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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER
8-40465

FACING PAGE

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

FEB 27 2004

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Downer & Company, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

211 Congress Street

(No. and Street)

Boston

MA

02110

(City)

(State)

(Zip Code)

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

Thomas C. Munnell

617-482-6200

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Wallace Niedzwiecki

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

84 Andrew Lane

Holliston

MA

01746

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

MAR 29 2004

THOMSON  
FINANCIAL

**FOR OFFICIAL USE ONLY**

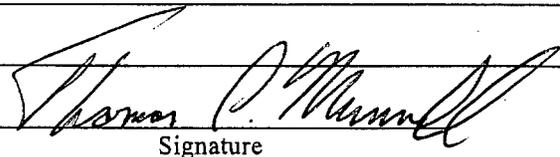
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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.

OATH OR AFFIRMATION

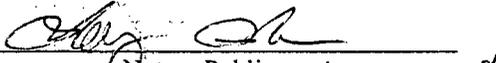
I, Thomas C. Munnell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Downer & Company, LLC, as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

Managing Director

Title

  
Notary Public. Aug. 8, 2008

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 15c3-3 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).

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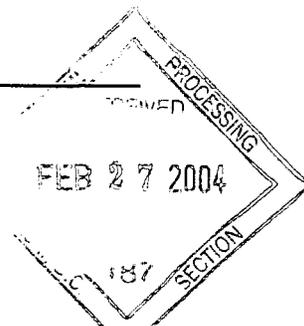
# WALLACE NIEDZWIECKI

*Certified Public Accountant*

84 Andrew Lane, Holliston, MA 01746

Telephone (508) 429-1919

wncpa@mindspring.com



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**The Partners of Downer & Company, LLC**  
**Downer & Company, LLC**

In planning and performing my audit of the financial statements of **Downer & Company, LLC** for the year ended December 31, 2003, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Downer & Company, LLC that I 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 the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the Company (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) in 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; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 Commission's above mentioned objectives. Two of the objectives of an internal control structure 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or

operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the control structure that I consider to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objective referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

February 20, 2004

  
Wallace Niedzwiecki

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

AUDITED STATEMENT OF FINANCIAL CONDITION

DATE--DECEMBER 31, 2003

DOWNER & COMPANY, LLC  
(Name of Respondent)

211 Congress Street, Boston, Massachusetts 02110  
(Address of Principal Executive Office)

Charles W. Downer  
Managing Director  
Downer & Company, LLC  
211 Congress Street  
Boston, Massachusetts 02110  
(Name and address of person authorized to receive notices and  
communications from the Securities and Exchange Commission)

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# **Wallace Niedzwiecki**

*Certified Public Accountant*

84 Andrew Lane, Holliston, MA 01746

(508) 429-1919

wncpa@mindspring.com

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## REPORT OF INDEPENDENT AUDITOR

The Partners of Downer & Company, LLC  
Downer & Company, LLC

I have audited the accompanying statement of financial condition of Downer & Company, LLC as of December 31, 2003 and 2002. This statement of financial condition is the responsibility of the Company's management. My responsibility is to express an opinion on this statement of financial condition based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition. I believe that my audit of the statement of financial condition provides a reasonable basis for my opinion.

In my opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Downer & Company, LLC at December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

February 20, 2004

  
Wallace Niedzwiecki

**DOWNER & COMPANY, LLC**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2003 AND 2002**

	<b>ASSETS</b>	
	<b>2003</b>	<b>2002</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 352,083	\$ 239,556
Accounts receivable	2,935,862	1,886,475
Employee advances	19,291	13,980
Prepaid expenses	3,445	8,723
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 3,310,681</b>	<b>\$ 2,148,734</b>
<b>PROPERTY and EQUIPMENT - at cost</b>		
Office equipment	\$ 254,470	\$ 251,875
Leasehold improvements	53,603	53,603
Computer	239,486	230,963
Total	547,559	536,441
Less accumulated depreciation	(471,984)	(436,081)
<b>NET PROPERTY and EQUIPMENT</b>	<b>\$ 75,575</b>	<b>\$ 100,360</b>
<b>OTHER ASSETS</b>		
Investments	166,195	169,275
Deposits	36,510	33,640
<b>TOTAL OTHER ASSETS</b>	<b>202,705</b>	<b>202,915</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,588,961</b>	<b>\$ 2,452,009</b>
<b>LIABILITIES &amp; PARTNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 291	\$ 1,133
Accrued expenses	0	0
Due to partner	48,216	0
Accrued payroll and vacation obligation	84,293	73,000
Payroll withholdings & taxes	8,493	34,771
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 141,293</b>	<b>\$ 108,904</b>
<b>TOTAL LIABILITIES</b>	<b>141,293</b>	<b>108,904</b>
<b>PARTNERS' EQUITY</b>	<b>\$ 3,447,668</b>	<b>\$ 2,343,105</b>
<b>TOTAL LIABILITIES &amp; PARTNERS' EQUITY</b>	<b>\$ 3,588,961</b>	<b>\$ 2,452,009</b>

The accompanying notes and accountant's report should be read with these financial statements.

