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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Cowen Capital, LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

599 Lexington Avenue

New York

(No. and Street)

NY

10022

(City)

(State)

(Zip Code)

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

Mr. James R. Simmons

646-562-1803

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

PricewaterhouseCoopers LLP

300 Madison Avenue

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

New York

NY

10017

(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).

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**Cowen Capital LLC**  
**Statement of Financial Condition**  
**December 31, 2012**

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**Cowen Capital LLC**  
**Statement of Financial Condition**  
**December 31, 2012**

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## Independent Auditor's Report

To the Member and Board of Directors of  
Cowen Capital LLC

We have audited the accompanying statement of financial condition of Cowen Capital LLC (the "Company") as of December 31, 2012.

### *Management's Responsibility for the Statement of Financial Condition*

Management is responsible for the preparation and fair presentation of the statement of financial condition 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 a statement of financial condition that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the statement of financial condition 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 Company'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 statement of financial condition. 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 accompanying statement of financial condition presents fairly, in all material respects, the financial position of Cowen Capital LLC at December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

February 28, 2013

**Cowen Capital LLC**  
**Statement of Financial Condition**  
**December 31, 2012**

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*(in thousands)*

**Assets**

Cash and cash equivalents	\$	3,249
Receivable from brokers, dealers and clearing brokers/organizations		312
Due from related parties		1,640
Other assets		417
Total assets	\$	<u>5,618</u>

**Liabilities and Member's Equity**

Liabilities

Payable to clearing brokers	\$	46
Accounts payable, accrued expenses and other liabilities		187
Total liabilities		<u>233</u>

Commitments and contingencies (Note 6)

Member's equity		<u>5,385</u>
Total liabilities and member's equity	\$	<u>5,618</u>

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

**Cowen Capital LLC**  
**Notes to Financial Statement**  
**December 31, 2012**

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**1. Organization and Basis of Presentation**

Cowen Capital LLC (the "Company" or "Cowen") is a registered broker-dealer and Financial Industry Regulatory Authority ("FINRA") member firm. The Company, a Delaware single member limited liability company is a wholly owned subsidiary of Cowen Structured Holdings Inc. ("CSHIC"), which is a wholly owned indirect subsidiary of Cowen Group, Inc. ("CGI" or "Parent"). The Company is an introducing broker dealer that uses algorithmic trading proprietary software ("software") owned by Algorithmic Trading Management, LLC ("ATM"), an affiliate, to help in the execution of trades for its customers.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Company's records are maintained on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("GAAP").

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consists of cash held on deposit and highly liquid investments with original maturities of three months or less at the date of purchase. Cash is primarily concentrated at one financial institution.

**Exchange Membership**

Exchange memberships provide the Company with the right to do business on the exchanges of which it is a member. As part of its assessment of the other-than-temporary impairment of these assets, the Company considers and evaluates various financial and economic factors including recent sales of similar memberships. The Company carries the exchange memberships at cost which are included in other assets in the statement of financial condition in the amount of \$0.3 million. The fair value of the exchange memberships was approximately \$0.2 million at December 31, 2012.

**Contingencies**

In accordance with GAAP, the Company establishes reserves for contingencies when the Company believes that it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. The Company discloses a contingency if there is at least a reasonable possibility that a loss may have been incurred and there are no reserves for the loss because the conditions above are not met. The Company's disclosure includes an estimate of the reasonably possible loss or range of loss for those matters which an estimate can be made. Neither reserves nor disclosure is required for losses that are deemed remote.

**Income Taxes**

The Company is included in the consolidated federal and combined state and local tax returns filed by CGI. Pursuant to a tax sharing agreement with other members of the consolidated group, the Company determines its income tax on a separate company basis.

