

NUVEEN NORTH CAROLINA DIVIDEND ADVANTAGE MUNICIPAL FUND 2

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 811-10525

Nuveen North Carolina Dividend Advantage Municipal Fund 2

(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 North Carolina Dividend Advantage Municipal Fund 2 (NNO)

February 29, 2008

Principal

Amount (000) Description (1)

Education and Civic Organizations □ 16.8% (10.4% 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
	200	5.125%, 7/15/27 □ MBIA Insured
		Appalachian State University, North Carolina, Housing and Student Center System Revenue Refunding Bonds, Series 2002:
	1,040	5.000%, 7/15/14 □ MBIA Insured
	1,000	5.000%, 7/15/15 □ MBIA Insured
		North Carolina Capital Facilities Financing Agency, Revenue Bonds, Duke University, Series 2001A:
	715	5.125%, 10/01/26
	380	5.125%, 10/01/41
	1,000	University of North Carolina System, Pooled Revenue Bonds, Series 2005A, 5.000%, 4/01/22 □ AMBAC Insured
	635	University of North Carolina System, Pooled Revenue Refunding Bonds, Series 2002A, 5.375%, 4/01/19 □ AMBAC Insured
		University of North Carolina Wilmington, Certificates of Participation, Student Housing Project Revenue Bonds, Series 2006:
	500	5.000%, 6/01/21 □ FGIC Insured
	250	5.000%, 6/01/37 □ FGIC Insured
	1,500	University of North Carolina, Chapel Hill, System Net Revenue Bonds, Series 2002B, 5.000%, 12/01/11
	250	University of North Carolina, Charlotte, Certificates of Participation, Student Housing Project, Series 2005, 5.000%, 3/01/21 □ AMBAC Insured
	400	University of North Carolina, Greensboro, General Revenue Refunding Bonds, Series 2002B, 5.375%, 4/01/17 □ FSA Insured
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	8,470	Total Education and Civic Organizations

Health Care □ 24.4% (15.0% of Total Investments)

	945	Albemarle Hospital Authority, North Carolina, Health Care Facilities Revenue Bonds, Series 2007, 5.250%, 10/01/38
	1,640	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, Carolinas Healthcare System, Series 2001A, 5.000%, 1/15/31
	2,000	North Carolina Medical Care Commission, Healthcare Facilities Revenue Bonds, Novant Health Obligated Group, Series 2003A, 5.000%, 11/01/20
	1,005	North Carolina Medical Care Commission, Healthcare Facilities Revenue Bonds, Union Regional Medical Center, Series 2002A, 5.250%, 1/01/13
		North Carolina Medical Care Commission, Hospital Revenue Bonds, Southeastern Regional Medical Center, Series 2002:
	1,000	5.500%, 6/01/15
	2,100	5.250%, 6/01/22
	925	North Carolina Medical Care Commission, Hospital Revenue Bonds, Wilson Medical Center, Series 2007, 5.000%, 11/01/27
	2,000	North Carolina Medical Care Commission, Revenue Bonds, Blue Ridge Healthcare System, Series 2005, 5.000%, 1/01/33 □ FGIC Insured
		North Carolina Medical Care Commission, Revenue Bonds, Cleveland County Healthcare System,

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Series 2004A:

- 595 5.250%, 7/01/20 ☐ AMBAC Insured
- 500 5.250%, 7/01/22 ☐ AMBAC Insured
- 430 Onslow County Hospital Authority, North Carolina, FHA Insured Mortgage Revenue Bonds, Onslow Memorial Hospital Project, Series 2006, 5.000%, 4/01/31 ☐ MBIA Insured

13,140 Total Health Care

Housing/Single Family ☐ 4.5% (2.8% of Total Investments)

- 370 North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, 1998 Trust Agreement, Series 10A, 5.400%, 7/01/32 ☐ AMBAC Insured (Alternative Minimum Tax)
- North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, Series 13A:
- 735 4.700%, 7/01/12 (Alternative Minimum Tax)
- 740 4.850%, 7/01/13 (Alternative Minimum Tax)
- 510 North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, Series 25-A, 4.900%, 7/01/37 (Alternative Minimum Tax)

2,355 Total Housing/Single Family

Long-Term Care ☐ 2.3% (1.4% of Total Investments)

- 600 North Carolina Medical Care Commission, Health Care Facilities Revenue Bonds, Presbyterian Homes, Series 2006B, 5.200%, 10/01/21
- 250 North Carolina Medical Care Commission, Healthcare Facilities Revenue Bonds, Presbyterian Homes, Series 2006, 5.400%, 10/01/27
- 185 North Carolina Medical Care Commission, Revenue Bonds, Pines at Davidson, Series 2006A, 5.000%, 1/01/36
- 250 North Carolina Medical Care Commission, Revenue Bonds, United Church Homes and Services, Series 2005A, 5.250%, 9/01/21

1,285 Total Long-Term Care

Materials ☐ 3.6% (2.2% 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)
- 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)

1,965 Total Materials

Tax Obligation/General ☐ 5.4% (3.3% of Total Investments)

- 250 Durham County, North Carolina, General Obligation Bonds, Series 2000, 5.600%, 5/01/15
- 1,475 Durham, North Carolina, General Obligation Bonds, Series 2007, 5.000%, 4/01/22
- 1,000 North Carolina, General Obligation Bonds, Series 2004A, 5.000%, 3/01/22

2,725 Total Tax Obligation/General

Tax Obligation/Limited ☐ 35.4% (21.8% of Total Investments)

