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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- 18273

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 April 1, 2008 AND ENDING March 31, 2009  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Quest Securities, Inc.

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

OFFICIAL USE ONLY
6828
FIRM I.D. NO.

8080 Madison Avenue, #102A

(No. and Street)

Fair Oaks, CA 95628

(City)

(State)

(Zip Code)

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

Robert Schoen

(916) 863-7862

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Cropper Accountancy Corporation

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

2977 Ygnacio Valley Road, #460, Walnut Creek, CA 94598

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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Mail Processing  
Section

MAY 29 2009

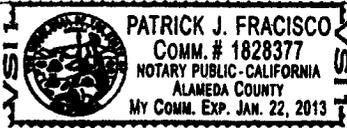
Washington, DC  
100

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\*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)

OATH OR AFFIRMATION

I, Robert Schoen, 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 Securities, as of March 31, 20 09, 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:



Robert J. Schoen  
Signature  
President  
Title

Patrick J. Fracisco  
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).

TO THE COMMISSIONER OF CORPORATIONS OF  
THE STATE OF CALIFORNIA

VERIFICATION FORM PURSUANT TO  
RULES 260.241.2(b) AND 350.535.1(b)

(Executed within the State of California)

I, ***Robert J. Schoen***, certify under penalty of perjury, that I have read the foregoing and annexed financial report and supporting schedule and know the contents thereof; that the same are true and correct to my best knowledge and belief; and that neither the licensee nor any partner, officer, or director thereof have any proprietary interest in any account classified solely as that of a customer.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2009

at Livermore, California

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***Robert J. Schoen***  
***Quest Securities, Inc.***

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# Cropper Accountancy Corporation

*Certified Public Accountants*

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2977 Ygnacio Valley Road, #460  
Walnut Creek, California 94598  
Tel: (925) 932-3860  
Fax: (925) 932-3862

## INDEPENDENT AUDITORS' REPORT

To the Shareholder  
Quest Securities, Inc.  
Livermore, California

We have audited the accompanying statement of financial condition of Quest Securities, Inc. as of March 31, 2009 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 provided 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 Securities, Inc. as of March 31, 2009, 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 Schedule I 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.

*Cropper Accountancy Corporation*  
CROPPER ACCOUNTANCY CORPORATION

May 20, 2009

QUEST SECURITIES, INC.  
Statement of Financial Condition  
March 31, 2009

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ASSETS

Cash in bank	\$ 150,447
Deposits with clearing broker	12,733
Total cash and equivalents	<u>163,180</u>
Investments at fair market value, cost \$142,101	29,907
Commissions receivable	86,610
Other accounts receivable	311
Recoverable income taxes	15,107
Deferred income tax benefits	23,966
Furniture and equipment, net of accumulated depreciation of \$52,622	7,862
Total assets	<u>\$ 326,943</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities:	
Accounts payable and accrued expenses	\$ 5,172
Commissions payable	77,458
Total liabilities	<u>82,630</u>
Stockholder's equity:	
Common stock, no par value, authorized 25,000 shares; 333 shares issued and outstanding	333
Paid-in capital	4,667
Retained earnings	239,313
Total stockholder's equity	<u>244,313</u>
Total Liabilities and Stockholder's Equity	<u>\$ 326,943</u>

The accompanying notes are an integral part of these financial statements.

QUEST SECURITIES, INC.  
Statement of Operations  
For the Year Ended  
March 31, 2009

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Revenue	
Fees and commissions earned	\$ 1,815,521
Interest	12,038
Dividend income	3,009
Investment income (loss)	(67,580)
Other income	11,221
Total revenues	<u>1,774,209</u>
Commission and brokerage expense	<u>1,556,580</u>
Gross profit	<u>217,629</u>
Expenses	
Salaries	136,689
Payroll taxes	11,747
Rent	37,675
Insurance	1,782
Telephone and communication	18,272
Professional fees	8,618
Office expense	12,667
State and regulatory fees	11,901
Automobile	8,775
Depreciation	3,796
Other	8,711
Total expense	<u>260,633</u>
Income (loss) before income tax expense	(43,004)
Income tax expense (recovery)	<u>(8,206)</u>
Net income (loss)	<u>\$ (34,798)</u>

The accompanying notes are an integral part of these financial statements.

QUEST SECURITIES, INC.  
Statement of Changes in Stockholder's Equity  
For the Year Ended  
March 31, 2009

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	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances - March 31, 2008	\$ 333	\$ 4,667	\$ 284,111	\$ 289,111
Net income (loss)	-	-	(34,798)	(34,798)
Dividends paid	-	-	(10,000)	(10,000)
Balances - March 31, 2009	<u>\$ 333</u>	<u>\$ 4,667</u>	<u>\$ 239,313</u>	<u>\$ 244,313</u>

The accompanying notes are an integral part of these financial statements.

