

NUVEEN NORTH CAROLINA DIVIDEND ADVANTAGE MUNICIPAL FUND 2

Form N-Q

October 28, 2005

**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 811-10525

**Nuveen North Carolina Dividend Advantage Municipal Fund 2**

(Exact name of registrant as specified in charter)

**333 West Wacker Drive, Chicago, Illinois 60606**

(Address of principal executive offices) (Zip code)

**Jessica R. Droeger 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: 05/31

Date of reporting period: 08/31/05

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 North Carolina Dividend Advantage Municipal Fund 2 (NNO)**

*August 31, 2005*

**Principal  
Amount**

**(000) Description(1)**

**Optional  
Call Provisions**

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**Education and Civic Organizations - 28.1% (19.3% of Total Investments)**

	Appalachian State University, North Carolina, Housing and Student Center System Revenue Refunding Bonds, Series 2001:		
\$	600	5.125%, 7/15/24 - MBIA Insured	1/11 at 101.0
	200	5.125%, 7/15/27 - MBIA Insured	1/11 at 101.0
	Appalachian State University, North Carolina, Housing and Student Center System Revenue Refunding Bonds, Series 2002:		
	1,040	5.000%, 7/15/14 - MBIA Insured	7/12 at 100.0
	1,000	5.000%, 7/15/15 - MBIA Insured	7/12 at 100.0
	500	East Carolina University, General Revenue Bonds, Series 2003A, 5.000%, 5/01/19 - AMBAC Insured	5/13 at 100.0
	North Carolina Capital Facilities Financing Agency, Revenue Bonds, Duke University, Series 2001A:		
	3,750	5.125%, 10/01/26	10/11 at 100.0
	2,000	5.125%, 10/01/41	10/11 at 100.0
	1,000	University of North Carolina, Charlotte, Certificates of Participation, Student Housing Project, Series 2005, 5.000%, 3/01/31 - AMBAC Insured	3/15 at 100.0
	1,840	University of North Carolina, Chapel Hill, System Net Revenue Bonds, Series 2002B, 5.000%, 12/01/11	No Opt. Ca
	400	University of North Carolina, Greensboro, General Revenue Refunding Bonds, Series 2002B, 5.375%, 4/01/17 - FSA Insured	4/11 at 101.0
	1,100	University of North Carolina System, Pooled Revenue Refunding Bonds, Series 2002A, 5.375%, 4/01/19 - AMBAC Insured	10/12 at 100.0
	University of North Carolina System, Pooled Revenue Bonds, Series 2004C:		
	250	5.000%, 4/01/21 - AMBAC Insured	4/14 at 100.0
	500	5.000%, 4/01/24 - AMBAC Insured	4/14 at 100.0
	1,000	University of North Carolina System, Pooled Revenue Bonds, Series 2005A, 5.000%, 4/01/22 - AMBAC Insured	4/15 at 100.0

**Healthcare - 22.3% (15.4% of Total Investments)**

	2,130	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, Carolinas Healthcare System, Series 2001A, 5.000%, 1/15/31	1/11 at 101.0
	1,000	New Hanover County, North Carolina, Hospital Revenue Bonds, New Hanover Regional Medical Center, Series 1993, 4.750%, 10/01/23 - AMBAC Insured	10/05 at 100.0
	1,005	North Carolina Medical Care Commission, Healthcare Facilities Revenue Bonds, Union Regional Medical Center, Series 2002A, 5.250%, 1/01/13	1/12 at 100.0
	2,000	North Carolina Medical Care Commission, Healthcare Facilities Revenue Bonds, Novant Health Obligated Group, Series 2003A, 5.000%, 11/01/20	11/13 at 100.0
	North Carolina Medical Care Commission, Revenue Bonds, Cleveland County Healthcare System, Series 2004A:		
	595	5.250%, 7/01/20 - AMBAC Insured	7/14 at 100.0
	500	5.250%, 7/01/22 - AMBAC Insured	7/14 at 100.0
	500	North Carolina Medical Care Commission, Revenue Bonds, Blue Ridge Healthcare System, Series 2005, 5.000%, 1/01/33 - FGIC Insured	1/15 at 100.0
	North Carolina Medical Care Commission, Hospital Revenue Bonds, Southeastern Regional Medical		

Center, Series 2002:

	1,000	5.500%, 6/01/15	6/12 at 101.00
	2,000	5.250%, 6/01/22	6/12 at 101.00
	500	North Carolina Medical Care Commission, Revenue Bonds, Northeast Medical Center, Series 2004,	11/14 at 100.00

