SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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NATIONAL TAX CREDIT INVESTORS II

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Type: **10-Q** | Act: **34** | File No.: **000-20610** | Film No.: **111183977**
SIC: **6510** Real estate operators (no developers) & lessors

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-20610

NATIONAL TAX CREDIT INVESTORS II
(Exact name of registrant as specified in its charter)

California	93-1017959
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

55 Beattie Place, PO Box 1089
Greenville, South Carolina 29602
(Address of principal executive offices)

(864) 239-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NATIONAL TAX CREDIT INVESTORS II

BALANCE SHEETS
(Unaudited)
(In thousands)

	September 30, 2011	December 31, 2010
ASSETS		
Investments in and advances to Local Partnerships	$ --	$ --
Cash and cash equivalents	2,078	1,368
Mortgage note receivable	3,724	3,761
Total assets	$ 5,802	$ 5,129
LIABILITIES AND PARTNERS' (DEFICIENCY) CAPITAL		
Liabilities:		
Accounts payable and accrued expenses	$ 55	$ 74
Contingencies	--	--
Partners' (deficiency) capital:		
General partner	(571)	(578)
Limited partners	6,318	5,633
Total partners' (deficiency) capital	5,747	5,055
Total liabilities and partners' (deficiency) capital	$ 5,802	$ 5,129

See Accompanying Notes to Financial Statements

NATIONAL TAX CREDIT INVESTORS II

STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per interest data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	$ --	$ --	$ --	$ --
Operating expenses:				
Management fees - general partner	46	60	139	183
General and administrative	15	21	45	65
Tax expense	22	19	79	63
Legal and accounting	12	17	49	78
Total operating expenses	95	117	312	389
Loss from partnership operations	(95)	(117)	(312)	(389)
Gain from sales of limited partnership interests in Local Partnerships	--	--	1,031	223
Distributions from Local Partnerships recognized as income	--	1,468	10	1,485
Recovery of advances made to Local Partnerships previously recognized as expense	--	--	--	19
Equity in income (loss) of Local Partnerships and amortization of acquisition costs	29	(56)	(37)	(326)
Net income (loss)	$ (66)	$ 1,295	$ 692	$ 1,012
Net income (loss) allocated to general partner (1%)	$ (1)	$ 13	$ 7	$ 10
Net income (loss) allocated to limited partners (99%)	$ (65)	$ 1,282	$ 685	$ 1,002
Net income (loss) per limited partnership interest	$ (.90)	$ 17.73	$ 9.48	$ 13.86
Distribution per limited partnership interest	$ --	$ 24.14	$ --	$ 24.14

See Accompanying Notes to Financial Statements

NATIONAL TAX CREDIT INVESTORS II

STATEMENT OF CHANGES IN PARTNERS' (DEFICIENCY) CAPITAL

(Unaudited)
(In thousands)

	General Partner	Limited Partners	Total
Partners' (deficiency) capital, December 31, 2010	$ (578)	$ 5,633	$ 5,055
Net income for the nine months ended September 30, 2011	7	685	692
Partners' (deficiency) capital, September 30, 2011	$ (571)	$ 6,318	$ 5,747

See Accompanying Notes to Financial Statements

NATIONAL TAX CREDIT INVESTORS II

STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities:		
Net income (loss)	$ 692	$ 1,012
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain from sales of limited partnership interests in Local Partnerships	(1,031)	(223)
Distributions from Local Partnerships recognized as a return on investment	--	96
Distributions recognized as income from sale of Local Partnerships' investment properties	--	(1,447)
Recovery of advances made to Local Partnerships previously recognized as expense	--	(19)
Equity in loss of Local Partnerships and amortization of acquisition costs	37	326
Change in accounts:		
Accounts receivable	--	64
Accounts payable and accrued expenses	(19)	(51)
Net cash used in operating activities	(321)	(242)
Cash flows from investing activities:		
Recovery of advances to Local Partnerships	--	19
Distributions from sale of Local Partnerships' investment properties	--	1,757
Proceeds from sales of limited partnership interests in Local Partnerships	1,031	223
Net cash provided by investing activities	1,031	1,999
Cash flows used in financing activities:		
Distribution to partners	--	(1,763)
Net increase (decrease) in cash and cash equivalents	710	(6)
Cash and cash equivalents, beginning of period	1,368	1,471
Cash and cash equivalents, end of period	$ 2,078	$ 1,465

Supplemental disclosure of non-cash activity:
Pass through operating distribution from a Local Partnership for non-resident withholding taxes paid on behalf of the

Partnership's limited partners	$ --	$ 15

See Accompanying Notes to Financial Statements

NATIONAL TAX CREDIT INVESTORS II

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Organization And Summary Of Significant Accounting Policies

General

The information contained in the following notes to the unaudited financial statements is condensed from that which would appear in the annual audited financial statements; accordingly, the financial statements included herein should be reviewed in conjunction with the financial statements and related notes thereto contained in the annual report for the fiscal year ended December 31, 2010 filed by National Tax Credit Investors II (the "Partnership" or "NTCI-II"). Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim periods presented are not necessarily indicative of the results for the entire year.

In the opinion of the Partnership, the accompanying unaudited financial statements contain all adjustments (consisting primarily of normal recurring items) necessary to present fairly the financial position as of September 30, 2011 and the results of operations and changes in cash flows for the nine months ended September 30, 2011 and 2010. The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements.

Organization

NTCI-II is a limited partnership formed under the California Revised Local Partnership Act as of January 12, 1990. The Partnership was formed to invest primarily in other limited partnerships ("Local Partnerships") which own and operate multifamily housing complexes that are eligible for low income housing federal income tax credits (the "Housing Tax Credit"). The general partner of the Partnership is National Partnership Investments Corp. (the "General Partner" or "NAPICO"), a California corporation. The Partnership shall continue in full force and effect until December 31, 2030 unless terminated earlier pursuant to the Partnership Agreement or law.

The General Partner has a one percent interest in the operating profits and losses of the Partnership. The limited partners will be allocated the remaining 99 percent interest in proportion to their respective investments. The General Partner is an affiliate of Apartment Investment and Management Company ("Aimco"), a publicly traded real estate investment trust.

At September 30, 2011 and December 31, 2010, the Partnership had outstanding 72,270 limited partnership interests.

Upon total or partial liquidation of the Partnership or the disposition or partial disposition of a project or project interest and distribution of the proceeds, the General

Partner will be entitled to a property disposition fee as mentioned in the partnership agreement. The limited partners will have a priority item equal to their invested capital plus 6 percent priority return as defined in the partnership agreement. This property disposition fee may accrue but shall not be paid until the limited partners have received distributions equal to 100 percent of their capital contributions plus the 6 percent priority return. No disposition fees have been paid or accrued.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

The Partnership's management evaluated subsequent events through the time this Quarterly Report on Form 10-Q was filed.

Certain reclassifications have been made to the 2010 balances to conform to the 2011 presentation.

Method of Accounting for Investment in Local Partnerships

The investments in Local Partnerships are accounted for on the equity method. Acquisition fees, selection fees and other costs related to the acquisition of the projects have been capitalized as part of the investment account and are being amortized by the straight line method over the estimated lives of the underlying assets, which is generally 30 years.

Mortgage Note Receivable

The Partnership reviews its mortgage note receivable whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Partnership has recorded its mortgage note receivable at September 30, 2011 and December 31, 2010 at the amount at which the Partnership acquired the mortgage note receivable during 2006 less equity in loss recognized with respect to the Local Partnership that is obligated under the mortgage note. No reserve was recognized during the nine months ended September 30, 2011 or 2010. See "Note 4 - Mortgage Note Receivable" for further information.

Impairment of Long-Lived Assets

The Partnership reviews long-lived assets to determine if there has been any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the assets, the Partnership recognizes an impairment loss. No impairment loss was recognized during the nine months ended September 30, 2011 and 2010.

Net Income (Loss) and Distribution Per Limited Partnership Interest

Net income (loss) per limited partnership interest was computed by dividing the limited partners' share of net income (loss) by the number of limited partnership interests outstanding at the beginning of the year. Distribution per limited partnership interest for the three and nine months ended September 30, 2010 was computed by dividing the limited partners' distribution by the number of limited partnership interests outstanding at the beginning of the year. The number of limited partner interests used was 72,270 and 72,288 for the three and nine month periods ended September 30, 2011 and 2010, respectively.

Variable Interest Entities

The Partnership consolidates any variable interest entities in which the Partnership holds a variable interest and is the primary beneficiary. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is generally the entity that has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

In determining whether it is the primary beneficiary of a VIE, the Partnership considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of the Partnership's investment; the obligation or likelihood for the Partnership or other investors to provide financial support; and the similarity with and significance to the business activities of the Partnership and the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions.

At September 30, 2011 and December 31, 2010, the Partnership holds variable interests in five and six VIEs, respectively, for which the Partnership is not the primary beneficiary. The Partnership has concluded, based on its qualitative consideration of the partnership agreement, the partnership structure and the role of the general partner in each of the Local Partnerships, that the general partner of each of the Local Partnerships is the primary beneficiary of the respective Local Partnership. In making this determination, the Partnership considered the following factors:

- the general partners conduct and manage the business of the Local Partnerships;
- the general partners have the responsibility for and sole discretion over selecting a property management agent for the Local Partnerships' underlying real estate properties;
- the general partners are responsible for approving operating and capital budgets for the properties owned by the Local Partnerships;
- the general partners are obligated to fund any recourse obligations of the Local Partnerships;
- the general partners are authorized to borrow funds on behalf of the Local Partnerships; and

- the Partnership, as a limited partner in each of the Local Partnerships, does not have the ability to direct or otherwise significantly influence the activities of the Local Partnerships that most significantly impact such entities' economic performance.

