

NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3

Form N-Q

October 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT
COMPANY

Investment Company Act file number 811-21153

Nuveen Maryland Dividend Advantage Municipal Fund 3
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive, Chicago, Illinois 60606
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Vice President and Secretary
333 West Wacker Drive, Chicago, Illinois 60606
(Name and address of agent for service)

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

Date of fiscal year end: 5/31

Date of reporting period: 8/31/10

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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 the 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. § 3507.

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)

Nuveen Maryland Dividend Advantage Municipal Fund 3 (NWI)

August 31, 2010

| Principal Amount (000) | Description (1) | Optional Call Provisions (2) | Ratings (3) | Value |
|------------------------------|--|---------------------------------------|-------------|--------------|
| | Consumer Discretionary – 3.8% (2.6% of Total Investments) | | | |
| \$ 2,385 | Baltimore, Maryland, Senior Lien Convention Center Hotel Revenue Bonds, Series 2006A, 5.250%, 9/01/39 – SYNCORA GTY Insured | 9/16 at 100.00 | Baa3 | \$ 2,183,229 |
| 380 | Baltimore, Maryland, Subordinate Lien Convention Center Hotel Revenue Bonds, Series 2006B, 5.875%, 9/01/39 | 9/16 at 100.00 | Ba1 | 362,539 |
| 700 | Maryland Economic Development Corporation, Revenue Bonds, Chesapeake Bay Hyatt Conference Center, Series 2006A, 5.000%, 12/01/31 | 12/16 at 100.00 | N/R | 527,254 |
| 3,465 | Total Consumer Discretionary | | | 3,073,022 |
| | Consumer Staples – 2.8% (1.9% of Total Investments) | | | |
| 2,280 | Puerto Rico, The Children’s Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | 5/12 at 100.00 | BBB | 2,269,444 |
| | Education and Civic Organizations – 13.0% (8.9% of Total Investments) | | | |
| 225 | Anne Arundel County, Maryland, Economic Development Revenue Bonds, Community College Project, Series 2002, 5.125%, 9/01/22 | 9/12 at 102.00 | A2 | 234,907 |
| 625 | Frederick County, Maryland, Educational Facilities Revenue Bonds, Mount Saint Mary’s College, Series 2006, 5.625%, 9/01/38 | 9/16 at 100.00 | BBB– | 624,563 |
| 690 | Hartford County, Maryland, Economic Development Revenue Bonds, Battelle Memorial Institute, Series 2004, 5.250%, 4/01/34 | 4/14 at 100.00 | A+ | 699,405 |
| 165 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Patterson Park Public Charter School Issue, Series 2010, 6.000%, 7/01/40 | 7/20 at 100.00 | BBB– | 171,282 |
| 625 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Goucher College, Series 2004, 5.125%, 7/01/34 | 7/14 at 100.00 | A– | 633,738 |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Johns Hopkins University, Series 2002A, 5.000%, 7/01/32 | 7/12 at 100.00 | AA | 1,057,150 |
| 735 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Johns Hopkins University, Series 2004, Inverse 1003, 13.147%, 1/01/13 (IF) | No Opt. Call | AA | 857,047 |
| 925 | | | Baa1 | 935,286 |

