

FIRST TRUST FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
Form N-CSR  
August 05, 2005

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-21539  
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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
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(Exact name of registrant as specified in charter)

1001 Warrenville Road  
Suite 300  
LISLE, IL 60532  
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(Address of principal executive offices) (Zip code)

W. Scott Jardine  
First Trust Portfolios L.P.  
1001 Warrenville Road  
Suite 300  
LISLE, IL 60532  
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(Name and address of agent for service)

registrant's telephone number, including area code: 630-241-4141  
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Date of fiscal year end: MAY 31  
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Date of reporting period: MAY 31, 2005  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE  
INCOME FUND II  
ANNUAL REPORT  
FOR THE YEAR ENDED MAY 31, 2005  
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HOW TO READ THIS REPORT

This report contains information that can help you evaluate your investment. It includes details about the First Trust/Four Corners Senior Floating Rate Income Fund II (the "Fund") and presents data and analysis that provide insight into the Fund's performance and investment approach.

By reading the letter from the Fund's President, James A. Bowen, together with the portfolio commentary by Michael P. McAdams and Robert I. Bernstein of Four Corners Capital Management, LLC, the Fund's sub-advisor, you will obtain an understanding of how the market environment affected its performance. The

statistical information that follows can help you understand the Fund's performance compared to that of relevant market benchmarks.

It is important to keep in mind that the opinions expressed by Mr. Bowen, First Trust Advisors L.P. personnel, Mr. McAdams and Mr. Bernstein, are just that: informed opinions. They should not be considered to be promises or advice. The opinions, like the statistics, cover the period through the date on the cover of this report. Of course, the risks of investing in the Fund are spelled out in the prospectus.

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SHAREHOLDER LETTER

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II (FCT)  
ANNUAL REPORT  
MAY 31, 2005

Dear Shareholders:

The market price performance of the First Trust/Four Corners Senior Floating Rate Income Fund II (the "Fund"), as well as its peers, has confounded investors and investment professionals alike over the past year. Based on market price, the Fund's total return was -6.2% for the 12-month period ended May 31, 2005, yet its net asset value ("NAV") total return was 4.4%. In comparison, the benchmark Standard & Poor's/LSTA Leveraged Loan Index return over the same period was 4.4%. The Fund traded at a 5.5% discount to its NAV on May 31, 2005. Its current distribution rate closed out the fiscal year at 6.2%.

In theory, senior loans should garner greater attention from the investing public whenever the U.S. economy is in an expansion mode. Demand tends to pick up even more when short-term interest rates are on the rise. Senior loans are more speculative in nature than investment-grade securities, and as a result investors recognize a more favorable risk/reward tradeoff when short-term rates are rising, not only because of the floating rate component, which can boost income as the loans reset, but because such a trend is usually fueled by strong economic growth. The concern over credit quality also tends to lessen when the economy is expanding at a solid and sustainable pace.

What has many perplexed is the disparity in the performance of the market prices of senior loan closed-end funds, which have declined sharply from their highs posted in the first half of 2004, and the performance of the senior loans themselves, which have traded in a much narrower range. We believe that investor psychology in the closed-end fund marketplace has been influenced significantly by the relationship between short-term interest rates and intermediate-term interest rates. Normally, when short-term interest rates rise to the extent that they have since last June, it is common for intermediate-term rates to follow - at least to some degree. In the current economic expansion, that has simply not been the case. In fact, the yield on the 10-year T-Note actually declined since the Fed began tightening last June. Short-term rates have risen from 1.0% to 3.0%, yet the yield on the 10-year has declined from 4.6% to 4.0% from June 30, 2004, through May 31, 2005. Federal Reserve Chairman Alan Greenspan has come to characterize the flattening of the yield curve as a "conundrum."

Since the inception of the Fund, we have noticed that interest in FCT has picked up markedly whenever the yield on the 10-year T-Note has risen. The problem has been that these rate increases, which occurred in the first half of 2004 and the first quarter of 2005, were not sustained. In both cases the 10-year T-Note subsequently rallied, resulting in the selling of FCT shares.

It is our contention that the demand for shares of FCT is influenced by the slope of the yield curve. In May, the National Association for Business Economics announced that its panel of 50 forecasters sees the yield on the 10-year T-Note rising to 4.9% by the end of 2005. If correct, a move of that magnitude (about 90 basis points) has been more than enough to attract serious buying power in the past.

We continue to appreciate your interest in the Fund and encourage you to read the commentary section from Michael P. McAdams and Robert I. Bernstein, Co-Portfolio Managers.

Sincerely,

/s/ James A. Bowen

James A. Bowen  
President of the First Trust/Four Corners Senior Floating Rate Income Fund II  
July 8, 2005

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A COMMENTARY ON THE FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
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#### OVERVIEW

The First Trust/Four Corners Senior Floating Rate Income Fund ("FCT" or the "Fund") posted a market share price total return of -6.2% for the year ended May 31, 2005 ("Fiscal 2005"). The Fund's NAV total return was 4.4% over the same period. During Fiscal 2005, the Fund declared dividends totaling \$0.905 per share. Based on its most recent dividend, FCT paid a yield of 6.2% based on the Fund's share price, and 5.9% based on the Fund's NAV, as of May 31, 2005.

The following commentary reviews the economic and market environment in which the Fund invests, the Fund's investment strategy, portfolio composition and performance for the year ended May 31, 2005.

#### ECONOMIC AND MARKET ENVIRONMENT

Fiscal 2005 was generally marked by a favorable environment for senior floating-rate corporate loans ("Senior Loans"). The Fund benefited from trends that are favorable to both floating-rate and credit-focused investing. These trends include a growing U.S. economy, rising short-term interest rates, strict credit underwriting standards and low rates of corporate defaults. Gross Domestic Product ("GDP") growth averaged 3.7% during the last four quarters. Short-term interest rates were increased eight times by a total of 2.0% during the Fund's Fiscal 2005. Credit underwriting remains conservative as leverage and interest coverage multiples remain near historically tight levels. Senior Loan default rates are well below long-term moving averages at 1.5% as of the end of Fiscal 2005.

Reflecting strong economic fundamentals, the loan market as a whole recorded strong growth through Fiscal 2005. New Senior Loan issuance rose significantly, from \$159 billion for the calendar year 2003 to \$248 billion for calendar year 2004. Similarly, Senior Loan market liquidity, as measured by trading volume, grew nearly 10% year-over-year. Likewise, demand for Senior Loans was strong during the year. Investors perceived reduced levels of credit risk resulting from an improving economic environment with low levels of defaults and credit

losses, and sought to benefit from the floating-rate nature of Senior Loans.

In rising interest rate environments such as we have seen during the last year, Senior Loans' income typically rises with a several month lag to actual Fed rate increases. However, credit spreads declined during the year, reflecting the strong demand for Senior Loans. This decline in credit spreads offset much of the increase in short-term rates. Notwithstanding the decline in credit spreads, the Fund still increased its dividend during the year and had low NAV volatility.

We remain comfortable that the credit standards of Senior Loans being underwritten today are well above the levels that contributed to the difficult default cycle of 2001-2003, and believe that the risk-adjusted returns of Senior Loans are still very favorable on an absolute basis and when compared with other asset classes.