30	Cabarrus County, North Carolina, Certificates of Participation, Series 2002, 5.250%, 2/01/16
1,750	Charlotte, North Carolina, Certificates of Participation, Governmental Facilities Projects, Series 2003G, 5.000%, 6/01/28
1,850	Charlotte, North Carolina, Storm Water Fee Revenue Bonds, Series 2002, 5.250%, 6/01/18
800	Craven County, North Carolina, Certificates of Participation, Series 2007, 5.000%, 6/01/27 ☐ MBIA Insured
	Hartnett County, North Carolina, Certificates of Participation, Series 2002:
1,000	5.250%, 12/01/15 ☐ FSA Insured
2,025	5.375%, 12/01/16 ☐ FSA Insured
715	Lee County, North Carolina, Certificates of Participation, Public Schools and Community College, Series 2004, 5.250%, 4/01/20 ☐ FSA Insured
1,380	Pasquotank County, North Carolina, Certificates of Participation, Series 2004, 5.000%, 6/01/25 ☐ MBIA Insured
2,070	Pitt County, North Carolina, Certificates of Participation, School Facilities Project, Series 2004B, 5.000%, 4/01/29 ☐ AMBAC Insured
1,270	Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005C, 5.500%, 7/01/16 ☐ AMBAC Insured
	Raleigh, North Carolina, Certificates of Participation, Downtown Improvement Project, Series 2004B:
805	5.000%, 6/01/20
1,310	5.000%, 6/01/21
115	Raleigh, North Carolina, Certificates of Participation, Series 2007, 5.000%, 2/01/27
1,000	Randolph County, North Carolina, Certificates of Participation, Series 2004, 5.000%, 6/01/20 ☐ FSA Insured
100	Rutherford County, North Carolina, Certificates of Participation, Series 2007, 5.000%, 12/01/27 ☐ FSA Insured
1,150	Sampson County, North Carolina, Certificates of Participation, Series 2006, 5.000%, 6/01/34 ☐ FSA Insured (UB)
400	Wilson County, North Carolina, Certificates of Participation, School Facilities Project, Series 2007, 5.000%, 4/01/25 ☐ AMBAC Insured
325	Wilson, North Carolina, Certificates of Participation, Public Facilities, Series 2007A, 5.000%, 5/01/29 ☐ AGC Insured
18,095	Total Tax Obligation/Limited

Transportation ☐ 16.5% (10.2% of Total Investments)

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

8,445 Total Transportation

U.S. Guaranteed ☐ 16.6% (10.2% of Total Investments) (4)

- 490 Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, Carolinas Healthcare System, Series 2001A, 5.000%, 1/15/31 (Pre-refunded 1/15/11)
- 200 Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A, 5.000%, 1/15/45 (Pre-refunded 1/15/15)
- 500 North Carolina Capital Facilities Financing Agency, Revenue Bonds, Duke University, Series 2001A, 5.125%, 10/01/26 (Pre-refunded 10/01/11)
- 370 North Carolina Medical Care Commission, Health System Revenue Bonds, Mission St. Joseph's Health System, Series 2001, 5.250%, 10/01/31 (Pre-refunded 10/01/11)
- 500 North Carolina Medical Care Commission, Revenue Bonds, Northeast Medical Center, Series 2004, 5.000%, 11/01/24 (Pre-refunded 11/01/14)
- Raleigh, North Carolina, Combined Enterprise System Revenue Bonds, Series 2004:
- 1,000 5.000%, 3/01/21 (Pre-refunded 3/01/14)
- 1,750 5.000%, 3/01/22 (Pre-refunded 3/01/14)
- 3,200 Wake County, North Carolina, General Obligation School Bonds, Series 2000, 5.400%, 2/01/13 (Pre-refunded 2/01/10)

8,010 Total U.S. Guaranteed

Utilities ☐ 14.6% (9.0% of Total Investments)

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

7,350 Total Utilities

Water and Sewer ☐ 22.2% (13.7% of Total Investments)

- 500 Brunswick County, North Carolina, Enterprise System Revenue Bonds, Series 2008A, 5.000%, 4/01/31 ☐ FSA Insured
- 2,520 Charlotte, North Carolina, Water and Sewerage System Revenue Bonds, Series 2002A, 5.250%, 7/01/13
- 1,000 Durham County, North Carolina, Enterprise System Revenue Bonds, Series 2002, 5.000%, 6/01/23 ☐ MBIA Insured
- Raleigh, North Carolina, Combined Enterprise System Revenue Bonds, Series 2006A:
- 3,095 5.000%, 3/01/31 (UB)
- 975 5.000%, 3/01/36 (UB)
- 40 Raleigh, North Carolina, Combined Enterprise System Revenue Bonds, Series 2006A, Residuals Series II-R-645-1, 8.226%, 3/01/31 (IF)
- 1,000 Wilmington, North Carolina, Water and Sewer Revenue Bonds, Series 2005, 5.000%, 6/01/25 ☐

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FSA Insured

2,275 Winston-Salem, North Carolina, Water and Sewer System Revenue Bonds, Series 2007A,
5.000%, 6/01/37 (UB)

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11,405 Total Water and Sewer

\$ 83,245 Total Investments (cost \$85,089,683) □ 162.3%

Floating Rate Obligations □ (9.7)%

Other Assets Less Liabilities □ 1.8%

Preferred Shares, at Liquidation Value □ (54.4)% (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 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 (33.5)%.
- N/R Not rated.
- (IF) Inverse floating rate investment.
- (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

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 \$80,091,959.

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

Gross unrealized:	
Appreciation	\$ 1,237,294
Depreciation	(2,828,388)
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Net unrealized appreciation (depreciation) of investments	\$(1,591,094)

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 North Carolina Dividend Advantage Municipal Fund 2

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