**DOWNER & COMPANY, LLC**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ORGANIZATION - DOWNER & COMPANY, LLC**

Downer and Company was formed as a partnership on February 1, 1984. On December 27, 1996 the partnership became a limited liability company under the name of Downer & Company, LLC. The Company offers investment banking services to corporate clients to assist with the implementation of corporate development programs of acquisition, merger, divestiture, and joint venture.

**ACCOUNTING METHOD**

For tax purposes, the Company reports income and expenses using the cash basis method of accounting. For financial reporting purposes, the Company uses the accrual basis of accounting.

**INCOME TAXES**

No provision for income taxes is shown in the financial statements because the Company is a limited liability company. As such, taxable income or loss passes directly to the partners.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost. Depreciation is provided over the estimated useful life of the related asset, principally on the straight-line method. Office equipment, leasehold improvements, and computers were disposed of during 2003 and 2002 and no gain was realized. Costs and accumulated depreciation of \$ -0- and \$ 156,750 were eliminated from the accounts during these respective years.

**PENSION PLAN**

In 2002, the Company established a defined contribution standard 401(k) profit sharing plan as its only pension plan. The new plan continues to cover substantially all of the Company's US based employees by adopting the profit sharing and 401(k) provisions of the Company's existing plans while terminating the money purchase plan effective February 28, 2002.

Under the old and the new plans, profit-sharing contributions were made at the discretion of the Company. For the years ended December 31, 2003 and 2002, there were no profit-sharing expenses paid.

Under the new plan, the Company chose to continue to match an employee's contribution to the 401(K) plan at the same rate (as in prior years) of \$.56 2/3 per dollar contributed up to 6% of the employee's W-2 wages. For the years ended December 31, 2003 and 2002, the amounts of 401 (k) matching contribution expenses were \$17,623 and \$19,646 respectively.

**CASH AND CASH EQUIVALENTS**

Cash equivalents are carried at cost which approximates fair value. Cash equivalents are highly liquid financial instruments with an original maturity of three months or less.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**DOWNER & COMPANY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDING DECEMBER 31, 2003 AND 2002

**CURRENCY TRANSLATION**

Transactions undertaken in foreign currencies are translated into US dollars at approximate exchange rates prevailing at the time the transactions occurred.

**2. ACCOUNTS RECEIVABLE**

On December 31, 2003 and 2002, accounts receivable consisted of \$ 2,935,862 and \$ 1,886,475. The company uses the direct write off method of accounting for bad debts. There were no amounts written off in 2003 or 2002 against income. The Company is involved in a lawsuit with a client to collect an amount of \$ 1,552,000. Management cannot predict the outcome of the lawsuit and believes that losses, if any, resulting from these matters would not have a material effect on the financial position of the company.

**3. NET CAPITAL REQUIREMENT**

The Company is subject to the Uniform Net Capital requirements of the Securities and Exchange Commission under Rule 15c3-1 of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital of \$9,420. At December 31, 2003, the Company's net capital was \$ 210,790.

**4. LEASE OBLIGATIONS**

The company signed a lease on 2-4-04 for a new office location in Boston beginning 8-1-04 and expiring on 7/31/09. The basic rent was \$17,500 monthly for 5 months, \$17,793 monthly for five months, with increases to \$25,700 monthly for thirteen months, and \$27,535 monthly for 42 months., A security deposit of \$79,851 is due February 2004. Additional expenses for maintenance and taxes are due during the life of the lease.

The company signed a lease for a new office in Paris effective March 2002 and expiring in 36 months. The basic rent is \$33,012 per quarter payable on the first of each quarter.

The minimum annual rental commitments under the Company's operating leases for offices is as follows:

	Boston	Paris
2004	\$77,951	\$132,048
2005	\$308,392	\$22,008
2006	\$328,584	
2007	\$328,584	
2008	\$328,584	
2009	\$192,745	

**5. INVESTMENTS**

The Company's has made a number of investments in private securities for which there is no market. The value of these investments, taken at the lower of market or cost, as at December 31, 2003 and 2002 is:

	2003	2002
300 NASD warrants	\$ 3,300	\$ 3,300
5000 shares of NASDAQ Stock Market, Inc.	65,000	65,000
TF Investment Advisors	(853)	(42)
J & R Founders Fund	98,748	101,017
Total	\$ 166,195	\$ 169,275

**DOWNER & COMPANY, LLC**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2003 AND 2002

**INSURED CASH**

The Company maintains its cash balances at various banks and financial services companies. Accounts at the banks are insured by the Federal Deposit Insurance Corporation up to \$100,000. Accounts at the financial services company are insured by the Securities Investor Protection Corporation up to \$500,000. A summary of the total insured and uninsured balances is as follows:

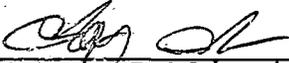
December 31,	2003	2002
Total cash	\$352,083	\$239,556
Portion insured	<u>\$352,083</u>	<u>\$239,556</u>
Uninsured balance	<u>0</u>	<u>0</u>

OATH OR AFFIRMATION

I, Thomas C. Munnell, swear (or affirm) that, to the best of my knowledge and belief, the accompanying statement of financial condition pertaining to the firm of Downer & Company, LLC, as of December 31, 2003, is 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.



Thomas C. Munnell  
Managing Director



Notary Public Aug. 8, 2008