

NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-Q
April 29, 2008

**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: 2/29/08

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)

February 29, 2008 (Unaudited)

Principal

Amount (000) Description (1)

Consumer Discretionary □ **4.7% (3.0% of Total Investments)**

| | | |
|----|-------|--|
| \$ | 220 | Baltimore, Maryland, Pollution Control Revenue Bonds, General Motors Corporation, Series 1993, 5.350%, 4/01/08 |
| | 2,385 | Baltimore, Maryland, Senior Lien Convention Center Hotel Revenue Bonds, Series 2006A, 5.250%, 9/01/39 □ XLCA Insured |
| | 380 | Baltimore, Maryland, Subordinate Lien Convention Center Hotel Revenue Bonds, Series 2006B, 5.875%, 9/01/39 |
| | 700 | Maryland Economic Development Corporation, Revenue Bonds, Chesapeake Bay Hyatt Conference Center, Series 2006A, 5.000%, 12/01/31 |
| | 3,685 | Total Consumer Discretionary |

Consumer Staples □ **3.4% (2.2% of Total Investments)**

| | | |
|--|-------|---|
| | 2,600 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 |
|--|-------|---|

Education and Civic Organizations □ **13.6% (8.9% of Total Investments)**

| | | |
|--|--------|--|
| | 225 | Anne Arundel County, Maryland, Economic Development Revenue Bonds, Community College Project, Series 2002, 5.125%, 9/01/22 |
| | 625 | Frederick County, Maryland, Educational Facilities Revenue Bonds, Mount Saint Mary's College, Series 2006, 5.625%, 9/01/38 |
| | 690 | Hartford County, Maryland, Economic Development Revenue Bonds, Battelle Memorial Institute, Series 2004, 5.250%, 4/01/34 |
| | 625 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Goucher College, Series 2004, 5.125%, 7/01/34 |
| | 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Johns Hopkins University, Series 2002A, 5.000%, 7/01/32 |
| | 665 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Maryland Institute College of Art, Series 2007, 5.000%, 6/01/36 |
| | 625 | Maryland Industrial Development Financing Authority, Revenue Bonds, Our Lady of Good Counsel High School, Series 2005A, 6.000%, 5/01/35 |
| | 710 | Montgomery County Revenue Authority, Maryland, Lease Revenue Bonds, Montgomery College Arts Center Project, Series 2005A, 5.000%, 5/01/18 |
| | 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 |
| | 985 | University of Maryland, Auxiliary Facility and Tuition Revenue Bonds, Series 2001B, 4.625%, 4/01/21 |
| | 950 | University of Maryland, Auxiliary Facility and Tuition Revenue Bonds, Series 2003A, 5.000%, 4/01/19 |
| | 800 | University of Maryland, Auxiliary Facility and Tuition Revenue Bonds, Series 2006A, 5.000%, 10/01/22 |
| | 1,150 | Westminster, Maryland, Educational Facilities Revenue Bonds, McDaniel College, Series 2006, 5.000%, 11/01/31 |
| | 10,050 | Total Education and Civic Organizations |

Health Care □ **26.5% (17.2% of Total Investments)**

| | | |
|--|-----|---|
| | 700 | Maryland Health and Higher Education Facilities Authority, Revenue Bonds, University of |
|--|-----|---|

Edgar Filing: NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-Q

| | |
|-------|--|
| | Maryland Medical System, Series 2006, 5.000%, 7/01/31 |
| 750 | Maryland Health and Higher Educational Facilities Authority, Auction Rate Revenue Bonds, Johns Hopkins Health System, Series 2007B, 7.500%, 5/15/38 □ FGIC Insured |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Anne Arundel Medical Center, Series 1998, 5.125%, 7/01/33 □ FSA Insured |
| 775 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Calvert Memorial Hospital, Series 2004, 5.500%, 7/01/36 |
| 1,250 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Carroll County General Hospital, Series 2002, 5.800%, 7/01/32 |
| 1,750 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Carroll Hospital Center, Series 2006, 5.000%, 7/01/40 |
| 870 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Civista Medical Center, Series 2005, 5.000%, 7/01/37 □ RAAI Insured |
| 885 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Doctors Community Hospital, Series 2007A, 5.000%, 7/01/29 |
| 700 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Frederick Memorial Hospital, Series 2002, 5.125%, 7/01/35 |
| 800 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Greater Baltimore Medical Center, Series 2001, 5.000%, 7/01/34 □ MBIA Insured |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Johns Hopkins Hospital, Series 2001, 5.000%, 5/15/21 |
| 735 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Johns Hopkins Hospital, Series 2004, Inverse 1003, 8.288%, 7/01/33 (IF) |
| 1,000 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Kennedy Krieger Institute, Series 2003, 5.500%, 7/01/33 |
| 595 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, LifeBridge Health System, Series 2008, 5.000%, 7/01/28 □ AGC Insured |
| 900 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, MedStar Health, Series 2004, 5.375%, 8/15/24 |
| | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Medical Center Project, Series 2007A: |
| 525 | 5.000%, 7/01/37 |
| 340 | 5.500%, 7/01/42 |
| 650 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Medical Center, Series 2001, 5.625%, 7/01/31 |
| 850 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Peninsula Regional Medical Center, Series 2006, 5.000%, 7/01/36 |
| 1,845 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Union Hospital of Cecil County, Series 2002, 5.625%, 7/01/32 |
| 850 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Washington County Hospital, Series 2008, 5.750%, 1/01/38 |
| 775 | Maryland Health and Higher Educational Facilities Authority, Revenue Refunding Bonds, Adventist Healthcare, Series 2003A, 5.750%, 1/01/25 |
| 900 | Prince George's County, Maryland, Revenue Bonds, Dimensions Health Corporation, Series 1994, 5.300%, 7/01/24 |