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| | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Maryland Institute College of Art, Series 2006, 5.000%, 6/01/30 | 6/16 at 100.00 | | |
| 625 | Maryland Industrial Development Financing Authority, Revenue Bonds, Our Lady of Good Counsel High School, Series 2005A, 6.000%, 5/01/35 | 5/15 at 100.00 | N/R | 626,700 |
| 710 | Montgomery County Revenue Authority, Maryland, Lease Revenue Bonds, Montgomery College Arts Center Project, Series 2005A, 5.000%, 5/01/18 | 5/15 at 100.00 | Aa3 | 792,978 |
| 1,000 | Morgan State University, Maryland, Student Tuition and Fee Revenue Bonds, Academic Fees and Auxiliary Facilities, Series 2003A, 5.000%, 7/01/32 – FGIC Insured | 7/13 at 100.00 | Aa3 | 1,023,250 |
| 985 | University of Maryland, Auxiliary Facility and Tuition Revenue Bonds, Series 2001B, 4.625%, 4/01/21 | 4/11 at 100.00 | AA+ | 1,010,541 |
| 800 | University of Maryland, Auxiliary Facility and Tuition Revenue Bonds, Series 2006A, 5.000%, 10/01/22 | 10/16 at 100.00 | AA+ | 913,656 |
| 890 | Westminster, Maryland, Educational Facilities Revenue Bonds, McDaniel College, Series 2006, 5.000%, 11/01/31 | 11/16 at 100.00 | BBB+ | 899,817 |
| 10,000 | Total Education and Civic Organizations Health Care – 28.9% (19.7% of Total Investments) | | | 10,480,320 |
| 445 | Maryland Health and Higher Education Facilities Authority, Revenue Bonds, University of Maryland Medical System Issue, Series 2010, 5.125%, 7/01/39 | 7/19 at 100.00 | A | 463,743 |
| 700 | Maryland Health and Higher Education Facilities Authority, Revenue Bonds, University of Maryland Medical System, Series 2006, 5.000%, 7/01/31 | 7/16 at 100.00 | A | 718,459 |
| 300 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds Doctors Community Hospital, Refunding Series 2010, 5.750%, 7/01/38 | No Opt. Call | Baa3 | 301,089 |
| 335 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Anne Arundel Health System, Series 2010, 5.000%, 7/01/40 | 7/19 at 100.00 | A– | 347,325 |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Anne Arundel Medical Center, Series 1998, 5.125%, 7/01/33 – AGM Insured | 1/11 at 100.00 | AAA | 1,000,940 |
| 775 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Calvert Memorial Hospital, Series 2004, 5.500%, 7/01/36 | 7/14 at 100.00 | A3 | 803,613 |
| 1,250 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Carroll County General Hospital, Series 2002, 5.800%, 7/01/32 | 7/12 at 100.00 | A3 | 1,277,100 |
| 1,750 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Carroll Hospital Center, Series 2006, 5.000%, 7/01/40 | 7/16 at 100.00 | A3 | 1,765,733 |
| 1,070 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Civista Medical Center, Series 2005, 5.000%, 7/01/37 – RAAI Insured | 7/14 at 100.00 | N/R | 914,187 |
| 885 | | | Baa3 | 872,203 |

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| | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Doctors Community Hospital, Series 2007A, 5.000%, 7/01/29 | 7/17 at 100.00 | | |
| 700 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Frederick Memorial Hospital, Series 2002, 5.125%, 7/01/35 | 7/12 at 100.00 | Baa1 | 695,569 |
| 800 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Greater Baltimore Medical Center, Series 2001, 5.000%, 7/01/34 | 7/11 at 100.00 | A+ | 802,408 |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Johns Hopkins Hospital, Series 2001, 5.000%, 5/15/21 | 5/11 at 100.00 | Aa3 | 1,012,550 |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Kennedy Krieger Institute, Series 2003, 5.500%, 7/01/33 | 7/13 at 100.00 | Baa3 | 1,005,380 |
| 595 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, LifeBridge Health System, Series 2008, 5.000%, 7/01/28 – AGC Insured | 7/17 at 100.00 | AAA | 636,662 |
| 900 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, MedStar Health, Series 2004, 5.375%, 8/15/24 | 8/14 at 100.00 | A2 | 942,498 |
| 1,690 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, MedStar Health, Series 2007, 5.250%, 5/15/46 – BHAC Insured | 5/16 at 100.00 | AA+ | 1,749,944 |
| | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Medical Center Project, Series 2007A: | | | |
| 525 | 5.000%, 7/01/37 | 7/17 at 100.00 | BBB | 506,184 |
| 340 | 5.500%, 7/01/42 | 7/17 at 100.00 | BBB | 342,859 |
| 650 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Medical Center, Series 2001, 5.625%, 7/01/31 | 7/11 at 100.00 | BBB | 652,542 |
| 850 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Peninsula Regional Medical Center, Series 2006, 5.000%, 7/01/36 | 7/16 at 100.00 | A | 876,376 |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, The Johns Hopkins Health System Obligated Group Issue, Series 2010, 5.000%, 5/15/40 | 5/20 at 100.00 | Aa3 | 1,059,890 |
| 1,845 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Union Hospital of Cecil County, Series 2002, 5.625%, 7/01/32 | 7/12 at 100.00 | A3 | 1,876,789 |
| 1,220 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Washington County Hospital, Series 2008, 5.750%, 1/01/38 | 1/18 at 100.00 | BBB- | 1,248,438 |
| 775 | Maryland Health and Higher Educational Facilities Authority, Revenue Refunding Bonds, Adventist Healthcare, Series 2003A, 5.750%, 1/01/25 | 1/13 at 101.00 | Baa2 | 793,298 |
| 900 | Prince George's County, Maryland, Revenue Bonds, Dimensions Health Corporation, Series 1994, | 1/11 at 100.00 | B3 | 624,600 |

