, Certificates of Participation, Series 2000, 5.700%, 7/01/20 - MBIA Insured	7/08 at

21,379	Total Tax Obligation/Limited	

19

Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ) (continued)

Portfolio of Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

	U.S. Guaranteed (4) - 25.1% (17.3% of Total Investments)	
\$ 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
1,000	Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2003, 5.000%, 7/01/21 (Pre-refunded 7/01/13)	7/13 at
2,250	Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Refunding Bonds, Samaritan Health Services, Series 1990A, 7.000%, 12/01/16 (ETM) - MBIA Insured	No Op
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
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
	Phoenix Industrial Development Authority, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC, Series 2000:	
1,000	5.375%, 9/15/22 (Pre-refunded 9/15/10) - AMBAC Insured	9/10 at
2,000	5.500%, 9/15/27 (Pre-refunded 9/15/10) - AMBAC Insured	9/10 at
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
500	Surprise Municipal Property Corporation, Arizona, Excise Tax Revenue Bonds, Series 2000, 5.700%, 7/01/20 (Pre-refunded 7/01/09) - FGIC Insured	7/09 at
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

14,350	Total U.S. Guaranteed	

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

Utilities - 10.3% (7.1% 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 Op
1,000	Coconino County, Arizona, Pollution Control Revenue Bonds, Nevada Power Company Project, Series 1996, 6.375%, 10/01/36 (Alternative Minimum Tax)	10/06 at
765	Pima County Industrial Development Authority, Arizona, Lease Obligation Revenue Refunding Bonds, Tucson Electric Power Company, Series 1988A, 7.250%, 7/15/10 - FSA Insured	7/06 at
530	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22	1/13 at
	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A:	
2,000	5.125%, 1/01/27	1/12 at
1,000	5.000%, 1/01/31	1/12 at

6,295	Total Utilities	

Water and Sewer - 22.7% (15.7% of Total Investments)

	Arizona Water Infrastructure Finance Authority, Water Quality Revenue Bonds, Series 2004A:	
1,825	5.000%, 10/01/19	10/14 at
1,815	5.000%, 10/01/22	10/14 at
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
3,500	Glendale, Arizona, Water and Sewer Revenue Bonds, Subordinate Lien, Series 2003, 5.000%, 7/01/28 - AMBAC Insured	7/13 at
600	Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured	7/13 at
875	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2004, 5.000%, 7/01/24 - MBIA Insured	7/14 at
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

20

Principal Amount (000)	Description (1)	Option Provisi

	Water and Sewer (continued)	
\$ 1,325	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/29 - MBIA Insured	7/15 at

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

	1,250	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/21 - FGIC Insured	No Op
<hr/>			
	13,695	Total Water and Sewer	
<hr/>			
\$	86,469	Total Long-Term Investments (cost \$88,498,842) - 144.3%	
<hr/>			
Short-Term Investments - 0.5% (0.3% of Total Investments)			
	300	Puerto Rico Government Development Bank, Adjustable Refunding Bonds, Variable Rate Demand Obligations, Series 1985, 2.930%, 12/01/15 - MBIA Insured (5)	No Op
<hr/>			
\$	300	Total Short-Term Investments (cost \$300,000)	
<hr/>			
Total Investments (cost \$88,798,842) - 144.8%			
<hr/>			
Other Assets Less Liabilities - 2.1%			
<hr/>			
Preferred Shares, at Liquidation Value - (46.9)%			
<hr/>			
Net Assets Applicable to Common Shares - 100%			
<hr/>			

- (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 Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade.
 - (4) Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.
 - (5) Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term investment. The rate disclosed is that in effect at the end of the reporting period. This rate changes periodically based on market conditions or a specified market index.
- N/R Investment is not rated.
- (ETM) Security is escrowed to maturity.

See accompanying notes to financial statements.

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

Portfolio of
Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

	Education and Civic Organizations - 7.0% (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
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
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

1,605	Total Education and Civic Organizations	

	Health Care - 10.8% (7.2% of Total Investments)	
365	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20	7/10 at
250	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37	12/15 at
750	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23	7/14 at
1,000	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31	12/11 at

2,365	Total Health Care	

	Housing/Multifamily - 6.5% (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
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
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

1,480	Total Housing/Multifamily	

	Housing/Single Family - 0.5% (0.2% of Total Investments)	

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

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

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)	3/28 at

Tax Obligation/General - 12.2% (8.1% 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
180	Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2005B, 5.000%, 7/01/23 - MBIA Insured	7/15 at
500	Tucson, Arizona, General Obligation Bonds, Series 2005, 5.000%, 7/01/20 - FGIC Insured	No Op
1,020	Tucson, Arizona, General Obligation Refunding Bonds, Series 1997, 5.000%, 7/01/19	7/07 at

2,700	Total Tax Obligation/General	

22

Principal Amount (000)	Description (1)	Option Provisi

Tax Obligation/Limited - 54.8% (36.4% of Total Investments)		
\$ 2,750	Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2004A, 5.750%, 7/01/18 - AMBAC Insured	7/14 at
1,000	Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.375%, 7/01/21 - MBIA Insured	7/13 at
100	Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29	7/15 at
194	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at
1,180	Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/23 - AMBAC Insured	7/13 at
510	Phoenix Civic Improvement Corporation, Arizona, Subordinate Excise Tax Revenue Bonds, Civic Plaza Expansion Project, Series 2005A, 5.000%, 7/01/22 - FGIC Insured	7/15 at
900	Phoenix Industrial Development Authority, Arizona, Government Bonds,	3/12 at

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

	Capitol Mall LLC II, Series 2001, 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 Op
1,000	Tempe, Arizona, Excise Tax Revenue Bonds, Series 2004, 5.250%, 7/01/20 - AMBAC Insured		7/14 at
2,675	Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/21		7/13 at
500	Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24		7/15 at
355	Watson Road Community Facilities District, Arizona, Special Assesment Revenue Bonds, Series 2005, 6.000%, 7/01/30		7/16 at

11,844	Total Tax Obligation/Limited		

	U.S. Guaranteed (4) - 15.2% (10.1% of Total Investments)		
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
400	Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2001, 5.500%, 7/01/18 (Pre-refunded 7/01/11)		7/11 at
2,000	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
	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 1997A:		
140	5.000%, 1/01/20 (Pre-refunded 1/01/08)		1/08 at
180	5.000%, 1/01/20 (Pre-refunded 1/01/11)		1/08 at

3,270	Total U.S. Guaranteed		

	Utilities - 31.3% (20.8% 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 Op
500	Coconino County, Arizona, Pollution Control Revenue Bonds, Nevada Power Company Project, Series 1997B, 5.800%, 11/01/32 (Alternative Minimum Tax)		5/06 at
1,000	Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17 - FGIC Insured		No Op
350	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2002II, 5.125%, 7/01/26 - FSA Insured		7/12 at
1,000	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR: 5.000%, 7/01/26 - XLCA Insured		7/15 at
1,000	5.000%, 7/01/30 - XLCA Insured		7/15 at

