

# Downtown Associates, L.L.C.

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This brochure provides information about the qualifications and business practices of Downtown Associates, L.L.C. If you have any questions about the contents of this brochure, please contact us at 610-925-3480 and/or email Emily Hannum at [ehannum@downtown-associates.com](mailto:ehannum@downtown-associates.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Downtown Associates L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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#### **Item 4. Advisory Business**

##### **A. General Description of Advisory Firm**

Downtown Associates L. L. C. (the "Adviser") is an investment adviser with its principal place of business in Kennett Square, PA. The Adviser was organized on August 7, 1997 to operate, in Limited Liability Company form, as successor to the investment advisory business that its founding partners' Ronald Juvonen and A.L. Loomis, III had operated in unincorporated form as individuals since January 1, 1975. The Adviser has been registered with the SEC since January 24, 2006.

Ronald J. Juvonen is the managing member and A.L. Loomis, III, David C. Smith and Glenn J. Goldstein are the other principal members of the General Partner.

##### **B. Description of Advisory Services**

The Adviser provides investment advisory services to two pooled investment funds, Downtown Associates I, L.P. which commenced operations in 1974, and Downtown Associates II, L.P. which commenced operations in 1998. Both funds are private investment partnerships structured as Limited Partnerships that are offered to high-net worth, financially sophisticated individuals and institutional investors.

##### **C. Availability of Tailored Services for Individual Clients**

The Adviser provides advice to its pooled investment fund clients based on specific investment objectives and strategies as more completely enumerated in the Confidential Offering Memorandum of each such fund. Under certain circumstances, the Adviser may agree in the future to tailor advisory services to the individual needs of prospective clients.

Investors in the Adviser's pooled investment funds may not impose restrictions on investing in certain securities or certain types of securities.

##### **D. Wrap Fee Programs**

This item is not applicable.

##### **E. Client Assets Under Management**

As of March 22, 2011, the Adviser had approximately \$178M in client assets under management on a discretionary basis, consisting of \$84M in Downtown Associates I, L.P. and \$94M in Downtown Associates II, L.P.

#### **Item 5. Fees and Compensation**

##### **A. Advisory Fees and Compensation**

###### **Asset-Based Compensation**

Downtown Management Company, L.L.C. (the "Manager"), an affiliate of the Adviser through common ownership, is compensated for providing management services necessary for the day to day administration of the Adviser's pooled investment funds. The Manager charges each Limited Partner in its pooled investment funds an investment management fee based on the value of the Limited Partner's capital account in such pooled investment fund.

Management fees are charged monthly or quarterly in advance based on the total market value of

the assets in each Limited Partner's capital account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of each month or quarter. The management fee is equal to 1% on an annual basis of the net assets of the Limited Partners' capital accounts measured as of the beginning of each monthly or quarterly period. If a new Limited Partner account is established during the period or a Limited Partner makes an addition to its capital account during the period, the investment management fee will be charged as of the effective date of the additional contribution based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the period. These fees are negotiable.

### **Performance-Based Compensation**

The Adviser also receives a performance-based incentive allocation that is based on a share of capital gains on or capital appreciation earned and allocable to each Limited Partner in their pooled investment funds, if any.

The Adviser, as the General Partner of the pooled investment funds, receives a quarterly or annual incentive allocation equal to 20% of the net profits earned and allocable to each Limited Partner, if any, subject to a "loss carryover" provision (the "Incentive Allocation"). Such Incentive Allocation reduces the income allocable to the Limited Partner and increases the income allocable to the Adviser. The Incentive Allocation of profits made to the Adviser is in compliance with Rule 205-3 under the Investment Advisers Act of 1940. A more complete description of the Incentive Allocation is included in the Confidential Offering Memorandums of each of the Adviser's pooled investment funds. This Incentive Allocation is negotiable.

### **B. Payment of Fees**

The Manager deducts the Management Fee from each Limited Partner's capital accounts in each pooled investment fund by authorizing the fund's respective custodian to pay such Management Fees to the Manager.

