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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-34532

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 01/01/2006 AND ENDING 12/31/2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Quest Capital Strategies, Inc. OFFICIAL USE ONLY

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

25231 Paseo De Alicia #110  
(No. and Street)

Laguna Hills, CA 92653  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Carol Tsao (949) 830-4885, Ext: 208  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

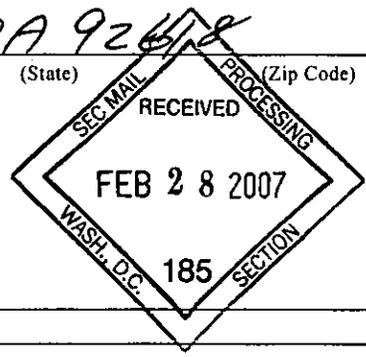
Mendoza, Berger Company, L.L.P.  
(Name - if individual, state last, first, middle name)

9838 Research Dr. Irvine, CA 92618  
(Address) (City) (State) (Zip Code)

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

B MAR 21 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*

OATH OR AFFIRMATION

I, Carolyn Tsai, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Quest Capital Strategies, Inc, as of February 27, 20 07, 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:

Quest Capital Strategies: Defined Benefit Profit Sharing  
Carolyn Tsai Trust, Carolyn Tsai IRA

[Signature]  
Signature  
CEO  
Title

Notary Public

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

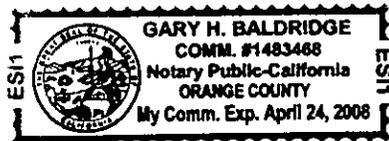
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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 15c3-3 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).

State of California )  
County of Orange )

Subscribed and sworn to (or affirmed) before me on this 27th day of February, 2007, by Carolyn Tsai, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

[Signature]  
Gary H. Baldrige  
Notary Public



# Originals

**QUEST CAPITAL STRATEGIES, INC.**  
**Financial Statements and**  
**Supplementary Information**  
**For the Year Ended December 31, 2006**  
**and Independent Auditors' Report on**  
**Internal Control**  
**For the Year Ended December 31, 2006**

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**MENDOZA  
BERGER  
COMPANY, L.L.P.**

Certified Public Accountants

**Independent Auditors' Report**

Board of Directors  
Quest Capital Strategies, Inc.

We have audited the accompanying statement of financial condition of Quest Capital Strategies, Inc., a California corporation (the Firm) as of December 31, 2006, and the related statements of income, changes in stockholders' 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 Firm'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 Quest Capital Strategies, Inc. at December 31, 2006 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

**Mendoza Berger & Company, LLP**

*Mendoza Berger & Company, LLP*

Irvine, California  
February 20, 2007

Main Office

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**QUEST CAPITAL STRATEGIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2006**

ASSETS	
Current assets	
Cash	\$ 365,668
Commissions receivable	195,791
Other receivables	10,416
Prepaid expenses	4,436
Securities owned (Note 4):	
Marketable securities	7,584
Total current assets	583,895
Property and equipment, net of accumulated depreciation (Notes 2 and 3)	14,868
Deposits	105,735
Total assets	\$ 704,498
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable and accrued expenses	\$ 186,805
Commissions payable	95,461
License fees payable	99,886
Total current liabilities	382,152
Commitments (Note 6)	-
Stockholders' equity	
Common stock, no par value, 116.14 shares authorized; 100 shares issued and outstanding	10,000
Retained earnings	312,346
Total stockholders equity	322,346
Total liabilities and stockholders' equity	\$ 704,498

See independent auditors' report and accompanying notes

**QUEST CAPITAL STRATEGIES, INC.**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Revenues:	
Commissions	\$ 4,018,324
Annual fees	477,817
Administrative services	239,137
Interest and dividends	22,731
Other income	216,348
Realized gain on securities	394
Unrealized gain on securities	4,323
Arbitration award	40,000
	<hr/>
Total revenues	5,019,074
	<hr/>
Expenses:	
Commission expense	2,452,910
Salaries	841,893
Other expenses	527,854
Payroll taxes	72,946
Rent	69,783
Trading overhead	51,953
License and fees expense	36,491
Legal and professional	32,368
Advertising and promotion	26,275
Payroll related expenses	17,570
Depreciation expense	11,281
Loss on disposal of fixed assets	7,761
Interest expense	2,395
	<hr/>
Total expenses	4,151,480
	<hr/>
Net income before provision for income taxes	867,594
Provision for income taxes (Note 2)	19,065
	<hr/>
Net income	\$ 848,529
	<hr/>

