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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  
Mail Processing  
Section  
FEB 28 2014

SEC FILE NUMBER
8-34532



14046934

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Quest Capital Strategies, Inc

OFFICIAL USE ONLY
FIRM I.D. NO.

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

23832 Rockfield Blvd # 130  
(No. and Street)

Lake Forest  
(City)

CA  
(State)

92630  
(Zip Code)

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

Carolyn Tsai

(949) 830-4885  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Tarvaran, Akelson & Company, LL.P  
(Name - if individual, state last, first, middle name)

32565 B Golden Lantern, Suite 509, Dana Point, CA 92629  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

DD  
3/20/14

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 December 31, 2013, 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 Retirement & Pension plan  
Carolyn Tsai individual, retirement accts and custodial  
accounts

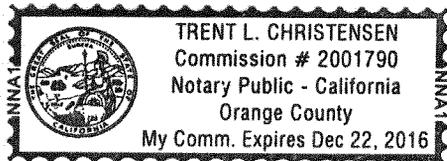
[Signature]  
Signature  
C.F.O.  
Title

[Signature]  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

GOVERNMENT CODE § 8202

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-6 to be completed only by document signer[s], *not* Notary)

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

4 \_\_\_\_\_

5 \_\_\_\_\_

6 \_\_\_\_\_

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of ORANGE

Subscribed and sworn to (or affirmed) before me

on this 27 day of FEBRUARY, 2014

by \_\_\_\_\_  
Date Month Year  
(1) [Signature]  
Name of Signer

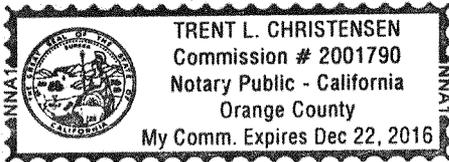
proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (.)

(and

(2) \_\_\_\_\_  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature Trent L. Christensen  
Signature of Notary Public



Place Notary Seal Above

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Further Description of Any Attached Document**

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**RIGHT THUMBPRINT OF SIGNER #1**  
Top of thumb here

**RIGHT THUMBPRINT OF SIGNER #2**  
Top of thumb here

**Independent Accountants' Report on Applying Agreed-Upon  
Procedures Related to an Entity's SIPC Assessment  
Reconciliation**

The Board of Directors  
Quest Capital Strategies, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities and Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2013, which were agreed to by Quest Capital Strategies, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC], solely to assist you and the other specified parties in evaluating Quest Capital Strategies, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). Quest Capital Strategies, Inc.'s management is responsible for the Quest Capital Strategies, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-7T for the year ended December 31, 2013, noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working supporting the adjustments noting no differences.

**TARVARAN, ASKELSON & COMPANY<sup>®</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

**Tarvaran Askelson & Company, LLP**

*TARVARAN ASKELSON & COMPANY*

Laguna Niguel, CA  
February 26, 2014



**Quest Capital Strategies, Inc.**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2013**

*With*

**INDEPENDENT AUDITORS' REPORT THEREON**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Quest Capital Strategies, Inc.

**Report on the Financial Statements**

We have audited the accompanying statement of financial condition of Quest Capital Strategies, Inc. (the "Company") as of December 31, 2013, and the related statements of operations and 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, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

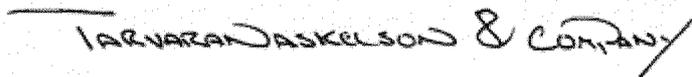
***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quest Capital Strategies, Inc. as of December 31, 2013, 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.

***Other Matter***

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and or other records used to prepare the financial statements. The information in Schedules I, II, III and IV has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. And other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I, II, III and IV is fairly stated in all material respects in relation to the financial statements as a whole.

