

BB 5/2

RECEIVED
APR 26 2007
SECTION



SECURITIES

07006211

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

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

SEC FILE NUMBER
8- 35960

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 10/01/05 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: NNN Capital Corp.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
4 Hutton Centre Drive, Suite 700

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street) Santa Ana CA 92707
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Kevin K. Hull (714) 667-8252
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Pannell Kerr Forster

(Name - if individual, state last, first, middle name)

2020 Camino del Rio North, Suite 500 San Diego, CA 92108
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
MAY 04 2007
THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*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(e)(2)

Handwritten initials/signature

OATH OR AFFIRMATION

I, Kevin K. Hull, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NNN Capital Corp., as of December 31, 2006, 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:

N/A

[Signature]
Signature

President & CEO
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).

NNN CAPITAL CORP.
ANNUAL FILING IN ACCORDANCE
WITH RULE 17a-5
DECEMBER 31, 2006

PKF

NNN CAPITAL CORP.
DECEMBER 31, 2006
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF FINANCIAL CONDITION.....	1
FINANCIAL STATEMENT	
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3 - 7
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL	8 - 13



Certified Public Accountants
A Professional Corporation

2020 Camino del Rio North
Suite 500
San Diego, CA 92108

Telephone (619) 238.1040
Telefax (619) 237.5177
www.pkfsandiego.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
NNN Capital Corp.
Santa Ana, California

We have audited the accompanying statement of financial condition of NNN Capital Corp. (the "Company") as of December 31, 2006. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of NNN Capital Corp. as of December 31, 2006, 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 statement of financial condition taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic statement of financial condition, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. The information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the statement of financial condition and, in our opinion, is fairly stated in all material respects in relation to the statement of financial condition taken as a whole.

San Diego, California
February 27, 2007

PKF
Certified Public Accountants
A Professional Corporation

NNN CAPITAL CORP.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2006

ASSETS

Cash and cash equivalents	\$ 2,396,335
Receivables:	
Commission and due diligence receivable from affiliated entities	456,742
Other receivables	<u>556,099</u>
Total receivables	<u>1,012,841</u>
Prepaid expenses	372,999
Other current assets	250
Deferred tax assets (Note 7)	34,000
Goodwill (Note 6)	14,474,181
Property and equipment, net (Note 5)	<u>103,412</u>
Total assets	<u><u>\$ 18,394,018</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Accounts payable and accrued liabilities (Note 4)	\$ 1,172,178
Payable to broker dealers	1,231,104
Due to related party	<u>344</u>
Total liabilities	<u>2,403,626</u>
Commitments and Contingencies (Note 4)	
Stockholder's equity	
Common stock, no par value - 2,500 shares authorized; 1,000 shares issued and outstanding	-
Additional paid in capital	15,900,000
Retained earnings	<u>90,392</u>
Total stockholder's equity	<u>15,990,392</u>
Total liabilities and stockholder's equity	<u><u>\$ 18,394,018</u></u>

The accompanying notes are an integral part of the financial statement

NNN CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - ORGANIZATION

Organization and Business

NNN Capital Corp. (the "Company") was incorporated on March 10, 1986 in the state of California and is engaged in business as a broker-dealer, registered with the Securities and Exchange Commission ("SEC"), and is a member of the National Association of Securities Dealers ("NASD"). The Company's activity consists primarily of acting as the managing broker-dealer for sales of real estate securities sponsored by Triple Net Properties, LLC ("Triple Net") or its affiliates, which are affiliated with the Company through common ownership and management.

NOTE 2 - ACCOUNTING POLICIES

Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, certificates of deposit and money market funds purchased with an original maturity of three months or less to be cash equivalents.

The Company maintains its primary checking account and a money market account at one financial institution located in California. The accounts at this bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. At December 31, 2006, the Company's uninsured cash balances totaled \$2,196,335. The Company has not experienced any losses in such accounts and management believes it places its cash on deposit with financial institutions which are financially stable.

Recognition of Revenue

Commissions and marketing and due diligence fees are recognized as income during the period when the related services are rendered. Revenue and expenses related to affiliated securities transactions are recorded on a trade-date basis.

Financial Instruments

The carrying amount of commission and due diligence receivable from affiliated entities, other receivables, accounts payable and accrued liabilities payable to broker dealers, and due to related party approximates fair value because of the short maturity of these financial instruments.

NNN CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accompanying financial statements have been prepared in accordance U.S. GAAP and in the format prescribed by Rule 17a-5 under the Securities Exchange Act of 1934 for brokers and dealers in securities.

