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

| SEC FILE NUMBER |
|-----------------|
| 8- 38402 |

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: MacArthur Strategies, Inc.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

2 PARK PLAZA, SUITE 1075

(No. and Street)

Irvine,

(City)

CALIFORNIA

(State)

92614

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

PAUL NICHOLSON

(949) 224-0100

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Brett Friedman, Friedman & Co., CPAs

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

5 Hutton Centre Drive, Santa Ana, CA 92707

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 08 2007

FOR OFFICIAL USE ONLY

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(e)(2)

SEC 1410 (06-02)

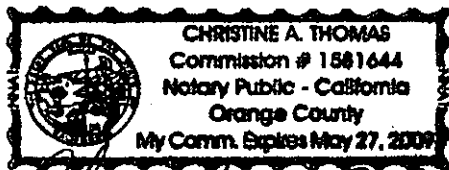
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OATH OR AFFIRMATION

I, Paul Nicholson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MacArthur Strategies, Inc., as of January 30, 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:



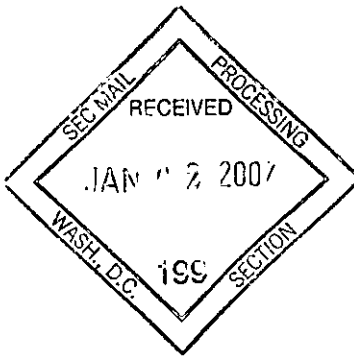
Christine A. Thomas
Notary Public

P. Bilubhan
Signature
President
Title

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).



**Audited Financial Statements
and Supplemental Information**

MACARTHUR STRATEGIES, INC.

*Years ended December 31, 2006 and 2005
with Independent Auditor's Report*

FRIEDMAN & COMPANY
Certified Public Accountants

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e-mail: brettfriedman@att.net

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To: Board of Directors
MacArthur Strategies, Inc.

We have audited the accompanying balance sheet of MacArthur Strategies, Inc. as of December 31, 2006 and 2005 and the related statements of operations, stockholder's equity, and cash flows for the years then ended. 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 generally accepted auditing standards. 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 MacArthur Strategies, Inc. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 8 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in examination 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.

Santa Ana, California

January 18, 2007

MACARTHUR STRATEGIES, INC.
BALANCE SHEET
as of December 31, 2006

| | Balance as of 12/31/2006 | Balance as of 12/31/2005 |
|-----------------------|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash in Banks | \$ 69,168.61 | \$ 80,379.00 |
| Marketable Securities | 9,366.00 | 3,300.00 |
| Prepaid Taxes | <u>582.00</u> | <u>0.00</u> |
| Total Current Assets | 79,116.61 | 83,679.00 |
| Other Assets | | |
| Deposits | <u>276.00</u> | <u>287.00</u> |
| Total Other Assets | <u>276.00</u> | <u>287.00</u> |
| Total Assets | <u>\$ 79,392.61</u> | <u>\$ 83,966.00</u> |

See Accompanying Notes and Accountants' Report

MACARTHUR STRATEGIES, INC.
BALANCE SHEET
as of December 31, 2006

| | Balance <u>as of 12/31/2006</u> | Balance <u>as of 12/31/2005</u> |
|--|------------------------------------|------------------------------------|
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Current Liabilities | | |
| Payroll Taxes Payable | \$ 1,306.30 | \$ 8,282.00 |
| Income Taxes Payable | <u>36.00</u> | <u>6,100.00</u> |
| Total Current Liabilities | 1,342.30 | 14,382.00 |
| Stockholder's Equity | | |
| Unrealized Gain Marketable Securities | 1,266.00 | 0.00 |
| Common stock, no par value | 0.00 | 0.00 |
| authorized shares - 2,500 | 0.00 | 0.00 |
| Paid in Capital | 50,032.00 | 50,032.00 |
| Retained Earnings | 19,552.00 | 435.00 |
| Net Income | <u>7,200.31</u> | <u>19,117.00</u> |
| Total Stockholder's Equity | <u>78,050.31</u> | <u>69,584.00</u> |
| Total Liabilities & Stockholder's Equity | <u><u>\$ 79,392.61</u></u> | <u><u>\$ 83,966.00</u></u> |