The five VIEs at September 30, 2011 consist of Local Partnerships that are directly engaged in the ownership and management of five apartment properties with a total of 674 units. The Partnership is involved with those VIEs as a non-controlling limited partner equity holder. The Partnership's maximum exposure to loss as a result of its involvement with the unconsolidated VIEs is limited to the Partnership's recorded investments in and receivables from these VIEs, which was approximately $3,724,000 and $3,761,000 at September 30, 2011 and December 31, 2010, respectively. The Partnership may be subject to additional losses to the extent of any financial support that the Partnership voluntarily provides in the future.

Note 2 - Investments In and Advances to Local Partnerships

As of September 30, 2011, the Partnership holds limited partnership interests in five Local Partnerships, located in five states. As a limited partner of the Local Partnerships, the Partnership does not have authority over day-to-day management of the Local Partnerships or their properties (the "Apartment Complexes"). The general partners responsible for management of the Local Partnerships (the "Local Operating General Partners") are not affiliated with the General Partner of the Partnership, except as discussed below.

At September 30, 2011 and December 31, 2010, respectively, the Local Partnerships own residential projects consisting of 674 and 911 apartment units, respectively. During the nine months ended September 30, 2011, the Partnership sold its limited partnership interests in four of the Local Partnerships owning residential projects consisting of 237 apartment units.

The projects owned by the Local Partnerships in which NTCI-II has invested were developed by the Local Operating General Partners who acquired the sites and applied for applicable mortgages and subsidies, if any. NTCI-II became the principal limited partner in these Local Partnerships pursuant to arm's-length negotiations with the Local Operating General Partners. As a limited partner, NTCI-II's liability for obligations of the Local Partnerships is limited to its investment. The Local Operating General Partner of the Local Partnerships retains responsibility for developing, constructing, maintaining, operating and managing the Projects. Under certain circumstances, an affiliate of NAPICO or NTCI-II may act as the Local Operating General Partner. An affiliate, National Tax Credit Inc. II ("NTC-II") is acting either as a special limited partner or non-managing administrative general partner (the "Administrative General Partner") of each Local Partnership in which the Partnership has an investment.

The Partnership, as a limited partner, does not have a contractual relationship with the Local Partnerships or exercise control over the activities and operations, including refinancing or selling decisions, of the Local Partnerships that would require or allow for consolidation. Accordingly, the Partnership accounts for its investments in the Local Partnerships using the equity method. The Partnership is allocated profits and losses of the Local Partnerships based upon its respective ownership percentage (between 98.90% and 99%). The Partnership is allocated profits and losses and receives distributions from refinancings and sales in accordance with the Local Partnerships' partnership agreements. These agreements usually limit the Partnership's distributions to an amount substantially less than its ownership percentage in the Local Partnership.

The individual investments are carried at cost plus the Partnership's share of the Local Partnership's profits less the Partnership's share of the Local Partnership's losses, distributions and impairment charges. See "Note 1 - Organization and Summary of Significant Accounting Policies" for a description of the impairment policy. The Partnership is not legally liable for the obligations of the Local Partnerships and is not otherwise committed to provide additional support to them. Therefore, it does not recognize losses once its investment in each of the Local Partnerships reaches zero. Distributions from the Local Partnerships are accounted for as a reduction of the investment balance until the investment balance is reduced to zero. When the investment balance has been reduced to zero, subsequent distributions received are recognized as income in the accompanying statements of operations. During the nine months ended September 30, 2011 and 2010, the Partnership received approximately $10,000 and $120,000, respectively, in operating distributions from three and four Local Partnerships, respectively, of which approximately $10,000 and $24,000, respectively, was recognized as income in the statements of operations for the nine months ended September 30, 2011 and 2010, respectively, as these distributions were received from Local Partnerships in which the Partnership's investment balance had previously been reduced to zero.

For those investments where the Partnership has determined that the carrying value of its investments approximates the estimated fair value of those investments, the Partnership's policy is to recognize equity in income of the Local Partnerships only to the extent of distributions received and amortization of acquisition costs from those Local Partnerships. Therefore, the Partnership limits its recognition of equity earnings to the amount it expects to ultimately realize.

As of September 30, 2011, the investment balance in four of the five Local Partnerships had been reduced to zero. As of December 31, 2010, the investment balance in eight of the nine Local Partnerships had been reduced to zero. The Partnership's remaining investment balance relates to the mortgage note receivable, which is discussed in "Note 4 - Mortgage Note Receivable".

At times, advances are made to Local Partnerships in order to preserve the ability to receive applicable tax credits. Advances made by the Partnership to the individual Local Partnerships are considered part of the Partnership's investment in limited partnerships. Advances made to Local Partnerships in which the investment balance has been reduced to zero are charged to expense. The Partnership did not make any advances during the nine months ended September 30, 2011 and 2010. During the nine months ended September 30, 2010, the Partnership received approximately $19,000 as repayment of advances from Quivira Place Associates, LP and recognized this amount as a recovery of advances previously expensed in the statement of operations for the nine months ended September 30, 2010. The Partnership did not receive any advance repayments during the nine months ended September 30, 2011.

The following are estimated unaudited condensed combined statements of operations for the three and nine months ended September 30, 2011 and 2010 for the Local Partnerships in which the Partnership has investments (in thousands). The 2011 and 2010 amounts exclude Pineview Terrace, for which the Partnership sold its limited partnership interest in February 2011; Sitka III, Soldotna Apartments, and Torres del Plata II for which the Partnership sold its limited partnership interests in June 2011; Columbus Junction Park, Grimes Park Apartments and Norwalk Park Apartments, for which the Partnership sold its limited partnership interests in January 2010; Palm Springs View for which the Partnership sold its limited partnership interest in April 2010 and Fourth Street and Northwestern Partners due to the sale of the Local Partnership's investment property in August and September 2010, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Rental and other income	$ 1,289	$ 1,251	$ 3,848	$ 3,777
Expenses				
Operating expenses	877	904	2,706	2,606
Interest	316	317	946	957
Depreciation and amortization	307	300	922	901
Total expenses	1,500	1,521	4,574	4,464
Loss from continuing operations	$ (211)	$ (270)	$ (726)	$ (687)

An affiliate of the General Partner is currently the Local Operating General Partner in one of the Partnership's five Local Partnerships included above, and another affiliate receives property management fees of approximately five percent of gross revenues from the same Local Partnership (See "Note 5 - Transactions with Affiliated Parties").

On February 4, 2011, the Partnership assigned its limited partnership interest in Pineview Terrace to a third party and received proceeds of $1,000,000, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2011. The Partnership's investment balance in Pineview Terrace was zero at September 30, 2011 and December 31, 2010.

On June 7, 2011, the Partnership assigned its limited partnership interest in both Sitka III Associates and Soldotna Associates to a third party and received net proceeds of $3,000 for each interest, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2011. The Partnership's investment balance in both Sitka III Associates and Soldotna Associates was zero at September 30, 2011 and December 31, 2010.

On June 15, 2011, the Partnership sold its limited partnership interest in Torres del Plata II Limited Partnership to a third party and received net proceeds of approximately $25,000, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2011. The Partnership's investment balance in Torres del Plata II was zero at September 30, 2011 and December 31, 2010.

On January 22, 2010, the Partnership sold its limited partnership interests in Norwalk, Columbus Junction Park and Grimes Park to a third party and received net proceeds of approximately $23,000, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2010. The

Partnership's investment balances in Norwalk, Columbus Junction Park and Grimes Park were zero at September 30, 2011 and December 31, 2010.

During September 2009, the Partnership entered into an assignment and assumption agreement with a third party affiliated with the local general partner of Palm Springs View Apartments, Ltd. The agreement provided for an assignment of the Partnership's 50.49% limited partnership interest in Palm Springs View Apartments, Ltd. for $200,000. The assignment was subject to HUD approval which was received during the nine months ended September 30, 2010. Upon receipt of HUD approval the Partnership was able to complete the assignment of its 50.49% limited partnership interest in Palm Springs View Apartments, Ltd. and received $200,000 for the assignment in April 2010, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2010. The Partnership has no investment balance remaining in this Local Partnership at September 30, 2011 and December 31, 2010.

On August 27, 2010, a Local Partnership, Fourth Street Investors, LP sold its investment property to a third party for a gross sale price of $3,375,000. The Partnership received approximately $1,421,000 in distributable proceeds from the sale during the three and nine months ended September 30, 2010, of which approximately $1,112,000 was recognized as income. The Partnership's investment balance in Fourth Street Investors, LP was zero at September 30, 2011 and December 31, 2010. On September 17, 2010, a Local Partnership, Northwestern Partners, Ltd sold its investment property to a third party for a gross sale price of $1,000,000. The Partnership received approximately $336,000 in distributable proceeds from the sale during the three and nine months ended September 30, 2010. The Partnership had no remaining investment balance in Northwestern Partners at September 30, 2011 and December 31, 2010.

During 2002, a Local Partnership, Michigan Beach, reached a settlement with the City of Chicago to complete necessary repairs to the exterior façade of the building. In previous years, the Partnership had advanced Michigan Beach approximately $1,347,000 to complete these repairs and an additional approximately $1,138,000 for other operational items. These advances bear interest at prime plus 2% (approximately 5.25% at September 30, 2011) and interest earned by the Partnership was approximately $98,000 for both the nine months ended September 30, 2011 and 2010. The Partnership has charged to expense all of the advances to Michigan Beach and has not recognized the interest earned on the advances due to the uncertainty of collection of these amounts.

Note 3 - Distributions

The Partnership distributed the following amounts during the nine months ended September 30, 2011 and 2010 (in thousands except per unit data):

	Nine Months Ended September 30, 2011	Per Limited Partnership Interest	Nine Months Ended September 30, 2010	Per Limited Partnership Interest
Sale(1)	$ --	$ --	$ 1,763	$ 24.14

(1) Proceeds from 2010 sales of partnership interests and investment properties.

