

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED



09041422

SSION

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response.....12.00

OCT 6 2009

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

SEC FILE NUMBER  
8-66442

DIVISION OF MARKET REGULATION

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 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Cognitive Capital LLC**

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
141 W. Jackson Blvd., Suite 1620

(No. and Street)

Chicago Illinois 60604  
(City) (State) (Zip Code)

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

Jacqueline Sloan (312) 431-0014  
(Area Code-Telephone No)

**B. ACCOUNTANT IDENTIFICATION**

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

Schultz and Chez, LLP

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

141 W. Jackson Blvd., Suite 2900 Chicago IL 60604  
(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

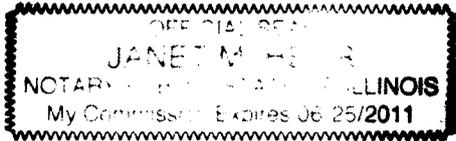
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 241.17a-5(e)(2).

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number

11/24/09

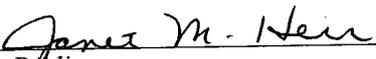
## OATH OR AFFIRMATION

I, Arthur Margulis, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental information pertaining to the firm of **Cognitive Capital LLC**, as of December 31, 2007, are true and correct. I further affirm that neither the Company nor any member, proprietor, principal officer, or director has any proprietary interest in any account classified solely as that of a customer.



  
Signature

Managing Member  
Title

  
Notary Public

This report contains (check all applicable boxes):

- (a) Facing Page
- (b) Statement of Financial Condition
- (c) Statement of Income
- (d) Statement of Changes in Member's Equity
- (e) Statement of Cash Flows
- (f) Statement of Changes in Subordinated Borrowings

Supplemental Information:

- (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 under Requirement 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 pursuant to 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.
- (o) Independent Auditor's Report on Internal Control Structure.

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

CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF FINANCIAL CONDITION.....	2
NOTES TO STATEMENT OF FINANCIAL CONDITION.....	3 - 5

# SCHULTZ & CHEZ, L.L.P.

*Certified Public Accountants*

---

141 West Jackson Boulevard, Suite 2900  
Chicago, Illinois 60604  
Main: (312) 332-1912  
Fax: (312) 332-3635

## INDEPENDENT AUDITOR'S REPORT

To the Member of  
Cognitive Capital LLC  
Chicago, Illinois

We have audited the accompanying statement of financial condition of Cognitive Capital LLC as of December 31, 2007. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement referred to above presents fairly, in all material respects, the financial position of Cognitive Capital LLC as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.



Chicago, Illinois  
January 25, 2008

Cognitive Capital LLC  
(an Illinois Limited Liability Company)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2007

ASSETS

Cash	\$	12,498
U.S. Government securities, at market value		51,000
Due from clearing broker		12,034,022
Equities owned, at market		11,609,859
Interest and dividends receivable		2,096
Exchange membership (market value \$3,125,000)		330,000
Furniture and equipment, net		864,894
Other assets		<u>10,000</u>
TOTAL ASSETS	\$	<u>24,914,369</u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES

Equities sold, not yet purchased	\$	10,678,091
Dividends payable		8,853
Accounts payable		31,232
Accrued bonuses		<u>781,000</u>
Total Liabilities		<u>11,499,176</u>

Member's Equity		<u>13,415,193</u>
-----------------	--	-------------------

TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	<u>24,914,369</u>
---------------------------------------	----	-------------------

See accompanying notes.

Cognitive Capital LLC  
(an Illinois Limited Liability Company)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

DECEMBER 31, 2007

**(1) NATURE OF BUSINESS**

Cognitive Capital LLC, (the "Company") engages in trading strategies primarily involving equities and equity derivative instruments on a proprietary basis. The company is registered as a broker/dealer with the Securities and Exchange Commission ("SEC") and is a member of the Chicago Board Options Exchange.

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

Securities owned and securities sold, not yet purchased, held in firm trading and investment accounts, are carried at market value.

Securities transactions are recorded on the trade date and, accordingly, gains and losses are recorded on unsettled transactions.

Futures transactions and resulting gains and losses are recorded on the trade date. Gains and losses on open futures contracts are reflected in income.

Furniture and equipment are recorded at cost and depreciated over their estimated useful lives using accelerated methods. At December 31, 2007, accumulated depreciation was \$165,272.

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

No provision has been made for income taxes as the taxable income or loss of the Company is included in the income tax return of the member.