20,445 Total Health Care

Housing/Multifamily □ 14.7% (9.5% of Total Investments)

| | |
|-------|---|
| 980 | Maryland Community Development Administration, Housing Revenue Bonds, Series 2002B, 4.950%, 7/01/32 (Alternative Minimum Tax) |
| 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: |
| 20 | 5.875%, 7/01/21 □ ACA Insured |
| 150 | 6.000%, 7/01/33 □ ACA Insured |
| 475 | Maryland Economic Development Corporation, Student Housing Revenue Refunding Bonds, University of Maryland College Park Projects, Series 2006, 5.000%, 6/01/33 □ CFIG Insured |
| | Montgomery County Housing Opportunities Commission, Maryland, Multifamily Housing Development Bonds, Series 2002B: |
| 515 | 5.100%, 7/01/33 (Alternative Minimum Tax) |
| 3,000 | 5.200%, 7/01/44 (Alternative Minimum Tax) |
| 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 |

11,250 Total Housing/Multifamily

Housing/Single Family □ 6.0% (3.9% of Total Investments)

| | |
|-------|--|
| 350 | Maryland Community Development Administration Department of Housing and Community Development, Residential Revenue Bonds, Series 2007H, 5.000%, 9/01/27 (Alternative Minimum Tax) |
| 595 | Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue Bonds, Series 2006F, 4.900%, 9/01/26 (Alternative Minimum Tax) |
| 1,200 | Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue Bonds, Series 2006I, 4.875%, 9/01/26 (Alternative Minimum Tax) |
| 815 | Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue Bonds, Series 2006L, 4.900%, 9/01/31 (Alternative Minimum Tax) |
| 620 | Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue Bonds, Series 2007D, 4.850%, 9/01/37 (Alternative Minimum Tax) |
| 1,160 | Maryland Community Development Administration, Residential Revenue Bonds, Series 2005E, 4.900%, 9/01/36 (Alternative Minimum Tax) |

4,740 Total Housing/Single Family

Industrials □ 2.1% (1.4% of Total Investments)

| | |
|-------|---|
| 510 | Maryland Economic Development Corporation, Solid Waste Disposal Revenue Bonds, Waste Management Inc., Series 2002, 4.600%, 4/01/16 (Alternative Minimum Tax) |
| 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) |

1,510 Total Industrials

Long-Term Care □ 3.3% (2.2% of Total Investments)

| | |
|-------|---|
| 1,050 | Baltimore County, Maryland, Revenue Bonds, Oak Crest Village, Series 2007A, 5.000%, 1/01/37 |
| 400 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Edenwald, Series 2006A, 5.400%, 1/01/31 |

Edgar Filing: NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-Q

Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, King Farm Presbyterian Community, Series 2007A:

280 5.000%, 1/01/17

520 5.250%, 1/01/27

540 Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Ridge Retirement Community, Series 2007, 4.750%, 7/01/34

2,790 Total Long-Term Care

Tax Obligation/General ☐ 22.7% (14.7% of Total Investments)

1,000 Annapolis, Maryland, General Obligation Public Improvement Refunding Bonds, Series 2002, 4.375%, 4/01/17

Anne Arundel County, Maryland, General Obligation Bonds, Series 2006:

845 5.000%, 3/01/21

650 5.000%, 3/01/21

380 Carroll County, Maryland, Consolidated Public Improvement Bonds, Series 2005A, 5.000%, 12/01/16

1,260 Charles County, Maryland, Consolidated General Obligation Public Improvement Bonds, Series 2002, 4.400%, 1/15/16

500 Frederick County, Maryland, General Obligation Public Facilities Bonds, Series 2006, 5.000%, 11/01/20

Frederick, Maryland, General Obligation Bonds, Series 2005:

