

NNN Healthcare/Office REIT, Inc.

Form 8-K/A

July 06, 2007

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K/A
Amendment No. 1
CURRENT REPORT**

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 24, 2007

NNN Healthcare/Office REIT, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

333-133652
(Commission
File Number)

20-4738467
(I.R.S. Employer
Identification No.)

1551 N. Tustin Avenue, Suite 200
Santa Ana, California
(Address of principal executive
offices)

92705
(Zip Code)

Registrant's telephone number, including area code: **714-667-8252**

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Table of Contents

INFORMATION TO BE INCLUDED IN THE REPORT

We previously filed a Form 8-K, or the Form 8-K, on April 25, 2007, reporting our acquisition of Commons V Medical Office Building, or the Commons V property, located in Naples, Florida as described in such Form 8-K. We are filing this Form 8-K/A, Amendment No. 1, to provide the financial information required by Item 9.01.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

Commons V Medical Office Building

| | |
|---|---|
| <u>I. Independent Auditors Report</u> | 3 |
| <u>II. Statements of Revenues and Certain Expenses for the Three Months Ended March 31, 2007 (Unaudited) and for the Year Ended December 31, 2006</u> | 4 |
| <u>III. Notes to Statements of Revenues and Certain Expenses</u> | 5 |

(b) Pro forma financial information.

NNN Healthcare/Office REIT, Inc.

| | |
|--|----|
| <u>I. Unaudited Pro Forma Condensed Consolidated Financial Statements</u> | 8 |
| <u>II. Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2007</u> | 9 |
| <u>III. Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2007</u> | 10 |
| <u>IV. Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Period from April 28, 2006 (Date of Inception) through December 31, 2006</u> | 11 |
| <u>V. Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements</u> | 12 |

Table of Contents

INDEPENDENT AUDITORS REPORT

To the Board of Directors

NNN Healthcare/Office REIT, Inc.

We have audited the accompanying statement of revenues and certain expenses of Commons V Medical Office Building, or the Property, for the year ended December 31, 2006. This statement of revenues and certain expenses is the responsibility of the Property's management. Our responsibility is to express an opinion on the statement of revenues and certain expenses 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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenues and certain expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1 to the statement of revenues and certain expenses and is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the statement of revenues and certain expenses presents fairly, in all material respects, the revenues and certain expenses as described in Note 1 to the statement of revenues and certain expenses of Commons V Medical Office Building for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ KMJ | Corbin & Company LLP

Irvine, California

June 29, 2007

Table of Contents

COMMONS V MEDICAL OFFICE BUILDING
STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and the Year Ended December 31, 2006

| | Three Months Ended March 31, 2007 (Unaudited) | Year Ended December 31, 2006 |
|--|---|---|
| Revenues: | | |
| Rental income | \$ 279,000 | \$ 1,039,000 |
| Tenant reimbursements | 149,000 | 585,000 |
| Total revenues | 428,000 | 1,624,000 |
| Certain expenses: | | |
| Grounds maintenance | 4,000 | 32,000 |
| Building maintenance | 22,000 | 78,000 |
| Real estate taxes | 28,000 | 110,000 |
| Electricity, water and gas utilities | 64,000 | 311,000 |
| Property management fees | 8,000 | 30,000 |
| Insurance | 14,000 | 44,000 |
| General and administrative | 4,000 | 8,000 |
| Total certain expenses | 144,000 | 613,000 |
| Revenues in excess of certain expenses | \$ 284,000 | \$ 1,011,000 |

The accompanying notes are an integral part of the statements of revenues and certain expenses.

Table of Contents

COMMONS V MEDICAL OFFICE BUILDING
NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
For the Year Ended December 31, 2006

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

Organization

The accompanying statements of revenues and certain expenses include the operations of Commons V Medical Office Building, or the Property, located in Naples, Florida. The Property has 55,000 square feet of gross leaseable area and is 100% leased as of December 31, 2006.

Basis of Presentation

The accompanying statements of revenues and certain expenses have been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission, or the SEC, which requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statements of revenues and certain expenses include the historical revenues and certain operating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. Material amounts that would not be directly attributable to future operating results of the Property are excluded, and therefore, the statements of revenues and certain expenses are not intended to be a complete presentation of the Property's revenues and expenses. Items excluded consist of interest expense, depreciation and amortization and federal and state income taxes.