Common Control

Because the Company and certain related parties are under common ownership or management control, reported operating results and/or financial position of the Company could significantly differ from what would have been obtained if such entities were not under common control.

Allowance for Uncollectible Receivables

The Company believes that all receivables from affiliated entities and commissions receivable will be collected by the Company; accordingly, the accompanying financial statements do not include an allowance for uncollectible accounts.

Correction of Error

Subsequent to the issuance of the December 31, 2006 financial statements the Company determined an error in the recording of the goodwill and stockholders' equity balances. The previously presented goodwill and accumulated deficit balances of \$13,915,230 and \$468,559, respectively were in error. Correction of this error resulted in an increase of the goodwill and retained earnings balances of \$558,951.

NOTE 3 - TRANSACTIONS WITH RELATED PARTY

Commission, Marketing and Due Diligence Fee Revenues

Commissions, due diligence and marketing fee revenues were generated from sales of securities sponsored by Triple Net and NNN Realty Advisors, Inc. Receivables related to commission and due diligence fees due from affiliated parties totaled \$456,742 as of December 31, 2006.

Administrative Expenses

Payroll, postage, supplies and other administrative expenses are charged to the Company by Triple Net. As of December 31, 2006, amounts payable to Triple Net totaled \$344.

Other Receivables

Included in other receivables are amounts due from Triple Net for reimbursement of certain expenses paid by the Company on behalf of Triple Net. As of December 31, 2006, the total receivable from Triple Net is \$112,192.

NNN CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4 – COMMITMENTS AND CONTINGENCIES

On September 16, 2004, Triple Net, learned that the SEC is conducting an investigation referred to as "In the matter of Triple Net Properties, LLC." The SEC has requested information from Triple Net relating to disclosure in public and private securities offerings sponsored by Triple Net and its affiliates, or the Triple Net securities offerings. The SEC also has requested information from NNN Capital Corp., the dealer-manager for the Triple Net securities offerings. The SEC has requested financial and other information regarding the Triple Net securities offerings and the disclosures included in the related offering documents from each of Triple Net Properties and NNN Capital Corp.

Triple Net and NNN Capital Corp. are engaged in settlement negotiations with the SEC staff regarding the SEC investigation. Based on these negotiations, NNN Capital Corp. believes that the conclusion to this matter will not result in a material adverse affect to its results of operations, financial condition or ability to conduct business including the offering of investor programs. The settlement negotiations are continuing, and any settlement negotiated with the SEC staff must be approved by the Commission. The matter, however, is not concluded and therefore is subject to the risk that the SEC may seek additional remedies, including substantial fines and injunctive relief that, if obtained, could materially adversely affect NNN Capital Corp.'s ability to conduct its program offerings. Additionally, any resolution of this matter that reflects negatively on NNN Capital Corp.'s reputation could materially and adversely affect the willingness of its existing programs to continue to use our management services and of potential investors to invest in its future programs.

Although NNN Capital Corp. cannot assess the outcome of the SEC investigation at this time, the Company has accrued a loss contingency of \$300,000 as of December 31, 2006.

The Company shares its office space with Triple Net through a month-to-month agreement. This agreement (the "Agreement") stipulates the Company will pay Triple Net \$6,000 per month for office space and \$5,000 per month for overhead expenses specified in the Agreement.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation. The Company generally capitalizes all property and equipment expenditures that are greater than \$3,000. Ordinary maintenance and repair costs are expensed as incurred. Depreciation of property and equipment is computed over estimated useful lives of five to seven years using an accelerated depreciation method.

As of December 31, 2006, property and equipment consisted of the following:

Paintings	\$ 89,085
Vehicles	62,765
Accumulated Depreciation	<u>(48,438)</u>
Net property and equipment	<u><u>\$ 103,412</u></u>

NNN CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 6 - GOODWILL

The goodwill recorded on the balance sheet is the result of push down accounting in conjunction with the acquisition of NNN Capital Corp. by NNN Reality Advisors, Inc. In December 2006, NNN Reality Advisors, Inc. issued 1,323,500 shares of common stock to the former shareholders of NNN Capital Corp. and paid cash of \$2,665,000 in exchange for all of the outstanding stock of NNN Capital Corp., which resulted in goodwill of \$14,474,181.

Management has evaluated the carrying value of the goodwill and determined there are no indicators of impairment at December 31, 2006.

NOTE 7 - INCOME TAXES

The Company accounts for its income taxes under SFAS 109 which uses an asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The principal temporary differences in the recognition of income and expense for tax and financial reporting purposes arise from the use of accelerated cost recovery for tax purposes.