710 5.000%, 8/01/16 ☐ MBIA Insured

535 5.000%, 8/01/17 ☐ MBIA Insured

1,000 Maryland National Capital Park Planning Commission, Prince George's County, General Obligation 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

1,440 Montgomery County, Maryland, Consolidated General Obligation Public Improvement Bonds, Series 2006, 5.000%, 5/01/16

1,000 Prince George's County, Maryland, General Obligation Consolidated Public Improvement Bonds, Series 2003A, 5.000%, 10/01/17

1,000 Prince George's County, Maryland, General Obligation Consolidated Public Improvement Bonds, Series 2004C, 5.000%, 12/01/11

1,000 St. Mary's County, Maryland, General Obligation Hospital Bonds, Series 2002, 5.000%, 10/01/12

1,000 Washington Suburban Sanitary District, Montgomery and Prince George's Counties, Maryland, Sewerage Disposal Bonds, Series 2005, 5.000%, 6/01/16

1,000 Washington Suburban Sanitary District, Montgomery and Prince George's Counties, Maryland, Water Supply Bonds, Series 2005, 5.000%, 6/01/16

15,170 Total Tax Obligation/General

Tax Obligation/Limited ☐ 32.1% (20.8% of Total Investments)

750 Annapolis, Maryland, Special Obligation Bonds, Park Place Project, Series 2005A, 5.350%, 7/01/34

1,000 Baltimore Board of School Commissioners, Maryland, Revenue Bonds, City Public School System, Series 2003A, 5.000%, 5/01/15

135 Frederick County, Maryland, Lake Linganore Village Community Development Special Obligation Bonds, Series 2001A, 5.600%, 7/01/20 ☐ RAAI Insured

Edgar Filing: NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-Q

| | |
|-------|--|
| 450 | Hyattsville, Maryland, Special Obligation Bonds, University Town Center Project, Series 2004, 5.750%, 7/01/34 |
| 5,000 | Maryland Department of Transportation, Consolidated Transportation Revenue Bonds, Series 2002, 5.500%, 2/01/16 |
| 2,200 | Maryland Economic Development Corporation, Lease Revenue Bonds, Department of Transportation Headquarters Building, Series 2002, 4.750%, 6/01/22 |
| 450 | Maryland Economic Development Corporation, Lease Revenue Bonds, Montgomery County Town Square Parking Garage, Series 2002A, 5.000%, 9/15/13 |
| 2,935 | Maryland Economic Development Corporation, Lease Revenue Bonds, Montgomery County Wayne Avenue Parking Project, Series 2002A, 5.250%, 9/15/16 |
| | Maryland Stadium Authority, Lease Revenue Bonds, Montgomery County Conference Center Facilities, Series 2003: |
| 1,465 | 5.000%, 6/15/21 |
| 1,620 | 5.000%, 6/15/23 |
| 460 | Prince George's County, Maryland, Special Obligation Bonds, National Harbor Project, Series 2005, 5.200%, 7/01/34 |
| 575 | Prince George's County, Maryland, Special Tax District Bonds, Victoria Falls Project, Series 2005, 5.250%, 7/01/35 |
| 1,200 | Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2007N, 5.250%, 7/01/31 ☐ AMBAC Insured |
| | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Bonds, Series 2002G: |
| 1,000 | 5.250%, 7/01/17 |
| 1,205 | 5.250%, 7/01/20 |
| 1,275 | 5.250%, 7/01/21 |
| 700 | Puerto Rico, Highway Revenue Bonds, Highway and Transportation Authority, Series 2003AA, 5.500%, 7/01/19 ☐ MBIA Insured |

22,420 Total Tax Obligation/Limited

U.S. Guaranteed ☐ 17.8% (11.6% of Total Investments) (4)

| | |
|-----|---|
| 10 | Anne Arundel County, Maryland, General Obligation Bonds, Consolidated General Improvements, Series 1999, 5.000%, 5/15/19 (Pre-refunded 5/15/09) |
| 255 | Baltimore, Maryland, Wastewater Project Revenue Bonds, Series 2006C, 5.000%, 7/01/31 (Pre-refunded 7/01/16) ☐ AMBAC Insured |
| | Frederick County, Maryland, Educational Facilities Revenue Bonds, Mount St. Mary's College, Series 2001A: |
| 100 | 5.750%, 9/01/25 (Pre-refunded 3/01/10) |
| 100 | 5.800%, 9/01/30 (Pre-refunded 3/01/10) |
| 100 | Frederick County, Maryland, General Obligation Public Facilities Bonds, Series 1999, 5.250%, 7/01/17 (Pre-refunded 7/01/09) |
| 110 | Frederick County, Maryland, Lake Linganore Village Community Development Special Obligation Bonds, Series 2001A, 5.600%, 7/01/20 (Pre-refunded 7/01/10) ☐ RAAI Insured |
| 280 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Collington Episcopal Life Care Community Inc., Series 2001A, 6.750%, 4/01/23 (Pre-refunded 4/01/11) |
| 285 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Helix Health, Series 1997, 5.000%, 7/01/17 ☐ AMBAC Insured (ETM) |
| 725 | Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, LifeBridge Health |