Nuveen Arizona Dividend Advantage Municipal Fund (NFZ) (continued)

Portfolio of Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi
Utilities (continued)		
\$ 200	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22	1/13 at
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
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
6,785	Total Utilities	
Water and Sewer - 10.0% (6.7% 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
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
510	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/29 - MBIA Insured	7/15 at
2,235	Total Water and Sewer	
\$ 32,899	Total Investments (cost \$33,769,618) - 150.5%	
Other Assets Less Liabilities - 1.1%		
Preferred Shares, at Liquidation Value - (51.6)%		
Net Assets Applicable to Common Shares - 100%		

Forward Swaps outstanding at January 31, 2006:

Counterparty	Notional Amount	Fixed Rate Paid by the Fund (annualized)	Fixed Rate Payment Frequency	Floating Rate Received by the Fund Based On	Floating Rate Payment Frequency	Effective Date

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

Citigroup Inc.	\$200,000	4.699%	Semi-Annually	3 Month USD-LIBOR	Quarterly	2/2
Morgan Stanley	700,000	4.816	Semi-Annually	3 Month USD-LIBOR	Quarterly	2/1

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

- (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 Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade.
 - (4) Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.
 - (5) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.
- N/R Investment is not rated.

See accompanying notes to financial statements.

24

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR)

Portfolio of
Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi
	Education and Civic Organizations - 10.7% (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
460	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
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

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

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
	University of Arizona, Certificates of Participation, Series 2002A:	
750	5.500%, 6/01/18 - AMBAC Insured	6/12 at
500	5.125%, 6/01/22 - AMBAC Insured	6/12 at
<hr/>		
3,760	Total Education and Civic Organizations	
<hr/>		
	Health Care - 17.1% (11.5% of Total Investments)	
400	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20	7/10 at
735	Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 2002A, 6.250%, 2/15/21	2/12 at
600	Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20	4/14 at
400	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37	12/15 at
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
500	Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37	5/08 at
1,000	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31	12/11 at
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
<hr/>		
6,010	Total Health Care	
<hr/>		
	Housing/Multifamily - 7.9% (5.3% of Total Investments)	
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
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
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
<hr/>		
2,750	Total Housing/Multifamily	
<hr/>		
	Housing/Single Family - 0.2% (0.2% of Total Investments)	
50	Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single	11/10 at

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

Family Mortgage Revenue Bonds, Series 2001A-1, 5.350%, 11/01/24
(Alternative Minimum Tax)

25

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR) (continued)

Portfolio of Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

Industrials - 2.2% (1.5% of Total Investments)		
\$ 810	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)	3/28 at

Tax Obligation/General - 33.5% (22.5% of Total Investments)		
1,725	Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/17	7/12 at
1,000	Maricopa County School District 6, Arizona, General Obligation Refunding Bonds, Washington Elementary School, Series 2002A: 5.375%, 7/01/15 - FSA Insured	No Op
1,000	5.375%, 7/01/16 - FSA Insured	No Op
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 Op
285	Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2005B, 5.000%, 7/01/23 - MBIA Insured	7/15 at
1,000	Mesa, Arizona, General Obligation Bonds, Series 2000, 6.500%, 7/01/11 - FGIC Insured	No Op
1,405	Mesa, Arizona, General Obligation Bonds, Series 2002, 5.375%, 7/01/15 - FGIC Insured	No Op
1,700	Phoenix, Arizona, Various Purpose General Obligation Bonds, Series 2002B: 5.000%, 7/01/22	7/12 at
500	5.000%, 7/01/27	7/12 at
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 Op
510	Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24	7/11 at
11,290	Total Tax Obligation/General	

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

Tax Obligation/Limited - 40.2% (27.0% of Total Investments)

Arizona State, Certificates of Participation, Series 2002A:		
750	5.000%, 11/01/17 - MBIA Insured	5/12 at
1,000	5.000%, 11/01/18 - MBIA Insured	5/12 at
500	5.000%, 11/01/20 - MBIA Insured	5/12 at
140	Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29	7/15 at
307	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at
670	Goodyear Community Facilities Utility District 1, Arizona, General Obligation Bonds, Series 2003, 5.350%, 7/15/28 - ACA Insured	7/13 at
870	Maricopa County Public Finance Corporation, Arizona, Lease Revenue Bonds, Series 2001, 5.500%, 7/01/15 - AMBAC Insured	7/11 at
Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002:		
840	5.375%, 6/01/18 - AMBAC Insured	6/12 at
2,645	5.375%, 6/01/19 - AMBAC Insured	6/12 at
800	Phoenix Civic Improvement Corporation, Arizona, Subordinate Excise Tax Revenue Bonds, Civic Plaza Expansion Project, Series 2005A, 5.000%, 7/01/22 - FGIC Insured	7/15 at
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
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 Op
1,000	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24	7/12 at
750	Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24	7/15 at

26

Principal Amount (000)	Description (1)	Option Provisi

Tax Obligation/Limited (continued)		
\$ 560	Watson Road Community Facilities District, Arizona, Special Assesment Revenue Bonds, Series 2005, 6.000%, 7/01/30	7/16 at
640	Yuma Municipal Property Corporation, Arizona, Municipal Facilities Tax Revenue Bonds, Series 2001, 5.000%, 7/01/21 - AMBAC Insured	7/10 at

14,042	Total Tax Obligation/Limited	

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

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
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
2,000	Total Transportation	

U.S. Guaranteed (4) - 13.4% (9.0% of Total Investments)

400	Arizona State Transportation Board, Highway Revenue Bonds, Series 2002B, 5.250%, 7/01/21 (Pre-refunded 7/01/12)	7/12 at
715	Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 (Pre-refunded 7/01/12) - FGIC Insured	7/12 at
1,000	Gilbert, Arizona, General Obligation Bonds, Series 2002A, 5.000%, 7/01/18 (Pre-refunded 7/01/11) - AMBAC Insured	7/11 at
130	Maricopa County Public Finance Corporation, Arizona, Lease Revenue Bonds, Series 2001, 5.500%, 7/01/15 (Pre-refunded 7/01/11) - AMBAC Insured	7/11 at
300	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
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
990	Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24 (Pre-refunded 7/01/11)	7/11 at
4,535	Total U.S. Guaranteed	

Utilities - 7.1% (4.8% 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 Op
1,000	Mesa, Arizona, Utility System Revenue Bonds, Series 2002, 5.000%, 7/01/20 - FGIC Insured	7/11 at
320	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22	1/13 at
2,435	Total Utilities	

Water and Sewer - 10.8% (7.3% 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
360	Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured	7/13 at

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

805	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/29 - MBIA Insured	7/15 at
1,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/22 - FGIC Insured	No Op

27

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR) (continued)

Portfolio of Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

	Water and Sewer (continued)	
\$ 1,000	Tucson, Arizona, Water System Revenue Refunding Bonds, Series 2002, 5.500%, 7/01/18 - FGIC Insured	7/12 at

3,665	Total Water and Sewer	

\$ 51,347	Total Investments (cost \$52,415,010) - 148.7%	
=====		
	Other Assets Less Liabilities - 1.3%	

	Preferred Shares, at Liquidation Value - (50.0)%	

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

Forward Swaps outstanding at January 31, 2006:

Counterparty	Notional Amount	Fixed Rate Paid by the Fund (annualized)	Fixed Rate Payment Frequency	Floating Rate Received by the Fund Based On	Floating Rate Payment Frequency	Eff Da

Citigroup Inc.	\$600,000	4.699%	Semi-Annually	3 Month USD-LIBOR	Quarterly	2
JPMorgan	500,000	4.833	Semi-Annually	3 Month USD-LIBOR	Quarterly	2
Morgan Stanley	700,000	4.816	Semi-Annually	3 Month USD-LIBOR	Quarterly	2

=====

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

- (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

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

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 Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade.
- (4) Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest.
- (5) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.

