SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT of 1934**
For the fiscal year ended December 31, 2001

OR

[ ] **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition period from ________ to ________

Commission file: number 0-16874

NATIONAL REAL ESTATE LIMITED PARTNERSHIP INCOME PROPERTIES-II
(Name of Small Business Issuer in Its Charter)

Wisconsin	39-1553195
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1155 Quail Court, Pewaukee, Wisconsin	53072-3703
(Address of Principal Executive Offices)	(Zip Code)

(262) 695-1400
(Issuer=s Telephone Number, Including Area Code)

Securities registered under to Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Limited Partnership Interests
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Sections 13 or 15(d) of the Exchange Act during the past 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.
YES __X__ NO ____

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant=s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [x]

Issuer=s total gross rental revenues for its most recent fiscal year ended December 31, 2001, were $717,510.

State the aggregate market value of the securities voting and non-voting common equity held by non-affiliates of the Registrant as of December 31, 2000: indeterminate value as there is no market.*
*For purposes of this disclosure only.

The number of Limited Partnership interests outstanding as of December 31, 2001: 20,653.69

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the annual report to Partners for the year ended December 31, 2001 are incorporated by reference into Parts I and II.

TABLE OF CONTENTS

PART I

Item 1.Description of Business

ABusiness@ on pages 1 and 2 of the Partnership's annual report to Partners for the year ended December 31, 2001 is incorporated herein by reference.

Item 2.Description of Properties

AProperties@ on pages 2 through 4 of the Partnership's annual report to Partners for the year ended December 31, 2001 is incorporated herein by reference.

Item 3.Legal Proceedings

ALegal Proceedings@ on pages 4 to 5 of the Partnership's annual report to Partners for the year ended December 31, 2001, is incorporated herein by reference.

Item 4.Submission of Matters to a Vote of Security Holders

None

PART II

Item 5.Market for the Partnership's Securities and Related Security Holder Matters

a) Market Information

The Partnership has two classes of equity securities, General Partners Interests and Limited Partners Interests (AInterests@). On February 2, 1987, the Partnership satisfied the initial escrow requirements and investors were admitted to the Partnership as limited partners except for New York investors who were admitted to the Partnership April 30, 1987, due to special escrow requirements for those investors. The offering of such Interests by the Partnership terminated on August 31, 1988, at which time 20,653.69 Interests had been sold to the public at a price of $250 per Interest. Of the Interests sold, 16,699.69 Interests were sold during 1987 and 3,954 were sold from January 1, 1988, to August 31, 1988. No additional Interests have been sold. Management is not aware of any public trading market, however, there has been an emergence of activity through partnership matching services.

b) Security Holders

Title of Class	Number of Record Holders (as of December 31, 2001)	Number of Interests (as of December 31, 2001)
Limited Partnership Interests	644	20,653.69

c) Dividends or Similar Distributions

ACash Available for Distribution@ is defined in the Partnership Agreement to include Net Cash Flow less amounts set aside for Reserves plus the amount of any General Partner Loan for such period. ANet Cash Flow@ is defined as the Partnership's cash funds provided from operations and Reserves, including lease payments on net leases from builders and sellers, without deductions for depreciation, but after deducting funds used to pay all Operating Expenses, deferred fees, other expenses, debt payments, capital improvements and replacements. The Partnership will make distributions of Cash Available for Distribution within 30 days after the end of each calendar quarter. Cash Available for Distribution will be distributed 95% to the Limited Partners and 5% to the General Partners, provided that the payment to the General Partners will be reduced and paid to Limited Partners unless and until the cumulative cash distributions to the Limited Partners equal at least 8.5% of their Capital Investment on an annualized basis (the ASubordination Rate@). The General Partners anticipate that the Partnership will continue to make cash distributions to its Limited Partners in 2002, including a final distribution, though the amount of Cash Available for future Distributions will depend in part on the results of property operations and amounts realized from property sales. There can be no assurance as to the amount, if any, that may be distributed. The Partnership continued cash distributions in 2001 with an aggregate of $144,576 to its Limited Partners. Distributions for 2001 were at a rate that equaled 2.8% of their original capital investment.

After repayment of any General Partner Loan, Sale Proceeds will be distributed as follows: (i) to the Limited Partners, an amount equal to 100% of their Capital Investment; (ii) then 100% to the Limited Partners until they have received an amount equal to 10% per annum simple interest cumulative on Capital Investment, less prior distributions of Cash Available for Distribution; (iii) then an amount to the General Partners equal to 12% of the Sale Proceeds remaining after return to all Partners of an amount equal to 100% of their Capital Investment, but not more than an amount equal to 15% of Sales Proceeds remaining after return to the Partners of their Capital Investment and an amount to the Limited Partners (including prior distributions of Net Interest on Partnership Subscriptions and Cash Available for Distribution) equal to 6% simple interest per annum, cumulative, commencing at the end of the calendar quarter in which each Limited Partner's Original Capital Contribution is made; and (iv) all remaining proceeds to the Limited Partners. The

Partnership is in the process of sale and disposition of all of its property holdings. The Partnership will commence liquidating its operations as soon as feasibly possible, depending upon, among other factors, federal income tax consequences to its Limited Partners and approval of a majority of limited partnership interests. Liquidation is expected to occur in 2002.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

AManagement's Discussion and Analysis of Financial Condition and Results of Operations@ on pages 5 through 7 of the Partnership's annual report to Partners for the year ended December 31, 2001 is incorporated herein by reference.

Item 7. Financial Statements

The financial statements included on pages 10 through 14 of the Partnership's annual report to Partners for the year ended December 31, 2001 are incorporated herein by reference.

Item 8. Changes in and disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with Kerber, Eck and Braeckel LLP, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

(a-b) Directors and Executive Officers

The Partnership has no directors or officers. The General Partners of the Partnership are Mr. John Vishnevsky and EC Corp., a Wisconsin corporation of which Mr. Stephen P. Kotecki is the sole stockholder. John Vishnevsky has been general partners of the Partnership since its inception. EC Corp. became a general partner on June 20, 1991. National Development and Investment, Inc. ("NDII"), a former Wisconsin corporation of which Mr. Vishnevsky was the sold shareholder, had been a General partner of the Partnership from the Partnership's inception, until NDII's dissolution effective October 1, 2001. The address of both General Partners is 1155 Quail Court, Pewaukee, Wisconsin, 53072-3703. The telephone number of John Vishnevsky is (262) 691-3122. The phone number for EC Corp. is (262) 695-1400.

The General Partners manage and control the affairs of the Partnership and have responsibility and ultimate authority in all matters affecting its business. The names of the directors and executive officers of NDII and EC Corp. are as follows:

Name	Office	Term Held Office (since)
EC Corp.:		
Stephen P. Kotecki	President, Treasurer, Director	10/30/92
Thomas Rielly	Vice President, Secretary, Director	12/17/92

Officers of the corporation are elected annually by their respective Boards of Directors. There is no arrangement or understanding between or among any of said directors or officers and any other person pursuant to which such individual was selected as a director or officer.

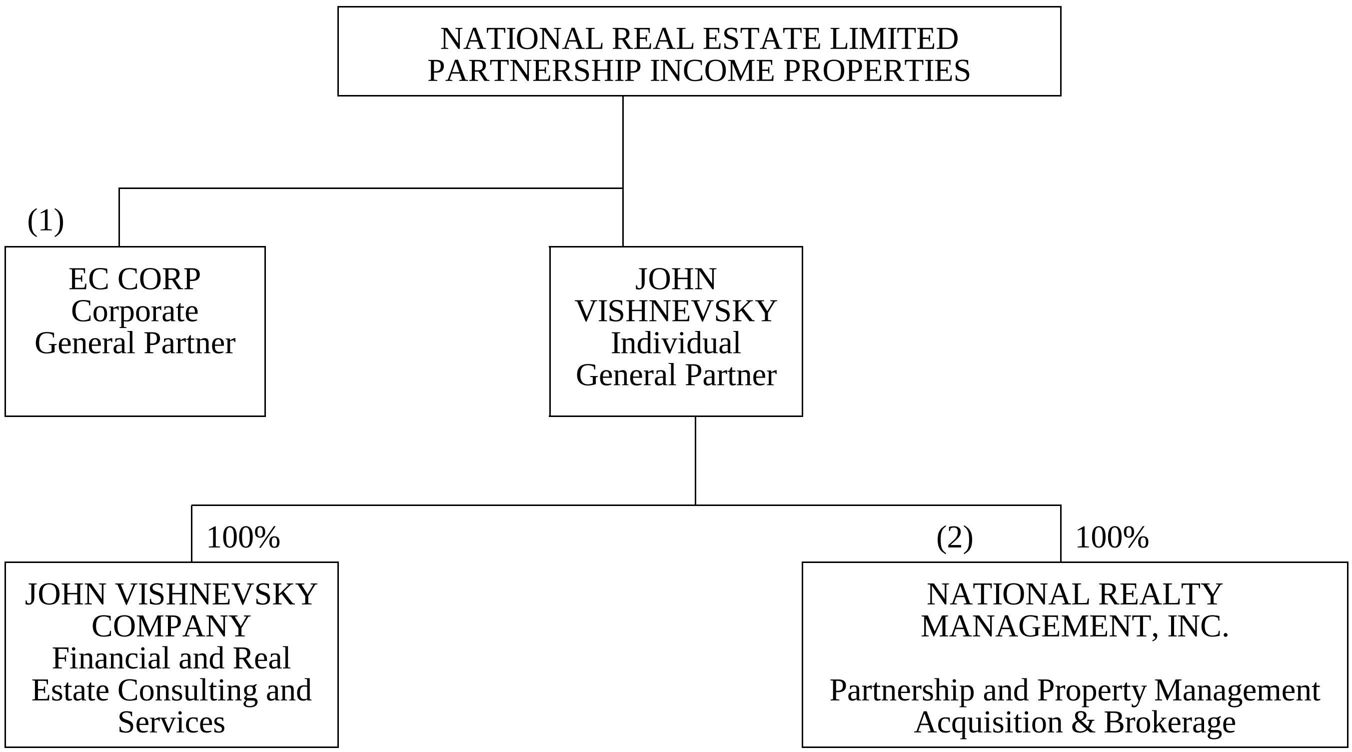
(c) Identification of Certain Significant Persons