The accompanying statements of revenues and certain expenses are not representative of the actual operations for the period presented, as certain expenses that may not be comparable to the expenses expected to be incurred by NNN Healthcare/Office REIT, Holdings, L.P. in the future operations of the Property have been excluded.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

All leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the terms of the leases (including rent holidays). Tenant reimbursements for real estate taxes, common area maintenance and other recoverable costs are recognized in the period that the expenses are incurred.

Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred, while significant improvements, renovations and replacements are capitalized.

Property Management Fees

The Property has incurred a fixed monthly management fee of \$2,500.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and certain expenses during the reporting period. Actual results could differ materially from those estimates.

Table of Contents

COMMONS V MEDICAL OFFICE BUILDING
NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
For the Year Ended December 31, 2006

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued**Unaudited Interim Information**

The statement of revenues and certain expenses for the three months ended March 31, 2007 is unaudited. In the opinion of management, such financial statement reflects all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

NOTE 3 LEASES

The Property has entered into operating lease agreements with tenants that expire at various dates through 2012 and are subject to consumer price index increases in base rent. The aggregate annual future minimum lease payments to be received under the existing non-cancelable operating leases as of December 31, 2006 are as follows:

| | |
|------------|---------------------|
| 2007 | \$ 995,000 |
| 2008 | 705,000 |
| 2009 | 573,000 |
| 2010 | 507,000 |
| 2011 | 507,000 |
| Thereafter | 288,000 |
| | \$ 3,575,000 |

The leases also require reimbursement of the tenant's proportional share of common area expenses, real estate taxes and other operating expenses, which are not included in the amounts above.

NOTE 4 TENANT CONCENTRATION

For the three months ended March 31, 2007 (unaudited), the Property had one tenant occupying 73% of the gross leaseable area which accounted for 69% of quarterly rental income.

| Tenant Name | Date of Lease Expiration | Aggregate Quarterly Rental Income | % Aggregate Quarterly Rental Income |
|-----------------------------|---------------------------------|--|--|
| Anchor Health Centers, Inc. | Various | \$ 189,000 | 69% |

If this tenant was to default on its leases, future revenue of the Property would be materially and adversely impacted. For the year ended December 31, 2006, the Property had one tenant occupying 73% of the gross leaseable area which accounted for 74% of total rental income.

| Tenant Name | Date of Lease Expiration | Aggregate Annual Rental Income | % Aggregate Annual Rental Income |
|-----------------------------|---------------------------------|---------------------------------------|---|
| Anchor Health Centers, Inc. | Various | \$ 758,000 | 74% |

If this tenant was to default on its leases, future revenue of the Property would be materially and adversely impacted.

Table of Contents

**COMMONS V MEDICAL OFFICE BUILDING
NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES
For the Three Months Ended March 31, 2007 (Unaudited) and
For the Year Ended December 31, 2006**

NOTE 5 COMMITMENTS AND CONTINGENCIES

Litigation

The Property may be subject to legal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential claims will not have a material impact on the Property's results of operations.

Environmental Matters

In connection with the ownership and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Property has not been notified by any governmental authority of any non-compliance, liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse effect on the Property's results of operations.

Other Matters

Other commitments and contingencies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matters are not expected to have a material adverse effect on the Property's financial position and/or results of operations.

NOTE 6 SUBSEQUENT EVENT

On April 24, 2007, NNN Healthcare/Office REIT Holdings L.P., through its wholly owned subsidiary, purchased the property for a total purchase price of \$14,100,000.

Table of Contents

NNN Healthcare/Office REIT, Inc.
Unaudited Pro Forma Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2007 and for the Period from
April 28, 2006 (Date of Inception) through December 31, 2006

The accompanying unaudited pro forma condensed consolidated balance sheet as of March 31, 2007 is presented as if we acquired the Commons V Medical Office Building, or the Commons V property, on December 31, 2006. The Commons V property was initially acquired using proceeds, net of offering costs, received from our initial public offering through the acquisition date at \$10.00 per share. Subsequently, on May 14, 2007, we entered into a loan secured by the property in the principal amount of \$10,000,000. The pro forma adjustments assume the offering proceeds, net of the secured loan proceeds, were raised as of March 31, 2007.