**Cowen Capital LLC**  
**Notes to Financial Statement**  
**December 31, 2012**

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The Company accounts for income taxes in accordance with ASC 740 which requires the recognition of tax benefits or expenses based on the estimated future tax effects of temporary differences between the financial statement and tax bases of its assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date. Valuation allowances are established to reduce deferred tax assets to an amount that is more likely than not to be realized.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC 740. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted ASC 740 effective January 1, 2007. The Company is subject to income tax examinations by major taxing authorities for all tax years since 2009. Please refer to Note 7, "Income Taxes" for additional information and disclosures.

The CGI consolidated tax group that includes the Company is subject to taxation in the U.S. and accordingly file federal as well as various state and local tax returns. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for tax years prior to 2009. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

#### **Accounting Developments**

##### ***Recently Issued Accounting Pronouncements***

In December 2011, the FASB issued amended guidance which will enhance disclosures required by US GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption of this amended guidance should not have a material impact on the Company's financial condition or results of operations.

### **3. Regulatory Reporting**

The Company is subject to the Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934, 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.

As of December 31, 2012, the Company's regulatory net capital of \$3.2 million exceeded the minimum requirement by \$2.2 million.

**Cowen Capital LLC**  
**Notes to Financial Statement**  
**December 31, 2012**

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Pursuant to an exemption under Rule 15c3-3(k)(2)(ii), the Company is not required to calculate a reserve requirement and segregate funds for the benefit of customers since it clears its securities transactions on a fully disclosed basis and promptly transmits all customer funds and securities to the clearing broker dealer which carries the accounts, and maintains and preserves such books and records pertaining to them pursuant to Rules 17a-3 and 17a-4.

**4. Receivable From and Payable to Brokers, Dealers, and Clearing Brokers/Organizations**

Receivable from and payable to brokers, dealers and clearing brokers/organizations primarily include commissions related to securities transactions and deposits with the clearing brokers/organizations.

Amounts receivable from and payable to brokers, dealers and clearing brokers/organizations at December 31, 2012, consist of the following:

<i>(in thousands)</i>	<b>Receivable</b>	<b>Payable</b>
Clearing brokers and clearing organizations	\$ 201	\$ 46
Commissions	111	-
	<u>\$ 312</u>	<u>\$ 46</u>

**5. Related-Party Transactions**

The Company has related party transactions with Cowen Services Company, LLC ("CSC"), an affiliate which provides certain administrative, support services and other assistance to the Company. At December 31, 2012, the Company has a \$1.6 million receivable from CSC which is included in due from related parties in the statement of financial condition.

**6. Commitments and Contingencies**

In the ordinary course of business, the Company and its affiliates and subsidiaries and current and former officers, directors and employees (for purposes of this section, sometimes collectively referred to as the Company and Related Parties) are named as defendants in, or as parties to, various legal actions and proceedings. Certain of these actions and proceedings assert claims or seek relief in connection with alleged violations of securities, banking, anti-fraud, anti-money laundering, employment and other statutory and common laws. Certain of these actual or threatened legal actions and proceedings include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief.

**Cowen Capital LLC**  
**Notes to Financial Statement**  
**December 31, 2012**

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In the ordinary course of business, the Company and Related Parties are also subject to governmental and regulatory examinations, information gathering requests (both formal and informal), certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The Company is subject to regulation by various U.S., state and foreign securities, and other regulators. In connection with formal and informal inquiries by these regulators, the Company receives requests, and orders seeking documents and other information in connection with various aspects of their regulated activities.

The Company seeks to resolve all litigation and regulatory matters in the manner management believes is in the best interests of the Company, and contests liability, allegations of wrongdoing and, where applicable, the amount of damages or scope of any penalties or other relief sought as appropriate in each pending matter.

The Company has evaluated all litigation claims and based on the information currently available, the Company has not established any reserves for such claims, since in the opinion of Management, the likelihood of liability is not probable nor reasonably estimable. In addition, most of the various claims against the Company are in early stages of discovery or claimants seek indeterminate damages. Therefore, the Company cannot reasonably determine the possible outcome, the timing of ultimate resolution or estimate a range of possible loss, or impact related to each currently pending matter.

