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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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**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 01/01/2010 AND ENDING 12/31/2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Cole Capital Corporation

**OFFICIAL USE ONLY**  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2575 East Camelback Road, Suite 500

(No. and Street) Phoenix AZ 85016  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
David Schmidt (602) 778-8735  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

McGladrey & Pullen LLP

(Name - if individual, state last, first, middle name)  
501 N 44th Street, Suite 300 Phoenix AZ 85016  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**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)

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OATH OR AFFIRMATION

I, Marc T. Nemer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cole Capital Corporation, as of December 31, 2010, 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:

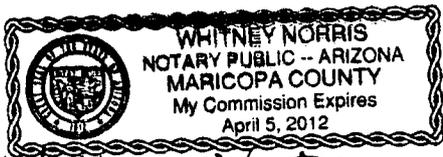
[Handwritten signature]

Signature

Marc T. Nemer

President

Title



[Handwritten signature of Whitney Norris]
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).

# **Cole Capital Corporation**

## **Independent Auditor's Report and Financial Statements**

**December 31, 2010**

**Cole Capital Corporation**  
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**December 31, 2010**

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## Independent Auditor's Report

To the Stockholder  
Cole Capital Corporation  
Phoenix, Arizona

We have audited the accompanying statement of financial condition of Cole Capital Corporation (the Company) as of December 31, 2010, and the related statements of operations, changes in stockholder's equity, 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 the Company as of December 31, 2010, 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.

As discussed in Note 3 to the financial statements, substantially all of the Company's revenues were derived from one REIT whose advisor is affiliated with the Company through common management and control.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 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. This schedule is the responsibility of the Company's management. 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.

*McGladrey & Pullen, LLP*

Phoenix, Arizona  
February 22, 2011

**Cole Capital Corporation**  
**Statement of Financial Condition**  
**December 31, 2010**

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**Assets**

Cash and cash equivalents	\$ 4,442,890
Prepaid expenses	41,869
Accounts receivable	<u>14,931</u>
	<u>\$ 4,499,690</u>

**Liabilities and Stockholder's Equity**

Liabilities

Accrued expenses	\$ <u>1,309,135</u>
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Contingencies

Stockholder's equity

Common stock, no par value; authorized 1,000,000 shares; 13,600 shares issued and outstanding	13,600
Contributed capital	14,339,000
Accumulated deficit	<u>(11,162,045)</u>
	<u>3,190,555</u>
	<u>\$ 4,499,690</u>

**Cole Capital Corporation**  
**Statement of Operations**  
**Year Ended December 31, 2010**

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Revenue	
Broker-dealer commissions	\$ 98,973,327
Dealer manager fees	<u>28,771,416</u>
	<u>127,744,743</u>
Operating expenses	
Broker-dealer commissions and dealer manager fees	113,568,786
Wholesale commissions and other compensation	17,223,004
Professional fees and other	<u>2,610,847</u>
	<u>133,402,637</u>
Operating loss	<u>(5,657,894)</u>
Interest income	<u>6,967</u>
<b>Net loss</b>	<u>\$ (5,650,927)</u>

**Cole Capital Corporation**  
**Statement of Changes in Stockholder's Equity**  
**Year Ended December 31, 2010**

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	<u>Common Stock Shares</u>		<u>Common Stock Amount</u>		<u>Contributed Capital</u>		<u>Accumulated Deficit</u>		<u>Total Stockholder's Equity</u>
<b>Balance, December 31, 2009</b>	13,600	\$	13,600	\$	\$6,589,000	\$	(5,511,118)	\$	1,091,482
Contributions from stockholder					7,750,000				7,750,000
Net loss							(5,650,927)		(5,650,927)
<b>Balance, December 31, 2010</b>	<u>13,600</u>	<u>\$</u>	<u>13,600</u>	<u>\$</u>	<u>14,339,000</u>	<u>\$</u>	<u>(11,162,045)</u>	<u>\$</u>	<u>3,190,555</u>

**Cole Capital Corporation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2010**

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**Operating activities**

Net loss	\$ (5,650,927)
Adjustments to reconcile net loss to net cash used in operating activities	
Change in assets	
Increase in prepaid expenses	(11,261)
Decrease in accounts receivable	5,622
Change in liabilities	
Increase in accrued expenses	<u>40,487</u>
<b>Net cash used in operating activities</b>	<u><u>(5,616,079)</u></u>

**Financing activities**

Contributions from stockholder	<u>7,750,000</u>
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**Net increase in cash and cash equivalents** 2,133,921

**Cash and cash equivalents**

Beginning of year	<u>2,308,969</u>
<b>End of year</b>	<u><u>\$ 4,442,890</u></u>

**Note 1 Nature of Business and Significant Accounting Policies**

***Nature of Business***

Cole Capital Corporation (the Company) is licensed to operate as a broker-dealer, under the Securities Exchange Act of 1934. The Company's principal business is to act as the sales agent or dealer manager for the private placement of real estate limited partnerships, public non-traded real estate investment trusts (REIT), and other securities offered by affiliates of the Company (the Offerings).