QUEST SECURITIES, INC.  
Statement of Cash Flows  
For the Year Ended  
March 31, 2009

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Cash flows from operating activities:	
Net income (loss)	\$ (34,798)
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>	
Depreciation expense	3,796
<i>Changes in operating assets and liabilities:</i>	
Decrease in commissions and other receivables	40,836
Decrease in commissions payable	(34,075)
Increase in accounts payable and accrued liabilities	696
Decrease in income taxes payable, net	(31,187)
(Increase) in deferred income tax benefits	(9,637)
Net cash used in operating activities	<u>(64,369)</u>
Cash flows from investing activities:	
Purchase of furniture and equipment	(4,157)
Decrease in investments	1,198
Net cash used in investing activities	<u>(2,959)</u>
Cash flows from financing activities:	
Net withdrawals - dividends	<u>(10,000)</u>
Net cash used in financing activities	<u>(10,000)</u>
Net decrease in cash	(77,328)
Cash at beginning of year	<u>240,508</u>
Cash at end of year	<u><u>\$ 163,180</u></u>

The accompanying notes are an integral part of these financial statements.

QUEST SECURITIES, INC.  
Notes to Financial Statements  
March 31, 2009

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1. General Information and Significant Accounting Policies

Description of Business

Quest Securities, Inc. (the Company), is owned 100% by the Robert and Delores Schoen Trust. The Company is registered as a broker and dealer in securities with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). It transacts trades in equity securities through other brokers on a "fully disclosed" basis and receives commissions therefrom. In addition, commissions are earned on sales of limited partnership interests, mutual funds and other interests.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting wherein income is recognized as earned and expenses are recognized when incurred.

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 certain reported amounts and disclosures.

Cash and cash equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company maintains cash in one bank with FDIC insurance of up to \$250,000. At March 31, 2009, the cash balance in the bank accounts totaled \$150,447, which was less than the FDIC insurance limit of \$250,000. An additional deposit was maintained with a clearing broker, which is insured by SIPC.

Investments

The company has firm investments in various equity securities of \$29,907. These securities are carried at fair value, which was \$112,194 less than cost at March 31, 2009 of \$142,101.

Income taxes

Deferred income tax assets and liabilities are provided for differences between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred tax balances are determined by using the tax rate expected to be in effect when the taxes will actually be paid or refunds received.

2. Net Capital Requirement

As a registered broker and dealer in Securities, the Company is subject to the Securities Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

QUEST SECURITIES, INC.  
Notes to Financial Statements  
March 31, 2009

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2. Net Capital Requirement (continued)

The Company's ratio of aggregate indebtedness to net capital as defined in the Uniform Net Capital Rule was approximately 0.50 to 1 at March 31, 2009. Aggregate indebtedness and net capital change from day to day. The Company is required to maintain a ratio of less than 15 to 1.

At March 31, 2009, the Company had net capital as defined of \$165,636, which exceeded the minimum requirement of \$50,000. However it should be noted that in order to diminish the clerical effort of interim reporting, the Company must maintain a minimum net capital of 120% of the minimum required capital.

3. Exemption From Rule 15c3-3

The Company is exempt from certain provisions of Rule 15c3-3 since it places stock and bond transactions on a "fully disclosed" basis with clearing broker-dealers, since it carries no margin accounts, except through the clearing broker, and since it promptly transmits all customer funds, delivers all customer securities and does not otherwise hold funds or securities of customers.

4. Income Taxes

The following is the computation of income tax expense. The deferred tax benefit recognized is due to timing differences in the deduction of expenses or revenues.

<u>Income Tax Expense</u>	<u>California</u>	<u>Federal</u>	<u>Expense</u>
Income (loss) before income taxes	\$ (43,004)	\$ (43,004)	
Prior year California Franchise tax	-	(9,690)	
Depreciation – Financial Statement	3,796	3,796	
Tax return	(7,136)	(4,157)	
Add back – loss on securities mark to market	69,426	69,426	
Gain on sale of securities – sale over cost	(1,817)	(1,817)	
Capital loss realized	(11,040)	(11,040)	
Taxable income	<u>\$ 10,225</u>	<u>\$ 3,514</u>	
Income tax liability of 8.84% for California,	\$ 904	\$ -	\$ 904
Federal at corporate rates as graduated	-	527	527
Increase in deferred income tax asset: on timing differences			
March 31, 2009 – 23,966	(9,624)	(14,342)	(23,966)
March 31, 2008 – 14,329	4,919	9,410	14,329
Income tax credit – current year	<u>\$ (3,801)</u>	<u>\$ (4,405)</u>	<u>\$ (8,206)</u>