Edgar Filing: NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-Q

System, Series 2004A, 5.125%, 7/01/34 (Pre-refunded 7/01/14)

| | |
|-------|---|
| 935 | Maryland Transportation Authority, Revenue Refunding Bonds, Transportation Facilities Projects, First Series 1978, 6.800%, 7/01/16 (ETM) |
| 1,525 | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2000HH, 5.250%, 7/01/29 (Pre-refunded 7/01/10) □ FSA Insured |
| 3,500 | Puerto Rico Infrastructure Financing Authority, Special Obligation Bonds, Series 2000A, 5.500%, 10/01/40 |
| 1,000 | Puerto Rico Public Finance Corporation, Commonwealth Appropriation Bonds, Series 1998A, 5.125%, 6/01/24 □ AMBAC Insured (ETM) |
| | Puerto Rico Public Finance Corporation, Commonwealth Appropriation Bonds, Series 2002E: |
| 700 | 5.500%, 8/01/29 (Pre-refunded 2/01/12) |
| 235 | 5.500%, 8/01/29 (Pre-refunded 2/01/12) |
| 2,000 | University of Maryland, Auxiliary Facility and Tuition Revenue Bonds, Series 2002A, 5.125%, 4/01/22 (Pre-refunded 4/01/12) |
| 25 | Washington Suburban Sanitary District, Montgomery and Prince George's Counties, Maryland, General Obligation Construction Bonds, Second Series 2001, 5.000%, 6/01/17 (Pre-refunded 6/01/11) |

11,885 Total U.S. Guaranteed

Utilities □ 1.6% (1.0% of Total Investments)

| | |
|-------|--|
| 1,250 | Maryland Energy Financing Administration, Revenue Bonds, AES Warrior Run Project, Series 1995, 7.400%, 9/01/19 (Alternative Minimum Tax) |
|-------|--|

Water and Sewer □ 5.5% (3.6% of Total Investments)

| | |
|-------|---|
| 2,570 | Baltimore, Maryland, Revenue Refunding Bonds, Wastewater Projects, Series 2002A, 5.125%, 7/01/42 □ FGIC Insured |
| 345 | Baltimore, Maryland, Wastewater Project Revenue Bonds, Series 2006C, 5.000%, 7/01/31 □ AMBAC Insured |
| 660 | Baltimore, Maryland, Wastewater Project Revenue Bonds, Series 2007D, 5.000%, 7/01/32 □ AMBAC Insured |
| 430 | Maryland Water Quality Financing Administration, Revolving Loan Fund Revenue Bonds, Series 2005A, 5.000%, 9/01/15 |

4,005 Total Water and Sewer

\$ 111,800 Total Investments (cost \$114,196,858) □ 154.0%

Other Assets Less Liabilities □ 1.0%

Preferred Shares, at Liquidation Value □ (55.0)% (5)

Net Assets Applicable to Common Shares □ 100%

Edgar Filing: NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-Q

- (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 Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.

The Portfolio of Investments reflects the ratings on certain bonds insured by AMBAC, CIFG, FGIC, MBIA and XLCA as of February 29, 2008. Subsequent to February 29, 2008, at least one rating agency reduced the rating for AMBAC-insured bonds to AA and at least one rating agency further reduced the ratings for CIFG-insured, FGIC-insured and XLCA-insured bonds. As of February 29, 2008, one or more rating agencies have placed each of these insurers on "negative credit watch", which may presage one or more rating reductions for such insurer or insurers in the future. If one or more insurers' ratings are reduced by these rating agencies, it would likely reduce the effective rating of many of the bonds insured by that insurer or insurers.

- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (5) Preferred Shares, at Liquidation Value as a percentage of total investments is (35.7)%.

N/R Not rated.

(ETM) Escrowed to maturity.

(IF) Inverse floating rate investment.

Income Tax Information

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to the treatment of paydown gains and losses, timing differences in recognizing taxable market discount, timing differences in recognizing certain gains and losses on investment transactions and the treatment of investments in inverse floating rate transactions subject to SFAS No. 140. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset value of the Fund.

At February 29, 2008, the cost of investments was \$114,270,412.

Gross unrealized appreciation and gross unrealized depreciation of investments at February 29, 2008, were as follows:

| | |
|-------------------|-------------|
| Gross unrealized: | |
| Appreciation | \$ 699,159 |
| Depreciation | (5,830,475) |

| | |
|---|---------------|
| Net unrealized appreciation (depreciation) of investments | \$(5,131,316) |
|---|---------------|

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 April 29, 2008

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

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

Date April 29, 2008

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

Date April 29, 2008