

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  
8-32136

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 1/1/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Saturn Capital, Inc.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

75 Federal Street

(No. and Street)

Boston

(City)

MA

(State)

02110

(Zip Code)

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

Edward A. Lafferty

617-574-3330

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Pavento, Ratcliffe, Renzi & Co., LLC

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

1000 Franklin Village Drive

(Address)

Franklin

(City)

MA

(State)

02038

(Zip Code)

CHECK ONE:

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



lcw  
3/31

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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Edward A. Lafferty, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Saturn Capital, Inc., as of December 31, 20 11, 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:



Edward Lafferty  
Signature

Chief Financial Officer  
Title

Cindy M. Klein  
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).

**SATURN CAPITAL, INC.**

(a wholly-owned subsidiary of Saturn Asset Management, Inc.)

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

# **SATURN CAPITAL, INC.**

(a wholly-owned subsidiary of Saturn Asset Management, Inc.)

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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**Business Advisors  
Certified Public Accountants**

To the Board of Directors and Stockholder of  
Saturn Capital, Inc.

### **Independent Auditors' Report**

We have audited the accompanying statements of financial condition of Saturn Capital, Inc. (the Company) (a Massachusetts corporation and a wholly-owned subsidiary of Saturn Asset Management, Inc.) as of December 31, 2011 and 2010, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange. 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 generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 Saturn Capital, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made 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 of 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.

*PAVENTO, RATCLIFFE, RENZI & CO., LLC*

Franklin, Massachusetts  
February 27, 2012

# SATURN CAPITAL, INC.

(a wholly-owned subsidiary of Saturn Asset Management, Inc.)

## STATEMENTS OF FINANCIAL CONDITION DECEMBER 31, 2011 AND 2010

	ASSETS	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 12,453	\$ 34,368
Short-term investments	65,000	65,000
Accounts receivable	576,601	378,601
Prepaid expenses	11,713	87,894
TOTAL ASSETS	<u>\$ 665,767</u>	<u>\$ 565,863</u>
	LIABILITIES AND STOCKHOLDER'S EQUITY	
LIABILITIES		
State income taxes payable	\$ 1,725	\$ 1,500
Other liabilities	2,154	-
TOTAL LIABILITIES	<u>3,879</u>	<u>1,500</u>
STOCKHOLDER'S EQUITY		
Common stock, \$1.00 par value:		
Authorized - 300,000 shares		
Issued and outstanding - 11,950 shares	11,950	11,950
Capital in excess of par value	305,291	305,291
Retained earnings	344,647	247,122
TOTAL STOCKHOLDER'S EQUITY	<u>661,888</u>	<u>564,363</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 665,767</u>	<u>\$ 565,863</u>

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

# SATURN CAPITAL, INC.

(a wholly-owned subsidiary of Saturn Asset Management, Inc.)

## STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
REVENUES:		
Commissions	\$ 196,053	\$ 349,821
Interest income	855	4,469
Other revenue	50,118	-
Total revenues	<u>247,026</u>	<u>354,290</u>
OPERATING EXPENSES:		
Management fees	91,314	527,979
Filing fees	14,933	16,040
Legal and accounting fees	18,993	19,745
Rent expense	22,580	33,147
Computer expense	1,120	3,780
Other expenses	336	328
Total operating expenses	<u>149,276</u>	<u>601,019</u>
Net income (loss) before state income taxes	97,750	(246,729)
Provision for state income taxes	<u>225</u>	<u>195</u>
NET INCOME (LOSS)	<u>\$ 97,525</u>	<u>\$ (246,924)</u>

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

## SATURN CAPITAL, INC.

(a wholly-owned subsidiary of Saturn Asset Management, Inc.)

### STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Total</u>
Beginning Balance, January 1, 2010	\$ 11,950	\$ 305,291	\$ 494,046	\$ 811,287
Net loss	-	-	(246,924)	(246,924)
Ending Balance, December 31, 2010	11,950	305,291	247,122	564,363
Net income	-	-	97,525	97,525
Ending Balance, December 31, 2011	<u>\$ 11,950</u>	<u>\$ 305,291</u>	<u>\$ 344,647</u>	<u>\$ 661,888</u>

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

# SATURN CAPITAL, INC.

(a wholly-owned subsidiary of Saturn Asset Management, Inc.)

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 97,525	\$ (246,924)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
(Increase) decrease in assets:		
Accounts receivable	(198,000)	195,369
Prepaid expenses	76,181	72,987
Increase in liabilities:		
Other liabilities	2,154	-
State income taxes payable	225	195
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(21,915)</u>	<u>21,627</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,915)	21,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>34,368</u>	<u>12,741</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,453</u>	<u>\$ 34,368</u>
SUPPLEMENTAL DISCLOSURE AND CASH FLOW INFORMATION:		
Cash paid during the year for:		
Income taxes	\$ -	\$ -

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

# SATURN CAPITAL, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

### (1) ORGANIZATION AND DESCRIPTION OF BUSINESS

The Company was incorporated in the Commonwealth of Massachusetts on May 2, 1984. Its primary business activities are the sale of direct participation programs, private placement offerings and acting as a selling group participant for initial public offerings throughout the United States of America. On January 1, 1999 the Company became a wholly-owned subsidiary of Saturn Asset Management, Inc. On June 7, 2000 Saturn Asset Management, Inc. became a wholly-owned subsidiary of Saturn Asset Management Trust.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Cash Equivalents*

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments that have a maturity date greater than three months but less than one year are considered short-term investments.

#### (b) *Credit Risk*

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of temporary cash investments. The Company has placed its temporary cash investments with a highly rated financial institution. On occasion, the balances in those accounts may exceed the FDIC insured limit. For the years ended December 31, 2011 and 2010, the Company's deposits with this institution did not exceed the FDIC insured limit of \$250,000 per bank.

#### (c) *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

#### (d) *Commissions*

The Company earns commissions for private placement services. Commissions are recorded upon the closing of a round of financing.

#### (e) *Accounts Receivable*

The Company uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. Management provides for probable uncollectible amounts through a charge to earnings and a credit to allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to trade receivables. Changes in the allowance for doubtful accounts have not been material to the financial statements.

# SATURN CAPITAL, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) *Reclassifications*

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

### (3) INCOME TAXES

The Company is a member of a consolidated group for federal and state income tax purposes. The Company has elected under a provision of the Internal Revenue Code not to be taxed as a corporation. In accordance with this election as an "S" corporation, the taxable income or loss of the Company is reported in the federal income tax return of its shareholder.

### (4) NET CAPITAL REQUIREMENTS

The Company is subject to Rule 15c3-1 under the Securities and Exchange Act of 1934 (the Exchange Act) that 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, 2011, the Company had net capital of \$73,574 that was \$23,574 in excess of its required net capital of \$50,000. The Company's aggregate indebtedness to net capital ratio was .05272 to 1. At December 31, 2010, the Company had net capital of \$97,868 which was \$47,868 in excess of its required net capital of \$50,000 and had an aggregate indebtedness to net capital ratio of .01533 to 1.

As the Company does not carry customer accounts and any customer transactions are cleared through another broker-dealer on a fully disclosed basis, the Company is exempt from the provision of Rule 15c3-3 of the Exchange Act. In the opinion of management, the Company complied with the exemptive provisions of Rule 15c3-3 for the years ended December 31, 2011 and 2010.

### (5) RELATED PARTY TRANSACTIONS

The Company acts as a broker dealer for Saturn Management, LLC, an affiliated Company. The Company is assessed a management fee by Saturn Management, LLC for allocation of professional time, office space and other general and administrative expenses. For the years ended December 31, 2011 and 2010, Saturn Capital, Inc. paid Saturn Management, LLC management fees of \$91,314 and \$527,979, respectively. The Company had a prepayment of \$11,713 and \$87,894 as of December 31, 2011 and 2010, respectively, to Saturn Management, LLC.