N/R Investment is not rated.

See accompanying notes to financial statements.

28

Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE)

Portfolio of
Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

	Consumer Staples - 1.4% (1.0% of Total Investments)	
\$ 580	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at

	Education and Civic Organizations - 16.1% (10.9% of Total Investments)	
1,250	Arizona State University, System Revenue Bonds, Series 2005, 5.000%, 7/01/20 - AMBAC Insured	7/15 at
1,000	Arizona Student Loan Acquisition Authority, Student Loan Revenue Refunding Bonds, Senior Series 1999A-1, 5.750%, 5/01/15 (Alternative Minimum Tax)	11/09 at
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
270	Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 1998A, 5.375%, 5/15/28	5/08 at
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
565	Tucson Industrial Development Authority, Arizona, Charter School Revenue	9/14 at

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

	Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34		
2,000	University of Arizona, Certificates of Participation, Series 2002B, 5.125%, 6/01/20 - AMBAC Insured		6/12 at

6,755	Total Education and Civic Organizations		

	Health Care - 20.6% (13.9% of Total Investments)		
300	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20		7/10 at
	Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 1999A:		
750	6.125%, 11/15/22		11/09 at
520	6.250%, 11/15/29		11/09 at
625	Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20		4/14 at
475	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37		12/15 at
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
2,000	Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37		5/08 at
1,250	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31		12/11 at
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

8,745	Total Health Care		

	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
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

1,925	Total Housing/Multifamily		

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

Portfolio of Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

Industrials - 2.2% (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)	3/28 at

Tax Obligation/General - 19.5% (13.1% of Total Investments)		
660	Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/18	7/12 at
2,250	DC Ranch Community Facilities District, Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/15/27 - AMBAC Insured	7/13 at
1,930	Glendale, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/19	7/11 at
1,000	Maricopa County Unified School District 11, Peoria, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/15 - FSA Insured	No Op
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
330	Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2005B, 5.000%, 7/01/23 - MBIA Insured	7/15 at
440	Tucson, Arizona, General Obligation Bonds, Series 2001B, 5.000%, 7/01/20	7/11 at

8,185	Total Tax Obligation/General	

Tax Obligation/Limited - 38.0% (25.6% of Total Investments)		
3,000	Arizona State Transportation Board, Highway Revenue Refunding Bonds, Series 2002A, 5.250%, 7/01/18	7/12 at
2,660	Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.375%, 7/01/20 - MBIA Insured	7/13 at
160	Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29	7/15 at
358	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at
800	Goodyear Community Facilities Utility District 1, Arizona, General Obligation Bonds, Series 2003, 5.350%, 7/15/28 - ACA Insured	7/13 at
2,000	Mohave County, Arizona, Certificates of Participation, Series 2004, 5.250%, 7/01/19 - AMBAC Insured	7/14 at
950	Phoenix Civic Improvement Corporation, Arizona, Subordinate Excise Tax Revenue Bonds, Civic Plaza Expansion Project, Series 2005A, 5.000%, 7/01/22 - FGIC Insured	7/15 at

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

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 Op
2,770	Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/22	7/13 at
1,250	Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24	7/15 at
665	Watson Road Community Facilities District, Arizona, Special Assesment Revenue Bonds, Series 2005, 6.000%, 7/01/30	7/16 at

15,863	Total Tax Obligation/Limited	

Transportation - 13.5% (9.1% of Total Investments)

Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series Series 2002B:		
1,000	5.750%, 7/01/16 - FGIC Insured (Alternative Minimum Tax)	7/12 at
2,300	5.250%, 7/01/21 - FGIC Insured (Alternative Minimum Tax)	7/12 at
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

5,750	Total Transportation	

U.S. Guaranteed (4) - 10.7% (7.2% of Total Investments)

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
-------	---	----------

30

Principal Amount (000)	Description (1)	Option Provisi

U.S. Guaranteed (4) (continued)		
\$ 1,500	Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2002, 5.250%, 7/01/20 (Pre-refunded 7/01/12)	7/12 at
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

4,260	Total U.S. Guaranteed	

Utilities - 10.0% (6.8% of Total Investments)

1,250	Maricopa County Pollution Control Corporation, Arizona, Revenue Bonds, Arizona Public Service Company - Palo Verde Project, Series 2002A,	11/12 at
-------	---	----------

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

5.050%, 5/01/29 - AMBAC Insured

1,660	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/26 - XLCA Insured	7/15 at
	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B:	
360	5.000%, 1/01/22	1/13 at
1,000	5.000%, 1/01/31	1/13 at

4,270	Total Utilities	

	Water and Sewer - 11.9% (8.0% of Total Investments)	
650	Arizona Water Infrastructure Finance Authority, Water Quality Revenue Bonds, Series 2004A, 5.000%, 10/01/22	10/14 at
405	Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured	7/13 at
1,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001, 5.125%, 7/01/21 - FGIC Insured	7/11 at
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
955	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2005, 5.000%, 7/01/29 - MBIA Insured	7/15 at

5,010	Total Water and Sewer	

\$ 62,288	Total Investments (cost \$64,170,631) - 148.4%	
=====		
	Other Assets Less Liabilities - 1.1%	

	Preferred Shares, at Liquidation Value - (49.5)%	

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

Forward Swaps outstanding at January 31, 2006:

Counterparty	Notional Amount	Fixed Rate Paid by the Fund (annualized)	Fixed Rate Payment Frequency	Floating Rate Received by the Fund Based On	Floating Rate Payment Frequency	Eff Da
Citigroup Inc.	\$ 500,000	4.699%	Semi-Annually	3 Month USD-LIBOR	Quarterly	2
JPMorgan	800,000	4.833	Semi-Annually	3 Month USD-LIBOR	Quarterly	2
Morgan Stanley	1,600,000	4.816	Semi-Annually	3 Month USD-LIBOR	Quarterly	2

=====

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

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

- (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 Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade.
 - (4) Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.
 - (5) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.
- N/R Investment is not rated.

See accompanying notes to financial statements.

