

NUVEEN NORTH CAROLINA DIVIDEND ADVANTAGE MUNICIPAL FUND 2

Form N-Q

April 28, 2006

**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: 5/31

Date of reporting period: 2/28/06

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)**

*February 28, 2006*

**Principal**

**Option  
Ca**

Amount (000)	Description (1)	Provisions (2)
<b>Education and Civic Organizations □ 28.5% (19.2% of Total Investments)</b>		
	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 and Refunding Revenue Bonds of the Board of Governors of The University of North Carolina, 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
	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
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
1,840	University of North Carolina, Chapel Hill, System Net Revenue Bonds, Series 2002B, 5.000%, 12/01/11	No Opt. C
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
400	University of North Carolina, Greensboro, General Revenue Refunding Bonds, Series 2002B, 5.375%, 4/01/17 □ FSA Insured	4/11 at 101.0
15,180	Total Education and Civic Organizations	
<b>Health Care □ 22.2% (15.0% of Total Investments)</b>		
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
200	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A, 5.000%, 1/15/45	1/15 at 100.0
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 101.0
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
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
	North Carolina Medical Care Commission, Hospital Revenue Bonds, Southeastern Regional Medical Center, Series 2002:	
1,000	5.500%, 6/01/15	6/12 at 101.0
2,000	5.250%, 6/01/22	6/12 at 101.0
1,000	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, Revenue Bonds, Cleveland County Healthcare System, Series 2004A:	

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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, Northeast Medical Center, Series 2004, 5.000%, 11/01/24		11/14 at 100.0

11,930 Total Health Care

**Housing/Single Family □ 3.9% (2.6% of Total Investments)**

400	North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, 1998 Trust Agreement, Series 10A, 5.400%, 7/01/32	□ AMBAC Insured (Alternative Minimum Tax)	7/10 at 100.0
	North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, Series 13A:		
875	4.700%, 7/01/12	(Alternative Minimum Tax)	7/11 at 100.0
880	4.850%, 7/01/13	(Alternative Minimum Tax)	7/11 at 100.0

2,155 Total Housing/Single Family

**Industrials □ 1.3% (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	(Mandatory put 8/01/07) (Alternative Minimum Tax)	8/14 at 100.0
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**Long-Term Care □ 0.4% (0.3% of Total Investments)**

250	North Carolina Medical Care Commission, Revenue Bonds, United Church Homes and Services, Series 2005A, 5.250%, 9/01/21		9/15 at 100.0
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**Materials □ 3.7% (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 100.0
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 101.0

1,965 Total Materials

**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 102.0
1,000	North Carolina, General Obligation Bonds, Series 2004A, 5.000%, 3/01/22		3/14 at 100.0

1,250 Total Tax Obligation/General

**Tax Obligation/Limited □ 32.2% (21.7% of Total Investments)**

30	Cabarrus County, North Carolina, Certificates of Participation, Series 2002, 5.250%, 2/01/16		2/13 at 100.0
1,750	Charlotte, North Carolina, Certificates of Participation, Governmental Facilities Projects, Series 2003G, 5.000%, 6/01/28		6/13 at 100.0
	Charlotte, North Carolina, Storm Water Fee Revenue Bonds, Series 2002:		
1,850	5.250%, 6/01/18		6/12 at 101.0
400	5.250%, 6/01/19		6/12 at 101.0
1,325	Dare County, North Carolina, Certificates of Participation, Series 2002, 5.250%, 6/01/17	□ AMBAC Insured	12/12 at 100.0
	Hartnett County, North Carolina, Certificates of Participation, Series 2002:		

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1,000	5.250%, 12/01/15	□ FSA Insured	12/12 at 101.0
2,025	5.375%, 12/01/16	□ FSA Insured	12/12 at 101.0
715	Lee County, North Carolina, Certificates of Participation, Public Schools and Community College, Series 2004, 5.250%, 4/01/20		4/14 at 100.0
		□ FSA Insured	
1,380	Pasquotank County, North Carolina, Certificates of Participation, Series 2004, 5.000%, 6/01/25		6/14 at 100.0
		□ MBIA Insured	
2,070	Pitt County, North Carolina, Certificates of Participation, School Facilities Project, Series 2004B, 5.000%, 4/01/29		4/14 at 100.0
		□ AMBAC Insured	
1,270	Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005C, 5.500%, 7/01/16		No Opt. C
		□ AMBAC Insured	
	Raleigh, North Carolina, Certificates of Participation, Downtown Improvement Project, Series 2004B:		
805	5.000%, 6/01/20		6/14 at 100.0
1,310	5.000%, 6/01/21		6/14 at 100.0
1,000	Randolph County, North Carolina, Certificates of Participation, Series 2004, 5.000%, 6/01/20		6/14 at 102.0
		□ FSA Insured	