Note 4 – Mortgage Note Receivable

On May 30, 2006, the Partnership purchased the second mortgage for a Local Partnership, Michigan Beach, from the second mortgage holder, PAMI Midatlantic, LLC ("PAMI") for a purchase price of $4,320,000. The second mortgage had a principal balance of approximately $3,596,000 and accrued interest outstanding of approximately $1,605,000 at the time of purchase. PAMI had filed an action for foreclosure and the appointment of a receivor for the alleged failure to make surplus cash payments and provide required financial reporting. As a result of the purchase, the Partnership was substituted in place of PAMI in the foreclosure action and then the Partnership dismissed the foreclosure action with prejudice on June 9, 2006. The Partnership is the sole limited partner in Michigan Beach. The Partnership borrowed $4,320,000 from an affiliate of NAPICO in order to purchase the second mortgage at Michigan Beach. This advance was repaid during the year ended December 31, 2007.

The second mortgage accrues interest at a fixed rate of 6.11%. Semiannual payments from 50% of surplus cash are required and the note matures in July of 2031. There is an option to the noteholder to accelerate maturity of the second mortgage after October 2008. There have been no payments made on the loan and Michigan Beach did not generate any surplus cash for the years ended December 31, 2010 and 2009. The accrued interest balance at September 30, 2011 was approximately $2,777,000. The Partnership recognized approximately $37,000 and $325,000 in equity in loss from Michigan Beach during the nine months ended September 30, 2011 and 2010, respectively, and reduced the carrying value of the mortgage note receivable. The Partnership currently expects to receive payment in full on the second mortgage from Michigan Beach upon the ultimate sale of the property and accordingly no reserve has been established against the carrying value of the mortgage note receivable at September 30, 2011, however, the Partnership has fully reserved any additional accrued interest.

The following is a summary of the mortgage note receivable activity for the nine months ended September 30, 2011 (in thousands):

Mortgage note receivable balance, beginning of period	$ 3,761
Equity in losses of Local Partnership	(37)
Mortgage note receivable balance, end of period	$ 3,724

Note 5 – Transaction with Affiliated Parties

Under the terms of its Partnership Agreement, the Partnership is obligated to the General Partner for the following fees:

(a) An annual Partnership management fee in an amount equal to 0.5 percent of invested assets (as defined in the Partnership Agreement) at the beginning of the year is payable to the General Partner. For the nine months ended September 30, 2011 and 2010, partnership management fees in the amount of approximately $139,000 and $183,000, respectively, were recorded as an expense.

(b) A property disposition fee is payable to the General Partner in an amount equal to the lesser of (i) one-half of the competitive real estate commission that would have been charged by unaffiliated third parties providing comparable services in the area where the apartment complex is located, or (ii) 3 percent of the sale price received in connection with the sale or disposition of the apartment complex or local partnership interest, but in no event will the property disposition fee and all amounts payable to unaffiliated real estate brokers in connection with any such sale exceed in the aggregate, the lesser of the competitive rate (as described above) or 6 percent of such sale price. Receipt of the property disposition fee will be subordinated to the distribution of sale or refinancing proceeds by the Partnership until the limited partners have received distributions of sale or refinancing proceeds in an aggregate amount equal to (i) their 6 percent priority return for any year not theretofore satisfied (as defined in the Partnership Agreement) and (ii) an amount equal to the aggregate adjusted investment (as defined in the Partnership Agreement) of the limited partners. No disposition fees have been paid or accrued.

(c) The Partnership reimburses NAPICO for certain expenses. The reimbursement to NAPICO was approximately $30,000 and $55,000 for the nine months ended September 30, 2011 and 2010, respectively, and is included in general and administrative expenses.

NTC-II or another affiliate of the General Partner is the Local Operating General Partner in one of the Partnership's five Local Partnerships at September 30, 2011. In addition, NTC-II is typically either a special limited partner or an administrative general partner in each Local Partnership, in which the Partnership has an investment.

An affiliate of the General Partner managed one property owned by a Local Partnership during the nine months ended September 30, 2011 and 2010. The Local Partnership pays the affiliate property management fees in the amount of five percent of its gross rental revenues and data processing fees. The amounts paid were approximately $79,000 and $77,000 for the nine months ended September 30, 2011 and 2010, respectively.

The General Partner is not obligated to advance funds to the Partnership for operations or to fund Partnership advances to Local Partnerships, but may voluntarily do so from time to time. There were no advances received by the Partnership during the nine months ended September 30, 2011 and 2010. The Partnership may receive future advances of funds from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission.

Note 6 – Partnership Income Taxes

The Partnership is subject to a New Jersey tax based upon the number of resident and non-resident limited partners and apportionment of income related to the Partnership's investment in certain Local Partnerships. For the nine months ended September 30, 2011 and 2010, the expense related to this tax is reflected in tax expense in the accompanying statements of operations. At December 31, 2010, the Partnership's estimate of the balance of the tax due for 2010 to the state of New Jersey was approximately $37,000 and this amount was included in accounts payable and accrued expenses on the accompanying balance sheet as of December 31, 2010. The actual balance of the tax due for 2010 was approximately $50,000 and was paid during April 2011. The Partnership recorded the additional $13,000 owed for 2010 taxes during the nine months ended September 30, 2011 and this amount is reflected in tax expense in the accompanying statement of operations. The Partnership's estimate of the tax due for

2011 is approximately $88,000, of which approximately $22,000 was accrued and expensed and $44,000 was paid and expensed during the nine months ended September 30, 2011.

Note 7 – Fair Value of Financial Instruments

Financial Accounting Standards Board Accounting Standards Codification Topic 825, "Financial Instruments", requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Fair value is defined as the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. At September 30, 2011, the Partnership believes that the carrying amount of other assets and liabilities reported on the balance sheet that require such disclosure approximated their fair value due to the short-term maturity of these instruments.

Note 8 - Contingencies

The General Partner is involved in various lawsuits arising from transactions in the ordinary course of business. In the opinion of management and the General Partner, the claims will not result in any material liability to the Partnership.

Item 2. Management's Discussion And Analysis Of Financial Condition and Results Of Operations

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements in certain circumstances. Certain information included in this Quarterly Report contains or may contain information that is forward-looking within the meaning of the federal securities laws. Actual results may differ materially from those described in the forward-looking statements and, in addition, will be affected by a variety of risks and factors, some of which are beyond the Partnership's control, including, without limitation: financing risks, including the availability and cost of financing and the risk that the Partnership's cash flows from operations may be insufficient to meet required payments of principal and interest; national and local economic conditions, including the pace of job growth and the level of unemployment; the terms of governmental regulations that affect the Partnership and its investment in limited partnerships and interpretations of those regulations; the competitive environment in which the Partnership operates; real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for residents in such markets; litigation, including costs associated with prosecuting or defending claims and any adverse outcomes; and possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by the limited partnerships in which the Partnership has invested. Readers should carefully review the Partnership's financial statements and the notes thereto, as well as the other documents the Partnership files from time to time with the Securities and Exchange Commission.

The General Partner monitors developments in the area of legal and regulatory compliance.

Liquidity and Capital Resources

Some of the properties in which the Partnership has invested, through its investment in other limited partnerships ("Local Partnerships"), receive one or more forms of assistance from the Federal Government. As a result, the Local Partnership's ability to transfer funds either to the Partnership or among themselves in the form of cash distributions, loans or advances may be restricted by these government assistance programs. These restrictions, however, are not expected to impact the Partnership's ability to meet its cash obligations.

As of September 30, 2011 and December 31, 2010, the Partnership had cash and cash equivalents of approximately $2,078,000 and $1,368,000, respectively. The increase in cash and cash equivalents of approximately $710,000 is due to approximately $1,031,000 of cash provided by investing activities, partially offset by approximately $321,000 of cash used in operating activities. Cash provided by investing activities consisted of proceeds from the sales of the Partnership's limited partnership interests in four Local Partnerships.

The Partnership's primary source of funds is the receipt of distributions from Local Partnerships in which the Partnership has invested. It is not expected that any of the Local Partnerships in which the Partnership invests will generate cash from operations sufficient to provide distributions to the Limited Partners in any material amount. Such cash from operations, if any, would first be used to meet operating expenses of the Partnership. The Partnership's investments are not readily marketable and may be affected by adverse general economic conditions which, in turn, could substantially increase the risk of operating losses for the projects, the Local Partnerships and the Partnership. These problems may result from a number of factors, many of which cannot be controlled by the General Partner.

The Partnership distributed the following amounts during the nine months ended September 30, 2011 and 2010 (in thousands except per unit data):

	Nine Months Ended September 30, 2011	Per Limited Partnership Interest	Nine Months Ended September 30, 2010	Per Limited Partnership Interest
Sale(1)	$ --	$ --	$ 1,763	$ 24.14

(1) Proceeds from 2010 sales of partnership interests and investment properties.

An infrequent source of funds for the Partnership is proceeds received as a result of a sale of Local Partnership's investment property or from the sale of the Partnership's interest in a Local Partnership. In this regard, on February 4, 2011, the Partnership assigned its limited partnership interest in Pineview Terrace for $1,000,000; on June 7, 2011, the Partnership assigned its limited partnership interests in Sitka III Associates and Soldotna Associates for a total of $6,000; on June 15, 2011, the Partnership assigned its limited partnership interest in Torres del Plata II Limited Partnership for approximately $25,000;and on January 22, 2010, the Partnership sold its limited partnership interests in Norwalk, Columbus Junction Park and Grimes Park to a third party and received net proceeds of approximately $23,000. The Partnership's investment balances in Pineview Terrace, Sitka III, Soldotna Associates, Torres del Plata II, Norwalk, Columbus Junction Park and Grimes Park were zero at September 30, 2011 and December 31, 2010.

During September 2009, the Partnership entered into an assignment and assumption agreement with a third party affiliated with the local general partner of Palm Springs View Apartments, Ltd. The agreement provided for an assignment of the Partnership's 50.49% limited partnership interest in Palm Springs View Apartments, Ltd. for $200,000. The assignment was subject to HUD approval which was received during the nine months ended September 30, 2010. Upon receipt of HUD approval the Partnership was able to complete the assignment of its 50.49% limited partnership interest in Palm Springs View Apartments, Ltd. and received $200,000 for the assignment in April 2010, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2010. The Partnership has no investment balance remaining in this Local Partnership at September 30, 2011 and December 31, 2010.