See Accompanying Notes and Accountants' Report

MACARTHUR STRATEGIES, INC.
INCOME STATEMENT
for the period ended December 31, 2006

| | Year to Date 2006 | Year to Date 2005 |
|----------------------------|---------------------------|----------------------------|
| Revenue | | |
| Sales | \$ 326,882.40 | \$ 557,380.00 |
| Total Revenue | <u>326,882.40</u> | <u>557,380.00</u> |
| Operating Costs | | |
| Selling Expenses | 214,390.80 | 309,684.00 |
| Administrative Expenses | <u>103,037.29</u> | <u>222,479.00</u> |
| Total Operating Costs | <u>317,428.09</u> | <u>532,163.00</u> |
| Operating Income | <u>9,454.31</u> | <u>25,217.00</u> |
| Provision for Income Taxes | | |
| Income Taxes | <u>2,254.00</u> | <u>6,100.00</u> |
| Total Income Taxes | <u>(2,254.00)</u> | <u>(6,100.00)</u> |
| Net Income | <u><u>\$ 7,200.31</u></u> | <u><u>\$ 19,117.00</u></u> |

See Accompanying Notes and Accountants' Report

MACARTHUR STRATEGIES, INC.
STATEMENT OF CASH FLOWS
for the period ended December 31, 2006

Cash flows from operating activities:

| | |
|--|-------------------|
| Net Income | \$ 7,200.31 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Marketable Securities | (4,800.00) |
| Deposits | 11.00 |
| Prepaid Expenses | (582.00) |
| Accounts Payable | (6,064.00) |
| Payroll Taxes | <u>(6,975.70)</u> |
| Net cash provided by operations | (11,210.39) |

Cash flows from investing activities:

Cash flows from financing activities:

| | |
|---|---------------------|
| Net (decrease) in cash and equivalents | (11,210.39) |
| Cash and equivalents at beginning of period | <u>80,379.00</u> |
| Cash and equivalents at ending of period | <u>\$ 69,168.61</u> |

MACARTHUR STRATEGIES, INC.
STATEMENT FOR CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006

| | COMMON STOCK SHARES VALUE | PAID IN CAPITAL | RETAINED EARNINGS | TOTAL STOCK- HOLDER'S EQUITY |
|------------------------------|------------------------------|--------------------|----------------------|---------------------------------------|
| Balance at January 1, 2005 | 2500 | \$ 50,032 | \$ 416 | \$ 50,448 |
| Income for the year | - | | 19,136 | 19,136 |
| Balance at December 31, 2005 | 2500 | 50,032 | 19,552 | 69,584 |
| Unrealized Gain | | | 1,266 | 1,266 |
| Income for the year | - | | 7,200 | 7,200 |
| Balance at December 31, 2006 | 2500 | \$ 50,032 | \$ 28,018 | \$ 78,050 |

MACARTHUR STRATEGIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of, MacArthur Strategies, Inc. (the Company), is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in preparation of the financial statements.

- Business Activity

MacArthur Strategies, Inc. (the Company), is a licensed broker dealer, and a member of the National Association of Securities Dealers and the Securities Investor Protection Corporation. The Company's only office is located in Irvine, Ca.

- Organization

The Company was formed on March 16, 1988 under the laws of the State of Nevada. It began business in the State of California on January 1, 1990.

- Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting purposes. The deferred taxes, if any, represent the future tax return consequences of those differences.

- Revenue Recognition

The Company reports prepares its' financial statements using the accrual method of accounting as required by the NASD. Accounts receivable are recorded when income is earned, however, generally, the time lapse between income recording and cash receipts is no more than a few days.

MACARTHUR STRATEGIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

- Certain Compensated Absences

The Company does not record as a current liability any amount owed for compensated absences. Any actual balance is immaterial. Actual costs are expensed as occurred.