The General Partners, in conjunction with their affiliates, believe that they have sufficient personnel to fully discharge their responsibilities to the Partnership. The Partnership employs various individuals to oversee the Partnership affairs and report to the General Partners, but the Partnership relies directly on the General Partners for the management and control of the Partnership's affairs. See Subsection (d), for a description of the business experience of officers, directors, and personnel of the General Partners and affiliates.

There are two other organizations which are or were affiliated with the individual or corporate General Partners whose services are utilized by the Partnership: National Realty Management, Inc. (ANRMI@), which provides property and partnership management, real estate acquisition, and real estate brokerage services, and The John Vishnevsky Company (AJVCO@), which has provided consulting services in the areas of real estate investments, joint ventures, financing, systems, accounting, and internal controls.

RELATIONSHIP OF GENERAL PARTNERS AND THEIR AFFILIATES

The following diagram shows the relationship of the Partnership to various prior or current affiliates:



(1) The outstanding stock of EC Corp. is held by Mr. Stephen P. Kotecki (100%).

(2) Until February 6, 1998, the outstanding stock of NRMI was held by Mr. Edward Carow (51%), Ms. Anastasia Vishnevsky, Mr. John Vishnevsky=s daughter, (25%), and Mr. Jeffrey Wussow (24%). Since February 6, 1998, the outstanding stock is owned 100% by John Vishnevsky.

(d) Business Experience

The experience of the officers and directors of the corporate General Partner and of Mr. Vishnevsky includes the following:

John Vishnevsky Sole shareholder of National Realty Management Inc., is a graduate of Marquette University. For over 40 years he has been involved in real estate related activities such as land development, residential, apartment, and commercial construction, property management, and the structuring of limited partnerships. Mr. Vishnevsky has directed companies that have developed or constructed projects with a current market value of over $100 million. He, or corporate entities he controls, or both, act as general partner for all NRMI limited partnerships. These partnerships have sold in excess of $160 million of limited partnership interests. Mr. Vishnevsky is licensed as a real estate broker. He has lectured frequently and taught courses in real estate at the University of Wisconsin-Milwaukee. He has appeared as a guest on television and radio programs related to real estate investments. Mr. Vishnevsky is author of the following books: *The Art of Financial Independence, The Phantom Yield of Real Estate Investment, The Great Real*

Estate Disaster... The Great Real Estate Opportunity, Getting to Know You, Releasing Your Creativity, Principles, and *Don=t Feed the Crocodiles.*

Stephen P. Kotecki President, Treasurer, and Director of EC Corp., is a General Securities Registered Representative, multi-line licensed insurance agent and entrepreneur. He is the sole stockholder of EC Corp. Mr. Kotecki holds a Bachelor of Science Degree with a major in Political Science from the University of Wisconsin-Whitewater, and a Master of Science Degree in Urban Affairs from the University of Wisconsin-Milwaukee. Mr. Kotecki directed research for the American Federation of State, County and Municipal Employees' District Council in Milwaukee County for over four years. Mr. Kotecki further has experience as a Regional Criminal Justice Planner and as a Housing Evaluation Specialist. As a college instructor, Mr. Kotecki lectured courses in Business and Industrial Relations, Marketing and Investments for over three years.

Thomas P. Rielly Vice President, Secretary, and Director of EC Corp., is a licensed general securities principal and a financial and operations principal. Mr. Rielly has been an active participant in the financial services industry for over 25 years. His diverse financial services experience includes professional assignments in the areas of venture capital, business planning and venture formation, investment banking, asset management and securities placement. Mr. Rielly has been associated wish Mr. Vishnevsky and related companies for over 13 years.

Other personnel of Affiliates of the General Partners who were significantly involved in the Partnership's affairs include the following:

Joan Jenstead Director of Property Operations, has been involved in the management of over ten thousand apartment units in addition to commercial and condominium management nationwide. She is a Certified Property Manager and a licensed Wisconsin real estate broker. Ms. Jenstead attended the University of North Dakota, majoring in Business. In 1984, she was responsible for the recognition of NRMI as an Accredited Management Organization (AMO) by the Institute of Real Estate Management, (IREM). In 1988, she served as President of the local chapter of the Institute of Real Estate Management. She has served as a member of the national faculty of IREM, a past faculty member of the Milwaukee Area Technical College, and a past President of the Board of Directors for the state of Wisconsin Technical College Trustee Association. In 1990, Ms. Jenstead was recognized for her accomplishments in higher education in AProfiles in Success@ published by the National Center for Higher Education. In 1994 she was elected as director on the National Board of the Association of Community College Trustees. In 2000 The Wisconsin Trustee Association recognized Ms. Jenstead's community college service with a Lifetime Membership Award to the National Association.

John Vishnevsky is or was the Individual General Partner of National Real Estate Limited Partnership-II (NRELP-II), National Real Estate Limited Partnership-III (NRELP-III), National Real Estate Limited Partnership-IV (NRELP-IV), National Real Estate Limited Partnership-V (NRELP-V), National Real Estate Limited Partnership-VI (NRELP-VI), National Real Estate Limited Partnership Income Properties (NRELP-IP) and the Partnership among others. NDII is or was a corporate general partner of NRELP-IV, NRELP-V, NRELP-VI, NRELP-IP, and the Partnership, among others. EC Corp. is or was a corporate general partner of NRELP-VI, NRELP-IP and the Partnership, among others.

Section 16(a) Beneficial Ownership Reporting Compliance

To the best of management=s knowledge, there are no violations of this requirement.

Item 10. Executive Compensation

As stated above, the Partnership has no officers or directors. The officers and directors of the Corporate General Partners receive no current or proposed direct remuneration in such capacities, pursuant to any standard arrangement or otherwise, from either the Corporate General Partners or from the Partnership.

Pursuant to the terms of the Limited Partnership Agreement, net profits and losses from operations and Cash Available for Distribution are allocated 95% to the Limited Partners and 5% to the General Partners. For such 5% interest, the General Partners contributed $1,000 to the Partnership. For the fiscal period ended December 31, 2001, this interest resulted in net taxable income to the Individual General Partner of approximately $5,784. There were no cash distributions to the Individual General Partner during 2001.

Upon a Partnership liquidation, the General Partners will be distributed an amount equal to 12% of the remaining sale proceeds after return to the Limited Partners of an amount equal to 100% of their Capital Investment, but not more than an amount equal to 15% of sale proceeds remaining after return to the partners of their Capital Investment and an amount to the Limited Partners equal to 6% simple interest per annum. This distribution to the General Partner is subordinated to cumulative noncompounded distribution of Sale proceeds and Cash Available for Distribution to the Limited Partners equal to 10% per annum on their Capital Investment. An affiliate may also receive real estate commissions of up to 3% of the aggregate selling price of the properties. Upon liquidation of the Partnership, all liquidation proceeds will be distributed to the Partners in proportion to their Net Capital Accounts.

The Partnership is engaged in various transactions with affiliates of the General Partners.

Property management fees are payable currently to the General Partners or affiliates of the General Partners. Fees for property management and rental services are being charged to expense over the period property management services are being performed.

The General Partners are general partners for other limited partnerships which have invested in real estate. The Partnership reimburses affiliates of the General Partner for the actual cost of goods and materials used by or for the Partnership in the course of performing the general functions of the Partnership. These general functions include certain management, accounting and other expenses. National Realty Management, Inc. provides property management, partnership management, accounting, and administrative services that are charged to the Partnership.