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| | 5.300%, 7/01/24 (4) | | | |
| 23,300 | Total Health Care | | | 23,290,379 |
| | Housing/Multifamily – 7.6% (5.2% of Total Investments) | | | |
| 980 | Maryland Community Development Administration, Housing Revenue Bonds, Series 2002B, 4.950%, 7/01/32 (Alternative Minimum Tax) | 7/12 at 100.00 | Aa2 | 983,597 |
| 1,250 | Maryland Economic Development Corporation, Senior Lien Student Housing Revenue Bonds, University of Maryland – Baltimore, Series 2003A, 5.625%, 10/01/23 Maryland Economic Development Corporation, Student Housing Revenue Bonds, Sheppard Pratt University Village, Series 2001: | 10/13 at 100.00 | B3 | 957,125 |
| 20 | 5.875%, 7/01/21 – ACA Insured | 7/11 at 101.00 | N/R | 19,368 |
| 150 | 6.000%, 7/01/33 – ACA Insured | 7/11 at 101.00 | N/R | 136,493 |
| 475 | Maryland Economic Development Corporation, Student Housing Revenue Refunding Bonds, University of Maryland College Park Projects, Series 2006, 5.000%, 6/01/33 – CIFG Insured | 6/16 at 100.00 | Baa2 | 473,043 |
| | Montgomery County Housing Opportunities Commission, Maryland, Multifamily Housing Development Bonds, Series 2002B: | | | |
| 515 | 5.100%, 7/01/33 (Alternative Minimum Tax) | 7/12 at 100.00 | Aaa | 517,915 |
| 3,000 | 5.200%, 7/01/44 (Alternative Minimum Tax) | 7/12 at 100.00 | Aaa | 3,016,440 |
| 6,390 | Total Housing/Multifamily | | | 6,103,981 |
| | Housing/Single Family – 7.7% (5.2% of Total Investments) | | | |
| 1,280 | Maryland Community Development Administration Department of Housing and Community Development, Residential Revenue Bonds, Series 2008C, 5.375%, 9/01/39 | 9/18 at 100.00 | Aa2 | 1,363,392 |
| | Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue Bonds, Series 2006: | | | |
| 1,200 | 4.875%, 9/01/26 (Alternative Minimum Tax) (UB) | 3/16 at 100.00 | Aa2 | 1,221,708 |
| 595 | 4.900%, 9/01/26 (Alternative Minimum Tax) (UB) | 9/15 at 100.00 | Aa2 | 605,097 |
| 815 | 4.900%, 9/01/31 (Alternative Minimum Tax) (UB) | 9/16 at 100.00 | Aa2 | 829,833 |
| | Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue Bonds, Series 2007: | | | |
| 350 | 5.000%, 9/01/27 (Alternative Minimum Tax) (UB) | 3/17 at 100.00 | Aa2 | 358,974 |
| 620 | 4.850%, 9/01/37 (Alternative Minimum Tax) (UB) | 3/17 at 100.00 | Aa2 | 624,464 |
| 1,160 | Maryland Community Development Administration, Department of Housing and Community | 9/14 at 100.00 | Aa2 | 1,164,048 |