31

Nuveen Texas Quality Income Municipal Fund (NTX)

Portfolio of
Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

	Consumer Staples - 2.0% (1.4% of Total Investments)	
\$ 2,730	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at

	Education and Civic Organizations - 14.5% (9.9% of Total Investments)	
	Red River Education Finance Corporation, Texas, Revenue Bonds, Hockaday School, Series 2005:	
1,170	5.000%, 5/15/27	5/15 at
1,230	5.000%, 5/15/28	5/15 at
1,290	5.000%, 5/15/29	5/15 at
	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
1,795	5.000%, 5/01/19 - FGIC Insured	5/13 at
1,885	5.000%, 5/01/20 - FGIC Insured	5/13 at
1,665	Texas State University System, Financing Revenue Bonds, Series 2004, 5.000%, 3/15/24 - FSA Insured	9/14 at

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

2,000	Texas State University System, Financing Revenue Refunding Bonds, Series 2002, 5.000%, 3/15/20 - FSA Insured	3/12 at
2,330	Universal City Education Facilities Corporation, Texas, Revenue Bonds, Wayland Baptist University Project, Series 2001, 5.625%, 3/01/26	3/11 at
5,000	University of North Texas, Financing System Revenue Bonds, Series 2001, 5.000%, 4/15/24 - FSA Insured	4/12 at

20,075	Total Education and Civic Organizations	

Energy - 2.1% (1.5% 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

Health Care - 19.1% (13.1% 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	3/06 at
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
1,835	5.250%, 7/01/21 - RAAI Insured	7/14 at
Gregg County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Good Shepherd Medical Center Project, Series 2000:		
2,000	6.875%, 10/01/20 - RAAI Insured	10/10 at
3,250	6.375%, 10/01/25 - RAAI Insured	10/10 at
5,750	Midland County Hospital District, Texas, Hospital Revenue Bonds, Series 1992, 0.000%, 6/01/11	No Op
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
1,760	Parker County Hospital District, Texas, Hospital Revenue Bonds, Campbell Health System, Series 1999, 6.250%, 8/15/19	8/09 at
2,000	Richardson Hospital Authority, Texas, Revenue Bonds, Richardson Regional Medical Center, Series 2004, 5.875%, 12/01/24	12/13 at
1,050	Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System - Sunbelt Obligated Group, Series 1998, 5.375%, 11/15/20	11/08 at

32

Principal Amount (000)	Description (1)	Option Provisi

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

Health Care (continued)

\$	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
	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

	27,890	Total Health Care	

Housing/Multifamily - 6.5% (4.4% 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
	750	6.050%, 8/01/36 - MBIA Insured	8/11 at
Grand Prairie Housing Finance Corporation, Texas, GNMA Multifamily Housing Revenue Bonds, Landings of Carrier Project, Series 2000A:			
	1,000	6.650%, 9/20/22	9/10 at
	2,030	6.750%, 9/20/28	9/10 at
	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
	1,000	Raven Hills Higher Education Corporation, Texas, Student Housing Revenue Bonds, Lamar University - Cardinal Village LLC, Series 2001A, 5.250%, 8/01/24 - MBIA Insured	8/11 at

	8,844	Total Housing/Multifamily	

Housing/Single Family - 5.1% (3.5% of Total Investments)

	2,752	El Paso Housing Finance Corporation, Texas, GNMA Collateralized Single Family Mortgage Revenue Bonds, Series 2001A-3, 6.180%, 4/01/33	4/11 at
	150	Galveston Property Finance Authority Inc., Texas, Single Family Mortgage Revenue Bonds, Series 1991A, 8.500%, 9/01/11	3/06 at
	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
	1,250	Texas Department of Housing, Single Family Mortgage Revenue Bonds, Series 1996E, 6.000%, 9/01/17 - MBIA Insured	9/06 at
	75	Victoria Housing Finance Corporation, Texas, FNMA Single Family Mortgage Revenue Refunding Bonds, Series 1995, 8.125%, 1/01/11	No Op

	7,127	Total Housing/Single Family	

Long-Term Care - 7.4% (5.1% of Total Investments)

Bell County Health Facilities Development Corporation, Texas, Retirement

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

	Facility Revenue Bonds, Buckner Retirement Services Inc. Obligated Group, Series 1998:		
3,400	5.250%, 11/15/19		11/08 at
5,000	5.250%, 11/15/28		11/08 at
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 - MBIA Insured		1/08 at

10,400	Total Long-Term Care		

	Materials - 4.3% (3.0% 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
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)		4/06 at

6,000	Total Materials		

	Tax Obligation/General - 38.8% (26.5% of Total Investments)		
	Bexar County, Texas, Combined Tax and Revenue Certificates of Obligation, Series 2004:		
1,235	5.000%, 6/15/17		6/14 at
1,295	5.000%, 6/15/18		6/14 at
1,260	5.000%, 6/15/19		6/14 at

33

Nuveen Texas Quality Income Municipal Fund (NTX) (continued)

Portfolio of Investments January 31, 2006 (Unaudited)

Principal Amount (000)	Description (1)	Option Provisi

	Tax Obligation/General (continued)	
\$ 4,130	Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1992, 0.000%, 8/15/14 - MBIA Insured	8/09 a
1,275	Copperas Cove, Texas, Certificates of Obligation, Series 2003, 5.000%, 8/15/23 - MBIA Insured	8/12 at
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
2,595	Denton County, Texas, Permanent Improvement General Obligation Bonds,	7/12 at

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

	Series 2005, 5.000%, 7/15/25	
5,000	Dickinson Independent School District, Galveston County, Texas, General Obligation Bonds, Series 2005, 5.000%, 2/15/30	2/15 at
1,750	El Paso County, Texas, Certificates of Obligation, Series 2001, 5.000%, 2/15/21 - FSA Insured	No Op
	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
1,320	5.000%, 10/01/27 - FGIC Insured	10/12 at
	Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003:	
2,500	5.000%, 2/15/20 - AMBAC Insured	2/13 at
2,235	5.000%, 2/15/21 - AMBAC Insured	2/13 at
5,000	Houston, Texas, General Obligation Bonds, Series 2005E, 5.000%, 3/01/23 - AMBAC Insured	3/15 at
1,500	Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21	2/11 at
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 a
1,000	Mansfield Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2004, 5.000%, 2/15/20	2/14 at
	Mercedes Independent School District, Hidalgo County, Texas, General Obligation Bonds, Series 2005:	
2,020	5.000%, 8/15/22	8/15 at
1,010	5.000%, 8/15/23	8/15 at
1,545	Montgomery County, Texas, General Obligation Refunding Bonds, Series 1997, 0.000%, 3/01/14 - MBIA Insured	9/07 a
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
1,255	Pasadena, Texas, Certificates of Obligation, Series 2002, 5.125%, 4/01/24 - FGIC Insured	4/11 at
500	Puerto Rico, General Obligation and Public Improvement Bonds, Series 2001A, 5.500%, 7/01/29	No Op
	Roma Independent School District, Texas, General Obligation Bonds, Series 2005:	
1,110	5.000%, 8/15/22	8/15 at
1,165	5.000%, 8/15/23 - FSA Insured	8/15 at
1,440	South Texas Community College District, General Obligation Bonds, Series 2002, 5.500%, 8/15/17 - AMBAC Insured	8/12 at
1,250	Southside Independent School District, Bexar County, Texas, General Obligation Bonds, Series 2004A, 5.000%, 8/15/22	8/14 at
1,140	Sunnyvale School District, Texas, General Obligation Bonds, Series 2004, 5.250%, 2/15/25	2/14 at