The contracts between the Partnership and affiliates, including the February 28, 1992, purchase of the Amberwood Apartments (as described in the Business section of the Partnership's annual report to investors), provide that the compensation, price, or fee must be comparable and competitive with the compensation, price, or fee which would be charged by an unaffiliated person whose services could reasonably be made available to the Partnership. The General Partners believe compensation to affiliates for services to the Partnership was on terms no less favorable to the Partnership than would have been available through arm's-length negotiations for similar services from unrelated parties.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) No person or group is known by the Partnership to own beneficially more than 5% of the outstanding Limited Partnership Interests of the Partnership.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Limited Partnership Interests	John Vishnevsky	8.69 Interests Sole Investment Power	0.04%

(b) By virtue of its organization as a limited partnership, the Partnership has no officers or directors. The General Partners are responsible for management of the Partnership, subject to certain limited democracy rights of the Limited Partners described in the Limited Partnership Agreement. Persons or entities performing functions similar to those of officers and directors of the Partnership who beneficially own in aggregate the following Interests of the Partnership as of December 31, 2001.

(c) There is no arrangement known to the Partnership which may, at a subsequent date, result in a change in control of the Partnership, however, the Partnership has been named as a nominal defendant in certain litigation which will likely limit the authority of the General Partners to sell Partnership property (See Exhibit 13, Legal Proceedings).

Item 12. Certain Relationships and Related Transactions

Neither the General Partners nor their affiliates were indebted to the Partnership during the year ended December 31, 2001.

On February 28, 1992, the Partnership purchased twelve units of Amberwood Apartments from National Real Estate Limited Partnership-VI (ANRELP-VI@). The General Partners of the Partnership were the same General Partners of NRELP-VI and therefore the Partnerships were Aaffiliates@ (as described in the Prospectus). A detailed description of the purchase may be found in the Business section of the annual report to Partners for the year ended December 31, 1992 incorporated herein by reference.

There were no other transactions with management other than the Partnership's transactions with the General Partners and affiliates as described in this report at Items 9, 10, and 11.

Item 13. Exhibits, List, and Reports on Form 8-K

(A) Exhibits

See attached exhibit list which is incorporated by reference.

(B) Reports on Form 8-K for the Quarter ended December 31, 2001

None

(C) Exhibits

3(a) Limited Partnership Agreement. Incorporated by reference from Prospectus previously filed with Registration Statement 33-6337 on Form S-11 effective August 18, 1986.

3(b) Certificate of Limited Partnership. Incorporated by reference from Exhibit 3B of the Registration Statement 33-6337 on Form S-11 effective August 18, 1986.

4 Subscription Agreement Evidencing Ownership of a Partnership Interest. Incorporated by reference from Registration Statement 33-6337 on Form S-11 effective August 18, 1986.

10(a) Consulting Fee Agreement between the Partnership and NDII dated August 18, 1986. Incorporated by reference from the 1986 10-K filed March 30, 1987.

10(b) Acquisition Agreement between the Partnership and NDII dated August 18, 1986. Incorporated by reference from the 1986 10-K filed March 30, 1987.

10(c) Organization Expense Agreement between the Partnership and NDII dated August 18, 1986. Incorporated by reference from the 1986 10-K filed March 30, 1987.

10(d) Contracts for Acquisition of AssetsC

- (1) With respect to Cave Creek Mini-Warehouse, Phoenix, Arizona (Phase I): Incorporated by reference from Exhibit 2-1 to current report on Form 8-K dated March 1, 1987.
- (2) With respect to Cave Creek Mini-Warehouses, Phoenix, Arizona (Phase II): Incorporated by reference from Exhibit 2-1 to current report on Form 8-K dated April 30, 1987.
- (3) With respect to Amberwood Apartments, Holland, Michigan (36 units): Incorporated by reference from Exhibit 2-1 to current reports on Form 8-K dated June 17, 1988, and August 8, 1988.
- (4) With respect to Amberwood Apartments, Holland, Michigan (8 units): Incorporated by reference from Exhibit 2-1 to current reports on Form 8-K dated September 16, 1988.
- (5) With respect to Amberwood Apartments, Holland, Michigan (12 units): Incorporated by reference from Exhibit 2-1 to current report on Form 8-K dated February 28, 1992.

10(e) Escrow Agreement dated August 18, 1986. Incorporated by reference from Exhibit 10 to Registration Statement 33-6337 effective August 18, 1986.

10(f) Management Consulting Delegation of Duties Agreement between the General Partners and NRMI dated May 28, 1991. Incorporated by reference from the 1991 10-K filed March 27, 1992.

10(g) Co-General Partner Agreement dated June 20, 1991, incorporated by reference from Exhibit 5-1 to current report on Form 8-K dated July 26, 1991.

10(h) Property Management Agreement between the Partnership and NRMI dated November 1, 1995. Incorporated by reference herein. (See 12-31-98 Form 10K SB)

10(i) Sublease Agreement between the Partnership and NRMI dated February 1, 1998. Incorporated by reference herein. (See 12-31-98 Form 10K SB)

*13 National Real Estate Limited Partnership Income Properties-II 2001 Annual Report to Partners is included as an exhibit hereto for those portions of such annual report specifically incorporated by reference elsewhere herein.

(D) Financial Statement Schedule

None

* Filed with this report.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL REAL ESTATE LIMITED PARTNERSHIP INCOME PROPERTIES-II
(Registrant)

Dated: March 31, 2002

By: /S/ John Vishnevsky
John Vishnevsky
Individual General Partner

Dated: March 31, 2002

By: /S/ John Vishnevsky
John Vishnevsky
Chief Financial and Accounting Officer
Individual General Partner

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities* and on the dates indicated:

/S/ Stephen P. Kotecki Stephen P. Kotecki	President, Treasurer and Director EC Corp.	March 31, 2002 (dated)
/S/ Thomas Rielly Thomas Rielly	Vice President, Secretary and Director EC Corp.	March 31, 2002 (dated)

* The indicated positions are held in the Corporate General Partner of the Registrant.

SGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL REAL ESTATE LIMITED PARTNERSHIP INCOME PROPERTIES-II
(Registrant)

Dated: March 31, 2002 By: ______________________
John Vishnevsky
Individual General Partner

Dated: March 31, 2002 By: ______________________
John Vishnevsky
Individual General Partner

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities* and on the dates indicated:

Stephen P. Kotecki	President, Treasurer and Director EC Corp.	March 31, 2002 (dated)
Thomas Rielly	Vice President, Secretary and Director EC Corp.	March 31, 2002 (dated)

* The indicated positions are held in the Corporate General Partner of the Registrant.

EXHIBIT 13

NATIONAL REAL ESTATE LIMITED PARTNERSHIP INCOME PROPERTIES-II

<u>Business</u>

The Registrant, National Real Estate Limited Partnership Income Properties-II (the APartnership@), is a limited partnership organized under the Wisconsin Uniform Limited Partnership Act pursuant to a Certificate and an Agreement of Limited Partnership, each dated May 28, 1986. As of December 31, 2001, the Partnership consisted of an Individual General Partner, a Corporate General Partner and 642 Limited Partners owning 20,653.69 limited partnership interests (the AInterests@) acquired at a public offering price of $250 per Interest ($5,163,423 net). On February 2, 1987, the Partnership satisfied its escrow requirements and admitted Limited Partners to the Partnership except for New York investors who were admitted as of April 30, 1987, due to special escrow requirements for those investors. The Interests were sold commencing August 18, 1986, and ending August 31, 1988, pursuant to a Registration Statement on Form S-11 under the Securities Act of 1933 (Registration #33-6337) as amended. The Individual General Partner is John Vishnevsky and the Corporate General Partner is EC Corp., a Wisconsin corporation. National Development and Investment, Inc. (NDII), a former Wisconsin corporation of which Mr. Vishnevsky was the sole shareholder, had been a General Partner of the Partnership from the Partnership's inception, until NDII's dissolution effective October 1, 2001. All management decisions are the responsibility of the General Partners.

The Partnership was organized to engage in the business of investing in, operating, owning, leasing, and improving interests in real estate, including developed as well as undeveloped properties, particularly apartment complexes. The Partnership's principal investment objectives are to invest in real estate properties which will:

1) preserve and protect the Limited Partners' capital investment;

2) provide quarterly distributions of Cash Available for Distribution;

3) provide capital appreciation through increases in the value of the Partnership's real estate assets; and

4) acquire, own, and operate its investment properties with no use of borrowed funds.

The Partnership is in the process of sale and disposition of all of its property holdings, at which time the Partnership will commence liquidating its operations as soon as feasibly possible, depending upon, among other factors, whether the Partnership's investment objectives are met including, potential capital appreciation, cash flow, and federal income tax consequences to its Limited Partners. Liquidation is expected to occur in 2002.