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| | Development, Residential Revenue Bonds, Series 2005, 4.900%, 9/01/36 (Alternative Minimum Tax) (UB) | | | |
| 6,020 | Total Housing/Single Family Industrials – 3.3% (2.3% of Total Investments) | | | 6,167,516 |
| 1,090 | Maryland Economic Development Corporation, Economic Development Revenue Bonds, Transportation Facilities Project, Series 2010A, 5.750%, 6/01/35 | 6/20 at 100.00 | Baa3 | 1,144,653 |
| 510 | Maryland Economic Development Corporation, Solid Waste Disposal Revenue Bonds, Waste Management Inc., Series 2002, 4.600%, 4/01/16 (Alternative Minimum Tax) | 4/12 at 101.00 | BBB | 518,175 |
| 1,000 | Northeast Maryland Waste Disposal Authority, Baltimore, Resource Recovery Revenue Bonds, RESCO Retrofit Project, Series 1998, 4.750%, 1/01/12 (Alternative Minimum Tax) | 1/11 at 100.00 | BBB | 1,007,150 |
| 2,600 | Total Industrials Long-Term Care – 3.8% (2.6% of Total Investments) | | | 2,669,978 |
| 1,050 | Baltimore County, Maryland, Revenue Bonds, Oak Crest Village, Series 2007A, 5.000%, 1/01/37 | 1/17 at 100.00 | BBB+ | 991,263 |
| 380 | Gaithersburg, Maryland, Economic Development Revenue Bonds, Asbury Methodist Homes Inc., Series 2009B, 6.000%, 1/01/23 | 1/20 at 100.00 | N/R | 408,622 |
| 400 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Edenwald, Series 2006A, 5.400%, 1/01/31 | 7/16 at 100.00 | N/R | 390,328 |
| | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, King Farm Presbyterian Community, Series 2007A: | | | |
| 280 | 5.000%, 1/01/17 | No Opt. Call 1/17 at 100.00 | N/R | 263,575 |
| 520 | 5.250%, 1/01/27 | 7/17 at 100.00 | N/R | 447,153 |
| 540 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Ridge Retirement Community, Series 2007, 4.750%, 7/01/34 | 100.00 | A– | 526,424 |
| 3,170 | Total-Long Term Care Tax Obligation/General – 16.5% (11.2% of Total Investments) | | | 3,027,365 |
| 1,000 | Annapolis, Maryland, General Obligation Public Improvement Refunding Bonds, Series 2002, 4.375%, 4/01/17 | 4/12 at 101.00 | Aa1 | 1,053,490 |
| 380 | Carroll County, Maryland, Consolidated Public Improvement Bonds, Series 2005A, 5.000%, 12/01/16 | 12/15 at 100.00 | AA+ | 451,356 |
| 1,260 | Charles County, Maryland, Consolidated General Obligation Public Improvement Bonds, Series 2002, 4.400%, 1/15/16 | 1/12 at 101.00 | Aa1 | 1,344,193 |
| 710 | Frederick, Maryland, General Obligation Bonds, Series 2005, 5.000%, 8/01/16 – NPMG Insured | 8/15 at 100.00 | AA | 833,902 |
| 1,000 | Maryland National Capital Park Planning Commission, Prince George’s County, General Obligation | 1/14 at 100.00 | AAA | 1,132,200 |