# **SATURN CAPITAL, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

(Continued)

**(5) RELATED PARTY TRANSACTIONS (Continued)**

For the years ended December 31, 2011 and 2010, \$196,000 and \$349,691, respectively, of the Company's commissions were earned from the private placement of securities for Knopp Neurosciences, Inc. and The Ride, Inc. The trustee and primary shareholder of Saturn Asset Management Trust, the parent of Saturn Asset Management, Inc., is also a member of the Board of Directors of Knopp Neurosciences, Inc. and The Ride, Inc.

For the years ended December 31, 2011 and 2010, \$576,601 and \$378,601, respectively, of the Company's accounts receivable was due from The Ride, Inc. for commissions earned from the private placement of securities. The Company is in negotiations with The Ride, Inc. to convert the entire receivable balance on the accompanying statements of financial condition into securities in The Ride, Inc.

**(6) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of financial instruments, including cash, accounts receivable, and accounts payable approximate their fair market value due to the short term maturities of these instruments. The carrying value of notes receivable and payable approximates the fair value based on current market rates and conditions.

**(7) SUBSEQUENT EVENTS**

The Company evaluated subsequent events through February 27, 2012, which is the date the financial statements were available to be issued and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

**SATURN CAPITAL, INC.**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2011**

**SATURN CAPITAL, INC.**

(a wholly-owned subsidiary of Saturn Asset Management, Inc.)

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION****YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>NET CAPITAL</b>		
Total stockholder's equity	\$ 661,888	\$ 564,363
Deductions and/ or charges:		
Non-allowable assets:		
Accounts receivable	(576,601)	(378,601)
Prepaid expenses	(11,713)	(87,894)
Net capital	<u>\$ 73,574</u>	<u>\$ 97,868</u>
<b>AGGREGATE INDEBTEDNESS</b>		
Items included in statements of financial condition:		
State income taxes payable	\$ 1,725	\$ 1,500
Other liabilities	2,154	-
Total aggregate indebtedness	<u>\$ 3,879</u>	<u>\$ 1,500</u>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT</b>		
Minimum net capital required	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Excess net capital	<u>\$ 23,574</u>	<u>\$ 47,868</u>
Ratio: Aggregate indebtedness to net capital	.05272 - 1	.01533 - 1
<b>RECONCILIATION WITH COMPANY'S COMPUTATION</b> (Included in Part II of Form X-17A-5 as of December 31, 2011 and 2010)		
Net capital, as reported in the company's Part IIa (unaudited) FOCUS report	\$ 73,798	\$ 98,064
Net audit adjustments	(224)	(196)
Net capital per above	<u>\$ 73,574</u>	<u>\$ 97,868</u>



**Business Advisors**  
**Certified Public Accountants**

To the Board of Directors and Stockholder of  
Saturn Capital, Inc.

In planning and performing our audit of the financial statements of Saturn Capital, Inc. (the Company) (a Massachusetts Corporation and wholly-owned subsidiary of Saturn Asset Management, Inc.) for the years ended December 31, 2011 and 2010, 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 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 and net capital under rule 17a-3(a)(11) and for determining compliance with the exceptive provisions of 15c3-3. Because the Company does not carry security 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) Complying with the requirements for prompt payment for securities under section 8 of 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 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 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 preparation of financial statements in conformity with generally accepted accounting principles. 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, errors 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 deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of the Company's financial reporting.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

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 considered 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 procedures that depend on the segregation of duties. Since this condition is inherent in the size of the Company, specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

The foregoing condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of Saturn Capital, Inc. for the years ended December 31, 2011 and 2010 and this report does not affect our report thereon dated February 27, 2012.

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, 2011 and 2010 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealer and should not be used by anyone other than these specified parties.

*Pavers, Ratelle, Ruzi & Co., LLC*

Franklin, Massachusetts  
February 27, 2012