On March 1, 1987, the Partnership acquired its first investment property, a parcel of land containing three of the five buildings of Cave Creek Mini-Warehouse, a self storage mini-warehouse rental complex located in Phoenix, Arizona. The Partnership acquired an additional parcel of Cave Creek on April 30, 1987, that consisted of part of a two-story building. On June 17, 1988, the Partnership purchased a portion of Amberwood Apartments containing 36 apartment units located near Holland, Michigan. The Partnership acquired an additional portion of Amberwood Apartments on September 16, 1988, that consisted of eight apartment units by exercising its option to purchase those units. On February 28, 1992 the Partnership acquired the remaining twelve units of Amberwood Apartments. The properties are more fully described in this report in <u>Properties</u>.

The real estate investment business is highly competitive. The Partnership's properties are in competition for tenants with numerous other alternative sources for storage or housing, including properties owned by the General Partners and their affiliates. The Partnership does not have any plans to acquire additional properties.

The Partnership is not dependent upon a single tenant for its operating success. The Partnership does not foresee any events or market trends which would have a materially adverse affect upon the Partnership's revenues, except for increased competition for tenants, which is discussed more fully at Results of Operations.

During 2001, the Partnership employed one full-time and three part-time on-site personnel in the following capacities: two managers, one rental agent, one cleaning and maintenance person. In addition, due to the centralized nature of the Partnership's accounting and management systems, another 12 employees provided various accounting and management services to this and other partnerships. All on-site and partnership employees are supervised by NRMI under its Management Consulting Delegation of Duties and Property Management Agreements with the Partnership.

The Partnership is engaged solely in the business of investing in and managing real estate. Its business is believed by management to fall entirely within a single industry segment. The business of the Partnership is not seasonal, although the Partnership's properties may experience cyclical fluctuations in occupancy levels in the rental markets where they are located.

The General Partners are general partners for other limited partnerships that have invested in real estate which may be competitive with the Partnership. There may be conflicts of interest between the Partnership and the General Partners at such time as the Partnership attempts to sell its properties or may compete for tenants with the Partnership's investments. If properties are being sold, the General Partners will attempt to give equal exposure to competing properties and will sell solely on the basis of purchaser preference. The General Partners will establish asking prices based upon market conditions. The General Partners will follow a policy of renting first on the basis of the tenants' preference and then on the basis of greatest vacancy. In the hiring of resident building managers, the General Partners will follow a policy of filling the oldest vacancy first.

The Partnership, by virtue of the ownership in real estate, is subject to federal and state laws and regulations covering various environmental issues. The General Partners are not aware of any potential liability related to environmental issues or conditions that would be material to the Partnership.

Properties

The properties in which the Partnership has invested are owned in fee simple, described more fully at Notes to Financial Statements (Note E). Upon the 1992 purchase of twelve units of Amberwood Apartments the property is owned in fee simple, subject to the mortgage. The principal factors which the General Partners believe affect rental rates and occupancy levels include location, ease of access, amenities, and the quality of property management. The Partnership's investment properties are described below:

Cave Creek

Cave Creek Lock-It Lockers Mini-Warehouse (the AComplex@) is located on approximately 1.7 acres at 1201 East Cinnabar Avenue, Phoenix, Arizona. The 728 unit Complex consists of three individual one-story and two individual two-story buildings of which construction was completed in July 1985. When the Partnership purchased Phase II on March 1, 1987, it acquired single-story and two-story buildings located on approximately one acre of land. The Partnership acquired Phase III on April 30, 1987, and it consisted of part of a two-story building. A fee simple title has been acquired for both Phase II and III. In addition to the five warehouse buildings, there is an on-site office/apartment located at the north end of one of the buildings. Security in the Complex is provided by a resident manager and a fenced perimeter with double-gate access to the property. The Partnership has an interest in the remaining portion of the Complex for access and use of the business office facilities. National Real Estate Limited Partnership Income Properties, another partnership of which the General Partners are general partners, owns the other portion.

Cave Creek Lock-It Lockers has an aggregate of 46,283 net rentable square feet. Units may be subdivided as the market demands; therefore, the total unit count fluctuates.

The Partnership acquired approximately 27,255 net rentable square feet in the three buildings it purchased in Phase II and approximately 11,424 net rentable square feet in Phase III. Phase II and III represent approximately 82% of the total net rentable square feet of the Complex.

Amberwood Apartments

On June 17, 1988, the Partnership purchased Amberwood Apartments, together with John Vishnevsky, individually, and National Real Estate Limited Partnership-VI (ANRELP-VI@), a Wisconsin limited partnership affiliated with the General Partners, from a corporation not related to the Partnership. The Partnership's portion as tenants-in-common originally encompassed 36 apartment units that were converted into condominium units.

On September 16, 1988, the Partnership purchased from John Vishnevsky, individually, his portion of Amberwood Apartments, encompassing eight apartment units which during the period of ownership by Mr. Vishnevsky had been converted to two condominium units of four individual apartments each.

The Partnership purchased from NRELP-VI its portion of Amberwood Apartments, encompassing twelve apartment units on February 28, 1992. During NRELP-VI's ownership of the units, they were converted into condominium units.

Amberwood is located on 5.753 acres at 39-152nd Avenue, Holland, Michigan. Construction was completed in early 1988. The complex consists of seven two-story buildings containing 56 apartment units with attached garages. Each unit features a private garage, utility room with washer/dryer hookups, woodburning fireplace, central heating and air conditioning, range, refrigerator, garbage disposal, dishwasher, microwave oven, walk-in closets, and a wood deck. Gas and electric utilities are paid by the tenants.

The apartment mix and asking rents of Amberwood as of December 2001 are as follows:

Description of Unit	Number of Units	Square Feet	Asking Rent Per Month
2 Bdrm/1 Bath	14	915	$650
2 Bdrm/1 Bath	14	923	$650
2 Bdrm/2 Bath	14	1,080	$725
3 Bdrm/2 Bath	14	1,231	$775

Amberwood is in Park Township on the north side of the City of Holland, Michigan. The shores of Lake Michigan and Lake Macatawa are only minutes away. The Project is five minutes from the north side retail area and ten minutes from the Holland business district.

The Phoenix and Holland real estate markets are competitive. For a further discussion of occupancy rates, see Management's Discussion and Analysis of Financial Condition and Results of

Operations contained in this report. Additional real estate projects may be built in these areas, which may compete directly with the Partnership's properties.

The General Partners feel that the Partnership is adequately covered by insurance on the properties.

Legal Proceedings

On May 25, 1999, the general partners, the property management company (NRMI), and other entities and individuals were named as defendants in a lawsuit (the "Vishnevsky Defendants"). The Partnership was not included in the original lawsuit but was later added to the action as a nominal defendant. The plaintiffs sought to have this action certified as a class action lawsuit. In the complaint, the plaintiffs alleged wrongdoing against the Vishnevsky Defendants in connection with two basic areas. First, allegations were made involving various vote solicitations alleged by the plaintiffs to be an effort to perpetuate the Partnerships and avoid liquidation. Second, allegations were made involving the taking and use of Partnership funds and property, including excessive fees and unauthorized expenses. On March 14, 2000, the parties to the litigation with the exception of the defendant Wolf & Company entered into a Stipulation of Settlement.

Based upon the Stipulation, on April 27, 2000, the Circuit Court of Waukesha County held a hearing which certified the case as a class action and approved terms of a settlement. The more significant terms of the Stipulation of Settlement are as follows:

> An independent marketing agent (the “Partnerships’ Representative”) was appointed to market and sell the Partnership investment property. However, no offer to purchase the property will be accepted without first obtaining approval from a majority interest of the limited partners. Final distributions of the net proceeds received from a sale of the Partnership’s investment property will be made in accordance with the terms of the Partnership’s limited partnership agreement and prospectus, and upon providing 20-day notice to the plaintiffs’ attorney. Net proceeds will first be applied to pay plaintiffs' counsel's legal fees, expenses and costs, with interest thereon. At the present time (4-1-02) Amberwood has been sold and closing has occurred. Cave Creek Parcel II and III are under contract to be sold.
>
> Interim distributions to limited partners will continue to be made in accordance with the limited partnership agreement. However, upon final approval of the Settlement, distributions were increased to the extent that sufficient reserves were established to support normal partnership operations and the wind-up of Partnership affairs upon the sale of the investment property. Any such additional distributions were made within 30 days of the final approval of the Settlement.
>
> NRMI and the general partners shall continue to provide management and consulting services to the Partnership until the investment property is sold and assets liquidated and the Partnership entity dissolved. NRMI will also be the listing broker for the sale of the Partnership properties.
>
> The plaintiffs’ claims made against NRMI, the general partners, and other related parties

for excessive charging of expenses to the partnerships, including the Partnership, were to be resolved through binding arbitration. Any such expenses disallowed through arbitration shall be reimbursed to the partnerships.

At the April 27, 2000 hearing, the lawsuit was certified as a non-opt out class action, in which all limited partners of the Partnership are required to be included in the settlement of this litigation. Furthermore, the Court ruled that plaintiffs' counsel's attorney fees would be equal to one-third of the difference between the secondary market value of the Partnership interests and the total funds available for distribution to the limited partners after payment of all Partnership obligations.