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| | Bonds, Park Acquisition and Development, Series 2004EE-2, 5.000%, 1/15/17 | | | | |
| 1,850 | Montgomery County, Maryland, Consolidated General Obligation Public Improvement Bonds, Series 2005A, 5.000%, 7/01/15 | No Opt. Call | AAA | 2,201,667 | |
| 1,440 | Montgomery County, Maryland, Consolidated General Obligation Public Improvement Bonds, Series 2006A, 5.000%, 5/01/16 | No Opt. Call | AAA | 1,734,682 | |
| 1,000 | Prince George's County, Maryland, General Obligation Consolidated Public Improvement Bonds, Series 2004C, 5.000%, 12/01/11 | No Opt. Call | AAA | 1,060,130 | |
| 1,000 | St. Mary's County, Maryland, General Obligation Hospital Bonds, Series 2002, 5.000%, 10/01/12 | No Opt. Call | AA | 1,098,090 | |
| 1,000 | Washington Suburban Sanitary District, Montgomery and Prince George's Counties, Maryland, Sewerage Disposal Bonds, Series 2005, 5.000%, 6/01/16 | 6/15 at 100.00 | AAA | 1,183,150 | |
| 1,000 | Washington Suburban Sanitary District, Montgomery and Prince George's Counties, Maryland, Water Supply Bonds, Series 2005, 5.000%, 6/01/16 | 6/15 at 100.00 | AAA | 1,183,150 | |
| 11,640 | Total Tax Obligation/General Tax Obligation/Limited – 30.7% (20.9% of Total Investments) | | | 13,276,010 | |
| 185 | Anne Arundel County, Maryland, Special Obligation Bonds, National Business Park - North Project, Series 2010, 6.100%, 7/01/40 | 7/18 at 102.00 | N/R | 189,098 | |
| 1,000 | Baltimore Board of School Commissioners, Maryland, Revenue Bonds, City Public School System, Series 2003A, 5.000%, 5/01/15 | 5/13 at 100.00 | AA+ | 1,119,470 | |
| 135 | Frederick County, Maryland, Lake Linganore Village Community Development Special Obligation Bonds, Series 2001A, 5.600%, 7/01/20 – RAAI Insured | 7/12 at 100.00 | N/R | 136,322 | |
| 450 | Hyattsville, Maryland, Special Obligation Bonds, University Town Center Project, Series 2004, 5.750%, 7/01/34 | 7/14 at 102.00 | N/R | 435,236 | |
| 5,000 | Maryland Department of Transportation, Consolidated Transportation Revenue Bonds, Series 2002, 5.500%, 2/01/16 | No Opt. Call | AAA | 6,100,750 | |
| 2,200 | Maryland Economic Development Corporation, Lease Revenue Bonds, Department of Transportation Headquarters Building, Series 2002, 4.750%, 6/01/22 | 6/12 at 100.50 | AAA | 2,331,846 | |
| 450 | Maryland Economic Development Corporation, Lease Revenue Bonds, Montgomery County Town Square Parking Garage, Series 2002A, 5.000%, 9/15/13 | 9/12 at 100.00 | AA+ | 491,414 | |
| 2,935 | Maryland Economic Development Corporation, Lease Revenue Bonds, Montgomery County Wayne Avenue Parking Project, Series 2002A, 5.250%, 9/15/16 | 9/12 at 100.00 | AA+ | 3,178,106 | |
| | Maryland Stadium Authority, Lease Revenue Bonds, Montgomery County Conference Center Facilities, Series 2003: | | | | |
| 1,465 | 5.000%, 6/15/21 | 6/13 at 100.00 | AA+ | 1,619,982 | |
| 1,620 | 5.000%, 6/15/23 | | AA+ | 1,777,772 | |