#### INVESTMENT STRATEGY AND PORTFOLIO COMPOSITION

The investment strategy employed in managing the Fund is designed to be an "all weather" strategy focused on delivering long-term performance through risk minimization. Many managers of Senior Loan-based closed-end funds invest up to 20% or more of their portfolios in high yield bonds in order to boost yields. FCT is a "pure play" strategy that is generally prohibited from investing in high yield bonds, and focuses instead on Senior Loans. In some market environments, the Fund's pure play strategy will result in lower yields/returns than some other Senior Loan-based closed-end funds, but in the long run we believe it should result in lower NAV volatility and higher total NAV returns.

Our investment strategy focuses on thorough fundamental credit analysis, broad issuer and industry diversification, and a proactive sell discipline in order to minimize risk. The Fund's portfolio is generally more heavily weighted towards industry groups that we expect to exhibit lower earnings volatility, and which we expect to provide high recoveries to senior lenders in circumstances where earnings volatility does occur. We also tend to minimize exposure to those industries that are exposed to "crosscurrents" such as changing market demand, unmanageable costs, undue revenue pressures, or other technical factors. For example, the Fund has always had very little exposure to the automotive industry, which has performed poorly based on weak industry fundamentals as evidenced by the recent downgrades of General Motors and Ford debt.

The Fund is broadly diversified with over 160 positions across 39 industries. At May 31, 2005, the five largest individual borrower exposures in total represented 9.8% of the Fund's portfolio. The Fund also has the flexibility to invest up to 10% of the portfolio in Special Situation debt investments, which are typically investments in companies that are either in default or are experiencing financial difficulties. We view our ability to make these investments as opportunistic rather than obligatory, and given the growth and improvement in the economy during the year, we saw few value opportunities in this segment of the portfolio. On May 31, the portfolio included 2 Special Situation investments representing 2.7% of the Fund's portfolio.

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A COMMENTARY ON THE FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE  
INCOME FUND II - (CONTINUED)

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As mentioned in prior reports, the Fund is leveraged using both adjustable-rate Auction Market Preferred Shares and an asset-backed commercial paper conduit.

The terms and conditions of the leverage program provide the Fund with the ability to borrow on a floating-rate basis. Since the income generated by the Fund's Senior Loan investment portfolio is also floating-rate, the Fund is less exposed to interest rate mismatch risk than a closed-end fund with a fixed rate investment portfolio, and investors will generally benefit from portfolio leverage regardless of the direction of short-term interest rates. At May 31, 2005, the portfolio leverage accounted for 37.5% of the Fund's total managed assets.

#### PERFORMANCE REVIEW

For Fiscal 2005, the Fund's total return on an NAV basis was 4.4%. This return was consistent with the benchmark (Standard & Poor's/LSTA Leveraged Loan Index) return of 4.4%. The Fund's performance includes the beneficial impact of leverage, and the negative impact of fees and expenses and uninvested cash balances, which are not part of the benchmark return. As mentioned above, 10 months of dividend distributions totaled approximately \$0.91 per common share in Fiscal 2005. The Fund raised its dividend by approximately 5.0% in January to \$0.0927. Additionally, the Fund's NAV was relatively stable during the year, ranging from a high of \$19.22 to a low of \$18.86, a range of approximately 1.9%.

The Fund's strong performance during the year was influenced by a number of factors. We actively sold investments during the year generating substantial trading gains. We also benefited from favorable sector allocations. In addition to the above-mentioned underweighting of the poor performing Automotive industry, we were overweight in the Building and Development and Business Equipment and Services industries, both of which performed well during the year. Perhaps most importantly, we had no defaults and very limited distressed sales during the year, which helped keep NAV volatility low.

Despite the Fund's strong NAV performance/total return and high dividend yield during Fiscal 2005, the Fund's market price performance was disappointing. During the year, the market price of the Fund closed as high as \$20.20 (July 8, 2004) and as low as \$17.32 (May 25, 2005). On June 1, 2004, the Fund's closing market price on the New York Stock Exchange was \$20.00. The Fund's closing price on May 31, 2005 was \$17.89, for a total return at market price of -6.2% for the year. The Fund closed the year at a 5.5% discount to its NAV.

While we feel strongly that the market price performance of the Fund during the year is not in concert with the prospects for the overall Senior Loan asset class or the Fund, we do note that 16 of the 17 Senior Loan closed-end funds traded at discounts to NAV on May 31, the average of the narrower pure play group being 5.5%. FCT's market and NAV yield on May 31, 2005 (6.2% and 5.9%, respectively) compare favorably to the pure play peer group averages of 6.1% and 5.7%, respectively.

On December 30th, Raymond James initiated coverage of the Fund with a 'Highly Recommended' rating, Raymond James' highest rating. On March 11th, Ryan Beck initiated coverage of the Fund with a 'Market Outperform' rating, Ryan Beck's highest rating. Several other Closed End Fund Analysts publish research on the Fund, but only within their specific firms.

We remain committed to long-term performance and superior client support, and we appreciate the opportunity to assist investors in meeting their investment goals.

#### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of First Trust Advisors L.P. and/or Four Corners Capital Management, LLC and

their respective representatives, taking into account the information currently available to them. Forward-looking statements include all statements that do not relate solely to current or historical fact. For example, forward-looking statements include the use of words such as "anticipate," "estimate," "intend," "expect," "believe," "plan," "may," "should," "would," or other words that convey uncertainty of future events or outcomes.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Fund's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. When evaluating the information included in this Annual Report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of First Trust Advisors L.P. and/or Four Corners Capital Management, LLC and their respective representatives only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO COMPONENTS+  
 MAY 31, 2005

S&P RATING BREAKDOWN

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

B	14.11%
B-	6.60%
B+	24.52%
BB	7.81%
BB-	14.64%
BB+	4.86%
CCC+	0.94%
NR	26.52%

ECONOMIC SECTOR BREAKDOWN

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

Consumer Discretionary	31.86%
Consumer Staples	5.07%
Energy	7.26%
Financials	9.20%
Health Care	9.12%
Industrials	16.76%
Information Technology	4.79%
Materials	6.99%
Telecommunication Services	3.72%
Utilities	5.23%

+ Percentages are based on total investments. Please note that the percentages shown on the Portfolio of Investments are based on net assets.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS  
 MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
SENIOR FLOATING RATE TERM LOAN INTERESTS** - 154.1%				
AEROSPACE & DEFENSE - 3.8%				
AEROSPACE & DEFENSE - 3.8%				
\$ 4,000,000	Hexcel Corp. ....	B2	B+	4.88%-6.75%
3,000,000	Hunter Defense Holdings, Inc. ....	NR(a)	NR(a)	6.13%-6.19%
2,032,936	K&F Industries, Inc. ....	B2	B+	5.59%-5.67%
2,732,484	MRO Acquisition Corp. ....	B1	B+	5.65%
3,323,077	Standard Aero Holdings, Inc. ....	B2	B+	5.34%-5.36%
3,100,000	Vought Aircraft Industries, Inc., (Letter of Credit) ....	Ba3	B+	5.02%
TOTAL AEROSPACE & DEFENSE				
AIR FREIGHT & LOGISTICS - 1.2%				
AIR FREIGHT & LOGISTICS - 1.2%				
5,942,625	United Air Lines, Inc. (f) ....	NR(a)	NR(a)	7.50%
TOTAL AIR FREIGHT & LOGISTICS				
AUTO COMPONENTS - 3.1%				
AUTO PARTS & EQUIPMENT - 3.1%				
6,000,000	Environmental Systems Products Holdings Inc. (c) ....	Caa1	NR(a)	13.09%-13.32%
2,000,000	Metokote Corp. ....	B2	B+	8.00%
6,483,750	TRW Automotive Inc. ....	Ba2	BB+	4.38%
TOTAL AUTO COMPONENTS				
BEVERAGES - 0.2%				
SOFT DRINKS - 0.2%				
1,000,000	Culligan Corp. ....	B1	B+	5.59%
TOTAL BEVERAGES				
BUILDING PRODUCTS - 4.4%				
BUILDING PRODUCTS - 4.4%				
5,000,000	Custom Building Products ....	NR(a)	NR(a)	5.37%
4,500,000	Custom Building Products (c) ....	NR(a)	NR(a)	8.19%
2,420,865	Headwaters Inc. ....	B1	B+	5.40%-7.25%
1,666,667	Headwaters Inc. (c) ....	B3	B-	8.65%
967,500	NCI Building Systems, Inc. ....	Ba2	BB	5.21%-5.42%
4,467,307	PGT Industries, Inc. ....	NR(a)	NR(a)	5.93%
1,000,000	South Edge, LLC ....	NR(a)	NR(a)	4.69%
1,000,000	Stile U.S. Acquisition Corp. ....	B2	BB-	5.14%-5.21%
TOTAL BUILDING PRODUCTS				
CHEMICALS - 2.3%				
DIVERSIFIED CHEMICALS - 2.3%				