- Concentration of Risk

The Company provides services for clients predominately located in southern California.

Use of Estimates

While preparing financial statements in accordance with generally accepted accounting principles management may use estimates.

NOTE 2 – Net Capital Requirements

The company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1.5 to 1. As of December 31, 2006, the Company had net allowable capital of \$74,463 and its ratio of indebtedness to net capital was .02 to 1. There is an increase in net capital for the year ending December 31, 2006 over the balance at December 31, 2005 of \$8,466.

**SUPPLEMENTAL REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

To the Board of Directors and Stockholder
MacArthur Strategies, Incorporated

In planning and performing our audit of the financial statements of MacArthur Strategies, Incorporated for the year ended December 31, 2006, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g) of the securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by MacArthur Strategies, Incorporated that we considered relevant to the objectives stated in Rule 17a-5(g), (1) in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3(g) and the reserve required by Rule 15c3-3(e), (2) in making the quarterly securities examination, counts, verifications and comparisons, and the recordation of the difference required by Rule 17a-13 (if applicable), (3) in complying with the requirements for prompt payment for securities under Section 4 (a) of Regulation T of the Board of Governors of the Federal Reserve System (if applicable), and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3 (if applicable).

The Management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraphs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the internal control structure 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 Commissions above mentioned objectives. Two of the objectives of an internal control structure 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 generally accepted accounting principles. Rule 17a-3(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

**SUPPLEMENTAL REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
(CONTINUED)**

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weakness 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 structure elements does not reduce to a relatively low level the risk that error or irregularities 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 function. However, we noted no weaknesses involving the internal control structure, including procedures 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 Commission to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and the 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, The National Association of Securities Dealers and other regulatory agencies that rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 and should not be used for any other purpose.

MACARTHUR STRATEGIES, INC.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIRMENTS
AND INFORMATION RELATING TO POSSESSION AND CONTROL
REQUIREMENTS UNDER RULE 15C3-3
DECEMBER 31, 2006 AND 2005

MacArthur Strategies, Inc. relies on Section K(2)(ii) of the Securities and Exchange Rule 15c3-3 to exempt the corporation from the provisions of these rules.

MACARTHUR STRATEGIES, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15C3-A OF
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2006 AND 2005

| | <u>2006</u> | <u>2005</u> |
|-------------------------------|-------------------------|-------------------------|
| Net Capital Per Balance Sheet | \$ 78,050 | \$ 69,584 |
| Non-Allowable Assets | <u>(858)</u> | <u>(3,587)</u> |
| Net Capital | 77,192 | 65,997 |
| Minimum Capital Requirement | <u>(5,000)</u> | <u>(5,000)</u> |
| Excess Net Capital | <u><u>\$ 72,192</u></u> | <u><u>\$ 60,997</u></u> |

CALCULATION OF AGGREGATED INDEBTEDNESS TO NET CAPITAL

| | | |
|--------------------------------------|-----------|-----------|
| Ownership Equity as Calculated Above | \$ 77,192 | \$ 65,997 |
|--------------------------------------|-----------|-----------|

AGGREGATED INDEBTEDNESS:

| | | |
|-----------------------|--------------|---------------|
| Payroll Taxes Payable | 1,306 | 8,282 |
| Income Taxes Payable | 36 | 6,100 |
| | <u>1,342</u> | <u>14,382</u> |

RATIO OF AGGREGATED INDEBTEDNESS
TO NET CAPITAL

| | |
|------|------|
| 0.02 | 0.22 |
|------|------|

RECONCILIATION WITH COMPANY'S COMPUTATION

| | | |
|---------------------------------------|-------------------------|-------------------------|
| Total Ownership Equity of Net Capital | \$ 78,050 | \$ 69,584 |
| Non Allowable Assets | <u>(858)</u> | <u>(3,587)</u> |
| Net Capital Per Audit Report | <u><u>\$ 77,192</u></u> | <u><u>\$ 65,997</u></u> |

END