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

2,000	Texas, General Obligation Bonds, Water Financial Assistance Program, Series 2001, 5.250%, 8/01/23	8/11 at
1,500	Texas, General Obligation Refunding Bonds, Public Finance Authority, Series 2002, 5.000%, 10/01/18	10/12 at
	West Texas Independent School District, McLennan and Hill Counties, General Obligation Refunding Bonds, Series 1998:	
1,000	0.000%, 8/15/22	8/13 a
1,000	0.000%, 8/15/24	8/13 a

59,810	Total Tax Obligation/General	

34

Principal Amount (000)	Description (1)	Option Provisi

	Tax Obligation/Limited - 3.5% (2.4% 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
2,685	San Antonio, Texas, Hotel Occupancy Tax Revenue Bonds, Henry B. Gonzalez Convention Center Project, Series 1996, 5.700%, 8/15/26 - FGIC Insured	8/06 at

4,935	Total Tax Obligation/Limited	

	Transportation - 5.9% (4.0% 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
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
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
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

8,860	Total Transportation	

	U.S. Guaranteed (4) - 16.5% (11.3% of Total Investments)	
130	Abilene Housing Development Corporation, Texas, Section 8 First Lien Revenue Bonds, Abilene East Apartments, Series 1978, 7.000%, 7/01/08 (ETM)	No Op
2,000	Harris County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Memorial Hermann Healthcare System, Series 2001A,	6/11 at

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

6.375%, 6/01/29 (Pre-refunded 6/01/11)

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
1,000	North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Presbyterian Healthcare System, Series 1996B, 5.750%, 6/01/26 (ETM) - MBIA Insured	No Op
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
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
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
665	San Antonio, Texas, Water System Revenue Refunding Bonds, Series 1992, 6.500%, 5/15/10 (ETM) - MBIA Insured	No Op
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
1,795	United Independent School District, Webb County, Texas, Unlimited Tax School Building Bonds, Series 2000, 5.375%, 8/15/18 (Pre-refunded 8/15/12)	8/12 at
5,290	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

21,205 Total U.S. Guaranteed

Utilities - 9.5% (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
2,400	Brazos River Authority, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999A, 5.375%, 4/01/19	4/09 at
5,000	Brownsville, Texas, Utility System Priority Revenue Bonds, Series 2005A, 5.000%, 9/01/27 - AMBAC Insured	9/15 at

35

Nuveen Texas Quality Income Municipal Fund (NTX) (continued)

Portfolio of Investments January 31, 2006 (Unaudited)

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

Principal Amount (000)	Description (1)	Option Provisi
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
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
12,960	Total Utilities	
Water and Sewer - 10.8% (7.4% 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
1,030	5.000%, 12/15/21 - FGIC Insured	12/14 at
3,000	Houston, Texas, First Lien Combined Utility System Revenue Bonds, Series 2004A, 5.250%, 5/15/23 - FGIC Insured	5/14 at
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
Irving, Texas, Subordinate Lien Waterworks and Sewerage Revenue Bonds, Series 2004:		
1,680	5.000%, 8/15/22 - AMBAC Insured	8/14 at
1,760	5.000%, 8/15/23 - AMBAC Insured	8/14 at
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
1,500	Texas Water Development Board, Senior Lien State Revolving Fund Revenue Bonds, Series 1999A, 5.500%, 7/15/21	7/09 at
14,735	Total Water and Sewer	
\$ 208,571	Total Investments (cost \$202,483,055) - 146.0%	
Other Assets Less Liabilities - 1.6%		
Preferred Shares, at Liquidation Value - (47.6)%		
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 Baa by Moody's Investor Service, Inc. or BBB by

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

Standard & Poor's Group are considered to be below investment grade.

(4) Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.

(5) The issuer has received a proposed 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 Investment is not rated.

(ETM) Security is escrowed to maturity.

See accompanying notes to financial statements.

36

Statement of
Assets and Liabilities January 31, 2006 (Unaudited)

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)

Assets			
Investments, at value (cost \$88,798,842, \$33,769,618, \$52,415,010, \$64,170,631 and \$202,483,055, respectively)	\$ 92,708,022	\$ 35,023,343	\$ 55,042,980
Cash	756,345	--	--
Receivables:			
Interest	630,084	265,795	430,314
Investments sold	--	--	--
Unrealized appreciation on forward swaps	--	46,890	93,315
Other assets	1,438	1,208	2,976

Total assets	94,095,889	35,337,236	55,569,585

Liabilities			
Cash overdraft	--	47,055	12,051
Accrued expenses:			
Management fees	51,175	10,188	16,031
Other	32,541	8,486	10,769
Preferred share dividends payable	9,248	5,294	8,969

Total liabilities	92,964	71,023	47,820

Preferred shares, at liquidation value	30,000,000	12,000,000	18,500,000

Net assets applicable to Common shares	\$ 64,002,925	\$ 23,266,213	\$ 37,021,765
=====			
Common shares outstanding	4,467,309	1,546,588	2,427,087

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

Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 14.33	\$ 15.04	\$ 15.25
Net assets applicable to Common shares consist of:			
Common shares, \$.01 par value per share	\$ 44,673	\$ 15,466	\$ 24,271
Paid-in surplus	62,130,982	21,874,470	34,386,372
Undistributed (Over-distribution of) net investment income	(96,422)	94,814	41,341
Accumulated net realized gain (loss) from investments and derivative transactions	(1,985,488)	(19,152)	(151,504)
Net unrealized appreciation (depreciation) of investments and derivative transactions	3,909,180	1,300,615	2,721,285
Net assets applicable to Common shares	\$ 64,002,925	\$ 23,266,213	\$ 37,021,765
Authorized shares:			
Common	200,000,000	Unlimited	Unlimited
Preferred	1,000,000	Unlimited	Unlimited

See accompanying notes to financial statements.