On June 20, 2000, the Court entered a judgment based upon its April 27th decision. Thereafter, on July 21, 2000, the Court held a hearing on the plaintiffs' Motion for Enforcement of the Court Approved Settlement and in Support of Sanctions. The outcome of the hearing was that the Court granted sanctions totaling $437,000.00 against the Vishnevsky Defendants and their counsel for delaying the appointment of the Partnerships' Representative and the arbitrators. The Court took under advisement the remaining open issue regarding the secondary market value for computing the plaintiffs' counsel's attorney fees until the arbitration proceedings are completed and the Partnerships’ properties are sold.

On August 2, 2000, the Vishnevsky Defendants filed an appeal from that portion of the judgment determining the method for computing the plaintiffs' counsel's attorney fees. On October 10, 2000 the Vishnevsky Defendants and their counsel filed a second appeal from the order granting the sanctions. A motion to consolidate the two appeals was granted. On October 24, 2001, the Court of Appeals rendered its decision with respect to both appeals. The Court affirmed the lower court ruling respecting the determination of the attorneys fees, but reversed the Order imposing the sanctions for delay in implementing the Settlement Agreement based upon the lower court’s erroneous view of the effective date of the Stipulation of Settlement.

The Arbitration panel was selected. The arbitration was tentatively set for hearing the weeks of February 11, and 18, 2002. On February 11, 2002 the parties settled the arbitration issue (the “Arbitration Settlement”). The Arbitration Settlement provides in part that Mr. Vishnevsky will pay into the Settlement Fund an amount equal to the cash distribution he receives from each Partnership for his general and limited partnership interests together with an amount equal to the amount he receives for the repayment of all loans and deferred management fees due him from the Partnerships minus the sum of $1,300,000.00 to cover Mr. Vishnevsky’s tax liability generated by the sale of the Properties and other expenses. Mr. Vishnevsky will retain the commissions due to NRMI and will receive the return of the sanctions money.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Information contained in this Annual Report on Form 10-KSB contains 'forward-looking statements' within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of forward-looking terminology such as 'may', 'will', 'expect', 'anticipate', 'estimate', or 'continue', or the negative thereof or other variations thereon or comparable terminology. There are a number of important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those contemplated in such forward-looking statements. Such factors, which could adversely affect the Partnership's ability to obtain these results, include, among other things, (i) the volume of transactions and prices for real estate in the real estate markets generally, (ii) a general or regional economic downturn which could create a recession in the real estate markets, (iii) the Partnership's debt level and its ability to make interest and principal payments, (iv) an increase in expenses related to new initiatives, investments in people and technology, and service improvements, (v) the success of the new initiatives and investments, and (vi) other factors described elsewhere in this Annual Report.

Liquidity and Capital Resources

On February 2, 1987, the Partnership attained subscriptions from investors in excess of the minimum offering amounts. All proceeds received in trust and deposited with First Wisconsin Trust Company in Milwaukee, Wisconsin, became available for Partnership purposes (except for subscriptions from New York investors, which became available on April 30, 1987). The Partnership sold Interests in the aggregate amount of $5,163,423. Such proceeds were used to pay offering costs to purchase the properties described in this report in Properties, to pay costs related to purchasing such properties, and to meet capital requirements for operations.

During 2001, the Partnership made cash distributions to its limited partners totaling $144,576. Distributions from 2001 were at a rate that equaled 2.8% on investors' original capital investment. The Partnership's ability to maintain and/or increase distributions during 2002 is dependent upon the results of operations and amounts realized from property sales; therefore, no assurance as to the distribution amount, if any, can be made.

The Partnership has a mortgage note payable with LaSalle Bank FSB. At December 31, 2001, the mortgage payable was $517,003. This loan bears interest at a variable rate of interest (based on five year treasury securities) plus 2.25% adjusted to 2.35% on May 1, 2002 (8.4% at December 31, 2001). Monthly payments of principal and interest are paid based on a twenty-five year amortization schedule, which also adjusts on May 1, 2002. All unpaid principal and interest is due on April 1, 2007. The mortgage loan payable is collaterized by the Amberwood Apartments. Interest paid was $44,410 and $45,761 in 2001 and 2000, respectively.

Results of Operations

During 2001, the Partnership operated two investment properties: Cave Creek Lock-It Lockers and Amberwood Apartments.

Cave Creek Lock-It Lockers' asking rents remained the same as 2000, and as of December 31, 2001ranged from $10 to $165, based on unit size. Average annual occupancy was 88% and 89% in 2001 and 2000 respectively. Marketing efforts are directed primarily through the use of Yellow Pages advertising, which is the main source of traffic. Management uses resident referral coupons for all current tenants, offering a discount if they send us new clients. The managers are marketing the lockers to neighboring businesses and apartment communities, using neighborhood business coupon flyers. The General Partners believe marketing efforts and excellent customer service will continue to help occupancy remain strong.

Amberwood's, average occupancy during the fourth quarter of 2001 was 95% as compared to 99% for the same period in 2000. Year to date occupancy for 2001 was 97% as compared to 99% for the same period in 2000.

Amberwood advertises in the Holland Sentinel, Select Living (apartment guide), and the Yellow Pages, both Ameritech and TDI. Periodic mailings are made to area real estate agents and brokers, and the leasing consultants keep in close contact with the Human Resource Departments of area businesses and industry. Lease expiration dates have been staggered to avoid leases expiring during slower periods. There is a strong emphasis on customer service because in a small community such as Holland word travels fast when you have a nice, well maintained community and satisfied residents. Current residents and real estate brokers can receive a $50 rent credit or referral fee for new rentals. All new residents receive a welcome gift basket and a personalized card from the staff at Amberwood upon move in. The area economy is stabilizing with some companies adding staff while some are laying off or implementing hiring freezes. Extra effort has been given to having the property in A+ condition because of all the new competition.

Net income increased $32,737 from 2000 to 2001 due to, in part, a $49,193 decrease in operating expenses, and a $21,214 decrease in administrative expenses, netted with a $16,084 decrease in rental revenue and a $12,324 decrease in interest income.

The $49,193 decrease in operating expenses is primarily due to a $13,709 sewer and water expense credit received from Park Township for Amberwood Apartments in 2001, a $9,496 decrease in insurance expense from 2000 to 2001, and a $15,520 decrease in other expense from 2000 to 2001.

The $21,214 decrease in administrative expenses is primarily due to a $23,310 decrease in legal fees from 2000 to 2001.

The $16,084 decrease in rental revenue is primarily due to increased vacancies at the Amberwood apartments in 2001 as compared to 2000.

The $12,324 decrease in interest income is primarily due to a reduction in cash on hand due to distributions, and decreased interest rates in 2001 as compared to 2000.

Inflation

The General Partners believe the Partnership's ability to increase rental rates would offset any adverse effects inflation might have on the Partnership's cost of operations. Inflation may also tend to cause capital appreciation of the Partnership's properties over a period of time as rental rates and replacement costs of properties continue to increase. However, the effects of inflation on real estate may be influenced by general or local economic conditions. Future results are subject to uncertainty and the ability of the Partnership to achieve certain results is largely beyond the control of the General Partners and their affiliates.

Independent Auditors' Report

The Partners
National Real Estate Limited Partnership
Income Properties II

We have audited the accompanying statement of net assets in liquidation of National Real Estate Limited Partnership Income Properties II (a Wisconsin limited partnership) as of December 31, 2001, and the related statement of changes in net assets in liquidation as of December 31, 2001, and the statements of income, partners' capital and cash flows for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A to the financial statements, liquidation of Partnership properties is expected during 2002, and the Partnership began liquidation shortly after December 31, 2001. As a result, the Partnership changed its basis of accounting for periods after December 31, 2001, from the going concern basis to the liquidation basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets in liquidation of the Partnership as of December 31, 2001, and the changes in net assets in liquidation as of December 31, 2001, and the results of its operations and its cash flows for the years ended December 31, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America applied on the bases of accounting described in the preceding paragraph.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached balance sheet of the corporate general partner, EC Corp., as of December 31, 2001, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Regulation S-B of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying statement of financial condition as of December 31, 2001, of John Vishnevsky, general partner, is also supplementary information required by Regulation S-B and was not audited by us and, accordingly, we do not express an opinion on it.

KERBER, ECK & BRAECKEL LLP

Springfield, Illinois
February 11, 2002, except for Note D,
as to which the date is April 1, 2002

National Real Estate Limited Partnership
Income Properties II

STATEMENT OF NET ASSETS IN LIQUIDATION
(Liquidation Basis)

December 31, 2001

ASSETS

Investment properties, at estimated liquidation value	
Buildings, improvements and land	$ 4,875,079
Cash and cash equivalents	315,549
Escrow deposits and other assets	20,961
Estimated arbitration settlement receivable	163,778
Total assets	5,375,367

LIABILITIES

Tenant security deposits	26,050
Accrued real estate tax	30,886
Accrued expenses and other liabilities	44,832
Deferred rent	14,332
Mortgage note payable	517,003
Reserve for plaintiff's attorney fees	808,504
Reserve for future liquidation expenses	116,350
Total liabilities	1,557,957
Net assets in liquidation	$ 3,817,410

The accompanying notes are an integral part of this statement.