The accompanying unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 2007 and for the period from April 28, 2006 (Date of Inception) through December 31, 2006 is presented as if we acquired the Commons V property on April 28, 2006 (Date of Inception). The Commons V property was initially acquired using proceeds, net of offering costs, received from our initial public offering through the acquisition date at \$10.00 per share. Subsequently, on May 14, 2007, we entered into a loan secured by the property in the principal amount of \$10,000,000. The pro forma adjustments assume the offering proceeds, net of the secured loan proceeds, were raised as of April 28, 2006 (Date of Inception).

The accompanying unaudited pro forma condensed consolidated financial statements are unaudited and are subject to a number of estimates, assumptions, and other uncertainties, and do not purport to be indicative of the actual results of operations that would have occurred had the acquisition reflected therein in fact occurred on the dates specified, nor do such financial statements purport to be indicative of the results of operations that may be achieved in the future. In addition, the unaudited pro forma condensed consolidated financial statements include pro forma allocations of the purchase price of the Commons V property based upon preliminary estimates of the fair value of the assets acquired and liabilities assumed in connection with the acquisition and are subject to change.

Table of Contents

NNN Healthcare/Office REIT, Inc.
Unaudited Pro Forma Condensed Consolidated
Balance Sheet as of March 31, 2007

| | Company Historical (A) | Acquisition of Commons V Property (B) | Company Pro Forma |
|---|---------------------------------------|--|----------------------------------|
| ASSETS | | | |
| Real estate investments: | | | |
| Operating properties, net | \$ 40,693,000 | \$ 13,223,000 | \$ 53,916,000 |
| Cash and cash equivalents | 4,727,000 | | 4,727,000 |
| Accounts and other receivable, net | 226,000 | | 226,000 |
| Accounts receivable due from affiliates | 81,000 | | 81,000 |
| Restricted cash | 1,697,000 | 111,000(C) | 1,808,000 |
| Identified intangible assets, net | 9,567,000 | 1,630,000 | 11,197,000 |
| Other assets, net | 626,000 | 236,000(C) | 862,000 |
| Total assets | \$ 57,617,000 | \$ 15,200,000 | \$ 72,817,000 |
| LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS EQUITY | | | |
| Liabilities: | | | |
| Mortgage loan payables | \$ 31,410,000 | \$ 10,000,000(C) | \$ 41,410,000 |
| Accounts payable and accrued liabilities | 1,089,000 | 32,000 | 1,121,000 |
| Accounts payable due to affiliates | 1,913,000 | 2,000 | 1,915,000 |
| Security deposits and prepaid rent | 148,000 | 64,000 | 212,000 |
| Identified intangible liabilities, net | 114,000 | | 114,000 |
| Total liabilities | 34,674,000 | 10,098,000 | 44,772,000 |
| Commitments and contingencies | | | |
| Minority interest of limited partner in Operating Partnership | 200,000 | | 200,000 |
| Stockholders equity: | | | |
| Preferred stock, \$0.01 par value; 200,000,000 shares authorized: none issued and outstanding | | | |
| Common stock, \$0.01 par value; 1,000,000,000 shares authorized; 2,679,584 shares issued and outstanding | 27,000 | 6,000(D) | 33,000 |
| Additional paid-in capital | 23,627,000 | 5,096,000(D) | 28,723,000 |
| Accumulated deficit | (911,000) | | (911,000) |

Edgar Filing: NNN Healthcare/Office REIT, Inc. - Form 8-K/A

| | | | |
|--|---------------|---------------|---------------|
| Total stockholders equity | 22,743,000 | 5,102,000 | 27,845,000 |
| Total liabilities, minority interest and stockholders equity | \$ 57,617,000 | \$ 15,200,000 | \$ 72,817,000 |

The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.

Table of Contents

NNN Healthcare/Office REIT, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations for the
Three Months Ended March 31, 2007