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| | | 6/13 at 100.00 | | |
| 1,210 | Prince George's County, Maryland, Special Obligation Bonds, National Harbor Project, Series 2005, 5.200%, 7/01/34 | 7/15 at 100.00 | N/R | 1,122,650 |
| 575 | Prince George's County, Maryland, Special Tax District Bonds, Victoria Falls Project, Series 2005, 5.250%, 7/01/35 | 7/13 at 100.00 | N/R | 520,318 |
| 1,200 | Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2007N, 5.250%, 7/01/31 – AMBAC Insured | No Opt. Call | A3 | 1,312,224 |
| | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Bonds, Series 2002G: | | | |
| 1,000 | 5.250%, 7/01/17 | 7/12 at 100.00 | A3 | 1,030,410 |
| 1,205 | 5.250%, 7/01/20 | 7/12 at 100.00 | A3 | 1,230,341 |
| 1,275 | 5.250%, 7/01/21 | 7/12 at 100.00 | A3 | 1,297,415 |
| 700 | Puerto Rico, Highway Revenue Bonds, Highway and Transportation Authority, Series 2003AA, 5.500%, 7/01/19 – NPMFG Insured | No Opt. Call | A | 794,451 |
| 22,605 | Total Tax Obligation/Limited Transportation – 3.0% (2.1% of Total Investments) | | | 24,687,805 |
| 2,210 | Maryland Transportation Authority, Revenue Bonds, Transportation Facilities Projects, Series 2007, 5.000%, 7/01/30 – AGM Insured (UB) | 7/17 at 100.00 | AAA | 2,431,685 |
| 255 | U.S. Guaranteed – 18.6% (12.7% of Total Investments) (5) Baltimore, Maryland, Wastewater Project Revenue Bonds, Series 2006C, 5.000%, 7/01/31 (Pre-refunded 7/01/16) – AMBAC Insured | 7/16 at 100.00 | AA (5) | 307,275 |
| 280 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Collington | 4/11 at 101.00 | N/R (5) | 293,236 |
| 285 | Episcopal Life Care Community Inc., Series 2001A, 6.750%, 4/01/23 (Pre-refunded 4/01/11) | No Opt. Call | N/R (5) | 325,530 |
| 725 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, LifeBridge Health System, Series 2004A, 5.125%, 7/01/34 (Pre-refunded 7/01/14) | 7/14 at 100.00 | A2 (5) | 840,899 |
| 680 | Maryland Transportation Authority, Revenue Refunding Bonds, Transportation Facilities Projects, First Series 1978, 6.800%, 7/01/16 (ETM) | No Opt. Call | AAA | 801,992 |
| 4,860 | Prince George's County Housing Authority, Maryland, GNMA Collateralized Mortgage Revenue Bonds, Fairview and Hillside Projects, Series 2002A, 4.700%, 11/20/22 (Pre-refunded 11/20/12) | 11/12 at 100.00 | AAA | 5,278,543 |
| 3,500 | Puerto Rico Infrastructure Financing Authority, Special Obligation Bonds, Series 2000A, | 10/10 at 101.00 | AAA | 3,550,470 |

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| | 5.500%, 10/01/40 (Pre-refunded 10/01/10) | | | |
| | Puerto Rico Public Finance Corporation, Commonwealth | No Opt. | | |
| 1,000 | Appropriation Bonds, Series 1998A, 5.125%, 6/01/24 – AMBAC Insured (ETM) | Call | AAA | 1,171,440 |
| | Puerto Rico Public Finance Corporation, Commonwealth | 2/12 at | | |
| 235 | Appropriation Bonds, Series 2002E, 5.500%, 8/01/29 (Pre-refunded 2/01/12) | 100.00 | AAA | 251,825 |
| | University of Maryland, Auxiliary Facility and Tuition Revenue | 4/12 at | | |
| 2,000 | Bonds, Series 2002A, 5.125%, 4/01/22 (Pre-refunded 4/01/12) | 100.00 | AA+ (5) | 2,153,799 |
| | Washington Suburban Sanitary District, Montgomery and Prince | 6/11 at | | |
| 25 | George’s Counties, Maryland, General Obligation Construction Bonds, Second Series 2001, 5.000%, 6/01/17 (Pre-refunded 6/01/11) | 101.00 | AAA | 26,155 |
| 13,845 | Total U.S. Guaranteed Utilities – 1.6% (1.1% of Total Investments) | | | 15,001,164 |
| | Maryland Energy Financing Administration, Revenue Bonds, AES | 9/10 at | | |
| 1,250 | Warrior Run Project, Series 1995, 7.400%, 9/01/19 (Alternative Minimum Tax) | 100.00 | N/R | 1,250,774 |
| | Water and Sewer – 5.2% (3.6% of Total Investments) | | | |
| | Baltimore, Maryland, Revenue Refunding Bonds, Wastewater | 7/12 at | | |
| 2,570 | Projects, Series 2002A, 5.125%, 7/01/42 – NPMFG Insured | 100.00 | AA | 2,610,708 |
| | Baltimore, Maryland, Wastewater Project Revenue Bonds, Series | 7/16 at | | |
| 345 | 2006C, 5.000%, 7/01/31 – AMBAC Insured | 100.00 | AA | 373,493 |
| | Baltimore, Maryland, Wastewater Project Revenue Bonds, Series | 7/17 at | | |
| 660 | 2007D, 5.000%, 7/01/32 – AMBAC Insured | 100.00 | AA | 701,724 |
| | Maryland Water Quality Financing Administration, Revolving Loan | No Opt. | | |
| 430 | Fund Revenue Bonds, Series 2005A, 5.000%, 9/01/15 | Call | AAA | 513,238 |
| 4,005 | Total Water and Sewer | | | 4,199,163 |
| | \$ | | | |
| 112,780 | Total Investments (cost \$113,060,986) – 146.5% | | | 117,928,606 |
| | Floating Rate Obligations – (5.3)% | | | (4,255,000) |
| | MuniFund Term Preferred Shares, at Liquidation Value – (25.7)% (6) | | | (20,700,000) |
| | Other Assets Less Liabilities – 2.9% | | | 2,355,100 |
| | Auction Rate Preferred Shares, at Liquidation Value – (18.4)% (6) | | | (14,825,000) |
| | | | | \$ |
| | Net Assets Applicable to Common Shares – 100% | | | 80,503,706 |