On August 27, 2010, a Local Partnership, Fourth Street Investors, LP sold its investment property to a third party for a gross sale price of $3,375,000. The Partnership received approximately $1,421,000 in distributable proceeds from the sale during the three and nine months ended September 30, 2010, of which approximately $1,112,000 was recognized as income. The Partnership's investment balance in Fourth Street Investors, LP was zero at September 30, 2011 and December 31, 2010. On September 17, 2010, a Local Partnership, Northwestern Partners, Ltd sold its investment property to a third party for a gross sale price of $1,000,000. The Partnership received approximately $336,000 in distributable proceeds from the sale during the three and nine months ended September 30, 2010. The Partnership had no remaining investment balance in Northwestern Partners at September 30, 2011 and December 31, 2010.

The General Partner is not obligated to advance funds to the Partnership for operations or to fund Partnership advances to Local Partnerships, but may voluntarily do so from time to time. There were no advances received by the Partnership during the nine months ended September 30, 2011 and 2010. The Partnership may receive future advances of funds from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission.

The General Partner has the right to cause distributions received by the Partnership from the Local Partnerships (that would otherwise be available for distributions as cash flow) to be dedicated to the increase or replenishment of reserves at the Partnership level. The reserves will generally be available to satisfy working capital or operating expense needs of the Partnership (including payment of partnership management fees) and will also be available to pay any excess third-party costs or expenses incurred by the Partnership in connection with the administration of the Partnership, the preparation of reports to the Limited Partners and other investor servicing obligations of the Partnership. At the discretion of the General Partner, reserves may be available for advances to the Local Partnerships.

The Partnership does not have the ability to assess Limited Partners for additional capital contributions to provide capital if needed by the Partnership or Local Partnerships. Accordingly, if circumstances arise that cause the Local Partnerships to require capital in addition to that contributed by the Partnership and any equity of the local general partners, the only sources from which such capital needs will be able to be satisfied (other than the limited reserves available at the Partnership level) will be (i) third-party debt financing (which may not be available if, as expected, the projects owned by the Local Partnerships are already substantially leveraged), (ii) other equity sources (which could adversely affect the Partnership's interest in operating cash flow and/or proceeds of sale or refinancing of the projects which would result in adverse tax consequences to the Limited Partners), or (iii) the sale or disposition of projects. There can be no assurance that any of such sources would be readily available in sufficient proportions to fund the capital requirements of the Local Partnerships. If such sources are not available, the Local Partnerships would risk foreclosure on their projects if they were unable to renegotiate the terms of their first mortgages and any other debt secured by the projects, which would have significant adverse tax consequences to the Limited Partners.

Results of Operations

The Partnership was formed to provide various benefits to its Limited Partners. It is not expected that any of the Local Partnerships in which the Partnership has invested will generate cash flow sufficient to provide for distributions to Limited Partners in any material amount. The Partnership accounts for its investments in the Local Partnerships on the equity method, thereby adjusting its investment balance by its proportionate share of the income or loss of the Local Partnerships. The investments in four of the five Local Partnerships have been reduced to zero as of September 30, 2011, however, as discussed in Note 4 included in the financial statements in “Item 1. Financial Statements”, during 2006 the Partnership acquired the mortgage note receivable with respect to a Local Partnership that is obligated under the mortgage note.

Because of (i) the nature of the apartment complexes, (ii) the difficulty of predicting the resale market for low-income housing in the future, and (iii) the inability of the Partnership to directly cause the sale of apartment complexes by local general partners, but generally only to require such local general partners to use their respective best efforts to find a purchaser for the apartment complexes, it is not possible at this time to predict whether the liquidation of substantially all of the Partnership's assets and the disposition of the proceeds, if any, in accordance with the Partnership Agreement will occur. If a Local Partnership is unable to sell an apartment complex, it is anticipated that the local general partner will either continue to operate such apartment complex or take such other actions as the local general partner believes to be in the best interest of the Local Partnership.

The Partnership, as a Limited Partner in the Local Partnerships in which it has invested, is subject to the risks incident to the management and ownership of improved real estate. The Partnership investments are also subject to adverse general economic conditions, and accordingly, the status of the national economy, including substantial unemployment and concurrent inflation, could increase vacancy levels, rental payment defaults, and operating expenses, which in turn, could substantially increase the risk of operating losses for the projects.

The Partnership, as a limited partner, does not have a contractual relationship with the Local Partnerships or exercise control over the activities and operations, including refinancing or selling decisions of the Local Partnerships that would require or allow for consolidation. Accordingly, the Partnership accounts for its investment in the Local Partnerships using the equity method. Thus the individual investments are carried at cost plus the Partnership's share of the Local Partnership's profits less the Partnership's share of the Local Partnership's losses, distributions and impairment charges. However, since the Partnership is not legally liable for the obligations of the Local Partnerships, or is not otherwise committed to provide additional support to them, it does not recognize losses once its investment in each of the Local Partnerships reaches zero. Distributions from the Local Partnerships are accounted for as a reduction of the investment balance until the investment balance is reduced to zero. Subsequent distributions received are recognized as income in the statements of operations. For those investments where the Partnership has determined that the carrying value of its investments approximates the estimated fair value of those investments, the Partnership's policy is to recognize equity in income of the Local Partnerships only to the extent of distributions received, and amortization of acquisition costs from those Local Partnerships. During the nine months ended September 30, 2011 and 2010, the Partnership recognized equity in loss and amortization of acquisition costs of approximately $37,000 and $326,000, respectively, from Local Partnerships. Included in equity in loss and amortization of acquisition costs for the nine months ended September 30, 2011 and 2010 is approximately $37,000 and $325,000, respectively, of equity in loss related to a Local Partnership, Michigan Beach, that reduced the carrying amount of the mortgage note receivable due from the Local Partnership. During the nine months ended September 30, 2011 and 2010, the Partnership received approximately $10,000 and $120,000, respectively, in operating distributions from Local Partnerships, of which approximately $10,000 and $24,000 was recognized as income in the statements of operations for the nine months ended September 30, 2011 and 2010, respectively, as these distributions were received from Local Partnerships in which the Partnership's investment balance had previously been reduced to zero.

At times, advances are made to Local Partnerships in order to preserve the ability to receive applicable tax credits. Advances made by the Partnership to the individual Local Partnerships are considered part of the Partnership's investment in limited partnerships. Advances made to Local Partnerships in which the investment balance has been reduced to zero are charged to expense. The Partnership did not make any advances during the nine months ended September 30, 2011 and 2010. During the nine months ended September 30, 2010, the Partnership received approximately $19,000 as repayment of advances from Quivira Place Associates, LP and recognized this amount as a recovery of advances previously expensed in the statement of operations for the nine months ended September 30, 2010. The Partnership did not receive any advance repayments during the nine months ended September 30, 2011.

A recurring Partnership expense is the annual partnership management fee. The fee, as defined in the Partnership Agreement, is payable to the General Partner and is calculated at 0.5% of the Partnership's invested assets as of the beginning of the year. The management fee represents the annual recurring fee which will be paid to the General Partner for its continuing management of Partnership affairs. Management fees were approximately $139,000 and $183,000 for the nine months ended September 30, 2011 and 2010, respectively, and approximately $46,000 and $60,000 for the three months ended September 30, 2011 and 2010, respectively. The decrease in management fees for the three and nine months ended September 30, 2011 is due to the loss of investment in six Local Partnerships during 2010.

Operating expenses, exclusive of the management fee, consist of legal and accounting expenses for services rendered to the Partnership, tax expense and general and administrative expenses. Legal and accounting expenses were approximately $49,000 and $78,000 for the nine months ended September 30, 2011 and 2010, respectively, and approximately $12,000 and $17,000 for the three months ended September 30, 2011 and 2010, respectively. General and administrative expenses were approximately $45,000 and $65,000 for the nine months ended September 30, 2011 and 2010, respectively, and approximately $15,000 and $21,000 for the three months ended September 30, 2011 and 2010, respectively. The Partnership is subject to a New Jersey partner tax. For the nine months ended September 30, 2011 and 2010, the expense was approximately $79,000 and $63,000, respectively, and for the three months ended September 30, 2011 and 2010, the expense was approximately $22,000 and $19,000, respectively. Legal and accounting expense decreased for the nine month period primarily due to a decrease in legal costs associated with the sale of partnership interests in Local Partnerships during 2010. The decrease in general and administrative expense for both the three and nine month periods is primarily due to a decrease in reimbursements of administrative costs paid to NAPICO as a result of the decrease in the number of Local Partnerships in which the Partnership has invested. The increase in tax expense for the nine month period is due to an adjustment made during the nine months ended September 30, 2011 to increase the amount of tax owed for 2010 upon receipt of the actual tax bill during 2011.

During 2002, a Local Partnership, Michigan Beach, reached a settlement with the City of Chicago to complete necessary repairs to the exterior façade of the building. In previous years, the Partnership had advanced Michigan Beach approximately $1,347,000 to complete these repairs and an additional approximately $1,138,000 for other operational items. These advances bear interest at prime plus 2% (approximately 5.25% at September 30, 2011) and interest earned by the Partnership was approximately $98,000 for both the nine months ended

September 30, 2011 and 2010. The Partnership has charged to expense all of the advances to Michigan Beach and has not recognized the interest earned on the advances due to the uncertainty of collection of these amounts.