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5,000,000	BCP Crystal US Holdings Corp. ....	B1	B+	5.16%
6,000,000	Brenntag Holding GmbH & Company KG .....	B1	BB-	5.88%
TOTAL CHEMICALS				
COMMERCIAL SERVICES & SUPPLIES - 11.6%				
DIVERSIFIED COMMERCIAL SERVICES - 4.6%				
11,000,000	IAP Worldwide Services, Inc. ....	NR	B+	5.94%
4,000,000	IAP Worldwide Services, Inc. (c) .....	NR	B-	8.94%

See Notes to Financial Statements.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
PORTFOLIO OF INVESTMENTS - (CONTINUED)  
MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION o	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
-----				
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
COMMERCIAL SERVICES & SUPPLIES - (CONTINUED)				
DIVERSIFIED COMMERCIAL SERVICES - (CONTINUED)				
\$ 2,944,186	N.E.W. Customer Service Companies, Inc. ....	NR (a)	NR (a)	6.94%-7.06%
2,475,000	United Rentals, Inc. ....	Ba3	BB	5.35%
500,000	United Rentals, Inc., (Letter of Credit) .....	Ba3	BB	5.12%
1,000,000	Western Inventory Service, Ltd. ....	B2	B	6.06%-6.07%
ENVIRONMENTAL SERVICES - 2.6%				
2,949,056	Duratek, Inc. ....	B1	BB-	6.00-6.55%
2,931,818	Envirocare of Utah, LLC .....	NR (a)	NR (a)	6.11%
5,628,801	EnviroSolutions Holdings, Inc. ....	NR (a)	NR (a)	7.62%
142,857	Synagro Technologies, Inc. ....	B2	BB-	7.25%
857,143	Synagro Technologies, Inc. ....	B2	BB-	7.25%
OFFICE SERVICES & SUPPLIES - 4.4%				
3,248,352	Infrasource Inc. ....	Ba3	BB-	5.85%
5,937,242	Monitronics International, Inc. ....	B1	B+	6.84%-6.88%
5,933,333	Pike Electric, Inc. ....	NR (a)	NR (a)	5.38%
4,950,000	Quanta Services Inc. ....	Ba3	BB-	6.04%-6.05%
979,167	TRM Corp. ....	B2	B+	6.97%-7.09%
TOTAL COMMERCIAL SERVICES & SUPPLIES				
CONTAINERS & PACKAGING - 4.4%				
METAL & GLASS CONTAINERS - 1.9%				

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868,000	BWAY Corp. ....	B1	B+	5.38%
1,246,875	International Mill Service Inc. ....	B1	B+	5.61%
4,776,720	Owens-Illinois Group, Inc. ....	B1	BB-	5.87%
2,082,188	Owens-Illinois Group, Inc. ....	B1	BB-	5.87%-5.89%

PAPER PACKAGING - 2.5%				
1,802,668	Boise Cascade, LLC .....	Ba3	BB	4.97%
6,000,000	Graham Packaging Holdings Company (c) .....	B3	CCC+	7.31%
3,990,000	Graham Packaging Holdings Company .....	B2	B	5.50%-5.69%

TOTAL CONTAINERS & PACKAGING

DIVERSIFIED CONSUMER SERVICES - 0.4%				
SPECIALIZED CONSUMER SERVICES - 0.4%				
1,658,644	Coinstar, Inc. ....	Ba3	BB-	5.13%

TOTAL DIVERSIFIED CONSUMER SERVICES

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See Notes to Financial Statements.

FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
PORTFOLIO OF INVESTMENTS - (CONTINUED)  
MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION ○	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
-----				
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
DIVERSIFIED FINANCIAL SERVICES - 1.8%				
SPECIALIZED FINANCE - 1.8%				
\$ 8,855,000	Refco Finance Holdings LLC .....	B1	BB-	5.09%
TOTAL DIVERSIFIED FINANCIAL SERVICES				
DIVERSIFIED TELECOMMUNICATION SERVICES - 1.9%				
INTEGRATED TELECOMMUNICATION SERVICES - 1.9%				
1,000,000	Hawaiian Telecom Communications, Inc. ....	B1	B+	7.25%
6,000,000	NTL Investment Holdings Ltd. ....	B1	BB-	6.41%
2,000,000	Telcordia Technologies, Inc. ....	B1	B+	5.97%-6.07%
TOTAL DIVERSIFIED TELECOMMUNICATION SERVICES				
ELECTRIC UTILITIES - 5.7%				
ELECTRIC UTILITIES - 5.7%				
6,632,149	Allegheny Energy Supply Inc. ....	Ba2	BB-	5.62%-5.95%

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1,000,000	Cogentrix Delaware Holdings, Inc. ....	Ba2	BB+	4.88%
6,519,382	Midwest Generation, LLC ....	Ba3	BB-	5.12%-5.41%
4,488,750	NRG Energy, Inc. ....	Ba3	BB	4.97%-5.26%
3,500,000	NRG Energy, Inc., (Letter of Credit) ....	Ba3	BB	4.97%
2,177,077	Riverside Energy Center, LLC ....	Ba3	B	7.44%
1,546,605	Rocky Mountain Energy Center, LLC ....	Ba3	B	7.44%
169,917	Rocky Mountain Energy Center, LLC, (Letter of Credit) ....	Ba3	B	7.44%
998,231	Texas Genco, LLC ....	Ba2	BB	5.01%-5.09%
TOTAL ELECTRIC UTILITIES				
ELECTRICAL EQUIPMENT - 0.4%				
ELECTRICAL COMPONENTS & EQUIPMENT - 0.4%				
2,000,000	Penn Engineering & Manufacturing Corp. ....	B2	B	5.59%
TOTAL ELECTRICAL EQUIPMENT				
ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.4%				
ELECTRONIC EQUIPMENT MANUFACTURERS - 0.4%				
1,985,000	VeriFone, Inc. ....	B1	B+	5.19%
TOTAL ELECTRONIC EQUIPMENT & INSTRUMENTS				
ENERGY EQUIPMENT & SERVICES - 1.9%				
OIL & GAS EQUIPMENT & SERVICES - 1.9%				
3,000,000	Complete Energy Services, Inc. ....	NR	NR	6.38%-6.69%
5,985,000	Ferrell Companies, Inc. ....	NR	NR	6.54%-8.50%
TOTAL ENERGY EQUIPMENT & SERVICES				
FOOD & STAPLES RETAILING - 1.9%				
DRUG RETAIL - 0.8%				
3,945,063	The Jean Coutu Group (PJC) Inc. ....	B1	BB-	5.50%

