

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