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

SEC FILE NUMBER
8-40465

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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 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Downer & Company, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
60 State Street, 11th Floor  
(No. and Street)

Boston MA 02109  
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Arthur G. Gottlieb 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.

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)

Handwritten signature and date 3/18

OATH OR AFFIRMATION

I, Arthur G. Gottlieb, 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, 2011, 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 Commission expires: August 20, 2015

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).

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C.**

**AUDITED STATEMENT OF FINANCIAL CONDITION**

**DATE--DECEMBER 31, 2011**

**DOWNER & COMPANY, LLC**  
**(Name of Respondent)**

**60 State Street, Boston, Massachusetts 02109**  
**(Address of Principal Executive Office)**

**Arthur Gottlieb**  
**Managing Director**  
**Downer & Company, LLC**  
**60 State Street**  
**Boston, Massachusetts 02109**  
**(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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## INDEPENDENT REGISTERED AUDITOR'S REPORT

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, 2011 and 2010. 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 of the Public Company Accounting Oversight Board 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, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

I also have audited, in accordance with the standards of the Public Company Accounting Oversight Board generally accepted in the United States of America Downer and Company, LLC's internal control over financial reporting as of December 31, 2011, based on 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.

February 24, 2012

  
Wallace Niedzwiecki

**DOWNER & COMPANY, LLC**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

<b>ASSETS</b>		
	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 954,374	\$ 1,138,924
Accounts receivable	822,015	2,171,506
Employee advances	647	3,997
Prepaid expenses	68,557	45,769
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,845,593</b>	<b>\$ 3,360,196</b>
<b>PROPERTY and EQUIPMENT - at cost</b>		
Office equipment	\$ 377,204	\$ 344,369
Leasehold improvements	140,335	93,554
Computer	356,305	303,360
Total	873,844	741,283
Less accumulated depreciation	(698,235)	(660,513)
<b>NET PROPERTY and EQUIPMENT</b>	<b>\$ 175,609</b>	<b>\$ 80,770</b>
<b>OTHER ASSETS</b>		
Investments	41,566	49,462
Deposits	156,181	113,338
<b>TOTAL OTHER ASSETS</b>	<b>197,747</b>	<b>162,800</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,218,949</b>	<b>\$ 3,603,766</b>
<b>LIABILITIES &amp; PARTNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 40,814	\$ 148,154
Accrued expenses	3,235	5,345
Accrued payroll and vacation obligation	94,318	67,558
Accrued Profit Sharing	143,379	
Payroll withholdings & taxes	33,168	17,974
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 314,914</b>	<b>\$ 239,031</b>
<b>TOTAL LIABILITIES</b>	<b>314,914</b>	<b>239,031</b>
<b>PARTNERS' EQUITY</b>	<b>\$ 1,904,035</b>	<b>\$ 3,364,735</b>
<b>TOTAL LIABILITIES &amp; PARTNERS' EQUITY</b>	<b>\$ 2,218,949</b>	<b>\$ 3,603,766</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, 2011 AND 2010

**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 2011 and 2010 and no gain was realized.

**PENSION PLAN**

In 2010, the Company established a revised 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.

Under the new plan, profit-sharing contributions were made at the discretion of the Company. For the years ended December 31, 2011 and 2010, there were profit-sharing expenses paid of \$ 143,379 and \$ 128,381 respectively. Under the new plan, the Company chose not to continue to match an employee's contribution to the 401(K) plan.

**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, 2011 AND 2010**

**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, 2011 and 2010, accounts receivable consisted of \$ 822,015 and \$ 2,171,506. Since December 31, 2007, the Company was involved in a lawsuit with a client to collect an amount of \$ 1,552,004. The company was not successful in collecting.

**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 \$20,994. At December 31, 2011, the Company's net capital was \$ 597,721.

**4. LEASE OBLIGATIONS**

The company signed a lease for the office location in Boston beginning 8-1-09 and expiring on 7/31/11. The basic rent was \$30,289 monthly.

The company signed a lease for a new office in Paris effective March 2010 and expiring in 36 months. The basic rent is \$22,699 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:

	<u>Boston</u>	<u>Paris</u>	<u>Frankfurt</u>
2012	363,468	90,795	131,844
2013	363,468	90,795	
2014	302,890		

**5. INVESTMENTS**

The Company has made a number of investments in private securities for which there is no market. The value of investments as at December 31, 2011 and 2010 is:

	<u>2011</u>	<u>2010</u>
J & R Founders Fund	41,566	49,462

**DOWNER & COMPANY, LLC**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2011 AND 2010

**6. 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 \$250,000. 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,	<u>2011</u>	<u>2010</u>
Total cash	954,374	1,138,924
Portion insured	<u>384,001</u>	<u>384,001</u>
Uninsured balance	<u>570,373</u>	<u>754,923</u>

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

**DOWNER & COMPANY, LLC**

CASH \$ 954,374

LESS: TOTAL LIABILITIES

(AGGREGATE INDEBTEDNESS)

ACCOUNTS PAYABLE 40,814

ACCRUED EXPENSES AND PAYROLL 240,932

PAYROLL WITHHOLDINGS & TAXES 33,168

HAIRCUT ON FOREIGN CURRENCY 41,739

\$ 356,653

ALLOWABLE NET CAPITAL \$ 597,721

NET CAPITAL REQUIREMENT \$ 20,994

EXCESS CAPITAL \$ 576,727

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3 AND INFORMATION RELATING TO THE  
POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3

**DOWNER & COMPANY, LLC**

The Company is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers," as it is exempt from Rule 15c3-3 pursuant to paragraph (k)(2)(i) of such Rule under the Securities Exchange Act of 1934 as an introducing broker that carries no margin accounts, does not otherwise hold funds or securities of customers, and effectuates financial transactions between the broker or dealer and the Company's customers through a bank account designated as a special account for the benefit of customers. Operating under such exemption, the Company is not required to prepare a determination of reserve requirements for brokers or dealers.

STATEMENT PURSUANT TO RULE 17a-5(d)(4)

**DOWNER & COMPANY, LLC**

The computation of net capital under Rule 15c3-1 included in this audited report reflects net capital of \$ 597,721. The computation included in the Company's corresponding unaudited Form X-17a-5, Part IIA filing as of December 31, 2011, and its reconciliation to the audited report, is as follows:

Company's unaudited computation of net capital	\$	597,721
Increase or decrease in assets	\$	0
Increase or decrease in current liabilities	\$	<u>0</u>
Company's audited computation of net capital	\$	597,721