### **C. Other Fees and Expenses**

In addition to paying management fees and performance-based incentive allocations, investors in the Adviser's pooled investment funds bear all expenses required for the operation of the funds, including, without limitation, expenses of a third-party administrator, research related expenses (such as the cost of service contracts for quotation equipment and information and database services, subscriptions and other third-party research services), out-of-pocket expenses incurred in investigating investment opportunities, fees and expenses of attorneys, accountants, auditors, experts and custodians, interest and all expenses related to investments or potential investments and to the acquisition, holding, and sale or other disposition of investments. During the two most recent calendar years ended December 31, 2010 and 2009 the ratio of expenses to average net assets of Downtown Associates I, L.P. was 1.29% and 1.33%, respectively and of Downtown Associates II, L.P. was 1.29% and 1.32%, respectively. This ratio includes the management fee and other fund operating expenses, but excludes the incentive allocation to the Adviser.

The assets of the pooled investment funds may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the investors in the Adviser's pooled investment funds will bear, indirectly, their pro rata share of the investment management fee and other fees/expenses of such funds, which are in addition to the management fee paid to the Manager, fund operating expenses and the incentive allocation made to the Adviser.

In addition, investors in the Adviser's pooled investment funds will incur brokerage and other transaction costs in connection with the funds' purchases and sales of investment securities. Each of the Adviser's pooled investment funds has retained BTIG, L.L.C., d/b/a Baypoint Trading ("Baypoint") to execute trades, through its personnel, on behalf of the funds. Each fund currently

pays Baypoint a fee equal to one-cent (1¢) on each share traded by Baypoint for the fund. These brokerage and other transaction costs are an addition to the cost of investment securities purchased or a reduction from the proceeds from the sale of investment securities.

Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

#### **D. Prepayment of Fees**

Investors in the Adviser's pooled investment funds are required to pay the Manager's fees in advance. Management fees are paid by Downtown Associates I, L.P. on a monthly basis in advance. Management fees are paid by Downtown Associates II, L.P. on a quarterly basis in advance. Investors may obtain a refund of a pre-paid management fee if such investor makes a capital withdrawal prior to the expiration of the period covered by the management fee payment. The Manager will refund such prepaid management fee on a pro rata basis based upon the number of days remaining in the management fee period.

#### **E. Additional Compensation and Conflicts of Interest**

This item is not applicable.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment management services to two pooled investment funds. The adviser receives performance-based incentive allocations from its pooled investment funds. The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size (after due consideration for capital inflows and outflows) and require that, to the extent orders are aggregated, the orders are price-averaged to the pooled investment funds. These areas are monitored by the Adviser's Chief Compliance Officer.

### **Item 7. Types of Clients**

The Adviser provides investment advice to two private pooled investment funds as outlined in response to Item 4 B above. Any initial and additional subscription minimums are disclosed in the Confidential Offering Memorandum for each pooled investment fund. However, the Adviser has the discretion to waive or change these minimums at any time.

### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

#### **A. Methods of Analysis and Investment Strategies**

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The primary method of analysis is thorough and independent fundamental research, but may also include charting analysis, cyclical analysis as well as use of technical analytical tools and approaches.

The Adviser employs the following investment strategies:

*Buy and Hold.* The Adviser engages in a buy and hold investment strategy wherein the Adviser

buys securities with the intention of holding them for a relatively longer period of time, typically two to four years, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

*Portfolio Concentration.* The Adviser's portfolios are highly concentrated, generally consisted of investments in 12 to 15 carefully researched small and mid-cap businesses that the Adviser believes possess long-term durable advantages.

*Fundamental Value and Growth.* The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest only in securities the Adviser believes are significantly undervalued by the market while simultaneously possessing attractive long-term growth opportunities.

*Hedging.* The Adviser may utilize financial instruments such as Exchange Traded Funds (ETFs), and options for risk management purposes to protect the portfolio from broader market drawdowns.

*Option Trading.* The Adviser may engage in various option trading as part of its investment and/or hedging strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser may buy or sell both put and call options.