**7. Income Taxes**

The Company is included in the consolidated federal and combined state and local tax returns filed by CGI. Cowen Structured Holdings LLC ("CSHLC"), a single member limited liability company owned by CGI has a formal tax sharing agreement with the Company, which requires the Company to compute its taxes on a stand-alone basis. Pursuant to this agreement, the Company does not receive a benefit for its losses until they can be utilized on a separate company basis.

The Company's actual tax benefit for 2012 differs from the expected income tax benefit, computed at the U.S. statutory rate of 35%, due to state and local taxes and an increase to the valuation allowance.

**Cowen Capital LLC**  
**Notes to Financial Statement**  
**December 31, 2012**

In accordance with ASC 740, the Company recognizes tax benefits or expenses based on the estimated future tax effects of temporary differences between the financial statement and tax bases of its assets and liabilities. Valuation allowances are established to reduce deferred tax assets to an amount that is more likely than not to be realized. Management believes it is more likely than not that the Company will not be able to utilize its deferred tax assets in the future. As such, deferred tax assets have been offset by a valuation allowance to the extent of deferred tax liabilities. During 2012, the Company's deferred tax assets increased by approximately \$1.0 million, which were primarily due to net operating loss carryovers and deferred compensation. Accordingly, the valuation allowance recorded against deferred tax assets increased by approximately \$1.4 million. A majority of deferred tax assets as of December 31, 2012 of approximately \$30.8 million was related to net operating loss carry forwards on a separate company basis. The Company's valuation allowance as of December 31, 2012 totaled \$30.8 million. The following table presents the components of the Company's deferred tax assets and liabilities:

*(in thousands)*

<b>Deferred tax assets, net</b>	
Net operating loss	\$ 30,766
Deferred compensation	693
Other	75
Total deferred tax assets	31,534
Valuation allowance	(30,884)
Deferred tax assets, net of valuation allowance	650
<b>Deferred tax liabilities</b>	
Investments	(628)
Other	(22)
Total deferred tax liabilities	(650)
Deferred tax asset, net of deferred tax liability	\$ -

As of December 31, 2012, the Company had net operating loss carryforwards for U.S. tax purposes of approximately \$76.9 million, which will expire between 2028 and 2032.

The Company adopted the accounting guidance for accounting for uncertainty in income taxes as of January 1, 2007. This guidance clarifies the criteria that must be met prior to recognition of the financial statement benefit of a position taken in a tax return. The Company does not have any uncertain tax positions recorded for the year ended December 31, 2012.

The Company was a member of the CGI consolidated federal, state and local tax returns starting from the end of the second quarter of 2011 and of the CSHLC consolidated federal state and local tax returns previously. As a member of these consolidated or combined tax returns, the Company is subject to examination by the Internal Revenue Service and various state and local tax authorities where the Company had significant operations, such as New York, for tax years beginning from 2009. Currently, the Company or its consolidated or combined tax groups are not undergoing any examinations by taxing authority for any open tax years.

**8. Off-Balance Sheet Risk**

The Company has no material off-balance sheet arrangements as of December 31, 2012. However, through indemnification provisions in our clearing agreement, customer activities may expose us to off-balance-sheet credit risk. Pursuant to the clearing agreement, the Company is required to reimburse our clearing broker, without limit, for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. However, these transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date. The Company is a member of various securities exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the exchange, all other members would be required to meet the shortfall. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, management believes that the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried in the accompanying condensed consolidated statements of financial condition for these arrangements.

In addition, during the normal course of business, the Company has exposure to a number of risks including market risk, currency risk, credit risk, operational risk, liquidity risk and legal risk. As part of the Company's risk management process, these risks are monitored on a regular basis throughout the course of the year.

**9. Subsequent Events**

The Company has evaluated events through February 28, 2013 and has determined that there were no additional subsequent events requiring adjustment or disclosure to the financial statements.



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