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5.000%, 11/01/24

1,000 North Carolina Medical Care Commission, Health System Revenue Bonds, Mission St. Joseph's Health System, Series 2001, 5.250%, 10/01/31 10/11 at 101.00

**Housing/Single Family - 3.9% (2.7% of Total Investments)**

410 North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, 1998 Trust Agreement, Series 10A, 5.400%, 7/01/32 (Alternative Minimum Tax) - AMBAC Insured 7/10 at 100.00  
 North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, Series 13A:  
 885 4.700%, 7/01/12 (Alternative Minimum Tax) 7/11 at 100.00  
 885 4.850%, 7/01/13 (Alternative Minimum Tax) 7/11 at 100.00

**Industrials - 1.4% (1.0% of Total Investments)**

800 North Carolina Capital Facilities Financing Agency, Exempt Facilities Revenue Bonds, Waste Management Inc., Series 2001, 3.750%, 8/01/14 (Alternative Minimum Tax) (Mandatory put 8/01/07) No Opt. Call

**Long-Term Care - 1.2% (0.8% of Total Investments)**

400 North Carolina Medical Care Commission, Revenue Bonds, United Methodist Retirement Homes Inc., Series 2005A, 5.500%, 10/01/35 10/14 at 100.00  
 250 North Carolina Medical Care Commission, Revenue Bonds, United Church Homes and Services, Series 2005A, 5.250%, 9/01/21 9/15 at 100.00

**Materials - 3.6% (2.5% of Total Investments)**

865 Gaston County Industrial Facilities and Pollution Control Financing Authority, North Carolina, National Gypsum Company Project Exempt Facilities Revenue Bonds, Series 2005, 5.750%, 8/01/35 (Alternative Minimum Tax) 8/15 at 100.00  
 1,100 Northampton County Industrial Facilities and Pollution Control Financing Authority, North Carolina, Environmental Improvement Revenue Bonds, International Paper Company, Series 2001A, 6.200%, 2/01/25 (Alternative Minimum Tax) 2/11 at 101.00

**Tax Obligation/General - 2.4% (1.6% of Total Investments)**

250 Durham County, North Carolina, General Obligation Bonds, Series 2000, 5.600%, 5/01/15 5/10 at 102.00  
 1,000 North Carolina, General Obligation Bonds, Series 2004A, 5.000%, 3/01/22 3/14 at 100.00

**Tax Obligation/Limited - 31.7% (21.8% of Total Investments)**

30 Cabarrus County, North Carolina, Certificates of Participation, Series 2002, 5.250%, 2/01/16 2/13 at 100.00  
 1,650 Charlotte, North Carolina, Certificates of Participation, Governmental Facilities Projects, Series 2003G, 5.000%, 6/01/28 6/13 at 100.00  
 Charlotte, North Carolina, Storm Water Fee Revenue Bonds, Series 2002:  
 1,850 5.250%, 6/01/18 6/12 at 101.00  
 400 5.250%, 6/01/19 6/12 at 101.00  
 1,325 Dare County, North Carolina, Certificates of Participation, Series 2002, 5.250%, 6/01/17 - AMBAC Insured 12/12 at 100.00  
 Hartnett County, North Carolina, Certificates of Participation, Series 2002:  
 1,000 5.250%, 12/01/15 - FSA Insured 12/12 at 101.00  
 2,025 5.375%, 12/01/16 - FSA Insured 12/12 at 101.00  
 715 Lee County, North Carolina, Certificates of Participation, Public Schools and Community College, Series 2004, 5.250%, 4/01/20 - FSA Insured 4/14 at 100.00  
 1,380 Pasquotank County, North Carolina, Certificates of Participation, Series 2004, 5.000%, 6/01/25 - MBIA Insured 6/14 at 100.00

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2,070	Pitt County, North Carolina, Certificates of Participation, School Facilities Project, Series 2004B, 5.000%, 4/01/29 - AMBAC Insured	4/14 at 100.00
1,270	Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005C, 5.500%, 7/01/16 - AMBAC Insured	No Opt. Call
805	Raleigh, North Carolina, Certificates of Participation, Downtown Improvement Project, Series 2004B: 5.000%, 6/01/20	6/14 at 100.00
1,310	5.000%, 6/01/21	6/14 at 100.00
1,000	Randolph County, North Carolina, Certificates of Participation, Series 2004, 5.000%, 6/01/20 - FSA Insured	6/14 at 102.00