Off-Balance Sheet Arrangements

The Partnership owns limited partnership interests in unconsolidated Local Limited Partnerships, in which the Partnership's ownership percentage ranges from 98.90% to 99%. However, based on the provisions of the relevant partnership agreements, the Partnership, as a limited partner, does not have control or a contractual relationship with the Local Limited Partnerships that would require or allow for consolidation under accounting principles generally accepted in the United States (see "Note 1 - Organization and Summary of Significant Accounting Policies" of the financial statements in "Item 1. Financial Statements"). There are no lines of credit, side agreements or any other derivative financial instruments between the Local Limited Partnerships and the Partnership. Accordingly the Partnership's maximum risk of loss related to these unconsolidated Local Limited Partnerships is limited to the recorded investments in and receivables from the Local Limited Partnerships. See "Note 2 - Investments In and Advances to Local Limited Partnerships" of the financial statements in "Item 1. Financial Statements" for additional information about the Partnership's investments in unconsolidated Local Limited Partnerships.

Other

In addition to its indirect ownership of the general partner interest in the Partnership, Aimco and its affiliates owned 397.0 limited partnership interests (the "Units") in the Partnership representing 0.55% of the outstanding Units at September 30, 2011. It is possible that Aimco or its affiliates will acquire additional Units in exchange for cash or a combination of cash and units in AIMCO Properties, L.P., the operating partnership of Aimco. Pursuant to the Partnership Agreement, unitholders holding a majority of the Units are entitled to take action with respect to a variety of matters that include, but are not limited to, voting on certain amendments to the Partnership Agreement and voting to remove the General Partner. Although the General Partner owes fiduciary duties to the limited partners of the Partnership, the General Partner also owes fiduciary duties to Aimco as its sole stockholder. As a result, the duties of the General Partner, as General Partner, to the Partnership and its limited partners may come into conflict with the duties of the General Partner to Aimco its sole stockholder.

Variable Interest Entities

The Partnership consolidates any variable interest entities in which the Partnership holds a variable interest and is the primary beneficiary. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is generally the entity that has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

In determining whether it is the primary beneficiary of a VIE, the Partnership considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of the Partnership's investment; the obligation or likelihood for the Partnership or other investors to provide financial support; and the similarity with and significance to the business activities of the Partnership and the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions.

At September 30, 2011 and December 31, 2010, the Partnership holds variable interests in five and six VIE's, respectively, for which the Partnership is not the primary beneficiary. The Partnership has concluded, based on its qualitative consideration of the partnership agreement, the partnership structure and the role of the general partner in each of the Local Partnerships, that the general partner of each of the Local Partnerships is the primary beneficiary of the respective Local Partnership. In making this determination, the Partnership considered the following factors:

- the general partners conduct and manage the business of the Local Partnerships;
- the general partners have the responsibility for and sole discretion over selecting a property management agent for the Local Partnerships' underlying real estate properties;
- the general partners are responsible for approving operating and capital budgets for the properties owned by the Local Partnerships;
- the general partners are obligated to fund any recourse obligations of the Local Partnerships;
- the general partners are authorized to borrow funds on behalf of the Local Partnerships; and
- the Partnership, as a limited partner in each of the Local Partnerships, does not have the ability to direct or otherwise significantly influence the activities of the Local Partnerships that most significantly impact such entities' economic performance.

The five VIEs at September 30, 2011 consist of Local Partnerships that are directly engaged in the ownership and management of five apartment properties with a total of 674 units. The Partnership is involved with those VIEs as a non-controlling limited partner equity holder. The Partnership's maximum exposure to loss as a result of its involvement with the unconsolidated VIEs is limited to the Partnership's recorded investments in and receivables from these VIEs, which was approximately $3,724,000 and $3,761,000 at September 30, 2011 and December 31, 2010, respectively. The Partnership may be subject to additional losses to the extent of any financial support that the Partnership voluntarily provides in the future.

Critical Accounting Policies and Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Partnership to make estimates and assumptions. The Partnership believes that of its significant accounting policies, the following may involve a higher degree of judgment and complexity.

Method of Accounting for Investments in Limited Partnerships

The Partnership, as a limited partner, does not have a contractual relationship with the Local Partnerships or exercise control over the activities and operations, including refinancing or selling decisions, of the Local Partnerships that would require or allow for consolidation. Accordingly, the Partnership accounts for its investments in the Local Partnerships using the equity method. The Partnership is allocated profits and losses of the Local Partnerships based upon its respective ownership percentage of 98.90% to 99%. Distributions of surplus cash from operations from four of the Local Partnerships are restricted by the Local Partnerships' Regulatory Agreements with the United States Department of Housing and Urban Development ("HUD"). These restrictions limit the distribution to a percentage, generally less than 10%, of the initial invested capital. The excess surplus cash is deposited into a residual receipts reserve, of which the ultimate realization by the Partnership is uncertain as HUD frequently retains it upon sale or dissolution of the Local Partnership. For one Local Partnership distributions of surplus cash are not restricted. The Partnership is allocated profits and losses and receives distributions from refinancings and sales in accordance with the Local Partnerships' partnership agreements. These agreements usually limit the Partnerships' distributions to an amount substantially less than its ownership percentage in the Local Partnership.

The individual investments are carried at cost plus the Partnership's share of the Local Partnership's profits less the Partnership's share of the Local Partnership's losses, distributions and impairment charges. The Partnership is not legally liable for the obligations of the Local Partnerships and is not otherwise committed to provide additional support to them. Therefore, it does not recognize losses once its investment in each of the Local Partnerships reaches zero. Distributions from the Local Partnerships are accounted for as a reduction of the investment balance until the investment balance is reduced to zero. When the investment balance has been reduced to zero, subsequent distributions received are recognized as income in the statements of operations.

For those investments where the Partnership has determined that the carrying value of its investments approximates the estimated fair value of those investments, the Partnership's policy is to recognize equity in income of the Local Partnerships only to the extent of distributions received and amortization of acquisition costs from those Local Partnerships. Therefore, the Partnership limits its recognition of equity earnings to the amount it expects to ultimately realize.

Item 4. Controls And Procedures

(a) Disclosure Controls and Procedures.

The Partnership's management, with the participation of the principal executive officer and principal financial officer of the General Partner, who are the equivalent of the Partnership's principal executive officer and principal financial officer, respectively, has evaluated the effectiveness of the Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the principal executive officer and principal financial officer of the General Partner, who are the equivalent of the Partnership's principal executive officer and principal financial officer, respectively, have concluded that, as of the end of such period, the Partnership's disclosure controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting.

There has been no change in the Partnership's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. **Exhibits**

See Exhibit Index Attached.

The agreements included as exhibits to this Form 10-Q contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

- may apply standards of materiality in a way that is different from what may be viewed as material to an investor; and

- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. The Partnership acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Form 10-Q not misleading. Additional information about the Partnership may be found elsewhere in this Form 10-Q and the Partnership's other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL TAX CREDIT INVESTORS II
(a California limited partnership)

By: National Partnership Investments Corp.
General Partner

Date: November 7, 2011 By: /s/John McGrath
John McGrath
Senior Vice President, equivalent of the chief executive officer of the Partnership

Date: November 7, 2011 By: /s/Stephen B. Waters
Stephen B. Waters
Senior Director of Partnership Accounting, equivalent of the chief financial officer of the Partnership

NATIONAL TAX CREDIT INVESTORS II

EXHIBIT INDEX

Exhibit	Description of Exhibit
3	Partnership Agreement (herein incorporated by reference to the Partnership's Form S-11 Registration No. 33-27658)
10	Loan Sale Agreement between Pami Midatlantic LLC, a Delaware limited liability company and National Tax Credit Investors II, a California limited partnership dated May 30, 2006. Incorporated by reference to the Partnership's Current Report on Form 8-K dated May 30, 2006.
10.5	Assignment and Assumption Agreement by and among Investment Concepts, Inc., a California corporation, National Tax Credit, Inc. II, a California corporation, and National Tax Credit Investors II, a California limited partnership, and GAC Realty Advisors, LP, a Nevada limited partnership, dated September 8, 2009. Incorporated by reference to the Partnership's Current Report on Form 8-K dated September 8, 2009.
10.6	Contract for Purchase and Sale of Partnership Interests by and between National Tax Credit, Inc. II, a California corporation, National Tax Credit Investors II, a California limited partnership, and Oswald Investments, L.C., an Iowa limited liability company, or its assign and Ted Oswald, individually or his assigns, dated November 17, 2009. Incorporated by reference to the Partnership's Current Report on Form 8-K dated November 17, 2009.
10.7	Contract for Purchase and Sale of Partnership Interests by and between National Tax Credit, Inc. II, a California corporation, National Tax Credit Investors II, a California limited partnership, and Oswald Investments, L.C., an Iowa limited liability company, or its assign and Ted Oswald, individually or his assigns, dated November 17, 2009. Incorporated by reference to the Partnership's Current Report on Form 8-K dated November 17, 2009.
10.8	Contract for Purchase and Sale of Partnership Interests by and between National Tax Credit, Inc. II, a California corporation, National Tax Credit Investors II, a California limited partnership, and Oswald Investments, L.C., an Iowa limited liability company, or its assign and Ted Oswald, individually or his assigns, dated November 17, 2009. Incorporated by reference to the Partnership's Current Report on Form 8-K dated November 17, 2009.
10.9	First Amendment to Assignment and Assumption Agreement by and among Investment Concepts, Inc., a California corporation, National Tax Credit, Inc. II, a California corporation, National Tax Credit Investors II, a California limited partnership, and GAC Realty Advisors, LP, a Nevada limited partnership, effective January 31, 2010. Incorporated by reference to the Partnership's Current Report on Form 8-K dated January 31, 2010.