37

Statement of
Operations Six Months Ended January 31, 2006 (Unaudited)

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)
Investment Income	\$ 2,243,068	\$ 830,050	\$ 1,319,275
Expenses			
Management fees	303,772	114,297	179,950
Preferred shares - auction fees	38,384	15,353	23,669
Preferred shares - dividend disbursing agent fees	5,041	5,041	5,041
Shareholders' servicing agent fees and expenses	2,746	183	124
Custodian's fees and expenses	14,877	6,889	9,950
Directors'/Trustees' fees and expenses	948	390	600
Professional fees	6,203	4,930	5,172
Shareholders' reports - printing and mailing expenses	5,993	4,303	5,890
Stock exchange listing fees	5,261	66	104
Investor relations expense	6,146	2,236	3,528
Other expenses	6,150	4,694	5,206

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

Total expenses before custodian fee credit and expense reimbursement	395,521	158,382	239,234
Custodian fee credit	(4,543)	(3,860)	(3,262)
Expense reimbursement	--	(53,588)	(84,370)
Net expenses	390,978	100,934	151,602
Net investment income	1,852,090	729,116	1,167,673
Realized and Unrealized Gain (Loss)			
Net realized gain (loss) from investments	237,715	37,555	104,987
Net realized gain (loss) from forward swaps	--	--	--
Change in net unrealized appreciation (depreciation) of investments	(1,017,023)	(358,957)	(525,365)
Change in net unrealized appreciation (depreciation) of forward swaps	--	21,545	42,759
Net realized and unrealized gain (loss)	(779,308)	(299,857)	(377,619)
Distributions to Preferred Shareholders			
From net investment income	(350,395)	(130,689)	(205,602)
From accumulated net realized gains	--	(14,818)	(34,000)
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders	(350,395)	(145,507)	(239,602)
Net increase (decrease) in net assets applicable to Common shares from operations	\$ 722,387	\$ 283,752	\$ 550,452

See accompanying notes to financial statements.

38

Statement of
Changes in Net Assets (Unaudited)

	Arizona Premium Income (NAZ)	
	Six Months Ended 1/31/06	Year Ended 7/31/05
Operations		
Net investment income	\$ 1,852,090	\$ 3,821,484
Net realized gain (loss) from investments	237,715	769,058
Net realized gain (loss) from forward swaps	--	--
Change in net unrealized appreciation (depreciation) of investments	(1,017,023)	1,754,362
Change in net unrealized appreciation (depreciation) of forward swaps	--	--

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

Distributions to Preferred shareholders:		
From net investment income	(350,395)	(405,070)
From accumulated net realized gains	--	--

Net increase (decrease) in net assets applicable to Common shares from operations	722,387	5,939,834

Distributions to Common Shareholders		
From net investment income	(1,629,665)	(3,762,499)
From accumulated net realized gains	--	--

Decrease in net assets applicable to Common shares from distributions to Common shareholders	(1,629,665)	(3,762,499)

Capital Share Transactions		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	87,737	213,665

Net increase (decrease) in net assets applicable to Common shares from capital share transactions	87,737	213,665

Net increase (decrease) in net assets applicable to Common shares	(819,541)	2,391,000
Net assets applicable to Common shares at the beginning of period	64,822,466	62,431,466

Net assets applicable to Common shares at the end of period	\$ 64,002,925	\$ 64,822,466
=====		
Undistributed (Over-distribution of) net investment income at the end of period	\$ (96,422)	\$ 31,548
=====		

Arizona
Dividend Advantage 2 (NKR)

	Six Months Ended 1/31/06	Year Ended 7/31/05

Operations		
Net investment income	\$ 1,167,673	\$ 2,346,916
Net realized gain (loss) from investments	104,987	357,503
Net realized gain (loss) from forward swaps	--	(323,226)
Change in net unrealized appreciation (depreciation) of investments	(525,365)	1,331,714
Change in net unrealized appreciation (depreciation) of forward swaps	42,759	50,556
Distributions to Preferred shareholders:		
From net investment income	(205,602)	(262,016)
From accumulated net realized gains	(34,000)	(19,342)

Net increase (decrease) in net assets applicable to Common shares		

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

from operations	550,452	3,482,105

Distributions to Common Shareholders		
From net investment income	(1,031,007)	(2,092,582)
From accumulated net realized gains	(256,789)	(288,186)

Decrease in net assets applicable to Common shares from distributions to Common shareholders	(1,287,796)	(2,380,768)

Capital Share Transactions		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	54,765	60,045

Net increase (decrease) in net assets applicable to Common shares from capital share transactions	54,765	60,045

Net increase (decrease) in net assets applicable to Common shares	(682,579)	1,161,382
Net assets applicable to Common shares at the beginning of period	37,704,344	36,542,962

Net assets applicable to Common shares at the end of period	\$ 37,021,765	\$ 37,704,344
=====		
Undistributed (Over-distribution of) net investment income at the end of period	\$ 41,341	\$ 110,277
=====		

See accompanying notes to financial statements.

39

Statement of
Changes in Net Assets (Unaudited) (continued)

	Arizona Dividend Advantage 3 (NXE)	
	Six Months Ended 1/31/06	Year Ended 7/31/05

Operations		
Net investment income	\$ 1,346,834	\$ 2,735,161
Net realized gain (loss) from investments	165,542	(44,805)
Net realized gain (loss) from forward swaps	--	(530,167)
Change in net unrealized appreciation (depreciation) of investments	(534,677)	2,365,824
Change in net unrealized appreciation (depreciation) of forward swaps	69,732	78,665
Distributions to Preferred shareholders:		

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

From net investment income	(269,359)	(313,291)
From accumulated net realized gains	--	--

Net increase (decrease) in net assets applicable to Common shares from operations	778,072	4,291,387

Distributions to Common Shareholders		
From net investment income	(1,150,271)	(2,444,592)
From accumulated net realized gains	--	--

Decrease in net assets applicable to Common shares from distributions to Common shareholders	(1,150,271)	(2,444,592)

Capital Share Transactions		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	4,303	--

Net increase (decrease) in net assets applicable to Common shares from capital share transactions	4,303	--

Net increase (decrease) in net assets applicable to Common shares	(367,896)	1,846,795
Net assets applicable to Common shares at the beginning of period	44,829,316	42,982,521

Net assets applicable to Common shares at the end of period	\$ 44,461,420	\$ 44,829,316
=====		
Undistributed (Over-distribution of) net investment income at the end of period	\$ (35,249)	\$ 37,547
=====		

See accompanying notes to financial statements.

40

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

applicable state income taxes, if any, 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 establishes fair market 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 derivative investments 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 derivative investment, 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 quote 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 or delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At January 31, 2006, 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.

41

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 applicable state

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

income taxes, if any, 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.

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)	Texas Quality Income (NTX)

Number of shares:					
Series M	--	--	--	880	760
Series T	--	480	--	--	--
Series W	--	--	740	--	--
Series TH	1,200	--	--	--	2,000

Total	1,200	480	740	880	2,760
=====					

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 mitigate the negative impact that an increase in long-term interest rates could have on Common share net asset value. Forward interest rate swap transactions involve each Fund's agreement with the counterparty to pay, in the future, a fixed rate payment in exchange for the counterparty paying the Fund a variable 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 would increase or decrease in value based primarily on the extent to which long-term interest rates for bonds having a maturity of the swaps' termination date were to increase or decrease. The Funds may close out a contract prior to the effective date, at which point a realized gain or loss would be 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

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

a counterparty failing to honor its commitment to pay any realized gain to the Fund upon termination. To minimize 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.

42

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.