See independent auditors' report and accompanying notes

**QUEST CAPITAL STRATEGIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>		
Balance December 31, 2005	100	\$ 10,000	\$ 812,548	\$ 822,548
Stockholders' distribution	-	-	(1,348,731)	(1,348,731)
Net income	-	-	848,529	848,529
Balance, December 31, 2006	<u>100</u>	<u>\$ 10,000</u>	<u>\$ 312,346</u>	<u>\$ 322,346</u>

**QUEST CAPITAL STRATEGIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash flows from operating activities:	
Net income	\$ 848,529
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	11,281
Realized gain on marketable securities, net	(394)
Unrealized gain on marketable securities, net	(4,323)
Loss on disposal of fixed assets	7,761
Increase (decrease) in operating assets:	
Commissions receivable	(30,661)
Other receivable	(10,416)
Prepaid expense	2,507
Deposit	(43)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	79,822
Commissions payable	9,813
License fees payable	51,727
Total adjustments	<u>117,074</u>
Net cash provided by operating activities	<u>965,603</u>
Cash flows from investing activities:	
Sale of marketable securities	1,639
Purchase of property and equipment	<u>(2,782)</u>
Net cash used in investing activities	<u>(1,143)</u>
Cash flows from financing activities:	
Stockholders' distributions	<u>(1,348,731)</u>
Net cash used in financing activities	<u>(1,348,731)</u>
Decrease in cash	(384,271)
Cash, beginning of year	<u>749,939</u>
Cash, end of year	<u>\$ 365,668</u>
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the year for:	
Income taxes	<u>\$ 19,065</u>

See independent auditors' report and accompanying notes

**QUEST CAPITAL STRATEGIES, INC.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**1. BUSINESS DESCRIPTION**

Quest Capital Strategies, Inc. (the Firm), is primarily engaged in the business of securities brokerage.

The Firm operates under the provisions of paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of paragraph (k)(2)(ii) provide that the Firm clears all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers, maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Securities Transactions**

Proprietary securities transactions, commission revenue and related expenses are recorded on a settlement date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

**Property and Equipment and Depreciation**

Property and equipment are recorded at cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets, currently five to seven years. Repairs and maintenance costs are expensed as incurred and expenditures for additions and major improvements are capitalized.

**Income Taxes**

The Firm is an S Corporation for income tax purposes and, accordingly, income or loss of the Firm flows through to the individual stockholder. California tax of \$19,065 was recorded for the year ended December 31, 2006.

**Use of Estimates in the Preparation of Financial Statements**

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

**QUEST CAPITAL STRATEGIES, INC.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**3. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at December 31, 2006:

Property and equipment	\$	48,006
Less: accumulated depreciation		<u>(33,138)</u>
	\$	<u>14,868</u>

Depreciation expense charged to operations was \$11,281 for the year ended December 31, 2006.

**4. SECURITIES OWNED**

The Company's securities investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period included in earnings.

	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>
Trading securities:			
Marketable equity securities	\$ 4,323	\$ -	\$ 7,584

Realized gains and losses are determined on the basis of actual results on investments. During 2006, sales proceeds and gross realized loss on marketable securities were:

Sale proceeds	\$	<u>1,639</u>
Gross realized gain	\$	<u>394</u>

**QUEST CAPITAL STRATEGIES, INC.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**5. NET CAPITAL REQUIREMENTS**

The Firm is subject to the Securities and Exchange Commission 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2006, the Firm had net capital of \$265,265 that was \$241,062 in excess of its required net capital of \$24,203. The Firm's percentage of aggregate indebtedness to net capital at December 31, 2006 was 1.44 to 1.

**6. COMMITMENTS**

**Leases**

The Firm entered into a 60 month operating lease for its office facilities commencing in August 2004 and which expires in July 2009. Minimum future rental payments under this operating lease for each of the next three years are as follows:

<u>For the Year Ended December 31,</u>	<u>Amount</u>
2007	\$ 65,321
2008	66,288
2009	38,668
	<hr/>
	\$ 170,277

Rental expense for the year ended December 31, 2006 was \$69,783.