10.10	Second Amendment to Assignment and Assumption Agreement by and among Investment Concepts, Inc., a California corporation, National Tax Credit, Inc. II, a California corporation, National Tax Credit Investors II, a California limited partnership, and GAC Realty Advisors, LP, a Nevada limited partnership, effective March 1, 2010. Incorporated by reference to the Partnership's Current Report on Form 8-K dated March 1, 2010.
10.11	Assignment and Assumption Agreement by and between National Tax Credit Investors II, a California limited partnership and National Tax Credit, Inc. II, a California corporation, Munson Pineview Associates, a Texas general partnership and RCC Pineview Associates, L.P., a Delaware limited partnership, effective February 1, 2011. Incorporated by reference to the Partnership's Current Report on Form 8-K dated February 3, 2011.
10.12	Assignment and Assumption Agreement by and between National Tax Credit Investors II, a California limited partnership; National Tax Credit, Inc. II, a California corporation; Tailored Management Services, LLC, an Idaho limited liability company and Marty D. Frantz, an individual, effective June 7, 2011. Incorporated by reference to the Partnership's Current Report on Form 8-K dated June 7, 2011.
10.13	Assignment and Assumption Agreement by and between National Tax Credit Investors II, a California limited partnership; National Tax Credit, Inc. II, a California corporation; Tailored Management Services, LLC, an Idaho limited liability company and Marty D. Frantz, an individual, effective June 7, 2011. Incorporated by reference to the Partnership's Current Report on Form 8-K dated June 7, 2011.
10.14	First Amendment to Amended and Restated Certificate and Agreement of Limited Partnership by and between National Tax Credit Investors II, a California limited partnership; National Tax Credit, Inc. II, a California corporation; Futura Development of Puerto Rico, Inc. a Puerto Rico corporation and Alta Helena Investment, Inc., a Puerto Rico corporation, effective June 15, 2011. Incorporated by reference to the Partnership's Current Report on Form 8-K dated June 15, 2011.
31.1	Certification of equivalent of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of equivalent of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the equivalent of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	XBRL (Extensible Business Reporting Language). The following materials from National Tax Credit Investors II's Quarterly Report on Form 10-Q for the

quarterly period ended September 30, 2011, formatted in XBRL: (i) balance sheets, (ii) statements of operations, (iii) statement of changes in partners' (deficiency) capital, (iv) statements of cash flows, and (v) notes to financial statements (1)

(1) As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

Exhibit 31.1

CERTIFICATION

I, John McGrath, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Tax Credit Investors II;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2011

/s/John McGrath
John McGrath
Senior Vice President of National Partnership Investments Corp., equivalent of the chief executive officer of the Partnership

Exhibit 31.2

CERTIFICATION

I, Stephen B. Waters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Tax Credit Investors II;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2011

/s/Stephen B. Waters
Stephen B. Waters
Senior Director of Partnership Accounting of National Partnership Investments Corp., equivalent of the chief financial officer of the Partnership

Exhibit 32.1

Certification of CEO and CFO
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of National Tax Credit Investors II (the "Partnership"), for the quarterly period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John McGrath, as the equivalent of the chief executive officer of the Partnership, and Stephen B. Waters, as the equivalent of the chief financial officer of the Partnership, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/John McGrath
Name: John McGrath
Date: November 7, 2011

/s/Stephen B. Waters
Name: Stephen B. Waters
Date: November 7, 2011

This certification is furnished with this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Statements of Operations (Unaudited) (USD $) In Thousands, except Per Share data	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Revenues:	$ 0	$ 0	$ 0	$ 0
Operating Expenses:				
Management fees - general partner	46	60	139	183
General and administrative	15	21	45	65
Tax expense	22	19	79	63
Legal and accounting	12	17	49	78
Total operating expenses	95	117	312	389
Loss from partnership operations	(95)	(117)	(312)	(389)
Gain from sales of limited partnership interests in Local Partnerships	0	0	1,031	223
Distributions from Local Partnerships recognized as income	0	1,468	10	1,485
Recovery of advances made to Local Partnerships previously recognized as expense	0	0	0	19
Equity in income (loss) of Local Partnerships and amortization of acquisition costs	29	(56)	(37)	(326)
Net income (loss)	(66)	1,295	692	1,012
Net income (loss) allocated to general partner (1%)	(1)	13	7	10
Net income (loss) allocated to limited partners (99%)	$ (65)	$ 1,282	$ 685	$ 1,002
Net income (loss) per limited partnership interest	$ (0.90)	$ 17.73	$ 9.48	$ 13.86
Distribution per limited partnership interest	$ 0	$ 24.14	$ 0	$ 24.14

Statement of Shareholders Equity (Deficit) (Unaudited) (USD $) In Thousands	Total	General Partner	Limited Partners
Partners' (deficiency) capital, beginning balance at Dec. 31, 2010	$ 5,055	$ (578)	$ 5,633
Net income (loss)	692	7	685
Partners' (deficiency) capital, ending balance at Sep. 30, 2011	$ 5,747	$ (571)	$ 6,318

Document and Entity Information	9 Months Ended Sep. 30, 2011
Document and Entity Information	
Entity Registrant Name	NATIONAL TAX CREDIT INVESTORS II
Document Type	10-Q
Document Period End Date	Sep. 30, 2011
Amendment Flag	false
Entity Central Index Key	0000859921
Current Fiscal Year End Date	--12-31
Entity Common Stock, Shares Outstanding	72,270
Entity Filer Category	Smaller Reporting Company
Entity Current Reporting Status	Yes
Entity Voluntary Filers	No
Entity Well-known Seasoned Issuer	No
Document Fiscal Year Focus	2011
Document Fiscal Period Focus	Q3

Fair Value Measures and Disclosures	9 Months Ended Sep. 30, 2011
Fair Value Measures and Disclosures	
Fair Value Disclosures [Text Block]	**Note 7 – Fair Value of Financial Instruments** Financial Accounting Standards Board Accounting Standards Codification Topic 825, "Financial Instruments", requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Fair value is defined as the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. At September 30, 2011, the Partnership believes that the carrying amount of other assets and liabilities reported on the balance sheet that require such disclosure approximated their fair value due to the short-term maturity of these instruments.

Investments, Equity Method and Joint Ventures	9 Months Ended Sep. 30, 2011
Investments, Equity Method and Joint Ventures	
Equity Method Investments Disclosure [Text Block]	**Note 2 - Investments In and Advances to Local Partnerships** As of September 30, 2011, the Partnership holds limited partnership interests in five Local Partnerships, located in five states. As a limited partner of the Local Partnerships, the Partnership does not have authority over day-to-day management of the Local Partnerships or their properties (the "Apartment Complexes"). The general partners responsible for management of the Local Partnerships (the "Local Operating General Partners") are not affiliated with the General Partner of the Partnership, except as discussed below. At September 30, 2011 and December 31, 2010, respectively, the Local Partnerships own residential projects consisting of 674 and 911 apartment units, respectively. During the nine months ended September 30, 2011, the Partnership sold its limited partnership interests in four of the Local Partnerships owning residential projects consisting of 237 apartment units. The projects owned by the Local Partnerships in which NTCI-II has invested were developed by the Local Operating General Partners who acquired the sites and applied for applicable mortgages and subsidies, if any. NTCI-II became the principal limited partner in these Local Partnerships pursuant to arm's-length negotiations with the Local Operating General Partners. As a limited partner, NTCI-II's liability for obligations of the Local Partnerships is limited to its investment. The Local Operating General Partner of the Local Partnerships retains responsibility for developing, constructing, maintaining, operating and managing the Projects. Under certain circumstances, an affiliate of NAPICO or NTCI-II may act as the Local Operating General Partner. An affiliate, National Tax Credit Inc. II ("NTC-II") is acting either as a special limited partner or non-managing administrative general partner (the "Administrative General Partner") of each Local Partnership in which the Partnership has an investment. The Partnership, as a limited partner, does not have a contractual relationship with the Local Partnerships or exercise control over the activities and operations, including refinancing or selling decisions, of the Local Partnerships that would require or allow for consolidation. Accordingly, the Partnership accounts for its investments in the Local Partnerships using the equity method. The Partnership is allocated profits and losses of the Local Partnerships based upon its respective ownership percentage (between 98.90% and 99%). The Partnership is allocated profits and losses and receives distributions from refinancings and sales in accordance with the Local Partnerships' partnership agreements. These agreements usually limit the Partnership' s distributions to an amount substantially less than its ownership percentage in the Local Partnership.

The individual investments are carried at cost plus the Partnership’ s share of the Local Partnership’ s profits less the Partnership’ s share of the Local Partnership’ s losses, distributions and impairment charges. See “Note 1 – Organization and Summary of Significant Accounting Policies” for a description of the impairment policy. The Partnership is not legally liable for the obligations of the Local Partnerships and is not otherwise committed to provide additional support to them. Therefore, it does not recognize losses once its investment in each of the Local Partnerships reaches zero. Distributions from the Local Partnerships are accounted for as a reduction of the investment balance until the investment balance is reduced to zero. When the investment balance has been reduced to zero, subsequent distributions received are recognized as income in the accompanying statements of operations. During the nine months ended September 30, 2011 and 2010, the Partnership received approximately $10,000 and $120,000, respectively, in operating distributions from three and four Local Partnerships, respectively, of which approximately $10,000 and $24,000, respectively, was recognized as income in the statements of operations for the nine months ended September 30, 2011 and 2010, respectively, as these distributions were received from Local Partnerships in which the Partnership’ s investment balance had previously been reduced to zero.

For those investments where the Partnership has determined that the carrying value of its investments approximates the estimated fair value of those investments, the Partnership’ s policy is to recognize equity in income of the Local Partnerships only to the extent of distributions received and amortization of acquisition costs from those Local Partnerships. Therefore, the Partnership limits its recognition of equity earnings to the amount it expects to ultimately realize.

As of September 30, 2011, the investment balance in four of the five Local Partnerships had been reduced to zero. As of December 31, 2010, the investment balance in eight of the nine Local Partnerships had been reduced to zero. The Partnership’ s remaining investment balance relates to the mortgage note receivable, which is discussed in “Note 4 – Mortgage Note Receivable”.

At times, advances are made to Local Partnerships in order to preserve the ability to receive applicable tax credits. Advances made by the Partnership to the individual Local Partnerships are considered part of the Partnership’ s investment in limited partnerships. Advances made to Local Partnerships in which the investment balance has been reduced to zero are charged to expense. The Partnership did not make any advances during the nine months ended September 30, 2011 and 2010. During the nine months ended September 30, 2010, the Partnership received approximately $19,000 as repayment of advances from Quivira Place Associates, LP and recognized this amount as a recovery of advances previously expensed in the statement of operations for the nine months ended September 30, 2010. The Partnership did not receive any advance repayments during the nine months ended September 30, 2011.