2. Fund Shares

Transactions in Common shares were as follows:

	Arizona Premium Income (NAZ)		Arizona Dividend Advantage (NFZ)		Six
	Six Months Ended	Year Ended	Six Months Ended	Year Ended	
Common shares issued to shareholders due to reinvestment of distributions	1/31/06	7/31/05	1/31/06	7/31/05	
	5,860	13,619	1,079	1,750	

	Arizona Dividend Advantage 3 (NXE)		Six Months Ended 1/31/06	Year Ended 7/31/05	Six

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, 2006, were as follows:

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)	Arizona Dividen Advantage (NXE)
Purchases	\$ 3,690,860	\$ 2,207,617	\$ 1,811,612	\$ 2,151,28
Sales and maturities	4,631,418	1,790,375	1,788,658	2,952,08

4. Income Tax Information

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

At January 31, 2006, the cost of investments was as follows:

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)	Arizona Dividen Advantage (NXE)
Cost of investments	\$88,778,083	\$33,820,272	\$52,597,463	\$64,374,35

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

Notes to
Financial Statements (Unaudited) (continued)

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

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)	Arizona Dividend Advantage (NXL)
Gross unrealized:				
Appreciation	\$ 4,080,019	\$ 1,294,102	\$ 2,684,154	\$ 1,876,500
Depreciation	(150,080)	(91,031)	(238,637)	(252,600)
Net unrealized appreciation (depreciation) of investments	\$ 3,929,939	\$ 1,203,071	\$ 2,445,517	\$ 1,623,900

The tax components of undistributed net investment income and net realized gains at July 31, 2005, the Funds' last fiscal year end, were as follows:

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)	Arizona Dividend Advantage (NXL)
Undistributed net tax-exempt income *	\$ 304,454	\$ 282,284	\$ 287,112	\$ 236,830
Undistributed net ordinary income **	--	--	--	--
Undistributed net long-term capital gains	--	132,895	217,992	--

* Undistributed net tax-exempt income (on a tax basis) has not been reduced for the dividend declared on July 1, 2005, paid on August 1, 2005.

** 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 fiscal year ended July 31, 2005, the Funds' last fiscal year end, was designated for purposes of the dividends paid deduction as follows:

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)	Arizona Dividend Advantage (NXL)
Distributions from net tax-exempt income	\$ 4,217,354	\$ 1,573,643	\$ 2,351,896	\$ 2,764,460
Distributions from net ordinary income **	--	--	--	--
Distributions from net long-term capital gains	--	71,358	307,825	--

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

44

At July 31, 2005, the Funds' last fiscal 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:

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage 3 (NXE)	Texas Quality Income (NTX)
Expiration year:			
2011	\$ 669,574	\$ --	\$ --
2012	1,553,629	205,820	1,204,018
2013	--	134,877	--
Total	\$2,223,203	\$340,697	\$1,204,018

Arizona Dividend Advantage 3 (NXE) elected to defer net realized losses from investments incurred from November 1, 2004 through July 31, 2005 ("post-October losses"), in accordance with federal income tax regulations. Post-October losses of \$376,462 were treated as having arisen on the first day of the current fiscal year.

5. Management Fee and Other Transactions with Affiliates

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

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

Average Daily Net Assets (including net assets attributable to Preferred shares)	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 to Preferred shares)	Arizona Dividend Advantage (NFZ)
	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

45

Notes to
Financial Statements (Unaudited) (continued)

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, 2006, the complex-level fee rate was .1891%.

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 all types of leverage used by the Nuveen funds) of Nuveen-sponsored funds in the U.S.

(2) With respect to the complex-wide Managed Assets over \$91 billion, the fee rate or rates that will apply to such assets will be determined at a later date. In the unlikely event that complex-wide Managed Assets reach \$91 billion prior to a determination of the complex-level fee rate or rates to be applied to Managed Assets in excess of \$91 billion, the complex-level fee rate for such complex-wide Managed Assets shall be .1400% until such time as a different rate or rates is determined.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Funds pay no compensation directly to those of its Directors/Trustees who are affiliated with the Adviser or to their 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

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

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.

46

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.

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

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

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.

6. Subsequent Event - Distributions to Common Shareholders

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

	Arizona Premium Income (NAZ)	Arizona Dividend Advantage (NFZ)	Arizona Dividend Advantage 2 (NKR)	Arizona Dividend Advantage 3 (NXE)	Texas Quality Income (NTX)
Dividend per share	\$.0580	\$.0690	\$.0685	\$.0605	\$.0695

47

Financial
Highlights (Unaudited)

Selected data for a Common share outstanding throughout each period:

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

Arizona Premium Income (NAZ)					

Year Ended 7/31:					
2006(d)	\$14.53	\$.41	\$ (.16)	\$ (.08)	
2005	14.04	.86	.56	(.09)	
2004	13.66	.92	.43	(.05)	
2003	14.25	.97	(.57)	(.07)	
2002	14.77	1.07	(.57)	(.09)	
2001	14.25	1.09	.50	(.23)	
Arizona Dividend Advantage (NFZ)					

Year Ended 7/31:					
2006(d)	15.37	.47	(.20)	(.08)	
2005	15.00	.97	.46	(.10)	
2004	14.45	.99	.57	(.06)	
2003	14.81	1.00	(.38)	(.07)	

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

2002	14.37	1.04	.36	(.11)
2001(a)	14.33	.44	.23	(.08)

Arizona Dividend Advantage 2 (NKR)

Year Ended 7/31:

2006(d)	15.56	.48	(.16)	(.08)
2005	15.10	.97	.59	(.11)
2004	14.57	.96	.53	(.06)
2003	14.88	.96	(.31)	(.08)
2002(b)	14.33	.24	.71	(.02)

Arizona Dividend Advantage 3 (NXE)

Year Ended 7/31:

2006(d)	14.62	.44	(.10)	(.09)
2005	14.01	.89	.62	(.10)
2004	13.45	.89	.54	(.06)
2003(c)	14.33	.66	(.67)	(.05)

Texas Quality Income (NTX)

Year Ended 7/31:

2006(d)	15.46	.48	(.14)	(.10)
2005	15.12	1.00	.41	(.13)
2004	14.57	1.03	.55	(.07)
2003	15.14	1.05	(.58)	(.08)
2002	15.16	1.11	(.02)	(.10)
2001	14.26	1.16	.88	(.27)

Less Distributions

	Net Investment Income to Common Share- holders	Capital Gains to Common Share- holders	Total	Offering Costs and Preferred Share Underwriting Discounts	Ending Common Share Net Asset Value
--	---	--	-------	--	---

Arizona Premium Income (NAZ)

Year Ended 7/31:

2006(d)	\$ (.37)	\$ --	\$ (.37)	\$ --	\$14.33
2005	(.84)	--	(.84)	--	14.53
2004	(.92)	--	(.92)	--	14.04
2003	(.92)	--	(.92)	--	13.66
2002	(.88)	(.04)	(.92)	--	14.25
2001	(.83)	(.01)	(.84)	--	14.77

Arizona Dividend Advantage (NFZ)

Year Ended 7/31:

2006(d)	(.43)	(.08)	(.51)	--	15.04
2005	(.92)	(.04)	(.96)	--	15.37
2004	(.91)	(.04)	(.95)	--	15.00
2003	(.88)	(.04)	(.92)	.02	14.45
2002	(.84)	(.01)	(.85)	--	14.81
2001(a)	(.35)	--	(.35)	(.20)	14.37

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

Arizona Dividend Advantage 2 (NKR)

Year Ended 7/31:

2006(d)	(.43)	(.11)	(.54)	--	15.25
2005	(.86)	(.12)	(.98)	--	15.56
2004	(.86)	(.04)	(.90)	--	15.10
2003	(.86)	(.01)	(.87)	(.01)	14.57
2002(b)	(.22)	--	(.22)	(.16)	14.88

Arizona Dividend Advantage 3 (NXE)

Year Ended 7/31:

2006(d)	(.38)	--	(.38)	--	14.49
2005	(.80)	--	(.80)	--	14.62
2004	(.80)	--	(.80)	(.01)	14.01
2003(c)	(.61)	--	(.61)	(.21)	13.45

Texas Quality Income (NTX)

Year Ended 7/31:

2006(d)	(.42)	--	(.42)	--	15.28
2005	(.94)	--	(.94)	--	15.46
2004	(.96)	--	(.96)	--	15.12
2003	(.95)	(.01)	(.96)	--	14.57
2002	(.92)	(.07)	(.99)	--	15.14
2001	(.87)	--	(.87)	--	15.16

* 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 period January 30, 2001 (commencement of operations) through July 31, 2001.

(b) For the period March 25, 2002 (commencement of operations) through July 31, 2002.

(c) For the period September 25, 2002 (commencement of operations) through July 31, 2003.

(d) For the six months ended January 31, 2006.

	Ratios/Supplemental				
	Total Returns		Before Credit/ Reimbursement		
	Based on Market Value**	Based on Common Share Net Asset Value**	Ending Net Assets Applicable to Common Shares (000)	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++
Arizona Premium Income (NAZ)					
Year Ended 7/31:					
2006 (d)	(4.04)%	1.16%	\$64,003	1.22%*	5.71%*
2005	5.17	9.69	64,822	1.20	5.91
2004	7.97	9.66	62,431	1.22	6.49
2003	(5.98)	2.21	60,547	1.25	6.81
2002	9.63	2.88	62,876	1.28	7.45
2001	17.77	9.74	64,859	1.28	7.47
Arizona Dividend Advantage (NFZ)					
Year Ended 7/31:					
2006 (d)	3.20	1.20	23,266	1.34*	5.69*
2005	10.88	9.04	23,753	1.34	5.82
2004	7.05	10.56	23,153	1.30	6.10
2003	3.06	3.67	22,290	1.35	6.11
2002	6.38	9.32	22,791	1.41	6.72
2001 (a)	6.76	2.81	22,072	1.43*	5.80*
Arizona Dividend Advantage 2 (NKR)					
Year Ended 7/31:					
2006 (d)	(.98)	1.44	37,022	1.27*	5.75*
2005	16.30	9.74	37,704	1.27	5.76
2004	9.46	9.98	36,543	1.27	5.83
2003	(3.53)	3.67	35,237	1.27	5.78
2002 (b)	6.81	5.38	35,913	1.19*	4.43*
Arizona Dividend Advantage 3 (NXE)					
Year Ended 7/31:					
2006 (d)	1.50	1.70	44,461	1.27*	5.53*
2005	15.11	10.21	44,829	1.25	5.63
2004	1.01	10.25	42,983	1.25	5.80
2003 (c)	(2.76)	(2.05)	41,247	1.19*	5.05*
Texas Quality Income (NTX)					
Year Ended 7/31:					
2006 (d)	(4.75)	1.59	145,068	1.20*	6.23*
2005	17.83	8.61	146,718	1.18	6.42
2004	5.87	10.51	143,233	1.18	6.77
2003	4.14	2.54	137,975	1.20	6.93

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

2002	9.29	6.61	143,305	1.23	7.40
2001	21.16	12.74	143,127	1.21	7.87

Preferred Shares at End of Period

Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share
---	---	--------------------------------

Arizona Premium Income (NAZ)

Year Ended 7/31:

2006(d)	\$30,000	\$25,000	\$78,336
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
2001	30,000	25,000	79,049

Arizona Dividend Advantage (NFZ)

Year Ended 7/31:

2006(d)	12,000	25,000	73,471
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
2001(a)	12,000	25,000	70,984

Arizona Dividend Advantage 2 (NKR)

Year Ended 7/31:

2006(d)	18,500	25,000	75,029
2005	18,500	25,000	75,952
2004	18,500	25,000	74,382
2003	18,500	25,000	72,618
2002(b)	18,500	25,000	73,531

Arizona Dividend Advantage 3 (NXE)

Year Ended 7/31:

2006(d)	22,000	25,000	75,524
2005	22,000	25,000	75,942
2004	22,000	25,000	73,844
2003(c)	22,000	25,000	71,872

Texas Quality Income (NTX)

Year Ended 7/31:

2006(d)	69,000	25,000	77,561
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
2001	69,000	25,000	76,858

See accompanying notes to financial statements.

49

Reinvest Automatically
Easily and Conveniently

Nuveen makes reinvesting easy. A phone call is all it takes to set up your reinvestment account.

Nuveen Exchange-Traded Closed-End Funds
Dividend Reinvestment Plan

Your Nuveen Exchange-Traded 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.

50

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.

Glossary of terms used in this report

Average Annual Total Return: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

Average Effective Maturity: The average of all the maturities of the bonds in a Fund's portfolio, computed by weighting each maturity date (the date the security comes due) by the market value of the security. This figure does not account for the likelihood of prepayments or the exercise of call provisions.

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.

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

Market Yield (also known as Dividend Yield or Current Yield): An investment's current annualized dividend divided by its current market price.

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

Taxable-Equivalent Yield: The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.

Board of Directors/Trustees

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

Fund Manager

Nuveen Asset Management
333 West Wacker Drive
Chicago, IL 60606

Custodian

State Street Bank & Trust Company
Boston, MA

Transfer Agent and Shareholder Services

State Street Bank & Trust Company
Nuveen Funds
P.O. Box 43071
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.

[GRAPHIC OMITTED]

Learn more
about Nuveen Funds at
www.nuveen.com/etf

Nuveen Investments:

SERVING Investors
For GENERATIONS

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

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

We offer many different investing solutions for our clients' different needs.

Managing more than \$135 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

Find out how we can help you reach your financial goals.

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

Be sure to obtain a prospectus, where applicable. Investors should consider the investment objective and policies, risk considerations, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information relevant to an investment in the Fund. For a prospectus, please contact your securities representative or Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606. Please read the prospectus carefully before you invest or send money.

- o Share prices
- o Fund details
- o Daily financial news
- o Investor education
- o Interactive planning tools

[LOGO]
NUVEEN
Investments

ESA-A-0106D

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.

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 7, 2006

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)

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

Date: April 7, 2006

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

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

Date: April 7, 2006

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