National Real Estate Limited Partnership
Income Properties II

STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
(Liquidation Basis)

Year ended December 31, 2001

PARTNERS' CAPITAL - DECEMBER 31, 2001, before liquidation basis adjustments	$ 2,521,319
Liquidation basis adjustments	
Adjustment of estimated values	2,057,167
Reserve for plaintiff's attorney fees	(808,504)
Reserve for future liquidation expenses	(116,350)
Estimated arbitration settlement receivable	163,778
NET ASSETS IN LIQUIDATION - DECEMBER 31, 2001	$ 3,817,410

The accompanying notes are an integral part of this statement.

National Real Estate Limited Partnership
Income Properties II

STATEMENTS OF INCOME
(Going Concern Basis)

Year ended December 31

	2001	2000
Operating revenues		
Rentals	$ 717,510	$ 733,594
Other	29,222	30,423
Total operating revenues	746,732	764,017
Operating expenses		
Operating	141,081	190,274
Administrative	146,536	167,750
Building maintenance	54,431	48,933
Depreciation	134,114	134,442
Amortization	11,790	11,791
Property taxes	96,238	92,372
Advertising	11,383	11,006
Total operating expenses	595,573	656,568
Income from operations	151,159	107,449
Other income (expense)		
Interest expense	(44,410)	(45,761)
Interest income	8,931	21,255
Total other expense	(35,479)	(24,506)
Net income	$ 115,680	$ 82,943
Net income attributable to general partners (5%)	$ 5,784	$ 4,147
Net income attributable to limited partners (95%)	109,896	78,796
	$ 115,680	$ 82,943
Net income per limited partnership interest	$ 5.33	$ 3.82

The accompanying notes are an integral part of these statements.

National Real Estate Limited Partnership
Income Properties II

STATEMENTS OF PARTNERS' CAPITAL
(Going Concern Basis)

Years ended December 31, 2001 and 2000

	General Partners	Limited Partners	Total
Balances at January 1, 2000	$ 48,923	$ 2,975,999	$ 3,024,922
Distributions to partners	-	(557,650)	(557,650)
Net income for the year	4,147	78,796	82,943
Balances at December 31, 2000	53,070	2,497,145	2,550,215
Distributions to partners	-	(144,576)	(144,576)
Net income for the year	5,784	109,896	115,680
Balances at December 31, 2001, before liquidation basis adjustments	$ 58,854	$ 2,462,465	$ 2,521,319

The accompanying notes are an integral part of these statements.

National Real Estate Limited Partnership
Income Properties II

STATEMENTS OF CASH FLOWS
(Going Concern Basis)

Year ended December 31

	2001	2000
Cash flows from operating activities		
Net income	$ 115,680	$ 82,943
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	134,114	134,442
Amortization	11,790	11,791
Changes in assets and liabilities		
Escrow deposits and other assets	(42,982)	(47,586)
Tenant security deposits	(1,139)	(802)
Accrued real estate taxes	1,871	(914)
Accrued expenses and other liabilities	14,403	21,701
Deferred rent	(4,069)	2,483
Net cash provided by operating activities	229,668	204,058
Cash flows from financing activities		
Payments on mortgage note	(8,291)	(6,940)
Distributions to partners	(144,576)	(557,650)
Net cash used in financing activities	(152,867)	(564,590)
Net increase (decrease) in cash and cash equivalents	76,801	(360,532)
Cash and cash equivalents at beginning of year	238,748	599,280
Cash and cash equivalents at end of year	$ 315,549	$ 238,748
Cash paid for interest	$ 44,410	$ 45,761

The accompanying notes are an integral part of these statements.

National Real Estate Limited Partnership
Income Properties II

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE A – LIQUIDATION BASIS OF ACCOUNTING

Subsequent to December 31, 2001, on or about February 11, 2002, litigation described in Note D was settled and, consequently, liquidation of Partnership properties is expected in 2002. Accordingly, the Partnership revalued its assets and liabilities to the amounts expected to be collected and paid during the liquidation. The effect of the revaluation is included in the statement of changes in net assets in liquidation as "Liquidation Basis Adjustments." It is not presently determinable whether the amounts realizable from the disposition of the remaining assets or the amounts that creditors will agree to accept in settlement of the obligations due them will differ materially from the amounts shown in the accompanying financial statements. Differences between the revalued amounts and actual cash transactions will be recognized in the year they can be estimated. The gains (or losses) from liquidation will be taxable on distribution.

NOTE B – ADJUSTMENTS OF ESTIMATED VALUES

Effective with the decision to liquidate, the carrying amounts of assets and liabilities were adjusted from their historical bases to the amounts of cash expected from their realization and settlement. Because of the expected short liquidation period, the effects of discounting would not be significant and have been ignored. The initial adjustment increased net assets by $ 1,296,091 from $ 2,521,319 to $ 3,817,410, as follows:

	Historical Basis	Estimated Liquidation Value
Investment properties	$ 2,817,912	$ 4,875,079
Cash and cash equivalents	315,549	315,549
Escrow deposits and other assets	20,961	20,961
Estimated arbitration settlement receivable	-	163,778
Tenant security deposits	(26,050)	(26,050)
Accrued real estate tax	(30,886)	(30,886)
Accrued expenses and other liabilities	(44,832)	(44,832)
Deferred rent	(14,332)	(14,332)
Mortgage note payable	(517,003)	(517,003)
Reserve for plaintiff's attorney fees	-	(808,504)
Reserve for future liquidation expenses	-	(116,350)
	$ 2,521,319	$ 3,817,410

NOTE B – ADJUSTMENTS OF ESTIMATED VALUES – Continued

It is at least reasonably possible that the amounts expected to be realized in the liquidation process will change in the near term.

Estimated liquidation value of the investment property was determined based on the estimated selling price, less commissions and other costs as follows:

Estimated selling price	$ 5,110,096
Less:	
Broker commissions	153,303
Other costs	81,714
Estimated liquidation value of investment property	$ 4,875,079

Estimated arbitration settlement receivable was determined based on the Arbitration Stipulation agreement dated February 11, 2002, which established an arbitration settlement fund to settle lawsuit claims regarding improper takings of partnership assets. Pursuant to the Stipulation, this settlement fund received certain financial assets of John Vishnevsky arising out of his ownership of partnership interests in this and other related partnership entities. The total amount contributed to this fund is to be allocated and distributed to this and the other partnerships participating in the litigation, after deducting a 33% award for litigation fees payable to the plaintiff's legal counsel. The Partnership's allocable portion of this settlement is estimated to be $ 163,778 and is reported as "Arbitration Settlement Receivable" in the statement of net assets in liquidation.

Reserve for plaintiff's attorney fees was determined, as described in Note D, based on one-third of the excess of the liquidation proceeds derived from the sale of the investment property over a floor amount. The amount of this obligation has been estimated to be $ 808,504 and is to be paid to plaintiff's legal counsel when liquidating distributions are made to the limited partners.

Reserve for future liquidation expenses was determined based on the Arbitration Stipulation, which contains a plan of liquidation in which the Partnership shall be dissolved, all outstanding matters be resolved, and final distribution of Partnership assets be accomplished by December 31, 2002. Accordingly, management has established a liquidation reserve to provide for the estimated remaining costs to wind up Partnership affairs, which include the final accounting of financial matters and income tax filings. The amount of this obligation has been estimated to be $ 116,350.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Organization

National Real Estate Limited Partnership Income Properties II (the Partnership) was organized as a limited partnership under the laws of the State of Wisconsin pursuant to a Certificate and an Agreement of Limited Partnership (the Agreement) dated May 28, 1986, for the purpose of investing primarily in commercial and residential real property and began operations in February 1987. The terms of the Agreement provide for the Partnership to be dissolved on or before December 31, 2006. As described in Note A above, liquidation of Partnership properties is expected during 2002.

The Partnership consists of two general partners, John Vishnevsky and EC Corp., and 644 limited partners at December 31, 2001.

2. Cash and Cash Equivalents

The Partnership considers all short-term investments, which have original maturities of three months or less when purchased to be cash equivalents.

3. Investment Properties

Investment properties are stated at estimated liquidation value as of December 31, 2001. During 2001 and 2000, major additions and improvements were capitalized, while items, which do not extend the useful lives of the assets, were expensed currently.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. Investment Properties – Continued

During 2001 and 2000, depreciation and amortization were provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. The estimated useful lives used in determining depreciation were:

Building	27.5 – 40 years
Improvements	7 – 15 years
Equipment	5 years

The Partnership evaluates the investment property periodically for indication of impairment including recurring operating losses and other significant adverse changes in the business climate that affect the recovery of the recorded asset value.