The following are estimated unaudited condensed combined statements of operations for the three and nine months ended September 30, 2011 and 2010 for the Local Partnerships in which the Partnership has investments (in thousands).

The 2011 and 2010 amounts exclude Pineview Terrace, for which the Partnership sold its limited partnership interest in February 2011; Sitka III, Soldotna Apartments, and Torres del Plata II for which the Partnership sold its limited partnership interests in June 2011; Columbus Junction Park, Grimes Park Apartments and Norwalk Park Apartments, for which the Partnership sold its limited partnership interests in January 2010; Palm Springs View for which the Partnership sold its limited partnership interest in April 2010 and Fourth Street and Northwestern Partners due to the sale of the Local Partnership' s investment property in August and September 2010, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Rental and other income	$ 1,289	$ 1,251	$ 3,848	$ 3,777
Expenses				
Operating expenses	877	904	2,706	2,606
Interest	316	317	946	957
Depreciation and amortization	307	300	922	901
Total expenses	1,500	1,521	4,574	4,464
Loss from continuing operations	$ (211)	$ (270)	$ (726)	$ (687)

An affiliate of the General Partner is currently the Local Operating General Partner in one of the Partnership' s five Local Partnerships included above, and another affiliate receives property management fees of approximately five percent of gross revenues from the same Local Partnership (See "Note 5 – Transactions with Affiliated Parties").

On February 4, 2011, the Partnership assigned its limited partnership interest in Pineview Terrace to a third party and received proceeds of $1,000,000, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2011. The Partnership' s investment balance in Pineview Terrace was zero at September 30, 2011 and December 31, 2010.

On June 7, 2011, the Partnership assigned its limited partnership interest in both Sitka III Associates and Soldotna Associates to a third party and received net proceeds of $3,000 for each interest, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2011. The Partnership' s investment balance in both Sitka III Associates and Soldotna Associates was zero at September 30, 2011 and December 31, 2010.

On June 15, 2011, the Partnership sold its limited partnership interest in Torres del Plata II Limited Partnership to a third party and received net proceeds of approximately $25,000, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2011. The Partnership’ s investment balance in Torres del Plata II was zero at September 30, 2011 and December 31, 2010.

On January 22, 2010, the Partnership sold its limited partnership interests in Norwalk, Columbus Junction Park and Grimes Park to a third party and received net proceeds of approximately $23,000, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2010. The Partnership’ s investment balances in Norwalk, Columbus Junction Park and Grimes Park were zero at September 30, 2011 and December 31, 2010.

During September 2009, the Partnership entered into an assignment and assumption agreement with a third party affiliated with the local general partner of Palm Springs View Apartments, Ltd. The agreement provided for an assignment of the Partnership’ s 50.49% limited partnership interest in Palm Springs View Apartments, Ltd. for $200,000. The assignment was subject to HUD approval which was received during the nine months ended September 30, 2010. Upon receipt of HUD approval the Partnership was able to complete the assignment of its 50.49% limited partnership interest in Palm Springs View Apartments, Ltd. and received $200,000 for the assignment in April 2010, which was recognized as gain from sales of limited partnership interests in Local Partnerships during the nine months ended September 30, 2010. The Partnership has no investment balance remaining in this Local Partnership at September 30, 2011 and December 31, 2010.

On August 27, 2010, a Local Partnership, Fourth Street Investors, LP sold its investment property to a third party for a gross sale price of $3,375,000. The Partnership received approximately $1,421,000 in distributable proceeds from the sale during the three and nine months ended September 30, 2010, of which approximately $1,112,000 was recognized as income. The Partnership’ s investment balance in Fourth Street Investors, LP was zero at September 30, 2011 and December 31, 2010. On September 17, 2010, a Local Partnership, Northwestern Partners, Ltd sold its investment property to a third party for a gross sale price of $1,000,000. The Partnership received approximately $336,000 in distributable proceeds from the sale during the three and nine months ended September 30, 2010. The Partnership had no remaining investment balance in Northwestern Partners at September 30, 2011 and December 31, 2010.

During 2002, a Local Partnership, Michigan Beach, reached a settlement with the City of Chicago to complete necessary repairs to the exterior façade of the building. In previous years, the Partnership had advanced Michigan Beach approximately $1,347,000 to complete these repairs and an additional approximately $1,138,000 for other operational items. These advances bear interest at prime plus 2% (approximately 5.25% at September 30, 2011) and interest earned by the Partnership was approximately $98,000 for both the nine months ended September 30, 2011 and 2010. The Partnership has charged to expense all of the advances to Michigan Beach and has not recognized the interest earned on the advances due to the uncertainty of collection of these amounts.

Related Party Disclosures	9 Months Ended Sep. 30, 2011
Related Party Disclosures	
Related Party Transactions Disclosure [Text Block]	**Note 5 – Transaction with Affiliated Parties** Under the terms of its Partnership Agreement, the Partnership is obligated to the General Partner for the following fees: (a) An annual Partnership management fee in an amount equal to 0.5 percent of invested assets (as defined in the Partnership Agreement) at the beginning of the year is payable to the General Partner. For the nine months ended September 30, 2011 and 2010, partnership management fees in the amount of approximately $139,000 and $183,000, respectively, were recorded as an expense. (b) A property disposition fee is payable to the General Partner in an amount equal to the lesser of (i) one-half of the competitive real estate commission that would have been charged by unaffiliated third parties providing comparable services in the area where the apartment complex is located, or (ii) 3 percent of the sale price received in connection with the sale or disposition of the apartment complex or local partnership interest, but in no event will the property disposition fee and all amounts payable to unaffiliated real estate brokers in connection with any such sale exceed in the aggregate, the lesser of the competitive rate (as described above) or 6 percent of such sale price. Receipt of the property disposition fee will be subordinated to the distribution of sale or refinancing proceeds by the Partnership until the limited partners have received distributions of sale or refinancing proceeds in an aggregate amount equal to (i) their 6 percent priority return for any year not theretofore satisfied (as defined in the Partnership Agreement) and (ii) an amount equal to the aggregate adjusted investment (as defined in the Partnership Agreement) of the limited partners. No disposition fees have been paid or accrued. (c) The Partnership reimburses NAPICO for certain expenses. The reimbursement to NAPICO was approximately $30,000 and $55,000 for the nine months ended September 30, 2011 and 2010, respectively, and is included in general and administrative expenses. NTC-II or another affiliate of the General Partner is the Local Operating General Partner in one of the Partnership's five Local Partnerships at September 30, 2011. In addition, NTC-II is typically either a special limited partner or an administrative general partner in each Local Partnership, in which the Partnership has an investment. An affiliate of the General Partner managed one property owned by a Local Partnership during the nine months ended September 30, 2011 and 2010. The Local Partnership pays the affiliate property management fees in the amount of

five percent of its gross rental revenues and data processing fees. The amounts paid were approximately $79,000 and $77,000 for the nine months ended September 30, 2011 and 2010, respectively.

The General Partner is not obligated to advance funds to the Partnership for operations or to fund Partnership advances to Local Partnerships, but may voluntarily do so from time to time. There were no advances received by the Partnership during the nine months ended September 30, 2011 and 2010. The Partnership may receive future advances of funds from AIMCO Properties, L.P., although AIMCO Properties, L.P. is not obligated to provide such advances. For more information on AIMCO Properties, L.P., including copies of its audited balance sheet, please see its reports filed with the Securities and Exchange Commission.

Organization, Consolidation and Presentation of Financial Statements	9 Months Ended Sep. 30, 2011
Organization, Consolidation and Presentation of Financial Statements	
Organization, Consolidation and Presentation of Financial Statements Disclosure and Significant Accounting Policies [Text Block]	**Note 1 - Organization And Summary Of Significant Accounting Policies**

General

The information contained in the following notes to the unaudited financial statements is condensed from that which would appear in the annual audited financial statements; accordingly, the financial statements included herein should be reviewed in conjunction with the financial statements and related notes thereto contained in the annual report for the fiscal year ended December 31, 2010 filed by National Tax Credit Investors II (the "Partnership" or "NTCI-II"). Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim periods presented are not necessarily indicative of the results for the entire year.

In the opinion of the Partnership, the accompanying unaudited financial statements contain all adjustments (consisting primarily of normal recurring items) necessary to present fairly the financial position as of September 30, 2011 and the results of operations and changes in cash flows for the nine months ended September 30, 2011 and 2010. The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements.

Organization

NTCI-II is a limited partnership formed under the California Revised Local Partnership Act as of January 12, 1990. The Partnership was formed to invest primarily in other limited partnerships ("Local Partnerships") which own and operate multifamily housing complexes that are eligible for low income housing federal income tax credits (the "Housing Tax Credit"). The general partner of the Partnership is National Partnership Investments Corp. (the "General Partner" or "NAPICO"), a California corporation. The Partnership shall continue in full force and effect until December 31, 2030 unless terminated earlier pursuant to the Partnership Agreement or law.

The General Partner has a one percent interest in the operating profits and losses of the Partnership. The limited partners will be allocated the remaining 99 percent interest in proportion to their respective investments. The General Partner is an affiliate of Apartment Investment and Management Company ("Aimco"), a publicly traded real estate investment trust.

At September 30, 2011 and December 31, 2010, the Partnership had outstanding 72,270 limited partnership interests.

Upon total or partial liquidation of the Partnership or the disposition or partial disposition of a project or project interest and distribution of the proceeds, the General Partner will be entitled to a property disposition fee as mentioned in the partnership agreement. The limited partners will have a priority item equal to their invested capital plus 6 percent priority return as defined in the partnership agreement. This property disposition fee may accrue but shall not be paid until the limited partners have received distributions equal to 100 percent of their capital contributions plus the 6 percent priority return. No disposition fees have been paid or accrued.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

The Partnership' s management evaluated subsequent events through the time this Quarterly Report on Form 10-Q was filed.