**Transportation - 15.6% (10.7% of Total Investments)**

2,035	Charlotte, North Carolina, Airport Revenue Bonds, Series 2004A, 5.000%, 7/01/34 - MBIA Insured	7/14 at 100.00
	Raleigh Durham Airport Authority, North Carolina, Airport Revenue Bonds, Series 2001A:	
1,000	5.250%, 11/01/15 - FGIC Insured	5/11 at 101.00
2,320	5.250%, 11/01/16 - FGIC Insured	5/11 at 101.00
2,230	5.250%, 11/01/17 - FGIC Insured	5/11 at 101.00
	University of North Carolina, Charlotte, Parking System Revenue Bonds, Series 2002:	
270	5.000%, 1/01/20 - MBIA Insured	1/12 at 101.00
500	5.125%, 1/01/27 - MBIA Insured	1/12 at 101.00

**U.S. Guaranteed \*\*\* - 8.8% (6.1% of Total Investments)**

1,465	Orange Water and Sewerage Authority, North Carolina, Water and Sewerage System Revenue Bonds, Series 2001, 5.000%, 7/01/20 (Pre-refunded to 7/01/11)	7/11 at 101.00
3,200	Wake County, North Carolina, General Obligation School Bonds, Series 2000, 5.400%, 2/01/13 (Pre-refunded to 2/01/10)	2/10 at 101.50

**Utilities - 12.4% (8.6% of Total Investments)**

2,500	North Carolina Eastern Municipal Power Agency, Power System Revenue Refunding Bonds, Series 1993B, 5.500%, 1/01/17 - FGIC Insured	1/06 at 100.00
1,500	North Carolina Municipal Power Agency 1, Catawba Electric Revenue Bonds, Series 1999B, 6.500%, 1/01/20	1/10 at 101.00
250	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/24 - FGIC Insured	7/15 at 100.00
2,600	Wake County Industrial Facilities and Pollution Control Financing Authority, North Carolina, Revenue Refunding Bonds, Carolina Power and Light Company, Series 2002, 5.375%, 2/01/17	2/12 at 101.00

**Water and Sewer - 13.8% (9.5% of Total Investments)**

2,520	Charlotte, North Carolina, Water and Sewerage System Revenue Bonds, Series 2002A, 5.250%, 7/01/13	No Opt. Call
1,000	Durham County, North Carolina, Enterprise System Revenue Bonds, Series 2002, 5.000%, 6/01/23 - MBIA Insured	6/13 at 100.00
1,085	Greensboro, North Carolina, Combined Enterprise System Revenue Bonds, Series 2005A, 5.000%, 6/01/24	6/15 at 100.00
	Raleigh, North Carolina, Combined Enterprise System Revenue Bonds, Series 2004:	
1,000	5.000%, 3/01/21	3/14 at 100.00
1,750	5.000%, 3/01/22	3/14 at 100.00

\$ 78,310 Total Long-Term Investments (cost \$79,940,406) - 145.2%

Other Assets Less Liabilities - 3.0%

Preferred Shares, at Liquidation Value - (48.2)%

Net Assets Applicable to Common Shares - 100%

**Forward Swap Contracts outstanding at August 31, 2005:**

	Notional Amount	Effective Date(2)	Termination Date	Unrealized Appreciation (Depreciation)
Agreement with JPMorgan dated June 21, 2005, to pay semi-annually the notional amount multiplied by 4.833% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar-London Inter-Bank Offered Rates).	\$ 800,000	2/09/06	2/09/36	\$ (14,2
Agreement with Morgan Stanley dated June 21, 2005, to pay semi-annually the notional amount multiplied by 4.816% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar-London Inter-Bank Offered Rates).	800,000	2/15/06	2/15/36	(12,0
				\$ (26,2

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.

(2) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.

\* 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.

\*\* Ratings: Using the higher of Standard & Poor's or Moody's rating.

\*\*\* 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.

N/R Investment is not rated.

**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 income on taxable market discount securities and timing differences in recognizing certain gains and losses on investment transactions.

At August 31, 2005, the cost of investments was \$79,935,683.

Gross unrealized appreciation and gross unrealized depreciation of investments at August 31, 2005, were as follows:

Gross unrealized:		
Appreciation	\$	4,478,460
Depreciation		(26)
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Net unrealized appreciation of investments	\$	4,478,434
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**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: 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 North Carolina Dividend Advantage Municipal Fund 2

By (Signature and Title)\* /s/ Jessica R. Droeger--Vice President and Secretary

Date 10/28/05

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--Chief Administrative Officer (principal executive officer)

Date 10/28/05

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

Date 10/28/05

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