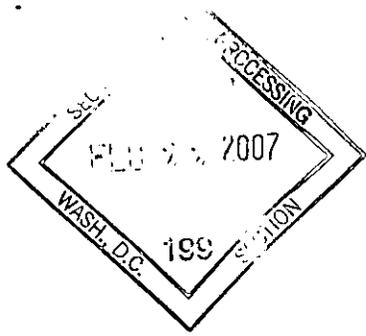


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SECURITIES 07002229 SECTION

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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER
8-52068

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Fallbrook Capital Corporation

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

6700 Fallbrook Avenue Suite 111

West Hills CA 91307
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Brandt Blanken 818 712-6931
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Wade J. Bowden & company, P.C.
(Name - if individual, state last, first, middle name)

3150 Hwy 278, suite 105 Covington GA 30014
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

FOR OFFICIAL USE ONLY
MAR 08 2007
THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(c)(2)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Brandt Blanken, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fallbrook Capital Corporation, as of December 31, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Signature]
Signature
President
Title

[Signature]
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FALLBROOK CAPITAL CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2006 AND INDEPENDENT AUDITORS'
REPORT

Wade J Bowden & Company, P.C.

FALLBROOK CAPITAL CORPORATION

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WADE J BOWDEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
FALLBROOK CAPITAL CORPORATION

We have audited the accompanying statement of financial condition of Fallbrook Capital Corporation as of December 31, 2006 and the related statements of operations, (deficit) retained earnings and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fallbrook Capital Corporation as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit 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.

Wade J. Bowden & Company

Atlanta, Georgia
February 7, 2007

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WBOWDEN@MINDSPRING.COM

FALLBROOK CAPITAL CORPORATION

STATEMENT OF FINANCIAL CONDITION December 31, 2006

ASSET

CURRENT ASSETS:	
Cash	\$ 103,380
Commissions receivable	468,398
Consulting fees receivable	12,500
Due from related party	11,996
TOTAL ASSETS	\$ 596,274

LIABILITY AND STOCKHOLDER'S EQUITY

CURRENT LIABILITY - ACCOUNTS PAYABLE	\$ 35,141
STOCKHOLDER'S EQUITY:	
Capital stock no par value, 100 shares authorized, issued and outstanding	
Additional paid-in capital	17,500
Retained earnings	543,633
Total stockholder's equity	561,133
TOTAL	\$ 596,274

See Independent Auditors' Report and
Notes to Financial Statements.

FALLBROOK CAPITAL CORPORATION

STATEMENTS OF OPERATIONS AND (DEFICIT) RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUE:	
Commissions	\$ 750,180
Consulting	76,500
Interest	497
Total revenue	<u>827,177</u>
EXPENSES:	
Commissions, salaries and benefits	135,961
Legal and professional fees	92,576
Taxes, licenses and permits	48,794
Occupancy and administrative	1,606
Total expenses	<u>278,937</u>
NET INCOME	<u>548,240</u>
DEFICIT, JANUARY 1	(4,607)
RETAINED EARNINGS, DECEMBER 31	<u>\$ 543,633</u>

See Independent Auditors' Report and
Notes to Financial Statements.

FALLBROOK CAPITAL CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATING ACTIVITIES:		
Net income	\$	548,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in commissions receivable		(468,398)
Increase in consulting fees payable		(12,500)
Increase in due from related party		(11,996)
Increase in accounts payable		34,584
NET INCREASE IN CASH		89,930
CASH AT BEGINNING OF YEAR		13,450
CASH AT END OF YEAR	\$	103,380

See Independent Auditors' Report and
Notes to Financial Statements.

FALLBROOK CAPITAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Fallbrook Capital Corporation (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). The Company was formed as a Florida corporation on August 10, 1999.

Basis of Presentation

The Company's main office is located in West Hills, CA, and has three registered persons. The Company's main source of revenue is from commissions generated, on a best-efforts basis, from the sale of private placements of direct participation programs of tax incentive investments to corporate and institutional investors. Consulting fees are generated from one client for the oversight and management of a portfolio of low income housing tax credits.

Income Taxes

The Company, with the consent of its stockholder, has elected to be taxed as an S corporation under Subchapter S of the Internal Revenue Code that provides, in lieu of corporate income taxes, the stockholder separately accounts for his share of the Company's items of income, deductions, losses and credits. Therefore, these financial statements do not include any provision for corporate income taxes.

Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company defines cash equivalents as highly liquid investments with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

Revenue Recognition

The Company recognizes revenue when fees are billed to clients for services rendered, and has determined the fees to be collectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Computation of Customer Reserve

The Company is exempt from customer reserve requirements and providing information relating to possession or control of securities pursuant to Rule 15c3-3 of the Securities and Exchange Act of 1934. The Company meets the exemptive provisions of Paragraph (k)(2)(i).

2. COMMISSIONS RECEIVABLE

In December, 2006, the Company entered into a placement agency agreement (Agreement) with GSP Investments 1, LLC. The agreement was for the Company to complete the 2006 private placement offering for GSP. The terms of the agreement called for a 1% commission from prior investors, and a 3% commission for new investors. The total amount raised was \$16,869,357 which resulted in a commission receivable of \$468,398 as of December 31, 2006.

3. CONSULTING FEE RECEIVABLE

The Company was engaged by a customer, Wentwood Capital Advisors, Inc. to provide advisory and consulting services related to Wentwood's portfolio of low income housing tax credit properties. The Company received \$76,500 for services rendered for the year ended December 31, 2006.

The amount receivable as of December 31, 2006 was \$12,500.

2. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2006, the Company had net capital of \$68,239, which was \$63,239 in excess of its required net capital of \$5,000. The Company's required net capital of \$5,000. The Company's percentage of aggregate indebtedness to net capital was 51%.

3. RELATED PARTY TRANSACTIONS

During 2006, the Company paid its sole shareholder \$99,461 reflected on the statement of operations as compensation and benefits. The Company paid \$11,996 in legal fees on behalf of a company under common control which is reflected on the statement of financial condition as due from related party.

FALLBROOK CAPITAL CORPORATION

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AS OF DECEMBER 31, 2006

	SCHEDULE 1
TOTAL STOCKHOLDERS' EQUITY QUALIFIED FOR NET CAPITAL	\$ 561,133
DEDUCTIONS AND/OR CHARGES:	
Nonallowable assets:	
Commissions receivable	(468,398)
Consulting fees receivable	(12,500)
Receivable from related party	(11,996)
NET CAPITAL	68,239
AGGREGATE INDEBTEDNESS:	
Accounts payable and accrued liabilities	35,141
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT -	
Minimum dollar net capital requirement	5,000
Excess net capital	63,239
Excess net capital at 1,000 percent	64,723
Percentage of aggregate indebtedness to net capital	51%

There are no audit adjustments and no differences between the FOCUS report filed for the period ending December 31, 2006 and the computation above.

See Independent Auditors' Report

WADE J BOWDEN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT ON INTERNAL CONTROL

**REQUIRED BY
SECURITIES EXCHANGE COMMISSION (SEC) RULE 17A-5
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM
(SEC) RULE 15C3-3**

To the Board of Directors
FALLBROOK CAPITAL CORPORATION

In planning and performing our audit of the financial statements and supplementary schedule of Fallbrook Capital Corporation (the "Company"), as of and for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

See Independent Auditors' Report and
Notes to Financial Statements.

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Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities that we consider to be material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be used by anyone other than these specified parties.

Wade J. Boudew & Company

Atlanta, Georgia
February 7, 2007

See Independent Auditors' Report and
Notes to Financial Statements.

END