Certain reclassifications have been made to the 2010 balances to conform to the 2011 presentation.

Method of Accounting for Investment in Local Partnerships

The investments in Local Partnerships are accounted for on the equity method. Acquisition fees, selection fees and other costs related to the acquisition of the projects have been capitalized as part of the investment account and are being amortized by the straight line method over the estimated lives of the underlying assets, which is generally 30 years.

Mortgage Note Receivable

The Partnership reviews its mortgage note receivable whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Partnership has recorded its mortgage note receivable at September 30, 2011 and December 31, 2010 at the amount at which the Partnership acquired the mortgage note receivable during 2006 less equity in loss recognized with respect to the Local Partnership that is obligated under the mortgage note. No reserve was recognized during the nine months ended September 30, 2011 or 2010. See "Note 4 – Mortgage Note Receivable" for further information.

Impairment of Long-Lived Assets

The Partnership reviews long-lived assets to determine if there has been any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the assets, the Partnership recognizes an impairment loss. No impairment loss was recognized during the nine months ended September 30, 2011 and 2010.

Net Income (Loss) and Distribution Per Limited Partnership Interest

Net income (loss) per limited partnership interest was computed by dividing the limited partners' share of net income (loss) by the number of limited partnership interests outstanding at the beginning of the year. Distribution per limited partnership interest for the three and nine months ended September 30, 2010 was computed by dividing the limited partners' distribution by the number of limited partnership interests outstanding at the beginning of the year. The number of limited partner interests used was 72,270 and 72,288 for the three and nine month periods ended September 30, 2011 and 2010, respectively.

Variable Interest Entities

The Partnership consolidates any variable interest entities in which the Partnership holds a variable interest and is the primary beneficiary. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is generally the entity that has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

In determining whether it is the primary beneficiary of a VIE, the Partnership considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of the Partnership's investment; the obligation or likelihood for the Partnership or other investors to provide financial support; and the similarity with and significance to the business activities of the Partnership and the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions.

At September 30, 2011 and December 31, 2010, the Partnership holds variable interests in five and six VIEs, respectively, for which the Partnership is not the primary beneficiary. The Partnership has concluded, based on its qualitative consideration of the partnership agreement, the partnership structure and the role of the general partner in each of the Local Partnerships, that the general partner of each of the Local Partnerships is the primary beneficiary of the respective Local Partnership. In making this determination, the Partnership considered the following factors:

- the general partners conduct and manage the business of the Local Partnerships;
- the general partners have the responsibility for and sole discretion over selecting a property management agent for the Local Partnerships' underlying real estate properties;
- the general partners are responsible for approving operating and capital budgets for the properties owned by the Local Partnerships;
- the general partners are obligated to fund any recourse obligations of the Local Partnerships;
- the general partners are authorized to borrow funds on behalf of the Local Partnerships; and
- the Partnership, as a limited partner in each of the Local Partnerships, does not have the ability to direct or otherwise significantly influence the activities of the Local Partnerships that most significantly impact such entities' economic performance.

The five VIEs at September 30, 2011 consist of Local Partnerships that are directly engaged in the ownership and management of five apartment properties with a total of 674 units. The Partnership is involved with those VIEs as a non-controlling limited partner equity holder. The Partnership's maximum exposure to loss as a result of its involvement with the unconsolidated VIEs is limited to the Partnership's recorded investments in and receivables from these VIEs, which was approximately $3,724,000 and $3,761,000 at September 30, 2011 and December 31, 2010, respectively. The Partnership may be subject to additional losses to the extent of any financial support that the Partnership voluntarily provides in the future.

Commitment and Contingencies	9 Months Ended Sep. 30, 2011
Commitment and Contingencies	
Commitments and Contingencies Disclosure [Text Block]	**Note 8 - Contingencies** The General Partner is involved in various lawsuits arising from transactions in the ordinary course of business. In the opinion of management and the General Partner, the claims will not result in any material liability to the Partnership.

Equity	9 Months Ended Sep. 30, 2011

Equity

Schedule of Distributions Made to Members or Limited Partners, by Distribution [Table Text Block]

Note 3 - Distributions

The Partnership distributed the following amounts during the nine months ended September 30, 2011 and 2010 (in thousands except per unit data):

	Nine Months Ended September 30, 2011	Per Limited Partnership Interest	Nine Months Ended September 30, 2010	Per Limited Partnership Interest
Sale (1)	$ --	$ --	$ 1,763	$ 24.14

(1) Proceeds from 2010 sales of partnership interests and investment properties.

Income Taxes	9 Months Ended Sep. 30, 2011
Income Taxes	
Income Tax Disclosure [Text Block]	**Note 6 – Partnership Income Taxes** The Partnership is subject to a New Jersey tax based upon the number of resident and non-resident limited partners and apportionment of income related to the Partnership's investment in certain Local Partnerships. For the nine months ended September 30, 2011 and 2010, the expense related to this tax is reflected in tax expense in the accompanying statements of operations. At December 31, 2010, the Partnership's estimate of the balance of the tax due for 2010 to the state of New Jersey was approximately \$37,000 and this amount was included in accounts payable and accrued expenses on the accompanying balance sheet as of December 31, 2010. The actual balance of the tax due for 2010 was approximately \$50,000 and was paid during April 2011. The Partnership recorded the additional \$13,000 owed for 2010 taxes during the nine months ended September 30, 2011 and this amount is reflected in tax expense in the accompanying statement of operations. The Partnership's estimate of the tax due for 2011 is approximately \$88,000, of which approximately \$22,000 was accrued and expensed and \$44,000 was paid and expensed during the nine months ended September 30, 2011.

Statements of Cash Flows (Unaudited) (USD $) In Thousands	9 Months Ended Sep. 30, 2011	Sep. 30, 2010
Cash flows from operating activities:		
Net income (loss)	$ 692	$ 1,012
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Gain from sales of limited partnership interests in Local Partnerships	(1,031)	(223)
Distributions from Local Partnerships recognized as a return on investment	0	96
Distributions recognized as income from sale of Local Partnerships' investment properties	0	(1,447)
Recovery of advances made to Local Partnerships previously recognized as expense	0	(19)
Equity in loss of Local Partnerships and amortization of acquisition costs	37	326
Change in accounts:		
Accounts receivable	0	64
Accounts payable and accrued expenses	(19)	(51)
Net cash used in operating activities	(321)	(242)
Cash flows from investing activities:		
Recovery of advances to Local Partnerships	0	19
Distributions from sale of Local Partnerships' investment properties	0	1,757
Proceeds from sales of limited partnership interests in Local Partnerships	1,031	223
Net cash provided by investing activities	1,031	1,999
Cash flows used in financing activities:		
Distribution to partners	0	(1,763)
Net increase (decrease) in cash and cash equivalents	710	(6)
Cash and cash equivalents, beginning of period	1,368	1,471
Cash and cash equivalents, end of period	2,078	1,465
Supplemental disclosure of non-cash activity:		
Pass through operating distribution from a Local Partnership for non-resident withholding taxes paid on behalf of the Partnership's limited partners	$ 0	$ 15

Receivables, Loans, Notes Receivable, and Others	9 Months Ended Sep. 30, 2011
Receivables, Loans, Notes Receivable, and Others	
Loans, Notes, Trade and Other Receivables Disclosure [Text Block]	**Note 4 – Mortgage Note Receivable**

On May 30, 2006, the Partnership purchased the second mortgage for a Local Partnership, Michigan Beach, from the second mortgage holder, PAMI Midatlantic, LLC ("PAMI") for a purchase price of $4,320,000. The second mortgage had a principal balance of approximately $3,596,000 and accrued interest outstanding of approximately $1,605,000 at the time of purchase. PAMI had filed an action for foreclosure and the appointment of a receivor for the alleged failure to make surplus cash payments and provide required financial reporting. As a result of the purchase, the Partnership was substituted in place of PAMI in the foreclosure action and then the Partnership dismissed the foreclosure action with prejudice on June 9, 2006. The Partnership is the sole limited partner in Michigan Beach. The Partnership borrowed $4,320,000 from an affiliate of NAPICO in order to purchase the second mortgage at Michigan Beach. This advance was repaid during the year ended December 31, 2007.

The second mortgage accrues interest at a fixed rate of 6.11%. Semiannual payments from 50% of surplus cash are required and the note matures in July of 2031. There is an option to the noteholder to accelerate maturity of the second mortgage after October 2008. There have been no payments made on the loan and Michigan Beach did not generate any surplus cash for the years ended December 31, 2010 and 2009. The accrued interest balance at September 30, 2011 was approximately $2,777,000. The Partnership recognized approximately $37,000 and $325,000 in equity in loss from Michigan Beach during the nine months ended September 30, 2011 and 2010, respectively, and reduced the carrying value of the mortgage note receivable. The Partnership currently expects to receive payment in full on the second mortgage from Michigan Beach upon the ultimate sale of the property and accordingly no reserve has been established against the carrying value of the mortgage note receivable at September 30, 2011, however, the Partnership has fully reserved any additional accrued interest.

The following is a summary of the mortgage note receivable activity for the nine months ended September 30, 2011 (in thousands):

Mortgage note receivable balance, beginning of period	$ 3,761
Equity in losses of Local Partnership	(37)
Mortgage note receivable balance, end of period	$ 3,724

Balance Sheets (Unaudited) (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Assets		
Investments in and advances to Local Partnerships	$ 0	$ 0
Cash and cash equivalents	2,078	1,368
Mortgage note receivable	3,724	3,761
Total assets	5,802	5,129
Liabilities		
Accounts payable and accrued expenses	55	74
Partners' (deficiency) capital:		
General partner	(571)	(578)
Limited partners	6,318	5,633
Total partners' (deficiency) capital	5,747	5,055
Total liabilities and partners' (deficiency) capital	$ 5,802	$ 5,129