See Notes to Financial Statements.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
PORTFOLIO OF INVESTMENTS - (CONTINUED)  
MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
-----				
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
FOOD & STAPLES RETAILING - (CONTINUED)				
FOOD DISTRIBUTORS - 1.1%				
\$ 1,980,000	Golden State Foods Corp. ....	NR(a)	NR(a)	4.94%
3,000,000	Nash Finch Company ....	B1	B+	5.38%

TOTAL FOOD & STAPLES RETAILING

FOOD PRODUCTS - 5.7%				
AGRICULTURAL PRODUCTS - 1.5%				
7,000,000	Dole Food Company, Inc. (c) .....	B3	B	8.00%
PACKAGED FOODS & MEATS - 4.2%				
7,922,226	Keystone Foods Holdings LLC .....	NR(a)	NR(a)	4.88%
8,962,482	OSI Group LLC .....	NR(a)	NR(a)	5.34%
3,000,000	THL Food Products Company (d) .....	B2	B-	6.59%

TOTAL FOOD PRODUCTS

HEALTH CARE EQUIPMENT & SUPPLIES - 1.0%				
HEALTH CARE SUPPLIES - 1.0%				
4,643,942	Advanced Medical Optics, Inc. ....	B1	BB-	5.09%-5.21%

TOTAL HEALTH CARE EQUIPMENT & SUPPLIES

HEALTH CARE PROVIDERS & SERVICES - 8.7%				
HEALTH CARE FACILITIES - 1.0%				
990,000	Lifepoint Hospitals, Inc. ....	Ba3	BB	4.72%
4,000,000	Select Medical Corp. ....	B1	BB-	4.84%-5.04%

HEALTH CARE SERVICES - 5.7%				
4,228,750	Ardent Health Services, Inc. ....	B1	B+	5.35%
5,950,000	CHS/Community Health Systems, Inc. ....	Ba3	BB-	4.85%-5.07%
1,500,000	Sheridan Healthcare, Inc. (c) .....	B2	B-	10.77%
3,846,945	Team Health, Inc. ....	B1	B+	5.85%-5.87%
6,495,643	US Oncology Holdings, Inc. ....	B1	B+	5.51%-6.13%
5,080,100	VWR International, Inc. ....	B2	B+	5.65%

MANAGED HEALTH CARE - 2.0%				
4,461,275	IASIS Healthcare Corp. ....	B1	B+	5.34%-5.37%
2,977,500	Medcath Holdings Corp. ....	B2	B+	5.55%-7.25%
1,990,000	Vanguard Health Systems, Inc. ....	B2	B	6.34%

TOTAL HEALTH CARE PROVIDERS & SERVICES

HOTELS, RESTAURANTS & LEISURE - 7.3%				
CASINOS & GAMING - 4.8%				
5,955,000	Boyd Gaming Corp. ....	Ba2	BB	4.53%-5.13%
4,072,115	Global Cash Access, Inc. ....	B2	B+	5.35%

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS - (CONTINUED)  
 MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION ○	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
HOTELS, RESTAURANTS & LEISURE - (CONTINUED)				
CASINOS & GAMING - (CONTINUED)				
\$ 7,980,000	Marina District Finance Company, Inc. ....	NR	NR	4.84%-5.13%
2,000,000	Penn National Gaming .....	Ba3	BB-	5.59%
984,252	Resorts International Holdings, LLC .....	B2	NR (a)	5.61%
2,000,000	Seminole Tribe of Florida .....	NR (a)	NR (a)	5.38%
HOTELS, RESORTS & CRUISE LINES - 1.5%				
978,782	CNL Hospitality Partners, LP .....	NR (a)	NR (a)	5.59%
6,000,192	OpBiz, LLC .....	B3	B-	6.10%-7.10%
LEISURE FACILITIES - 1.0%				
4,975,000	American Skiing Company .....	NR	NR	7.69-7.99%
TOTAL HOTELS, RESTAURANTS & LEISURE				
HOUSEHOLD DURABLES - 3.8%				
HOME FURNISHINGS - 0.4%				
2,000,000	Associated Materials Inc. ....	B2	B+	5.00%-5.17%
HOMEBUILDING - 2.4%				
11,691,040	Lake at Las Vegas Joint Venture	B1	B+	5.91%-6.16%
HOUSEWARES & SPECIALTIES - 1.0%				
2,365,000	Jostens IH Corp. ....	B1	B+	5.19%
215,783	Prestige Brands, Inc. ....	B1	B	5.18%-7.25%
1,965,038	Prestige Brands, Inc. ....	B1	B	5.38%-7.25%
TOTAL HOUSEHOLD DURABLES				
INDUSTRIAL CONGLOMERATES - 1.5%				
INDUSTRIAL CONGLOMERATES - 1.5%				
2,992,500	Goodman Global Holdings, Inc. ....	B2	B+	5.50%
1,000,000	Rexnord Corp. ....	B1	B+	5.34%-7.00%
2,977,500	Roller Bearing Corp. ....	NR (a)	NR (a)	6.82%-8.50%
TOTAL INDUSTRIAL CONGLOMERATES				
INSURANCE - 1.6%				
LIFE & HEALTH INSURANCE - 1.6%				
7,690,431	Conseco, Inc. ....	B2	BB-	6.60%

TOTAL INSURANCE

IT SERVICES - 5.7%				
DATA PROCESSING & OUTSOURCED SERVICES - 0.6%				
1,000,000	Fidelity National Information Solutions, Inc. ....	Ba3	BB	4.84%
2,000,000	Fidelity National Information Solutions, Inc. ....	Ba3	BB	4.84%

See Notes to Financial Statements.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS - (CONTINUED)  
 MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION o	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
-----				
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
IT SERVICES - (CONTINUED)				
IT CONSULTING & OTHER SERVICES - 5.1%				
\$ 4,149,200	Alion Science and Technology Corp. ....	B1	B+	5.34%-5.64%
1,000,000	CACI International Inc. ....	Ba2	BB	4.46%
9,000,000	DynCorp International LLC ....	B2	B+	6.06%
5,122,783	The Titan Corp. ....	Ba3	BB-	5.59%-7.25%
2,592,593	The Titan Corp., (Revolving Credit) ....	Ba3	BB-	1.00%-7.25%
2,125,000	Wyle Laboratories, Inc. (c) ....	NR(a)	B-	9.71%
TOTAL IT SERVICES				
LEISURE EQUIPMENT & PRODUCTS - 0.8%				
LEISURE PRODUCTS - 0.8%				
4,000,000	Brooklyn Basketball, LLC (d) ....	NR	NR	6.63%
TOTAL LEISURE EQUIPMENT & PRODUCTS				
MACHINERY - 1.7%				
CONSTRUCTION & FARM MACHINERY & HEAVY TRUCKS - 0.4%				
2,007,500	Ashtead Group PLC ....	B1	BB-	5.56%
INDUSTRIAL MACHINERY - 1.3%				
5,883,997	Invensys International Holdings Ltd. ....	Ba3	B+	6.88%
TOTAL MACHINERY				