**Tarvaran Askelson & Company, LLP**



Laguna Niguel, California  
February 26, 2014

**Quest Capital Strategies, Inc.**  
**Statement of Financial Condition**  
**December 31, 2013**

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**ASSETS**

Current assets:	
Cash	\$ 390,754
Commissions receivable	208,523
Other receivable	4,164
Prepaid expenses	10,331
Securities owned (Note 3)	4,085
Total current assets	<u>617,857</u>
Property and equipment, net (Notes 2 and 4)	13,998
Deposits and other assets	<u>5,808</u>
Total assets	<u><u>\$ 637,663</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:	
Accrued expenses	\$ 60,583
Commissions payable	108,809
Retirement plans payable	158,609
License fees payable	94,619
Total current liabilities	<u>422,620</u>
Commitments (Note 5)	-
Common stock, no par value; 116.14 shares authorized; 100 shares issued and outstanding	10,000
Accumulated other comprehensive income	(7,996)
Retained earnings	213,039
Total stockholders' equity	<u>215,043</u>
Total liabilities and stockholders' equity	<u><u>\$ 637,663</u></u>

**Quest Capital Strategies, Inc.**  
**Income Statement**  
**For the year ended December 31, 2013**

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Revenues:	
Commissions	\$ 3,001,336
Annual fees	621,937
Advisory fees	117,551
Administrative services	47,845
Other income	108,413
Interest and dividends	466
Net realized gains (losses) on securities	688
Net unrealized gains (losses) on securities	<u>(1,032)</u>
Total revenues	3,897,204
Operating expenses:	
Commission expense	1,770,679
Employee compensation and benefits	838,621
Trading overhead	75,747
Office expense	67,569
Rent	82,585
Legal and professional	38,645
License and fees expense	87,202
Other expenses	40,370
Advertising and promotion	22,328
Travel	8,615
Insurance	4,868
Depreciation	<u>5,355</u>
Total operating expenses	<u>3,042,584</u>
Income before provision for income taxes	854,620
Provision for income taxes (Note 2)	<u>615</u>
Net income	<u><u>\$ 855,235</u></u>

**Quest Capital Strategies, Inc.**  
**Statement of Stockholders' Equity**  
**For the year ended December 31, 2013**

	<u>Common stock</u>		Retained	Accumulated Other Comprehensive	Total
	Shares outstanding	Amount	Earnings	Income	
Balance, December 31, 2012	100	\$ 10,000	\$ 342,804	\$ (31,789)	\$ 321,015
Stockholders' distributions	-	-	(985,000)	-	(985,000)
Comprehensive income:					
Net Income	-	-	855,235	-	855,235
Other comprehensive income, net of tax					
Change in minimum pension liability	-	-	-	23,793	23,793
Balance, December 31, 2013	<u>100</u>	<u>\$ 10,000</u>	<u>\$ 213,039</u>	<u>\$ (7,996)</u>	<u>\$ 215,043</u>

**Quest Capital Strategies, Inc.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2013**

**Cash flows from operating activities**

Net income	\$	855,235
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation		5,355
Unrealized loss on marketable securities, net		(1,302)
Decrease (increase) in assets		
Commissions receivable		13,288
Other receivable		(2,774)
Prepaid expenses		2,783
(Decrease) increase in liabilities		
Accrued expenses		38,211
Commissions payable		2,831
Retirement plan payable		(10,662)
License fees payable		(12,139)

Net cash flows provided by operating activities 890,826

**Cash flows from investing activities**

Proceeds from sale of marketable securities		668
Purchase of property and equipment		<u>(7,552)</u>

Net cash flows used by investing activities (6,884)

**Cash flows from financing activities**

Stockholders' distributions		<u>(985,000)</u>
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Net cash flows used by financing activities (985,000)

Net increase (decrease) in cash (101,058)

Cash at beginning of year 491,812

Cash at end of year \$ 390,754

**Supplemental disclosure of cash flow information:**

Cash paid for income taxes \$ (615)

**1. ORGANIZATION**

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**

**Cash and Cash Equivalents**

The Firm considers cash equivalents to be all highly liquid debt instruments purchased with an original maturity date of three (3) months or less. The Firm maintains a \$100,000 deposit with its clearing broker/dealer.

**Fair Value Measurements**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require us to develop our own assumptions. This hierarchy requires companies to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures certain financial assets and liabilities at fair value, including our marketable securities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurements** (continued)

The Company's cash equivalents and marketable securities instruments are classified within Level 1 and Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker-dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, and money market securities. Such instruments are generally classified within Level 1 of the fair value hierarchy. The types of instruments valued based on other observable inputs include investment-grade corporate bonds, mortgage-backed and asset-backed products, commercial paper, and state, municipal and provincial obligations. Such instruments are generally classified within Level 2 of the fair value hierarchy.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates made in preparing the financial statements include the realizability of long-lived assets.