**7. OFF-BALANCE-SHEET RISK**

As discussed in Note 1, the Firm's customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker/dealer. The clearing/broker dealer carries all of the accounts of the customers of the Firm and is responsible for execution, collection and payment of funds and, receipt and delivery of securities relative to customer transactions. Off-balance-sheet risks exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge losses it incurs to the Firm. The Firm seeks to minimize this through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker/dealer.

**QUEST CAPITAL STRATEGIES, INC.**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**8. RETIREMENT PLANS**

**Profit Sharing Plan**

The Firm sponsors a defined contribution Plan. Contributions to the Plan paid and accrued were \$38,828 for 2006.

**Pension Plan**

The following amounts relate to the Firm's defined benefit pension plan for the year ended December 31, 2006:

Fair value of plan assets at year end	\$	90,352
Pension benefit obligation at year end		70,199
Excess of plan assets over benefit obligation	\$	20,153
Accrued benefit cost	\$	2,872
Discount rate on the benefit obligation		6.0%
Rate of expected return on plan assets		5.5%
Rate of employee compensation increase		5.0%
Pension expense	\$	30,656
Firm contributions	\$	30,656
Benefits paid	\$	-

**SUPPLEMENTARY INFORMATION**

**QUEST CAPITAL STRATEGIES, INC.**  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF**  
**THE SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2006**

Net capital:			
Total stockholders' equity		\$	322,346
Total stockholders' equity qualified for net capital			
Deductions:			
Non-allowable assets:			
Commissions receivable	\$	10,148	
Other receivable		10,579	
Prepaid expense		4,436	
Property and equipment, net		14,868	
Deposit		5,524	
			45,555
Tentative net capital			276,791
Haircuts			
Money market account		3,942	
Marketable securities		7,584	
			11,526
Net capital		\$	265,265
Aggregate indebtedness:			
Items included in statement of financial condition:			
Accounts payable	\$		186,805
Commissions payable			95,461
License fees payable			99,886
Total aggregate indebtedness		\$	382,152

**QUEST CAPITAL STRATEGIES, INC.**  
**SCHEDULE I (CONTINUED)**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF**  
**THE SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2006**

Computation of basic net capital requirement:	
Minimum net capital required	<u>\$ 24,203</u>
Excess net capital	<u>\$ 241,062</u>
Ratio: aggregate indebtedness to capital	<u>1.44 to 1</u>
Reconciliation with Company's computation (included in Part II-A of Form X-17A-5 as of December 31, 2006):	
Net capital as reported in Company's Part II-A (unaudited) FOCUS report	\$ 259,723
Audit adjustment for disposal of fixed assets	7,761
Audit adjustment for depreciation	1,881
Additional haircuts	(3,942)
Transposition on Focus Report	<u>(158)</u>
Net capital per above	<u>\$ 265,265</u>

**QUEST CAPITAL STRATEGIES, INC.**  
**SCHEDULE II**  
**COMPUTATION FOR DETERMINATION OF**  
**RESERVE REQUIREMENTS UNDER RULE 15c3-3 OF**  
**THE SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2006**

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The Company is claiming an exception from Rule 15c3-3 under provision 15c3-3(k)(2)(ii).

**QUEST CAPITAL STRATEGIES, INC.**  
**SCHEDULE III**  
**INFORMATION RELATING TO POSSESSION OR CONTROL**  
**REQUIREMENTS UNDER RULE 15c3-3 OF**  
**THE SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2006**

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The Company is claiming an exception from Rule 15c3-3 under provision 15c3-3(k)(2)(ii).

**QUEST CAPITAL STRATEGIES, INC.  
SCHEDULE IV  
SCHEDULE OF SEGREGATION REQUIREMENTS AND  
FUNDS IN SEGREGATION FOR CUSTOMERS'  
REGULATED COMMODITY FUTURES AND OPTIONS ACCOUNTS  
AS OF DECEMBER 31, 2006**

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Not Applicable

**MENDOZA  
BERGER  
COMPANY, L.L.P.**

Certified Public Accountants

**Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5**

Board of Directors  
Quest Capital Strategies, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Quest Capital Strategies, Inc. (the Firm), for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Firm including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Firm 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 Firm in any of the following:

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

The management of the Firm 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 Firm 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 accordance 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.

Main Office

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Because of inherent limitations in internal control or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including 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 Firm's practices and procedures were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

**Mendoza Berger & Company, LLP**

*Mendoza Berger & Company, LLP*

Irvine, California  
February 20, 2007

END