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MEDIA - 28.2%				
ADVERTISING - 0.4%				
2,199,521	Adams Outdoor Advertising, LP .....	B1	B+	5.15%
BROADCASTING & CABLE TV - 14.6%				
3,970,000	Bragg Communications, Inc. ....	NR(a)	NR	5.82%
17,380,000	Century Cable Holdings, LLC .....	NR	NR	8.00%
13,000,000	Charter Communications			
	Operating, LLC .....	B2	B	6.19%
2,000,000	DIRECTV Holdings LLC .....	Ba1	BB	4.59%
872,724	Mediacom Illinois, LLC,			
	(Revolving Credit) .....	Ba3	BB-	0.63%-4.35%
1,044,445	MMC Georgia LLC,			
	(Revolving Credit) .....	Ba3	BB-	0.50%-4.60%
2,990,006	NEP Supershooters, L.P.	B1	B	6.69%
6,008,886	PanAmSat Corp. ....	B1	BB+	5.31%
2,500,000	Rainbow Media Holdings LLC .....	B1	B+	5.88%-6.13%
4,500,000	Raycom Media, Inc. ....	NR	NR	5.13%
3,000,000	Raycom Media, Inc. ....	NR	NR	4.38%
3,731,250	Salem Communications			
	Holding Corp. ....	B1	B+	5.19%
5,000,000	UPC Distribution Holding B.V. ....	B1	B	5.75%
4,000,000	UPC Distribution Holding B.V. ....	B1	B	6.60%

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See Notes to Financial Statements.

FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS - (CONTINUED)  
 MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION o	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
-----				
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
MEDIA - (CONTINUED)				
MOVIES & ENTERTAINMENT - 5.8%				
\$ 6,893,611	Loews Cineplex Entertainment Corp. ....	B1	B	5.37%-5.46%
7,000,000	Metro-Goldwyn-Mayer Holdings II, Inc. ....	NR(a)	NR(a)	5.38%
3,839,699	Regal Cinemas Corp. ....	Ba3	BB-	4.84%
9,913,227	WGM Acquisition Corp. ....	B1	B+	5.15%-5.52%
PUBLISHING - 7.4%				
5,882,353	CBD Media, LLC .....	B1	B	5.63%
2,139,743	Freedom Communications, Inc. ....	Ba3	BB	4.57%
1,994,975	Media News Group, Inc. ....	Ba3	BB	4.59%
4,000,000	Newspaper Holdings, Inc. ....	NR	NR	5.13%-5.19%
1,985,000	Nexstar Broadcasting, Inc. ....	Ba3	B+	4.87%

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5,846,950	RH Donnelley Inc. ....	Ba3	BB	4.70%-4.88%
7,069,460	Transwestern Publishing Company .....	B1	B+	5.31%-7.00%
6,185,676	Transwestern Publishing Company (c) .....	B3	B-	6.80%-7.60%
TOTAL MEDIA				
METALS & MINING - 3.4%				
ALUMINUM - 1.6%				
7,476,923	Novelis Corp. ....	Ba2	BB-	4.96%
DIVERSIFIED METALS & MINING - 1.2%				
3,000,000	FRC-WPP NRP Investment L.P. ....	NR	NR	6.86%
2,992,500	Murray Energy Corp. and Coal Resources, Inc. ....	B3	NR(a)	6.10%
PRECIOUS METALS & MINERALS - 0.6%				
3,000,000	Carmeuse Lime, Inc. ....	NR	NR	6.75%
TOTAL METALS & MINING				
MULTILINE RETAIL - 1.1%				
GENERAL MERCHANDISE STORES - 1.1%				
5,141,997	Savers, Inc. ....	NR(a)	NR(a)	5.98%-6.59%
TOTAL MULTILINE RETAIL				
MULTI-UTILITIES & UNREGULATED POWER - 2.5%				
MULTI-UTILITIES & UNREGULATED POWER - 2.5%				
1,000,000	KGEN, LLC .....	B2	B	5.64%
12,000,000	KGEN, LLC (c) .....	B3	B-	12.01%
TOTAL MULTI-UTILITIES & UNREGULATED POWER				

See Notes to Financial Statements.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
PORTFOLIO OF INVESTMENTS - (CONTINUED)  
MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION o	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
-----				
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
OIL & GAS - 9.5%				
OIL & GAS EXPLORATION & PRODUCTION - 5.6%				
\$ 6,000,000	ATP Oil and Gas Corp. ....	NR	NR	8.58%-8.76%
8,000,000	Kerr-McGee Corp. ....	Ba3	BB+	5.79%



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4,000,000	Kerr-McGee Corp. ....	Ba3	BB+	5.34%
1,992,778	Mainline L.P. ....	Ba3	NR (a)	5.43%
3,593,371	Plains Resources Inc. ....	B1	BB	5.10%
2,881,731	SemCrude, L.P. ....	Ba3	B	5.35%-6.75%
	OIL & GAS REFINING, MARKETING & TRANSPORTATION - 3.9%			
4,250,000	Alon USA, Inc. ....	B2	B	10.00%
7,982,775	El Paso Corp., (Letter of Credit) ....	B3	B-	5.62%
6,000,000	Hawkeye Renewables, LLC ....	B2	B	6.01%
997,500	Regency Gas Service LLC ....	B1	B+	5.53%-5.85%
	TOTAL OIL & GAS			
	PAPER & FOREST PRODUCTS - 0.8%			
	FOREST PRODUCTS - 0.4%			
1,288,107	Koch Cellulose, LLC ....	B1	BB	5.09%
395,773	Koch Cellulose, LLC, (Letter of Credit) ....	B1	BB	4.58%
	PAPER PRODUCTS - 0.4%			
1,955,051	Solo Cup Company ....	B1	B+	5.09%-5.32%
	TOTAL PAPER & FOREST PRODUCTS			
	PERSONAL PRODUCTS - 0.2%			
	PERSONAL PRODUCTS - 0.2%			
1,000,000	American Safety Razor Company ....	Caal	CCC+	9.38%
	TOTAL PERSONAL PRODUCTS			
	PHARMACEUTICALS - 4.0%			
	PHARMACEUTICALS - 4.0%			
8,337,141	Accredo Health, Inc. ....	Ba2	BB	4.86%
10,602,524	Warner Chilcott Corp. ....	B2	B	5.84%-5.96%
	TOTAL PHARMACEUTICALS			
	REAL ESTATE - 11.0%			
	REAL ESTATE INVESTMENT TRUSTS - 2.7%			
1,000,000	Maguire Properties, Inc. ....	Ba2	BB	4.84%
10,000,000	The Macerich Partnership, L.P. (Bridge) ....	NR	NR (a)	4.89%
2,000,000	The Macerich Partnership, L.P., ....	NR	NR (a)	4.58%

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See Notes to Financial Statements.

FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS - (CONTINUED)  
 MAY 31, 2005

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PRINCIPAL VALUE	DESCRIPTION	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
-----				
SENIOR FLOATING RATE TERM LOAN INTERESTS** - CONTINUED				
REAL ESTATE - (CONTINUED)				
REAL ESTATE MANAGEMENT & DEVELOPMENT - 8.3%				
\$ 1,922,626	CB Richard Ellis Services, Inc. ....	Ba3	B+	4.69%-7.00%
7,978,379	General Growth Properties, Inc. ....	Ba2	BB+	5.34%
2,993,273	General Growth Properties, Inc. ....	Ba2	BB+	5.34%
6,859,790	LNR Property Corp. ....	B2	B+	6.21%
9,000,000	LNR Property Corp., (Mezzanine Debt) (d) (e) .....	NR	NR	7.71%
9,000,000	Palmdale Hills Property, LLC .....	B1	B+	6.09%
2,000,000	Palmdale Hills Property, LLC (c) .....	B2	B-	10.59%
TOTAL REAL ESTATE				
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT - 1.5%				
SEMICONDUCTORS - 1.5%				
3,000,000	Memec Group Holdings Ltd. ....	B1	BB-	5.53%
4,000,000	Memec Group Holdings Ltd. (c) .....	B2	B	11.06%
TOTAL SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT				
SPECIALTY RETAIL - 3.0%				
SPECIALTY STORES - 3.0%				
1,995,000	Dollarama Group L.P. ....	NR(a)	NR(a)	5.44%
9,442,500	Harbor Freight Tools USA, Inc. ....	NR(a)	NR(a)	5.59%-5.77%
3,000,000	TravelCenters of America, Inc. ....	Ba3	BB	4.38%-4.90%
TOTAL SPECIALTY RETAIL				
TRANSPORTATION INFRASTRUCTURE - 1.7%				
MARINE PORTS & SERVICES - 1.7%				
4,932,500	Horizon Lines Holding LLC .....	B2	B+	5.62%
3,500,000	Sirva Worldwide, Inc. ....	Ba3	BB	5.59%-5.62%
TOTAL TRANSPORTATION INFRASTRUCTURE				
WIRELESS TELECOMMUNICATION SERVICES - 4.0%				
WIRELESS TELECOMMUNICATION SERVICES - 4.0%				
3,990,000	AAT Communications Corp. ....	B1	B-	5.77%-5.80%
8,000,000	American Tower, L.P. ....	Ba3	B	4.85%-5.21%
3,000,000	MetroPCS Wireless, Inc. ....	NR	NR	7.69%
4,000,000	Nextel Partners, Inc. ....	Ba3	B+	4.44%
TOTAL WIRELESS TELECOMMUNICATION SERVICES				
TOTAL SENIOR FLOATING RATE TERM LOAN INTERESTS .....				
(Cost \$739,381,209)				
SENIOR FLOATING RATE NOTES - 3.3%				

	CONTAINERS & PACKAGING - 0.1%			
	PAPER PACKAGING - 0.1%			
500,000	Constar International Inc. (g) .....	B2	B	6.64%
	TOTAL CONTAINERS & PACKAGING			

See Notes to Financial Statements.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 PORTFOLIO OF INVESTMENTS - (CONTINUED)  
 MAY 31, 2005

PRINCIPAL VALUE	DESCRIPTION o	BANK LOAN RATINGS+		COUPON
		MOODY'S	S&P	
SENIOR FLOATING RATE NOTES - CONTINUED				
	HOUSEHOLD DURABLES - 0.6%			
	HOMEBUILDING - 0.6			
\$ 3,000,000	Builders Firstsource, Inc. (c) (g) ....	NR(a)	NR(a)	7.52%
	TOTAL HOUSEHOLD DURABLES			
	MEDIA - 1.9%			
	BROADCASTING & CABLE TV - 1.9%			
3,000,000	Intelsat, Ltd. (d) (g) .....	B2	B+	7.79%
6,000,000	Paxson Communications Corp.(g) .....	B1	B	5.89%
	TOTAL MEDIA			
	PHARMACEUTICALS - 0.7%			
	PHARMACEUTICALS - 0.7%			
4,000,000	Elan Finance PLC (d) (g) .....	B3	B	7.27%
	TOTAL PHARMACEUTICALS			
	TOTAL SENIOR FLOATING RATE NOTES .....			
	(Cost \$16,014,491)			
	TOTAL INVESTMENTS - 157.4% .....			
	(Cost \$755,395,700) (b)			
	NET OTHER ASSETS AND LIABILITIES - 2.5% .....			
	LOAN OUTSTANDING - (39.0)% .....			
	PREFERRED SHARES, AT LIQUIDATION VALUE - (20.9)% .....			
	NET ASSETS - 100.0% .....			

- 
- o All percentages shown in the Portfolio of Investments are based on net assets applicable to Common Shares.
  - (a) This Senior Loan interest was privately rated upon issuance. The rating agency does not provide ongoing surveillance on the rating.
  - (b) Aggregate cost for federal income tax purposes is \$756,289,273.
  - (c) This issue is secured by a second lien on the issuer's assets. The second lien security interest is subordinated to other debt holders.
  - (d) This issue is unsecured.
  - (e) This issue's security interest is subordinated to other debt securities.
  - (f) This borrower has filed for protection in a federal bankruptcy court.
  - (g) 144A Securities are those which are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.
- + Ratings below Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Ratings Group are considered to be below investment grade. (Bank loans ratings are unaudited.)
- NR Not Rated
- \* Senior Loans generally are subject to mandatory and/or optional prepayment. Because of the mandatory prepayment conditions and because there may be significant economic incentives for a borrower to prepay, prepayments of Senior Loans may occur. As a result, the actual remaining maturity of Senior Loans may be substantially less than the stated maturities shown. Senior Loans generally have maturities that range from five to eight years; however, the Fund estimates that refinancing and prepayments result in an average maturity of the Senior Loans held in its portfolio to be approximately 18-30 months.
- \*\* Senior Loans in which the Fund invests generally pay interest at rates which are periodically predetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending rate offered by one or more major European banks, such as the London Inter-Bank Offered Rate ("LIBOR"), (ii) the prime rate offered by one or more major United States banks or (iii) the certificate of deposit rate. Senior Loans are generally considered to be restricted in that the Fund ordinarily is contractually obligated to receive approval from the agent bank and/or borrower prior to the disposition of a Senior Loan.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 STATEMENT OF ASSETS AND LIABILITIES  
 MAY 31, 2005

ASSETS:

Investments, at value  
 (Cost \$755,395,700) .....  
 Cash .....  
 Receivable for investment securities sold .....  
 Interest receivable .....  
 Prepaid expenses .....  
  
 Total Assets .....

LIABILITIES:

Outstanding loan payable .....  
 Payable for investment securities purchased .....  
 Interest and fees due on loan payable .....  
 Investment advisory fee payable .....  
 Accumulated unpaid dividends on Auction Market Preferred Shares .....  
 Audit and legal fees payable .....  
 Payable to administrator .....  
 Custodian fee payable .....  
 Trustees' fees payable .....  
 Other liabilities .....  
  
 Total Liabilities .....

AUCTION MARKET PREFERRED SHARES:

(\$0.01 par value, 4,000 shares issued with liquidation preference of \$25,000 per share) .....

NET ASSETS (APPLICABLE TO COMMON SHAREHOLDERS) .....

NET ASSETS INCLUDING AUCTION MARKET PREFERRED SHARES .....

NET ASSETS CONSIST OF:

Undistributed net investment income .....  
 Accumulated net realized loss on investments sold .....  
 Net unrealized depreciation of investments .....  
 Par value .....  
 Paid-in capital .....

Net Assets (Applicable to Common Shareholders) .....

NET ASSET VALUE, applicable to Common Shares outstanding (par value \$0.01 per Common Share) ...

Number of Common Shares outstanding .....

See Notes to Financial Statements.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 STATEMENT OF OPERATIONS  
 FOR THE YEAR ENDED MAY 31, 2005

INVESTMENT INCOME:

Interest .....  
 Other .....  
 Total investment income .....

EXPENSES:

Investment advisory fee .....  
 Interest and fees on outstanding loan payable .....  
 Administration fee .....  
 Audit and legal fees .....  
 Auction Market Preferred Shares commission fees .....  
 Custodian fees .....  
 Printing fees .....  
 Trustees' fees and expenses .....  
 Transfer agent fees .....  
 Other .....  
 Total expenses .....

NET INVESTMENT INCOME .....