| | Company Historical (E) | Acquisition of Commons V Property (F) | Company Pro Forma |
|--|---------------------------------------|--|----------------------------------|
| Revenues: | | | |
| Rental income | \$ 742,000 | \$ 422,000(G) | \$ 1,164,000 |
| Expenses: | | | |
| Rental expenses | 298,000 | 153,000(H) | 451,000 |
| General and administrative | 363,000 | 37,000(I) | 400,000 |
| Depreciation and amortization | 342,000 | 139,000(G) | 481,000 |
| Total expenses | 1,003,000 | 329,000 | 1,332,000 |
| (Loss) income before other income (expense) | (261,000) | 93,000 | (168,000) |
| Other income (expense): | | | |
| Interest expense (including amortization of deferred financing costs): | | | |
| Interest expense related to note payable to affiliate | (71,000) | | (71,000) |
| Interest expense related to mortgage loan payables | (201,000) | (141,000)(J) | (342,000) |
| Interest and dividend income | 1,000 | | 1,000 |
| Loss from continuing operations | \$ (532,000) | \$ (48,000) | \$ (580,000) |
| Loss from continuing operations per share basic and diluted | \$ (0.73) | | \$ (0.44) |
| Weighted average number of common shares outstanding basic and diluted | 730,986 | 576,498(K) | 1,307,484 |

The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.

Table of Contents

NNN Healthcare/Office REIT, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations for the
Period from April 28, 2006 (Date of Inception) through December 31, 2006

| | Company Historical (L) | Acquisition of Commons V Property (M) | Company Pro Forma |
|--|---------------------------------------|--|----------------------------------|
| Revenues: | | | |
| Rental income | \$ | \$ 1,087,000(N) | \$ 1,087,000 |
| Expenses: | | | |
| Rental expenses | | 444,000(O) | 444,000 |
| General and administrative | 242,000 | 105,000(P) | 347,000 |
| Depreciation and amortization | | 371,000(N) | 371,000 |
| Total expenses | 242,000 | 920,000 | 1,162,000 |
| (Loss) income before other income (expense) | (242,000) | 167,000 | (75,000) |
| Other income (expense): | | | |
| Interest expense (including amortization of deferred financing costs): | | | |
| Interest expense related to mortgage loan payables | | (376,000)(Q) | (376,000) |
| Loss from continuing operations | \$ (242,000) | \$ (209,000) | \$ (451,000) |
| Loss from continuing operations per share basic and diluted | \$ (149.03) | | \$ (0.78) |
| Weighted average number of common shares outstanding basic and diluted | 1,622 | 576,498(R) | 578,120 |

The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.

Table of Contents

NNN Healthcare/Office REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

1. Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2007.

(A) As reported in our March 31, 2007 Quarterly Report on Form 10-Q.

(B) Represents the purchase price of the assets acquired and liabilities incurred or assumed by NNN Healthcare/Office REIT Holdings, L.P. in connection with the acquisition of the Commons V property. We have assumed that the purchase price of \$14,100,000, plus closing costs and acquisition fees, was financed through the secured loan (see below) and from the issuance of approximately 576,498 shares of common stock from our initial public offering. An acquisition fee of \$423,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate. The purchase price allocations are preliminary and are subject to change.

(C) We entered into a loan secured by the Commons V property with Wachovia Bank, National Association, or Wachovia, in the principal amount of \$10,000,000. We received cash proceeds (net of closing costs and \$111,000 of lender required reserves and \$94,000 of prepaid payments) of approximately \$9,652,000. The loan matures on June 11, 2017 and bears interest at a fixed rate of 5.54% per annum. The loan requires monthly interest-only payments for the first year and principal and interest payments thereafter until maturity.

(D) The Commons V property was acquired using proceeds, net of offering costs, received from our initial public offering through the acquisition date at \$10.00 per share. The pro forma adjustments assume these proceeds were raised as of March 31, 2007.

2. Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2007.

(E) As reported in our March 31, 2007 Quarterly Report on Form 10-Q.

(F) Amounts represent the estimated operations of the Commons V property for the three months ended March 31, 2007.

(G) Depreciation expense on the portion of the purchase price allocated to building is recognized using the straight-line method and a 39 year life. Depreciation expense on improvements is recognized using the straight-line method over an estimated useful life between 47 and 72 months. Amortization expense on the identified intangible assets excluding above market leases is recognized using the straight-line method over an estimated useful life between 47 and 107 months.

The amounts allocated to above market leases are included in the identified intangible assets in the accompanying unaudited pro forma condensed consolidated balance sheet and are amortized to rental income over the remaining term of the leases which range between 17 and 55 months. Pro forma amortization of above market leases amortized to rental income for the three months ended March 31, 2007 is \$(6,000), for the Commons V property.

The purchase price allocations, and therefore depreciation and amortization expense, are preliminary and subject to change.