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16,930 Total Tax Obligation/Limited

**Transportation □ 16.9% (11.4% of Total Investments)**

2,035	Charlotte, North Carolina, Airport Revenue Bonds, Series 2004A, 5.000%, 7/01/34		7/14 at 100.0
		□ MBIA Insured	
590	Piedmont Triad Airport Authority, North Carolina, Airport Revenue Bonds, Series 2005A, 5.000%, 7/01/20		7/15 at 100.0
		□ XLCA Insured	
	Raleigh Durham Airport Authority, North Carolina, Airport Revenue Bonds, Series 2001A:		
1,000	5.250%, 11/01/15	□ FGIC Insured	5/11 at 101.0
2,320	5.250%, 11/01/16	□ FGIC Insured	5/11 at 101.0
2,230	5.250%, 11/01/17	□ FGIC Insured	5/11 at 101.0
	University of North Carolina, Charlotte, Parking System Revenue Bonds, Series 2002:		
270	5.000%, 1/01/20	□ MBIA Insured	1/12 at 101.0
500	5.125%, 1/01/27	□ MBIA Insured	1/12 at 101.0

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8,945 Total Transportation

**U.S. Guaranteed □ 8.9% (6.0% of Total Investments) (4)**

1,465	Orange Water and Sewerage Authority, North Carolina, Water and Sewerage System Revenue Bonds, Series 2001, 5.000%, 7/01/20 (Pre-refunded 7/01/11)		7/11 at 101.0
3,200	Wake County, North Carolina, General Obligation School Bonds, Series 2000, 5.400%, 2/01/13 (Pre-refunded 2/01/10)		2/10 at 101.5

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4,665 Total U.S. Guaranteed

**Utilities □ 13.7% (9.2% of Total Investments)**

500	North Carolina Eastern Municipal Power Agency, Power System Revenue Bonds, Series 2005, 5.250%, 1/01/20		1/16 at 100.0
		□ AMBAC Insured	
2,500	North Carolina Eastern Municipal Power Agency, Power System Revenue Refunding Bonds, Series 1993B, 5.500%, 1/01/17		7/06 at 100.0
		□ FGIC Insured	
1,500	North Carolina Municipal Power Agency 1, Catawba Electric Revenue Bonds, Series 1999B, 6.500%, 1/01/20		1/10 at 101.0
250	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/24		7/15 at 100.0
		□ FGIC Insured	

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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 101.0

7,350 Total Utilities

**Water and Sewer □ 14.0% (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. C

1,000 Durham County, North Carolina, Enterprise System Revenue Bonds, Series 2002, 5.000%, 6/01/23 □ MBIA Insured 6/13 at 100.0

1,085 Greensboro, North Carolina, Combined Enterprise System Revenue Bonds, Series 2005A, 5.000%, 6/01/24 6/15 at 100.0

Raleigh, North Carolina, Combined Enterprise System Revenue Bonds, Series 2004: 5.000%, 3/01/21 3/14 at 100.0

1,750 5.000%, 3/01/22 3/14 at 100.0

7,355 Total Water and Sewer

\$ 78,775 Total Investments (cost \$80,443,886) □ 148.1%

Other Assets Less Liabilities □ 1.4%

Preferred Shares, at Liquidation Value □ (49.5)%

Net Assets Applicable to Common Shares □ 100%

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
  - (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
  - (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
  - (4) Investment is 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.
- 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 the treatment of paydown gains and losses, timing differences in recognizing taxable market discount and timing differences in recognizing certain gains and losses on investment transactions.

At February 28, 2006, the cost of investments was \$80,438,402.

Gross unrealized appreciation and gross unrealized depreciation of investments at February 28, 2006, were as follows:

Gross unrealized:	
Appreciation	\$3,351,045
Depreciation	(25,658)
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Net unrealized appreciation (depreciation) of investments	\$3,325,387

**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  
 Jessica R. Droeger  
 Vice President and Secretary

Date April 28, 2006

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

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

Date April 28, 2006

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

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Vice President and Controller (principal financial officer)

Date April 28, 2006

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