*Short Selling.* The Adviser may engage in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser may make short sales of Exchange Traded Funds as a form of hedging to protect the portfolio from broader market drawdowns. The Adviser may occasionally make short sales of individual securities for profit.

These methods, strategies and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

## **B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies**

*Concentrated Portfolio/Lack of Diversification.* The Adviser's pooled investment funds will be invested in a highly concentrated portfolio of small and mid-cap equity securities, and accordingly, will not be diversified among a wide range of types of securities, market capitalizations, countries or industry sectors. Accordingly, the portfolios of the Adviser's pooled investment funds are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the business risk of an issuer, which can affect a security's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

*Short Selling Risk.* The Adviser's investment program may include short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that

the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks)**

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

*Option Contracts.* In connection with the use of option contracts, there may be an imperfect correlation between the change in market value of a security and the prices of the option contracts in the Adviser's investment portfolios. In addition, the Adviser's investments in option contracts may encounter a lack of a liquid secondary market and the resulting inability to close an option contract position prior to its maturity date.

**Item 9. Disciplinary Information**

This item is not applicable.

**Item 10. Other Financial Industry Activities and Affiliations**

**A. Broker-Dealer Registration Status.**

This item is not applicable.

**B. Commodities-Related Registration.**

This item is not applicable.

**C. Material Relationships or Arrangements with Industry Participants.**

Each of the private investment funds for which the Adviser serves as general partner has and may in the future enter into agreements, or "side letters," with certain prospective or existing limited partners whereby such limited partners may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the private investment fund. For example, such terms and conditions may provide for special rights to make future investments in the private investment fund; special redemption rights, relating to frequency or

notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner and/or other terms; rights to receive reports from the private investment fund on a more frequent basis or that include information not provided to other limited partners (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the private investment fund and such limited partners. The modifications are solely at the discretion of the private investment fund and may, among other things, be based on the size of the limited partner's investment in the private investment fund, an agreement by a limited partner to maintain such investment in the private investment fund for a significant period of time, or other similar commitment by a limited partner to the private investment fund.

**D. Material Conflicts of Interest Relating to Other Investment Advisers.**

This item is not applicable.

**Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**A. Code of Ethics.**

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting David C. Smith (Chief Compliance Officer) by email at [dsmith@downtown-associates.com](mailto:dsmith@downtown-associates.com) or by telephone at (610) 925-3480 Ext. 21. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

**B. Client Transactions in Securities where Adviser has a Material Financial Interest.**

This item is not applicable.

**C. Investing in Securities Recommended to Clients.**

The Adviser or its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its related person's



objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. In an effort to minimize such conflicts, the Adviser requires its access persons to preclear all transactions in their personal accounts with the Chief Compliance Officer or Managing Member, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. All of the Adviser's related persons are required to disclose their securities transactions and holdings on a quarterly basis. All of the Adviser's related persons are also required to provide broker statements and a quarterly certification of such transactions. Trading in employee accounts will be reviewed and compared with transactions for the client accounts.

Please refer to Item 17 for information regarding the Adviser's proxy voting policy and procedures.

**D. Conflicts of Interest Created by Contemporaneous Trading.**

This item is not applicable.

**Item 12. Brokerage Practices**

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and research team meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

**1. Research and Other Soft Dollar Benefits.**

The Adviser, receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and

services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer and research team meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts. The Adviser seeks to allocate soft dollar benefits to client accounts proportionately based on the value of each client account.

During the Adviser's last fiscal year, as a result of client brokerage commission (or markups or markdowns), the Adviser and/or its related persons acquired research reports (covering financial markets, industry, company, economic and technical market analysis); attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; advice from broker-dealers on order execution; and, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto. In determining whether to direct client brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Officer and research team meet periodically to review and evaluate the soft dollar practices of the Adviser and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

The Adviser may participate in "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

## **2. Brokerage for Client Referrals.**

From time to time, the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private investment fund advised by the Adviser or recommend these private investment funds as an investment to clients. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

### **3. Directed Brokerage.**

This item is not applicable.