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS:

Net realized gain on investments sold during the period .....  
 Net change in unrealized appreciation/(depreciation) of investments during the period .....

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS .....

AUCTION MARKET PREFERRED SHARE DIVIDENDS .....

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....

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See Notes to Financial Statements.

FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED 5/31/20
<hr/>	
OPERATIONS:	
Net investment income/(loss) .....	\$ 23,973
Net realized gain on investments sold during the period .....	807
Net change in unrealized appreciation/(depreciation) of investments during the period .....	(1,120)
Distributions to Preferred Shareholders:	
Dividends paid from net investment income .....	(1,874)
<hr/>	
Net increase/(decrease) in net assets resulting from operations .....	21,785

Distributions to Common Shareholders:

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Dividends paid from net investment income .....	(22,864)
-----	
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS APPLICABLE TO COMMON SHARES ....	(1,078)
-----	
CAPITAL TRANSACTIONS:	
Auction Market Preferred Shares issued .....	100,000
Value of 42,532 shares reinvested .....	809
Net proceeds from sale of 2,225,000 and 23,005,236 Common Shares .....	41,108
-----	
Net increase in net assets .....	140,839
NET ASSETS:	
Beginning of period .....	437,945
-----	
End of period .....	\$ 578,785
=====	
Undistributed net investment income at end of period .....	\$ 781
=====	

\* The Fund commenced operations on May 18, 2004.

See Notes to Financial Statements.

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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2005

Cash flows from operating activities:	
Investment income received .....	\$ 29,
Payment of operating expenses .....	(6,
Proceeds from sales of long-term securities .....	729,
Purchases of long-term securities .....	(1,487,
Net proceeds from short-term investments .....	439,
Interest expense .....	(2,
Distributions paid to Preferred Shareholders .....	(1,
-----	
CASH USED BY OPERATING ACTIVITIES .....	
Cash flows from financing activities:	
Proceeds from shares sold .....	141,
Distributions paid to Common Shareholders .....	(22,
Issuance of loan .....	187,
-----	
CASH PROVIDED BY FINANCING ACTIVITIES .....	
Increase in cash .....	
Cash at beginning of year .....	
Cash at end of year .....	
RECONCILIATION OF NET INCREASE IN NET ASSETS FROM OPERATIONS TO CASH USED BY OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations .....	

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Increase in investments* .....	\$ (212,
Increase in interest and dividends receivable .....	(5,
Increase in other assets .....	
Increase in receivable for investments sold .....	(16,
Decrease in payable for investments purchased .....	(88,
Increase in interest expense payable .....	
Increase in accrued expenses .....	
-----	
CASH USED BY OPERATING ACTIVITIES .....	

\* Includes net change in unrealized depreciation of \$(1,120,791).  
 Non-cash financing activities include dividend reinvestments of \$809,437.

Page 18 See Notes to Financial Statements.

FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
 FINANCIAL HIGHLIGHTS  
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	YEAR ENDED 5/31/20
	-----
Net asset value, beginning of period .....	\$ 1
-----	
INCOME FROM INVESTMENT OPERATIONS:	
Net investment income/(loss) .....	
Net realized and unrealized loss on investments .....	(
Distributions paid to AMP*** Shareholders:	
Dividends paid from net investment income .....	(
-----	
Total from investment operations .....	
Distributions paid to Common Shareholders:	
Dividends paid from net investment income .....	(
-----	
Dilutive impact from the offering of AMP Shares++ .....	(
-----	
Change in accumulated unpaid dividends on AMP Shares .....	(
-----	
Common Share offering costs charged to paid-in capital .....	
-----	
Net asset value, end of period .....	\$ 1
=====	
Market value, end of period .....	\$ 1
=====	
TOTAL RETURN BASED ON NET ASSET VALUE (a)+ .....	4
=====	
TOTAL RETURN BASED ON MARKET VALUE (b)+ .....	(
=====	
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON SHAREHOLDERS:	
Ratio of expenses to average net assets excluding interest expense .....	
Ratio of expenses to average net assets .....	



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Ratio of net investment income/(loss) to average net assets .....  
 Ratio of net investment income/(loss) to average net assets net of AMP dividends (f)

SUPPLEMENTAL DATA:

Portfolio turnover rate ..... 11  
 Net assets, end of period (in 000's) ..... \$ 478

-----  
 Ratio of expenses to total average managed assets excluding interest expense .....  
 Ratio of expenses to total average managed assets .....

SENIOR SECURITIES:

Total AMP Shares outstanding ..... 4  
 Liquidation and market value per AMP Share (c) ..... \$ 25  
 Asset coverage per share (d) ..... \$ 191  
 Loan outstanding (in 000's) ..... \$ 187  
 Asset coverage per \$1,000 of loan outstanding (e) ..... \$ 4

-----  
 \* The Fund commenced operations on May 18, 2004.

\*\* Annualized.

\*\*\* Auction Market Preferred Shares.

# Amount represents less than \$0.01 per Common Share.

(a) Total return based on net asset value is the combination of reinvested dividend income and reinvested capital gains distributions, at prices obtained by the Dividend Reinvestment Plan, if any, and changes in net asset value per share and does not reflect sales load.

(b) Total return based on market value is the combination of reinvested dividend income and reinvested capital gains distributions, at prices obtained by the Dividend Reinvestment Plan, if any, and changes in Common Share price per share, all based on market price per share.

(c) Includes accumulated and unpaid dividends.

(d) Calculated by subtracting the Fund's total liabilities (not including the AMP Shares and loan outstanding) from the Fund's total assets, and dividing this by the number of AMP Shares outstanding.

(e) Calculated by subtracting the Fund's total liabilities (not including the AMP Shares and loan outstanding) from the Fund's total assets, and dividing this by the amount of loan outstanding.

(f) The net investment income ratio reflects income net of operating expenses and payments and changes in unpaid dividends to AMP Shareholders.

+ Total return is not annualized for periods less than one year.

++ The expenses associated with the offering of the AMP Shares had a \$(0.05) impact on the Common Share NAV.

N/A Not applicable.

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NOTES TO FINANCIAL STATEMENTS  
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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
MAY 31, 2005

1. FUND DESCRIPTION

First Trust/Four Corners Senior Floating Rate Income Fund II (the "Fund") is a diversified, closed-end management investment company organized as a Massachusetts business trust on March 25, 2004, and is registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund trades under the ticker symbol FCT on the New York Stock Exchange ("NYSE").

The Fund's primary investment objective is to seek a high level of current income. As a secondary objective, the Fund will attempt to preserve capital. The Fund will pursue these objectives through investment in a portfolio of senior secured floating rate corporate loans ("Senior Loans"). There can be no assurance that the Fund will achieve its investment objectives. Investment in Senior Loans involves credit risk and, during periods of generally declining credit quality, it may be particularly difficult for the Fund to achieve its secondary investment objective. The Fund may not be appropriate for all investors.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

PORTFOLIO VALUATION:

The net asset value ("NAV") of the Common Shares of the Fund is computed based upon the value of the Fund's portfolio and other assets. The NAV is determined as of the close of regular trading on the NYSE, normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. Domestic debt securities and foreign securities are priced using data reflecting the earlier closing of the principal markets for those securities. The Fund calculates NAV per Common Share by subtracting the Fund's liabilities and the liquidation value of any outstanding Preferred Shares from the Fund's Managed Assets and dividing the result by the total number of Common Shares outstanding.