Significant components of the Company's deferred tax assets for federal and state income taxes are as follows:

Deferred tax asset:	
California income tax	\$ 34,000
Total deferred tax asset	<u>\$ 34,000</u>

No valuation allowance has been provided on deferred tax assets at December 31, 2006 as the Company believes it is more likely than not that all such deferred tax assets will be realized. The Company reached this conclusion after considering taxable income in prior years and the likelihood of future taxable income exclusive of reversing temporary differences. Differences between forecasted and actual future operating results could adversely impact the Company's ability to realize deferred tax assets. The Company intends to evaluate the realizability of deferred tax assets annually by assessing the need for a valuation allowance.

NOTE 8 - STOCKHOLDERS' EQUITY

During 2006 the sole shareholder of the Company granted 50% of the outstanding common stock to two officers of the Company. The shares were valued at \$1,306,151 at the time of grant.

NNN CAPITAL CORP.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 9 - NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to the SEC's Uniform Net Capital Rule (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.

At December 31, 2006, the Company had net capital of \$432,041, which was \$271,791 in excess of its required net capital of \$160,250. The Company's ratio of aggregate indebtedness to net capital was 5.56 to 1 at December 31, 2006.

NOTE 10 - RESERVE REQUIREMENTS FOR BROKERS OR DEALERS

The Company is exempt from the provisions of Rule 15c3-3 (pursuant to paragraph (k)(2)(i) of such Rule) under the Securities Exchange Act of 1934 as an broker or dealer who carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with the Company's activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates financial transactions between the broker or dealer and the Company's customers through a bank account designated as a special account for the benefit of customers. Operating under such exemption, the company is not required to prepare a determination of reserve requirements for brokers or dealers.

SUPPLEMENTARY INFORMATION

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

Total stockholder's equity	<u>\$ 15,990,392</u>
Net worth	15,990,392
Deductions:	
Nonallowable assets:	
Prepaid expenses	372,999
Fixed assets, net	103,412
Other receivable	556,099
Goodwill	14,474,181
Commission and due diligence receivable from affiliated entities	17,410
Other current assets	250
Deferred tax assets	<u>34,000</u>
Total deductions	<u>15,558,351</u>
Net capital	<u><u>\$ 432,041</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

Minimum net capital required (The greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>\$ 160,250</u>
Net capital in excess of amount required	<u>\$ 271,791</u>
Total aggregate indebtedness	<u>\$ 2,403,626</u>
Ratio of aggregate indebtedness to net capital	<u>5.56 to 1</u>

NNN CAPITAL CORP.
RECONCILIATION OF THE COMPUTATION OF
AGGREGATE INDEBTEDNESS AND NET CAPITAL WITH THAT
OF THE COMPANY UNDER PART II OF FORM X-17A-5

AGGREGATE INDEBTEDNESS

Aggregate indebtedness as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 2,060,413
Audit reclassification	344
Accrual of loss contingency	300,000
Accrual of broker dealer commissions	<u>42,869</u>
Aggregate indebtedness, as adjusted	<u>\$ 2,403,626</u>

NET CAPITAL

Net capital, as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 774,910
Accrual of loss contingency	(300,000)
Accrual of broker dealer commissions	<u>(42,869)</u>
Net capital, as adjusted	<u>\$ 432,041</u>

NNN CAPITAL CORP.
COMPUTATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2006

The Company does not carry customer accounts; therefore, they are not required to compute reserve requirements in Part II of Form X-17A-5, under the (k)(2)(i) exemption provision.

NNN CAPITAL CORP.
INFORMATION RELATING TO POSSESSION
OR CONTROL REQUIREMENTS UNDER RULE 15c3-3
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2006

The Company is exempt from Rule 15c3-3 as it relates to Possession and Control requirements under the (k)(2)(i) exemptive provision.



Certified Public Accountants
A Professional Corporation

2020 Camino del Rio North
Suite 500
San Diego, CA 92108

Telephone (619) 238.1040
Telefax (619) 237.5177
www.pkfsandiego.com

INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY
RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION

Board of Directors
NNN Capital Corp.
Santa Ana, California

In planning and performing our audit of the statement of financial condition and supplemental schedules of NNN Capital Corp. as of December 31, 2006, we considered its internal control, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of financial condition and not to provide assurance on the internal control.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 internal control policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of internal controls 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 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.

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 that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in the 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 elements does not reduce to a relatively low level the risk that errors 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 controls, including procedures for safeguarding securities that we consider to be a 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 Commission 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 at December 31, 2006 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

San Diego, California
February 27, 2007

PKF

PKF
Certified Public Accountants
A Professional Corporation

END