4. Deferred Financing Costs

Deferred financing costs have been amortized using the straight-line method over the term of the agreement. Due to the impending sale of the investment properties, the remaining balance was completely amortized during 2001.

5. Allocations and Distributions

Pursuant to the Agreement, net income and loss from operations (exclusive of those from the sale or disposition of Partnership properties) are to be allocated 95% to the limited partners and 5% to the general partners. Any gains from the sale or disposition of Partnership properties are to be allocated first to the limited partners to eliminate any deficit in their net capital accounts; then to the general partners to eliminate any deficit in their net capital accounts; then to the limited partners in an amount equal to their initial capital investment plus any amount remaining to be paid under their cumulative preference; then to the general partners in an amount equal to the proceeds of such sale distributed to them; and all remaining amounts are to be allocated to the limited partners provided that at least 1% of the gain from sale or disposition is to be allocated to the general partners. Losses from the sale or other disposition of Partnership properties are to be allocated 88% to the limited partners and 12% to the general partners.

Cash available for distribution, as defined in the Agreement, is distributed 95% to the limited partners and 5% to the general partners, except that the general partners' right to participate in such distributions is subordinated to cumulative payments to the limited partners of at least 8.5% of their capital investment on an annualized basis.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

5. Allocations and Distributions – Continued

The stipulation of settlement agreement discussed in Note D required that the Partnership distribute any excess cash reserves within 30 days of the final approval of the settlement. The settlement was approved by the court on April 27, 2000. The amount of the cash distribution made by the Partnership in March 2001 was determined by management to be the Partnership's excess cash reserves at that time for the purposes of complying with this anticipated provision of the settlement agreement. During the years 2001 and 2000, cash distributions were made to the partners totaling $ 144,576 and $ 557,650, respectively.

After the repayment of any general partner loans and subject to the future interest proceeds agreement with an affiliated partnership (see Note G3), proceeds of sale or disposition of Partnership properties are to be distributed as follows: (1) 100% to all partners until they have received an amount equal to their capital investment (first to the limited partners and then to the general partners); (2) then 100% to the limited partners until they have received an amount equal to their cumulative preference of 10% simple interest per annum; (3) then an amount to the general partners equal to 12% of such proceeds remaining after return to all partners of an amount equal to 100% of their capital investment, but not more than an amount equal to 15% of such proceeds remaining after return to all partners of their capital investment and an amount to the limited partners (including prior distributions of cash available for distribution) equal to 6% simple interest per annum, cumulative; and (4) all remaining amounts to the limited partners.

6. Net Income Per Limited Partnership Interest

Net income per limited Partnership interest is based on 95% of net income as allocated to the limited partners divided by the weighted average number of interests outstanding during the year.

7. Advertising

Advertising costs are expensed as incurred.

8. Fees to Affiliates

Property management fees are payable currently to the general partners or affiliates of the general partners. Fees for property management and rental services are being charged to expense over the period property management services are being performed. See Note G for property management fee rates payable to affiliated parties.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Under the liquidation basis of accounting, assets are stated at their estimated net realizable value and liabilities are stated at their anticipated settlement amounts. Estimated net realizable value represents management's best estimate as to liquidation value of the assets, based on gross sales prices or current offers or contracts, net of selling expenses, including consideration for the effect that the settlement of litigation may have on the value of the assets. There can be no assurance, however, that the Partnership will be successful in liquidating its assets at the estimated net realizable values recorded on the statement of net assets in liquidation as of December 31, 2001. Accordingly, actual results could differ from those estimates.

NOTE D – LEGAL PROCEEDINGS

On May 25, 1999, the general partners, the property management company (NRMI), and other entities and individuals were named as defendants in a lawsuit (the "Vishnevsky Defendants"). The plaintiffs sought to have this action certified as a class action lawsuit. In the complaint, the plaintiffs alleged wrongdoing against the Vishnevsky Defendants in connection with two basic areas. First, allegations were made involving various vote solicitations alleged by the plaintiffs to be an effort to perpetuate the Partnerships and avoid liquidation. Second, allegations were made involving the taking and use of Partnership funds and property, including excessive fees and unauthorized expenses.

On March 14, 2000, the parties to the litigation, with the exception of the defendant Wolf & Company, entered into a Stipulation of Settlement ("2000 Settlement"). The 2000 Settlement provided for the appointment of an independent marketing agent (the "Partnerships' Representative") to market and sell the Partnership investment property. However, no offer to purchase the property was to be accepted without first obtaining approval from a majority interest of the limited partners. Final distributions of the net proceeds received from a sale of the Partnership's investment property was to be made in accordance with the terms of the Partnership's limited partnership agreement and prospectus, and upon providing 20-day notice to the plaintiffs' attorney. Net proceeds were first to be applied to pay plaintiffs' counsel's legal fees, expenses and costs, with interest thereon. The actual terms for distribution were finalized in the February 11, 2002 Arbitration Stipulation, described hereinafter.

NOTE D – LEGAL PROCEEDINGS – Continued

Pursuant to the 2000 Settlement, the Partnership and its property continued to be managed by NRMI and the general partners under the existing contracts until such time as the Partnership and its property were liquidated. The Arbitration Stipulation states that the existing employees of NRMI will continue to be compensated based on their current employment arrangements, notwithstanding provisions set forth in the 2000 Settlement.

The 2000 Settlement further provided that any legal expenses incurred in connection with the arbitration process could not be advanced or paid by the Partnership. The following legal expenses could be paid by the Partnership: 1) legal expenses incurred in drafting the 2000 Settlement, or obtaining preliminary or final approval of the 2000 Settlement, 2) legal expenses incurred in the sales process for marketing or selling the investment property, or 3) other legal expenses properly incurred in the business of the Partnership unrelated to this lawsuit or the arbitration process. Certain legal expenses were charged to this partnership in 2001. This matter was resolved in the Arbitration Stipulation signed February 11, 2002. The 2000 Settlement also provided that the plaintiffs' claims made against NRMI, the general partners, and other related parties for excessive charging of expenses to the partnerships, including the Partnership, were to be resolved through binding arbitration. Any such expenses disallowed through arbitration would be reimbursed to the partnerships. This matter was also settled in the Arbitration Stipulation.

As part of the litigation, the plaintiffs' attorneys were also seeking payment of their fees from the assets of the Partnership and the other nominal defendant entities. The plaintiffs' attorneys requested that they be paid 33% of the net proceeds derived from the sale of the property, which exceeded an aggregate secondary market value of all Partnership shares. Net proceeds include an offset of partnership liabilities and selling costs. Independent appraisals of the Partnership's secondary market value were obtained by both the plaintiffs' attorneys and by Partnership management. The court gave preliminary approval to the 33% reimbursement, and the secondary market value amount was agreed upon in the Arbitration Stipulation.

On April 27, 2000, the Circuit Court of Waukesha County held a hearing and certified the lawsuit as a non-opt out class action, in which all limited partners of the Partnership were required to be included in the settlement of this litigation. Furthermore, the Court ruled that plaintiffs' counsel's attorney fees would be equal to one-third of the difference between the secondary market value of the Partnership interest and the total funds available for distribution to the limited partners after payment of all Partnership obligations, as described above.

NOTE D – LEGAL PROCEEDINGS – Continued

On June 20, 2000, the Court entered a judgment based upon its April 27th decision. Thereafter, on July 21, 2000, the Court held a hearing on the plaintiffs' Motion for Enforcement of the Court Approved Settlement and in Support of Sanctions. The outcome of the hearing was that the Court granted sanctions totaling $437,000 against the Vishnevsky Defendants and their counsel for delaying the appointment of the Partnerships' Representative and the arbitrators. The Court took under advisement the remaining open issue regarding the determination of the secondary market value for computing the plaintiffs' counsel's attorney fees until the arbitration proceedings were completed and the Partnerships' properties were sold.

On August 2, 2000, the Vishnevsky Defendants filed an appeal on the portion of the judgment which determined the method for computing the plaintiffs' counsel's attorney fees. On October 10, 2000 the Vishnevsky Defendants and their counsel filed a second appeal from the order granting the sanctions. A motion to consolidate the two appeals was granted. On October 24, 2001, the Court of Appeals rendered its decision with respect to both appeals. The Court affirmed the lower court ruling respecting the determination of the attorneys fees, but reversed the Order imposing the sanctions for delay in implementing the 2000 Settlement agreement based upon the lower court's erroneous view of the effective date of that agreement.

The arbitration panel was selected in 2001. The arbitration was tentatively set for hearing the weeks of February 11, and 18, 2002. On February 11, 2002 the parties settled the arbitration issue (the "Arbitration Stipulation"). The Arbitration Stipulation provides in part that Mr. Vishnevsky will pay into a Settlement Fund an amount equal to the cash distribution he receives from each Partnership for his general and unencumbered limited partnership interests, together with an amount equal to the amount he receives from the repayment of all loans, deferred management fees, and interest due him from the Partnerships minus the sum of $1,300,000 to cover Mr. Vishnevsky's tax liability generated by the sale of the Properties and other expenses. Mr. Vishnevsky will also receive the commissions due to NRMI and the return of the sanctions money. The Arbitration Stipulation also established the secondary market value to be used in the calculation of the plaintiffs' attorney fees to be paid, as described above.