### **B. Order Aggregation.**

The Adviser often purchases or sells the same security for its clients contemporaneously and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

## **Item 13. Review of Accounts.**

### **A. Frequency and Nature of Review.**

Each client account is reviewed by the Adviser's investment research team, on a regular basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

### **B. Factors Prompting a Non-Periodic Review of Accounts.**

Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client or specific arrangements with particular clients may trigger reviews of client accounts on other than a periodic basis.

### **C. Content and Frequency of Regular Account Reports.**

Investors in the Adviser's pooled investment funds receive reports from the private investment fund pursuant to the terms of each private investment fund's Confidential Offering Memorandum or as otherwise described in the offering documents of the private investment fund.

## **Item 14. Client Referrals and Other Compensation.**

### **A. Economic Benefits Received from Non-Clients for Providing Services to Clients.**

This item is not applicable.

### **B. Compensation to Non-Supervised Persons for Client Referrals.**

This item is not applicable.

**Item 15. Custody.**

The Adviser and Manager provide investment and management services solely to pooled investment funds.

**Item 16. Investment Discretion.**

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority. The Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the Confidential Offering Memorandum or Limited Partnership Agreement of each private investment fund) (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser submits allocation instructions to the Adviser's third party trading firm describing the allocation of securities to (or from) client accounts for each trade/order submitted. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to the value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Securities acquired by the Adviser for its clients through initial public offerings (IPOs) and secondary offerings will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that: (i) if the Adviser receives a full allocation of securities in an IPO, the securities will be allocated to eligible client accounts on a pro rata basis, or (ii) if the Adviser receives less than a full allocation of securities in an IPO, the securities will be allocated to eligible client accounts also on a pro rata basis. Only those client accounts that have established their eligibility to participate in IPOs with the Adviser can participate in IPO allocations.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. Notwithstanding the foregoing, the Adviser will not be responsible for losses resulting from trade errors unless it has been determined that the Adviser has engaged in disabling conduct as defined in the investment management agreement between the Adviser and its client.

#### **Item 17. Voting Client Securities.**

##### **A. Policies and Procedures Relating to Authority to Vote Client Securities.**

To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients.

In voting proxies, the Adviser utilizes the services of a third-party proxy agent to provide recommendations and assistance with respect to voting proxies on behalf of its clients. The Adviser has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. The Procedures also require that the Adviser identify and address conflicts of interest between the Adviser and its clients. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or take some other appropriate action. It is the Adviser's general policy not to vote proxies for securities which are not held in a client's account at the time such proxy is received by the Adviser. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated). Generally, the Adviser will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of the Adviser's Procedures and information about how the Adviser voted a client's proxies by contacting David C. Smith, Chief Compliance Officer by email at [dsmith@downtown-associates.com](mailto:dsmith@downtown-associates.com) or by telephone at (610) 925-3480, Ext. 21.

##### **B. No Authority to Vote Client Securities and Client Receipt of Proxies.**

This item is not applicable.

#### **Item 18. Financial Information.**

This item is not applicable.

#### **Item 19. Requirements for State-Registered Advisers.**

This item is not applicable.

## **Brochure Supplement**

**Ronald J. Juvonen**

**March 28, 2011**

**Downtown Associates, L.L.C.  
674 Unionville Road, Suite 105  
Kennett Square, PA 19348  
610-925-3480**

**This brochure supplement provides information about Ronald J. Juvonen that supplements the Downtown Associates, L.L.C. brochure. You should have received a copy of that brochure. Please contact David C. Smith if you did not receive the Downtown Associates, L.L.C.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about A. L. Loomis, III, David C. Smith and Glenn J. Goldstein is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2. Educational Background and Business Experience.**

Ronald J. Juvonen, born 5/13/40, is the Managing Member and Chief Investment Officer of the Downtown Associates, L.L.C. (the "Adviser"). Ron founded Downtown Associates, L.L.C. with Alfred L. ("Chip") Loomis on August 7, 1997 to operate, in Limited Liability Company form, the investment advisory business they had operated in unincorporated form as individuals since January 1, 1975. Ron has been the Managing Member and CIO since that time. Ron has over thirty five years of experience managing concentrated equity portfolios with assets under management that peaked at \$675m in 2006.