Fair Value Measurements

In determining the value of the Fund's investments, various inputs are used. These inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical securities.

Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodologies used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the Fund's fair value measurements as of August 31, 2010:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------|---------|---------------|-----------|---------------|
| Investments: | | | | |
| Municipal Bonds | \$ — | \$117,304,006 | \$624,600 | \$117,928,606 |

The following is a reconciliation of the Fund's Level 3 investments held at the beginning and end of the measurement period:

| | Level 3 Municipal Bonds |
|--|-------------------------------|
| Balance at the beginning of period | \$623,070 |
| Gains (losses): | |
| Net realized gains (losses) | — |
| Net change in unrealized appreciation (depreciation) | 1,219 |
| Net purchases at cost (sales at proceeds) | — |
| Net discounts (premiums) | 311 |
| Net transfers in to (out of) at end of period fair value | — |
| Balance at the end of period | \$624,600 |

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 timing differences in recognizing taxable market discount, timing differences in recognizing certain gains and losses on investment transactions and the treatment of investments in inverse floating rate securities reflected as financing transactions, if any. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset value of the Fund.

At August 31, 2010, the cost of investments was \$109,125,432.

Gross unrealized appreciation and gross unrealized depreciation of investments at August 31, 2010, were as follows:

| | |
|---|--------------|
| Gross unrealized: | |
| Appreciation | \$ 6,262,099 |
| Depreciation | (1,713,850) |
| Net unrealized appreciation (depreciation) of investments | \$ 4,548,249 |

- (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 highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investor Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.
 - (4) For fair value measurement disclosure purposes, investment categorized as Level 3.
 - (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
 - (6) MuniFund Term Preferred Shares and Auction Rate Preferred Shares, at Liquidation Value as a percentage of Total Investments are 17.5% and 12.6%, respectively.
- N/R Not rated.
- (ETM) Escrowed to maturity.
- (IF) Inverse floating rate investment.
- (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction.

Item 2. 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 Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (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 registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

File as exhibits as part of this Form 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)), exactly as set forth below: See EX-99 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 Maryland Dividend Advantage Municipal Fund 3

By (Signature and Title) /s/ Kevin J. McCarthy
Kevin J. McCarthy
Vice President and Secretary

Date October 29, 2010

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

By (Signature and Title) /s/ Gifford R. Zimmerman
Gifford R. Zimmerman
Chief Administrative Officer (principal executive officer)

Date October 29, 2010

By (Signature and Title) /s/ Stephen D. Foy
Stephen D. Foy
Vice President and Controller (principal financial officer)

Date October 29, 2010