QUEST SECURITIES, INC.  
Notes to Financial Statements  
March 31, 2009

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4. Income Taxes (continued)

The deferred income tax asset was calculated as follows:

Market value of investments at March 31, 2009	\$ 29,907	
Cost of investments at March 31, 2009	<u>(142,100)</u>	
Reduction cost-to-market value	<u>\$ (112,193)</u>	
	<u>California</u>	<u>Federal</u>
Excess of cost over market value at March 31, 2009	\$ (112,193)	\$ (112,193)
Accumulated depreciation differential	3,323	7,862
March 31, 2009 California Franchise Tax		
Deductible for fiscal March 31, 2010	<u>-</u>	<u>(904)</u>
	<u>\$ (108,870)</u>	<u>\$ (105,235)</u>
California deferred franchise tax thereon at 8.84%	<u>\$ 9,624</u>	<u>9,624</u>
Timing differences at March 31, 2009	<u>\$ 108,870</u>	<u>\$ 95,611</u>
Deferred income tax benefit	<u>\$ 9,624</u>	<u>\$ 14,342</u>
Combined deferred tax benefit		<u>\$ 23,966</u>

5. Firm Investments

The following are firm investments at March 31, 2009:

<u>Shares</u>		<u>Current Values</u>	<u>Cost</u>
4,500	Solar Fun Pwr Holdings	\$ 18,855	\$ 60,528
2,000	Tarrant Apparel Group	1,600	7,248
500	Sequenom Inc.	7,110	12,552
5,000	Cell Genesys, Inc.	1,449	34,282
750	Crocs Inc.	<u>893</u>	<u>27,490</u>
		<u>\$ 29,907</u>	<u>\$142,100</u>

6. Lease Commitment

The Company rents both of its facilities on a month to month basis. Currently, rent at the main office is \$3,066 per month, with the Livermore rent being \$490 per month. This is offset by reps who sublet the space for a total of \$720 per month, making the Company's net rent expense \$2,836 per month. The Company is leasing an auto for \$540 per month; the lease commitment is three years starting in 2008.

QUEST SECURITIES, INC.  
Notes to Financial Statements  
March 31, 2009

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7. Related Party Transactions

The Company's 100% shareholder receives a salary for administrative services and commissions for business generated.

**SUPPLEMENTARY INFORMATION**

QUEST SECURITIES, INC.  
Schedule I  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
March 31, 2009

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Stockholder's equity \$ 244,313

*Assets not allowed for net capital purposes:*

Recoverable income taxes	15,107	
Non-customer accounts receivable	311	
Deferred income tax benefits	23,966	
Accounts receivable, not allowed	7,673	
Furniture and equipment, net	<u>7,862</u>	
Total not allowed assets	<u>54,919</u>	
Subtotal	189,394	

*Less haircut on marketable securities:*

15% of \$29,907 securities, haircut	4,486	
Undue concentration	272	
Fidelity bond excess deductible	<u>19,000</u>	<u>23,758</u>
Net capital		<u><u>\$ 165,636</u></u>

Minimum net capital required (6 2/3% of \$82,630 aggregate indebtedness or the minimum of \$50,000)	<u>\$ 50,000</u>
Net capital in excess of requirement	<u><u>\$ 115,636</u></u>
Ratio of aggregate indebtedness (\$82,630) to net capital (\$165,636)	<u><u>.50 to 1</u></u>

	<u>Aggregate</u> <u>Indebtedness</u>	<u>Net</u> <u>Capital</u>	<u>Ratio</u>
Focus Report as filed, agrees with audit amounts	<u>\$ 82,630</u>	<u>\$ 165,636</u>	0.50 to 1

# Cropper Accountancy Corporation

*Certified Public Accountants*

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2977 Ygnacio Valley Road, #460  
Walnut Creek, California 94598  
Tel: (925) 932-3860  
Fax: (925) 932-3862

## INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

To the Shareholder  
Quest Securities, Inc.  
Livermore, California

In planning and performing our audits of the financial statements and supplemental schedule of Quest Securities, Inc. (the Company), for the year ended March 31, 2009, we considered its internal control structure, including procedures 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 the internal control structure.

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 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 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.
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 Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control 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 SEC's 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 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.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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 *control deficiency* 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 control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. 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 were adequate at March 31, 2009 to meet the SEC's objectives.

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

  
CROPPER ACCOUNTANCY CORPORATION

May 20, 2009

**QUEST SECURITIES, INC.**  
**FINANCIAL STATEMENTS AND SCHEDULE**  
**MARCH 31, 2009**