**Property and Equipment**

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.

**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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. The Firm is subject to California state income tax, which is the greater of \$800 or 1.5% of taxable income and, accordingly, a provision for such taxes has been included in the accompanying financial statements. Deferred tax expense was immaterial for the year ended December 31, 2013.

3. **SECURITIES OWNED**

The Firm's securities investments are classified as trading securities. The firm only purchases securities for the purpose of assisting customers in selling their thinly traded or worthless securities. Trading securities consist solely of equity securities and are recorded at fair value on the balance sheet in current assets and, with the change in fair value during the period included in earnings. Securities owned at December 31, 2013 consisted solely of marketable equity securities.

Realized gains and losses are determined on the basis of actual results on investments. During 2013, the Firm sold no marketable securities. Realized and unrealized gains on marketable securities were as follows:

	<b>Gross Unrealized Gain</b>	<b>Gross Unrealized Loss</b>
Trading securities:		
Marketable equity securities	\$ -	\$ (1,032)
	<b>Gross Realized Gain</b>	<b>Gross Realized Loss</b>
Trading securities:		
Marketable equity securities	\$ 688	\$ -

**4. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2013 consisted of the following:

Property and equipment	\$ 89,878
Less: accumulated depreciation	<u>(75,880)</u>
Property and equipment, net	<u><u>\$ 13,998</u></u>

**5. COMMITMENTS**

**Operating Leases**

On May 15, 2009, the Firm entered into a new operating lease which expires July 31, 2014. The operating lease calls for monthly payments of rent, common area maintenance, insurance and property taxes. The lease provides for an increase in the monthly lease rate approximately every 12 months. The lease agreement was modified during 2013 to provide for additional space. Future minimum payments by year due under the operating lease agreement are as follows:

<u>For the year ended December 31,</u>	<u>Amount</u>
2014	\$ 52,507
2015	-
2016	-
2017	-
After 2017	-
	<u><u>\$ 52,507</u></u>

**6. 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, 2013, the firm had net capital of \$176,606 that was \$148,431 in excess of its required net capital of \$28,174. The Firm's percentage of aggregate indebtedness to net capital at December 31, 2013 was 2.40 to 1.

**7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 390,754	\$ -	\$ -	\$ 390,754
Securities	4,085	-	-	4,085
	\$ 394,839	\$ -	\$ -	\$ 394,839

**8. RISKS**

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. Customers send stock certificated directly to the clearing broker/dealer. Off-balance-sheet risks exist 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.

The Firm maintains its cash in bank deposit accounts which at times may exceed federally insured limits. Management periodically evaluates the credit worthiness of its primary depositories. The Firm has not experienced any losses in such accounts. The Firm believes it is not exposed to any significant credit risk on cash and cash equivalents.

**9. RETIREMENT PLANS**

The Firm has a defined benefit plan and a defined contribution plan covering the employer. Total costs associated with the company's defined contribution benefit plan were approximately \$100,000 in 2013. Benefits for the defined benefit pension plan covering the employer are provided based on the greater of the percent of average monthly compensation or dollar amount per month times years of credited service. The company's funding policy is to make annual contributions of not less than the minimum required by applicable regulations.

**9. RETIREMENT PLANS (continued)**

In 2008, the Firm adopted the recognition and disclosure provisions of SFAS No. 158, later codified in ASC 715-10, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158). SFAS No. 158 required the company to recognize the funded status of its pension and other post-retirement benefit plans in the consolidated statement of financial position. Subsequent changes in funded status that are not recognized as a component of net periodic benefit cost are recorded as a component of accumulated other comprehensive loss. The annual measurement date used to determine pension and other post-retirement benefit amounts is December 31, 2013

The following amounts relate to the Firm's defined benefit pension plan for the year ended December 31, 2013:

Participant contributions	\$ 100,000
Accrued firm contributions	\$ 100,000
Benefits paid	\$ -
Minimum funding requirement	\$ 103,077
Prior service cost	\$ -
Accrued pension cost	\$ -

At December 31, 2013, the funded status of the plan was as follows:

Fair value of plan assets at end of year	\$ 913,673
Pension benefit obligation at year end	765,401
Excess of plan assets over benefit obligations	\$ 148,272
Accumulated Benefit Obligation	\$ 1,091,819

**9. RETIREMENT PLANS (continued)**

Weighted-average assumptions used to determine net periodic benefit costs are as follows:

Discount rate on benefit obligation	6.0%
Rate of expected return on plan assets	5.0%
Rate of employee compensation increase	0.0%

Weighted-average assumptions used to determine benefit obligations are as follows:

Discount rate on benefit obligation	6.0%
Rate of employee compensation increase	0.0%

The expected long-term rate of return on plan assets is developed in consultation with outside advisors. A range is determined based on the composition of the asset portfolio, historical long-term rates of return, and estimates of future performance.

The percentage asset allocations for the company's pension plan assets as of the plan measurement date are as follows:

<u>Asset Category</u>	
Cash and money market securities	85.0%
Equity securities	15.0%

Benefits expected to be paid over the next ten fiscal years are as follows:

2014	\$	1,133
2015		1,122
2016		1,111
2017		1,098
2018		1,084
5 years after 2018		798,022
	<u>\$</u>	<u>803,570</u>

**SUPPLEMENTAL INFORMATION**

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**Quest Capital Strategies, Inc.**  
**Schedule I**  
**Computation of Net Capital Under Rule 15c3-1**  
**of the Securities and Exchange Commission**  
**For the year ended December 31, 2013**

Net Capital:		
Total stockholder's equity from statement of financial condition		<u>\$ 215,043</u>
Deductions:		
Non-allowable assets:		
Commissions receivable	\$ 51	
Other assets	4,164	
Prepaid expenses	10,331	
Property and equipment, net	13,998	
Deposits and other assets	<u>5,808</u>	<u>34,352</u>
Tentative net capital		180,691
Haircuts		
Money market account	\$ -	
Marketable securities	<u>4,085</u>	<u>4,085</u>
Net capital		<u><u>\$ 176,606</u></u>
Aggregate indebtedness:		
Items included in statement of financial condition:		
Accrued expenses		\$ 60,583
Commissions payable		108,809
Retirement plans payable		158,609
License fees payable		<u>94,619</u>
Total aggregate indebtedness		<u><u>\$ 422,620</u></u>

**Quest Capital Strategies, Inc.**  
**Schedule I (Continued)**  
**Computation of Net Capital Under Rule 15c3-1**  
**of the Securities and Exchange Commission**  
**For the year ended December 31, 2013**

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Minimum net capital required	<u>\$ 28,174</u>
Excess net capital	<u>\$ 148,431</u>
Ratio of aggregate indebtedness to net capital	<u>2.4 to 1</u>
Reconciliation with Company's computation:	
Net capital as reported in Company's Part II-A (unaudited)	
FOCUS report	\$ 207,675
Depreciation expense of \$5,355	-
Pension asset adjustment	<u>(37,445)</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, 2013**

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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, 2013**

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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 Changes in Liabilities Subordinated to Claims of Creditors**  
**as of December 31, 2013**

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Not Applicable

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

Board of Directors  
Quest Capital Strategies, Inc.

In planning and performing our audit of the financial statements of Quest Capital Strategies, Inc. (the "Company") as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (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 and recordation of differences required by the rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with 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 internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *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 accounting principles generally accepted in the United States of America 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 deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above, except for:

The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those internal control structure and procedures over financial reporting, computation and reconciliation of net capital requirements and computation of reserve requirements that depend on the segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

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, as described in the second paragraph of this report, were adequate at December 31, 2013, to meet the SEC's objectives.

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This report is intended solely for the information and 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 is not intended to be and should not be used by anyone other than these specified parties.

**Tarvaran Askelson & Company, LLP**

*TARVARAN ASKELSON & COMPANY*

Laguna Niguel, California  
February 26, 2014



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