***Summary of Significant Accounting Policies***

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies is as follows:

**Cash and Cash Equivalents**—For purposes of these financial statements, the Company considers all highly liquid investment instruments purchased with a maturity date of three months or less to be cash equivalents.

**Revenue Recognition**—Broker-dealer commissions and dealer manager fee revenue are recognized on the date the investor acquires an interest in the offerings. Such revenues are defined in the private offering memorandums or registration statement of such Offerings.

**Income Taxes**— The Company has elected under the Internal Revenue Code to be taxed as a Qualified Subchapter S Subsidiary. In lieu of corporate income taxes, the stockholder of the S Corporation Parent is taxed on the Company's taxable income. Therefore, no provision or liability for income taxes is included in the financial statements.

The Company is not subject to federal income tax, but may be subject to certain state income taxes. The Financial Accounting Standards Board (FASB) provides guidance for how uncertain income tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of income tax positions taken or expected to be taken in the course of preparing the Company's income tax returns to determine whether the income tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Income tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006. For the year ended December 31, 2010, management has determined that there are no material uncertain income tax positions.

**Concentration of Credit Risk**—The Company maintains its cash in bank deposit accounts, which at times, significantly exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Note 1 Nature of Business and Significant Accounting Policies, *continued***

**Use of Estimates**—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 of assets and liabilities, 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.

**Recently Adopted Accounting Pronouncements** —In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167). SFAS 167, which was subsequently codified into FASB Accounting Standards Codification (ASC) 810 *Consolidation*, amends FIN 46(R) to require an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This statement requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This statement was effective for the Company on January 1, 2010. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

**Subsequent Events** —The Company has evaluated subsequent events through February 22, 2011, the date on which the financial statements were issued.

**Note 2 Accrued Expenses**

Accrued expenses consist primarily of commissions payable to the Company's registered representatives for capital raised in securities offerings of affiliates of the Company.

**Note 3 Related Party Transactions**

**Revenue**—Substantially all revenue is earned by the Company for introducing registered representatives of non-affiliated broker dealers to various investment programs sponsored by affiliates of the Company. For the year ended December 31, 2010, substantially all of these revenues were derived from one REIT whose advisor is affiliated with the Company through common management and control.

**Expenses**—For the year ended December 31, 2010, the Company paid \$1,969,200 in management fees to a company affiliated through common management and control. This affiliate provided office space, administrative, management, and payroll services to the Company.

**Note 4 Net Capital Rule**

Pursuant to the net capital provisions of Rule 15c3-1 under the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital and a ratio of aggregate indebtedness to net capital, both as defined under such provisions, that does not exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2010, the Company had net capital and a net capital requirement of \$3,133,755 and \$87,276, respectively, which was \$3,046,479 in excess of its required net capital. The Company's net capital ratio was 0.42 to 1.

**Note 5 Customer Protection Rule**

Pursuant to the customer protection provisions of Rule 15c3-3 (k)(2)(i) under the Securities Exchange Act of 1934, brokers and dealers are required to disclose certain information over the physical possession or control of securities and are required to maintain certain cash reserves. The Company carries no margin accounts, does not hold funds or securities for, or owe money or securities to customers. The Company, therefore, is exempt from the computation of cash reserve requirements for brokers and dealers.

**Note 6 Contingencies**

In the ordinary course of business, the Company may become subject to litigation or claims. In the opinion of management, all such matters that the Company is aware of are either covered by insurance, are without merit, or are of an amount that would not have a material effect on the financial position of the Company if disposed of unfavorably.

## **Supplementary Information**

**Cole Capital Corporation**  
**Schedule 1**  
**Computation of Net Capital Under Rule 15c3-1**  
**December 31, 2010**

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Total stockholder's equity	\$	3,190,555
Less deductions and/or charges - prepaid expenses and accounts receivable		<u>56,800</u>
Net capital		3,133,755
Minimum net capital requirement (6 <sup>2/3</sup> % of Aggregate Indebtedness)		<u>87,276</u>
Excess net capital	\$	<u>3,046,479</u>
Aggregate indebtedness - accrued expenses	\$	<u>1,309,135</u>
Ratio of aggregate indebtedness to net capital		<u>0.42 to 1</u>

Note: The above computations do not differ from the computation of net capital under SEC Rule 15c3-1 as of December 31, 2010 as filed by Cole Capital Corporation in its unaudited Focus Report Part II A filing. Accordingly, no reconciliation is deemed necessary.



## **Independent Auditor's Report on Internal Control**

To the Stockholder  
Cole Capital Corporation  
Phoenix, Arizona

In planning and performing our audit of the financial statements of Cole Capital Corporation (the Company) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included tests of compliance with 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 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 and the recordation of differences required by Rule 17a-13
- (2) 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 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 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, there can be no assurance that all material weaknesses have been identified. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, 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, as described in the second paragraph of this report, were adequate at December 31, 2010, to meet the SEC's objectives.

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

*McGladrey & Pullen, LLP*

Phoenix, Arizona  
February 22, 2011