(H) Pursuant to our advisory agreement, our advisor or its affiliates are entitled to receive, for services in managing our properties, a monthly property management fee of up to 4.0% of the gross cash receipts of the property. The historical rate was a flat monthly fee of \$2,500. As a result, the pro forma amount shown is reflective of our current advisory agreement.

Also, adjustments were made for an incremental property tax expense assuming the acquisition price and historical property tax rate.

Table of Contents

NNN Healthcare/Office REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

(I) Pursuant to our advisory agreement, our advisor or its affiliates are entitled to receive a monthly asset management fee calculated at one-twelfth of 1.0% of average invested assets, calculated as of the close of business on the last day of each month, subject to our stockholders receiving annualized distributions in an amount equal to at least 5.0% per annum on average invested capital. At the time of acquisition of the Commons V property, the stockholders had received annualized distributions greater than 5.0% per annum. As such, an asset management fee is reflected for the three months ended March 31, 2007 of \$37,000 for the Commons V property.

(J) We entered into a loan secured by the Commons V property with Wachovia in the principal amount of \$10,000,000. The loan matures on June 11, 2017 and bears interest at a fixed rate of 5.54% per annum. As such, this amount represents interest expense, and the amortization of the corresponding debt issuance costs, on the secured loan.

(K) Represents the weighted-average number of shares of common stock from our initial public offering required to generate sufficient offering proceeds to fund the purchase of the Commons V property. The calculation assumes the investment was acquired on April 28, 2006 (Date of Inception).

3. Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Period from April 28, 2006 (Date of Inception) through December 31, 2006.

(L) As reported in our December 31, 2006 Annual Report on Form 10-K.

(M) Amounts represent the estimated operations of the Commons V property from the period April 28, 2006 (Date of Inception) through December 31, 2006.

(N) Depreciation expense on the portion of the purchase price allocated to building is recognized using the straight-line method and a 39 year life. Depreciation expense on improvements is recognized using the straight-line method over an estimated useful life between 47 and 72 months. Amortization expense on the identified intangible assets excluding above market leases is recognized using the straight-line method over an estimated useful life between 47 and 107 months.

The amounts allocated to above market leases are included in the identified intangible assets in the accompanying unaudited pro forma condensed consolidated balance sheet and are amortized to rental income over the remaining term of the leases which range between 17 and 55 months. Pro forma amortization of above market leases amortized to rental income from the period April 28, 2006 (Date of Inception) through December 31, 2006 was \$(16,000), for the Commons V property.

The purchase price allocations, and therefore depreciation and amortization expense, are preliminary and subject to change.

(O) Pursuant to our advisory agreement, our advisor or its affiliates are entitled to receive, for services in managing our properties, a monthly property management fee of up to 4.0% of the gross cash receipts of the property. The historical rate was a flat monthly fee of \$2,500. As a result, the pro forma amount shown is reflective of our current advisory agreement.

Also, adjustments were made for an incremental property tax expense assuming the acquisition price and historical property tax rate.

(P) Pursuant to our advisory agreement, our advisor or its affiliates are entitled to receive a monthly asset management fee calculated at one-twelfth of 1.0% of average invested assets, calculated as of the close of business on the last day of each month, subject to our stockholders receiving annualized distributions in an amount equal to at least 5.0% per annum on average invested capital. At the time of acquisition of the Commons V property, the stockholders had received annualized distributions greater than 5.0% per annum. As such, an asset management fee is reflected for the period from April 28, 2006 (Date of Inception) through December 31, 2006 of \$105,000 for the Commons V property.

Table of Contents

NNN Healthcare/Office REIT, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements (Continued)

(Q) We entered into a loan secured by the Commons V property with Wachovia in the principal amount of \$10,000,000. The loan matures on June 11, 2017 and bears interest at a fixed rate of 5.54% per annum. As such, amount represents interest expense, and the amortization of the corresponding debt issuance costs, on the secured loan.

(R) Represents the weighted-average number of shares of common stock from our initial public offering required to generate sufficient offering proceeds to fund the purchase of the Commons V property. The calculation assumes the investment was acquired on April 28, 2006 (Date of Inception).

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NNN Healthcare/Office REIT, Inc.

Date: July 6, 2007

By: /s/ Scott D. Peters

Name: *Scott D. Peters*

Title: *Chief Executive Officer*