The Fund's investments are valued daily at market value, or in the absence of market value with respect to any portfolio securities, at fair value according to procedures adopted by the Fund's Board of Trustees. A majority of the Fund's assets are valued using market information supplied by third parties. In the event that market quotations are not readily available, the pricing service does not provide a valuation for a particular asset, or the valuations are deemed unreliable, or if events occurring after the close of the principal markets for particular securities (e.g., domestic debt and foreign securities), but before the Fund values its assets, would materially affect NAV, First Trust Advisors L.P. ("First Trust") may use a fair value method to value the Fund's securities and investments. The use of fair value pricing by the Fund is governed by valuation procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the 1940 Act.

The Senior Loans in which the Fund invests are not listed on any securities

exchange or board of trade. Senior Loans are typically bought and sold by institutional investors in individually negotiated private transactions that function in many respects like an over-the-counter secondary market, although typically no formal market-makers exist. This market, while having grown substantially in the past several years, generally has fewer trades and less liquidity than the secondary market for other types of securities. Some Senior Loans have few or no trades, or trade infrequently, and information regarding a specific Senior Loan may not be widely available or may be incomplete. Accordingly, determinations of the market value of Senior Loans may be based on infrequent and dated information. Because there is less reliable, objective data available, elements of judgment may play a greater role in valuation of Senior Loans than for other types of securities. Typically, Senior Loans are valued using information provided by an independent third party pricing service. If the pricing service cannot or does not provide a valuation for a particular Senior Loan or such valuation is deemed unreliable, First Trust may value such Senior Loan at a fair value according to procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the 1940 Act.

Portfolio securities listed on any exchange other than the NASDAQ National Market ("NASDAQ") are valued at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price as determined by NASDAQ. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities. Portfolio securities traded in the over-the-counter market, but excluding securities traded on the NASDAQ, are valued at the closing bid prices. Short-term investments that mature in 60 days or less are valued at amortized cost.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)  
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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
MAY 31, 2005

REPURCHASE AGREEMENTS:

The Fund engages in repurchase agreement transactions. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the Fund's holding period. The value of the collateral is at all times at least equal to the total amount of the repurchase obligation, including interest. In the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is potential loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights. The Fund reviews the value of the collateral and the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate potential risks.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME:

Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Interest income is recorded on the accrual basis. Market premiums and discounts are amortized over the expected life of each respective borrowing.

Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date; interest income on such securities is not accrued until settlement date. The Fund instructs the custodian to segregate assets of the Fund with a current value at least equal to the amount of its when-issued purchase commitments.

UNFUNDED LOAN COMMITMENTS:

The Fund may enter into certain credit agreements, all or a portion of which may be unfunded. The Fund had unfunded loan commitments of approximately \$8,576,160 as of May 31, 2005. The Fund is obligated to fund these loan commitments at the borrower's discretion. Net unrealized depreciation of \$99,732 from these commitments is included in Other liabilities on the Statement of Assets and Liabilities.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS:

The Fund will distribute to holders of its Common Shares monthly dividends of all or a portion of its net income after the payment of interest and dividends in connection with the financing associated with leverage. If the Fund recognizes a long-term capital gain, it will be required to allocate such gain between the Common Shares and Auction Market Preferred Shares ("AMP Shares") issued by the Fund in proportion to the total dividends paid for the year. Distributions will automatically be reinvested into additional Common Shares pursuant to the Fund's Dividend Reinvestment Plan unless cash distributions are elected by the shareholder.

Distributions from income and capital gains are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences and differing characterization of distributions made by the Fund. Permanent differences incurred during the year ended May 31, 2005, resulting in book and tax accounting differences, have been reclassified at year end to reflect an increase in undistributed net investment income by \$1,546,191 and a decrease in accumulated net realized loss on investments sold by \$1,546,191. Net assets were not affected by this reclassification.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)  
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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
MAY 31, 2005

The tax character of distributions paid during fiscal year ended May 31, 2005 and the period ended May 31, 2004 is as follows:

Distributions paid from:

	2005	2004
	-----	-----

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Ordinary Income.....	\$ 24,738,405	\$	--	
Long-term Capital Gains.....	\$	--	\$	--

As of May 31, 2005, the components of distributable earnings on a tax basis are as follows:

Undistributed Ordinary Income .....	\$ 1,499,092
Net Unrealized Depreciation .....	\$ (2,494,455)

## INCOME TAXES:

The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended, and by distributing substantially all of its net investment income and net realized gains to shareholders. Accordingly, no provision has been made for federal or state income taxes.

## EXPENSES:

The Fund will pay all expenses directly related to its operations.

## COMMON SHARE ORGANIZATIONAL AND OFFERING COSTS:

Organization costs consist of costs incurred to establish the Fund and enable it to legally do business. These costs include filing fees, listing fees, legal services pertaining to the organization of the business and audit fees relating to the initial registration and auditing the initial statement of assets and liabilities, among other fees. Offering costs consist of legal fees pertaining to the Fund's shares offered for sale, registration fees, underwriting fees, and printing of the initial prospectus, among other fees. First Trust and Four Corners Capital Management, LLC ("Four Corners") have paid all organizational expenses and all offering costs of the Fund (other than sales load) that exceeded \$0.04 per Common Share. The Fund's estimated share of Common Share offering costs, \$920,000 and \$89,209 in 2004 and 2005, respectively, was recorded as a reduction of the proceeds from the sale of Common Shares.

## 3. INVESTMENT ADVISORY FEE AND OTHER AFFILIATED TRANSACTIONS

First Trust is a limited partnership with one limited partner, Grace Partners of DuPage, L.P., and one general partner, The Charger Corporation. First Trust serves as investment advisor to the Fund pursuant to an Investment Management Agreement. First Trust is responsible for the ongoing monitoring of the Fund's investment portfolio, managing the Fund's business affairs and certain administrative services necessary for the management of the Fund. For these services, First Trust is entitled to a monthly fee calculated at an annual rate of 0.75% of the Fund's Managed Assets, the average daily gross asset value of the Fund minus the sum of the Fund's accrued and unpaid dividends on any outstanding AMP Shares and accrued liabilities.

Four Corners serves as the Fund's sub-adviser and manages the Fund's portfolio subject to First Trust's supervision. Four Corners receives a portfolio management fee of 0.38% of Managed Assets that is paid monthly by First Trust out of the First Trust investment advisory fee.

PFPC Inc. ("PFPC"), an indirect, majority-owned subsidiary of The PNC Financial Services Group Inc., serves as the Fund's Administrator and Transfer Agent in accordance with certain fee arrangements. PFPC Trust Company, an indirect, majority-owned subsidiary of The PNC Financial Services Group Inc., serves as the Fund's Custodian in accordance with certain fee arrangements.

Deutsche Bank Trust Company Americas, a wholly-owned subsidiary of Deutsche Bank AG ("Auction Agent"), serves as the Fund's AMP Share transfer agent, registrar,

dividend disbursing agent and redemption agent.

Effective June 7, 2004, the Trustees of the Fund approved a revised compensation plan. Under the revised plan, the Fund pays each Trustee who is not an officer or employee of First Trust or any of their affiliates an annual retainer of \$10,000 which includes compensation for all regular quarterly board meetings and regular committee meetings. No additional meeting fees are paid in connection with regular quarterly board meetings or regular committee meetings. Additional fees of \$1,000 and \$500 are paid to non-interested Trustees for special board

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)  
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FIRST TRUST/FOUR CORNERS SENIOR FLOATING RATE INCOME FUND II  
MAY 31, 2005

meetings and non-regular committee meetings, respectively. These additional