

SECURITIES AND EXCHANGE COMMISSION

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Expires: February 28, 2010
Estimated average burden
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DIVISION OF MARKET REGULATION

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

SEC FILE NUMBER
8-66442

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 01/01/08 AND ENDING 12/31/08
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).

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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, 2008, 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.



Arthur Margulis
Signature

Managing Member
Title

Janet M. Herr
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)**

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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 Members of
Cognitive Capital LLC
Chicago, Illinois

We have audited the accompanying statement of financial condition of Cognitive Capital LLC as of December 31, 2008. 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, 2008, in conformity with accounting principles generally accepted in the United States of America.

Schultz & Chez, LLP

Chicago, Illinois
January 29, 2009

Cognitive Capital LLC
(an Illinois Limited Liability Company)
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2008

ASSETS

Cash	\$ 5,203,120
U.S. Government securities, at market value	51,000
Due from clearing broker	17,315,260
Equities owned, at market	16,113,153
Exchange membership (market value \$1,700,000)	330,000
Furniture and equipment, net	859,996
Other assets	<u>10,000</u>
TOTAL ASSETS	\$ <u>39,882,529</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Equities sold, not yet purchased	\$ 15,429,179
Interest and dividends payable	41,180
Accounts payable and accrued expenses	<u>2,013,777</u>
Total Liabilities	<u>17,484,136</u>

Members' Equity	<u>22,398,393</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>39,882,529</u>

See accompanying notes.

Cognitive Capital LLC
(an Illinois Limited Liability Company)

NOTES TO STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2008

(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, 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, 2008, accumulated depreciation was \$339,837.

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 members.

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, 2008

(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, 2008, the minimum annual rental commitments under the lease, exclusive of adjustments for operating expenses and taxes, are as follows:

	<u>Amount</u>
Year ending December 31	
2009	\$ 146,331
2010	149,079
2011	151,827
2012	<u>115,416</u>
Total	\$ <u>562,653</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 STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2008

(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, 2008, a credit concentration with its clearing broker consisted of approximately \$18 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.

The Company maintains a substantial portion of its cash balance at a financial institution located in Chicago. The account balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2008, the Company's uninsured balance at the financial institution approximated \$4,950,000.

(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, 2008, the Company had net capital of \$16,901,551 which exceeded requirements by \$16,767,299 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

October 1, 2009

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

Ms. 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, 2008, 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.

SCHULTZ & CHEZ, L.L.P.

Certified Public Accountants

141 West Jackson Boulevard, Suite 2900

Chicago, Illinois 60604

Main: (312) 332-1912

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SECURITIES AND EXCHANGE COMMISSION
RECEIVED

OCT 06 2009

DIVISION OF TRADING & MARKETS

October 1, 2009

Securities and Exchange Commission
Registrations Branch
Mail Stop 8031
100 F Street, N.E.
Washington, D.C. 20549
Attn: Carol Charnock

Ms. Charnock:

I am writing to you on behalf of my client, Cognitive Capital LLC, and pursuant to a conversation our office had with the Division of Trading and Markets (Department of Rules and Regulations- Interpretations and Guidelines) on Tuesday, September 29, 2009. Cognitive Capital LLC is a registered broker/dealer who has timely filed annual audited FOCUS reports which have been made available for public inspection. They would like the last two filings (fye 12/31/2008 and 12/31/2007) to get confidential treatment and are submitting, enclosed in this package herein, statement of financial condition only filings for those respective years. We understand from your office that the FOCUS filings for those years which are now available for public inspection will be availed confidential treatment, and will be replaced in the public records with the enclosed statement of financial condition only reports.

We thank you very much for your attention to this matter. Please call me directly at (312) 583-7039 if there are any questions or if our request requires any additional procedures.

Best regards,



Bruce Marcinek
Partner