The timing of distributions to limited partners will be largely dependent on the amount of time necessary to resolve all issues. The monetary impact of these matters has been estimated, and is presented in the statement of net assets in liquidation as estimated arbitration settlement receivable, estimated obligation for plaintiffs' attorney fees, and estimated obligation for future liquidation expense. The final outcome of these estimates is not presently determinable, and the resulting changes could be material to the financial statements. Differences between the estimated amounts and actual transactions will be recognized in the year they are realized.

NOTE E – INVESTMENT PROPERTIES

Investment properties consist of the following at December 31, 2001:

Description	Historical Cost Basis Land	Buildings and Improvements	Accumulated Depreciation	Estimated Liquidation Basis
	(in thousands)			
Cave Creek Mini-Warehouses Phoenix, Arizona	$ 405	$ 1,322	$ 653	$ 2,690
Amberwood Apartments Holland, Michigan	112	2,832	1,286	1,424
	$ 517	$ 4,154	$ 1,939	$ 4,114

Description	Date of Construction	Date Acquired
Cave Creek Mini-Warehouses Phoenix, Arizona	1985	In phases in 1987
Amberwood Apartments Holland, Michigan	1988	In phases in 1988 and 1992

The aggregate cost of the investment properties is the same for financial reporting and federal income tax purposes. The accumulated depreciation reported for federal income tax purposes was $ 2,011,604 at December 31, 2001.

Depreciation expense for the years ended December 31, 2001 and 2000, was $ 134,114 and $ 134,442, respectively.

NOTE F – MORTGAGE NOTE PAYABLE

The Partnership has a mortgage note payable with LaSalle Bank FSB. At December 31, 2001, the mortgage payable was $ 517,003. This loan bears interest at a variable rate of interest (based on five year treasury securities) plus 2.25% adjusting to 2.35% on May 1, 2002 (8.40% at December 31, 2001). Monthly payments of principal and interest are paid based on a twenty-five year amortization schedule, which also adjusts on May 1, 2002. All unpaid principal and interest is due on April 1, 2007; however, as described in Note A, liquidation of Partnership properties appears imminent. The mortgage loan payable is collateralized by the Amberwood Apartments. Interest paid was $ 44,410 and $ 45,761 in 2001 and 2000, respectively.

Management of the Partnership has determined that the litigation as described in Note D may have created an event of default under the terms of the Partnership's mortgage loan security agreement. Management had notified the lender of the existence of the litigation at the time the lawsuit was filed. To date the Partnership has not received notification from the lender of any event of default. However, the lender has the right to foreclose on the Partnership property if it determines that an event of default has in fact occurred.

NOTE G – TRANSACTIONS WITH AFFILIATED PARTIES

The general partners are general partners for other limited partnerships which have invested in real estate. The Partnership reimburses affiliates of the general partner for the actual cost of goods and materials used by or for the Partnership in the course of performing the general functions of the Partnership. These general functions include certain management, accounting and other expenses. The Partnership has executed contracts providing for the following fees payable to such entities:

1. National Realty Management, Inc. (NRMI)

National Realty Management, Inc. (NRMI), which is wholly owned by John Vishnevsky, was paid property management fees of $ 39,967 in 2001 and $ 41,191 in 2000. Monthly fees represent 6% of gross receipts from the Cave Creek Mini-Warehouse, and 5% of gross receipts from the Amberwood Apartments.

The Partnership also paid $ 132,305 in 2001 and $ 49,453 in 2000, respectively, for the reimbursement of accounting, administrative and property selling expenses incurred by NRMI on behalf of the Partnership.

NOTE G – TRANSACTIONS WITH AFFILIATED PARTIES – Continued

1. National Realty Management, Inc. (NRMI) - Continued

The Partnership sub-leases a portion of common area office space from NRMI under terms of a lease, which expires on August 31, 2002. During 2001 and 2000, lease payments totaled $ 7,332 and $ 7,379, respectively, which represents the Partnership's pro-rata portion, based on space occupied, of NRMI's monthly rental obligation.

2. National Development and Investment, Inc. (Former General Partner)

The Partnership paid National Development and Investment, Inc. (NDII), which was wholly owned by John Vishnevsky, for the reimbursement of costs and expenses totaling $ 67,468 and $ 140,437 in 2001 and 2000, respectively. Effective September 30, 2001, NDII was dissolved and the remaining administrative expenses for 2001 were paid by NRMI.

3. National Real Estate Limited Partnership VI

In 1992, the Partnership purchased 12 units of Amberwood Apartments from National Real Estate Limited Partnership VI (NRELP VI), an affiliated partnership. The Partnership is contingently liable to pay NRELP VI proceeds from a future sale of Amberwood Apartments as set forth in a Future Interest Proceeds Agreement. Upon the future sale of Amberwood Apartments, NRELP VI is entitled to receive 50% of the net sales price above $ 57,500 per unit (reduced by normal selling costs) until the affiliated Partnership earns a cumulative return of 20% on its investment. After that, NRELP VI will receive 60% of the net sales price above $ 57,500 per unit.

NOTE H – INCOME TAXES

Income taxes on the net earnings for the year are payable personally by the partners and, accordingly, are not reflected in the financial statements.

Differences between the net income as reported herein and the net income reported for federal income tax purposes arise primarily from timing differences related to depreciation and accruals of accounts payable and other expenses. The following is a reconciliation of the net income herein and the net income reported for federal income tax purposes for the years ended December 31:

	2001	2000
Net income as reported in the financial statements	$ 115,680	$ 82,943
Deduct:		
Depreciation	(6,094)	(7,342)
Accrued expenses not deducted for tax purposes:		
Wages	(1,352)	619
Loan costs	8,516	8,515
Severance	(16,090)	16,090
Miscellaneous expenses	(4,266)	5,408
Net income reported for federal income tax purposes	$ 96,394	$ 106,233

NOTE I – FAIR VALUES OF FINANCIAL INSTRUMENTS

1. Cash and Cash Equivalents

The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

2. Debt

The carrying value of the variable-rate, mortgage note payable approximates its fair value.

NOTE J – CONCENTRATION OF CREDIT RISK

The Partnership maintains its cash balances in various financial institutions in Arizona, Michigan, and Wisconsin. These balances are insured by the Federal Deposit Insurance Company up to $ 100,000. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE K – BASIS OF ACCOUNTING

The Partnership records are maintained on the basis of accounting utilized for federal income tax reporting purposes. The accompanying financial statements have been prepared from such records and adjusted to the liquidation basis of accounting for 2001 and the accrual basis of accounting for 2000 in accordance with accounting principles generally accepted in the United States of America (GAAP). The primary adjustments are for differences in the cost and fair market value of investment properties. Certain tax basis amounts are summarized as follows:

	Tax Basis	
	2001	2000
	(In thousands)	
Total assets	$ 3,736	$ 3,767
Partners' capital		
General partners	85	84
Limited partners	3,032	3,080
Net income		
General partners	5	5
Limited partners	92	101

As described in Note D, the Partnership reached a settlement agreement that will ultimately result in the liquidation of the Partnership's net assets. These financial statements are prepared in accordance with the liquidation basis of accounting. The liquidation basis of accounting was used in the preparation of the financial statements since operations are not expected to continue, and liquidation is expected during 2002.

NOTE L – SUBSEQUENT EVENT

On January 23, 2002, the Partnership sold Amberwood Apartments in Holland, Michigan. The total sales price of this property was $ 3,350,000. The total proceeds of the sale were $ 2,635,415.

SUPPLEMENTARY INFORMATION

EC Corp.

BALANCE SHEET

December 31, 2001

ASSETS

Cash and cash equivalents	$	689
Investments in limited partnership		65
	$	754

STOCKHOLDERS' EQUITY

Common stock, 9,000 shares authorized; 100 shares issued and outstanding; $ 1 par value	$	100
Additional paid-in capital		2,495
Accumulated deficit		(1,841)
	$	754

John Vishnevsky

STATEMENT OF FINANCIAL CONDITION

December 31, 2001

ASSETS

Cash and cash equivalents		$ 124,155
Notes receivable		62,076
Investments		
Mutual funds	$ 145,245	
Assigned shares in limited partnerships	821,677	
Corporations	10,407	977,329
Receivables		
Real estate commissions		571,374
Sanctions		516,000
Miscellaneous		23,173
Prepaid income taxes		171,280
Other assets		198,305
		$ 2,643,692

LIABILITIES

Accrued liabilities	$ 524,362
Accrued income taxes	171,280
Assigned shares in limited partnership	821,677
Due to affiliated party	116,000
	1,633,319
Net worth	1,010,373
	$ 2,643,692