Financial instruments recorded at fair value on the Company's statement of financial condition include securities owned and securities sold, not yet purchased. Other financial instruments are recorded by the Company at contract amounts and include receivables from and payables to clearing broker. Financial instruments carried at contract amounts, which approximate fair value, either have short-term maturities, are repriced frequently, or bear market interest rates and, accordingly, are carried at amounts approximating fair value.

The Company has not presented a Statement of Comprehensive Income because it does not have any items of "other comprehensive income".

Cognitive Capital LLC  
(an Illinois Limited Liability Company)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

DECEMBER 31, 2007

(3) **COMMITMENTS**

The Company leases office space under an operating lease that expires on September 30, 2012. The lease contains escalation clauses providing for increased rentals based upon maintenance and tax increases. At December 31, 2007, the minimum annual rental commitments under the lease, exclusive of adjustments for operating expenses and taxes, are as follows:

	<u>Amount</u>
<b>Year ending December 31</b>	
2008	\$ 143,583
2009	146,331
2010	149,079
2011	151,827
2012	<u>115,416</u>
	\$ <u>706,236</u>

The Company is required to maintain a security deposit in the form of a letter of credit in the amount of \$50,000. A U.S. treasury note owned by the company collateralizes the letter of credit.

(4) **DERIVATIVE FINANCIAL INSTRUMENTS HELD AND ISSUED FOR TRADING PURPOSES AND OTHER FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

In its normal course of business, the Company trades financial instruments involving off-balance-sheet market risk with securities broker/dealers and futures commission merchants. The gross notional (or contractual) amounts of derivative financial instruments represent the volume of these transactions and not the amounts potentially subject to market risk. In addition, measurement of market risk is meaningful only when all related and offsetting transactions are taken into consideration. Market risk is the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other factors, such as liquidity, will result in losses for a specified position or portfolio. Financial instruments sold, but not yet purchased, entail an obligation to purchase the securities at a future date. The Company may incur a loss if the market value of the securities subsequently increases prior to the purchase of the security. Futures contracts are executed on an exchange, and cash settlement is made on a daily basis for market movements. The settlement of the aforementioned transactions is not expected to have a material adverse affect on the financial position of the Company.

As a trader, the Company is in the business of managing market risk. In management's opinion, market risk is substantially diminished when all financial instruments, including equities owned, are aggregated.

Cognitive Capital LLC  
(an Illinois Limited Liability Company)

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2007

**(4) DERIVATIVE FINANCIAL INSTRUMENTS HELD AND ISSUED FOR TRADING PURPOSES AND OTHER FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)**

Credit risk represents the loss that the Company would incur if a counterparty fails to perform its contractual obligation to the Company. All derivative financial instruments entered into by the Company are exchange-traded. For exchange traded contracts, the Company's clearing broker, through industry clearing organizations, acts as the counterparty of specific transactions and therefore, bears the risk of delivery to and from counterparties.

**(5) CONCENTRATIONS OF CREDIT RISK**

At December 31, 2007, a credit concentration with its clearing broker consisted of approximately \$13 million representing the market value of the Company's trading account. The Company monitors the credit worthiness of the clearing broker to mitigate the Company's exposure to credit risk.

**(6) REGULATORY MATTERS**

As a registered broker/dealer, the Company is subject to the SEC's 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. At December 31, 2007, the Company had net capital of \$9,209,275 which exceeded requirements by \$9,109,275 and the ratio of aggregate indebtedness to net capital was less than 1:1.

# SCHULTZ & CHEZ, L.L.P.

Certified Public Accountants

141 West Jackson Boulevard, Suite 2900

Chicago, Illinois 60604

Main: (312) 332-1912

Fax: (312) 332-3635

SECURITIES AND EXCHANGE COMMISSION

RECEIVED

OCT 06 2009

October 1, 2009

DIVISION OF TRADING & MARKETS

Securities and Exchange Commission  
Registrations Branch  
Mail Stop 8031  
100 F Street, N.E.  
Washington, DC 20549

Ms. Carol Charnock,

Pursuant to Rule 17a-5(d) under the Securities Exchange Act of 1934, we enclose two (2) copies each of the statement of financial condition and the financial statements with supplementary information of **Cognitive Capital LLC** as of December 31, 2007, and for the year then ended, with reports of independent certified public accountants. \*

**The respondent requests that the financial statements with supplementary information (bound under separate cover) be held confidential.**

Sincerely,



Bruce Marcinek

BM:jh

Enclosures

\* these were filed with  
your offices in Feb '09  
& are presently displayed  
for public viewing.