Ron is a Cum Laude graduate of Harvard University with a degree in Engineering and Applied Physics. After three years with General Electric in various manufacturing and supervisory positions, he received an M.B.A. with High Distinction from the Harvard Business School in 1967. He was a Baker Scholar and graduated second in his Harvard Business School class. Ron worked in the Corporate Finance Department of Goldman, Sachs & Company for several years before joining St. Vincents Island Company, the Loomis family investment company. His responsibilities included managing public and private investments, managing oil and gas drilling partnerships, and providing advice with respect to tax and cash flow planning. He was a portfolio manager of two Loomis-funded investment partnerships from 1971 to 1974, and, as a General Partner, he played a key role in the organization of the Adviser's initial pooled investment fund, Downtown Associates I, L.P. in 1975. Ron is a member of the CFA Institute. He has been involved as a Principal and/or Director in several outside businesses. His personal activities have included Chairman of the Harvard Schools Committee for Delaware and Director and Treasurer of the Brandywine Polo Association.

**Item 3. Disciplinary Information.**

This item is not applicable.

**Item 4. Other Business Activities.**

This item is not applicable.

**Item 5. Additional Compensation.**

This item is not applicable.

**Item 6. Supervision.**

While Ron serves as Managing Member of the Adviser, the Adviser provides investment advice to its clients using a team approach pursuant to which all investment research and portfolio investment decisions are made jointly and collaboratively. The other members of the Adviser's investment research team are David Smith and Glenn Goldstein. Accordingly, each investment team member is supervised by the other members of the team. All investment transactions are reviewed daily by each investment research team member. The members of the Adviser's investment research team can be reached at the Adviser's corporate offices at (610) 925-3480. In addition, the Adviser has adopted a Compliance Manual and a comprehensive suite of related compliance policies and procedures. The Adviser's Chief Compliance Officer, David Smith, is responsible for implementing these policies and procedures to provide assurance that the activities of the Adviser and all of its supervised persons adhere to the requirements of the Investment Advisers Act and the rules and regulations promulgated thereunder and that the advisory services it provides to its clients are rendered in accordance with the policies and procedures disclosed herein. The Adviser believes that these procedures provide an additional level of supervision of all of those within its organization that have investment discretion of client assets.

**Item 7. Requirements for State-Registered Advisers.**

This item is not applicable.

## **Brochure Supplement**

**David C. Smith**

**March 28, 2011**

**Downtown Associates, L.L.C.  
674 Unionville Road, Suite 105  
Kennett Square, PA 19348  
610-925-3480**

**This brochure supplement provides information about David C. Smith that supplements the Downtown Associates, L.L.C. brochure. You should have received a copy of that brochure. Please contact David C. Smith if you did not receive the Downtown Associates, L.L.C.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Ronald J. Juvonen, A. L. Loomis, III, and Glenn J. Goldstein is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**



**Item 2. Educational Background and Business Experience.**

David C. Smith, born 11/14/59, is the Director of Investments, Chief Compliance Officer and Director of Operations of the Downtown Associates, L.L.C. (the "Adviser"). Dave joined Downtown Associates in 2001 as Director of Finance and a Special Member of the General Partner. During his tenure at the firm, Dave has assumed positions of increasing responsibility. He is currently responsible for the firm's in-depth investment research process and is actively involved in all stock selection and portfolio management decisions. Dave also serves as Director of Operations where he oversees all aspects of the firm's financial activities, administrative operations and regulatory compliance. Prior to joining Downtown Associates, Dave spent 20 years in Public Accounting with an exclusive focus on financial services clients. He has significant expertise with respect to the accounting, auditing, taxation and regulation of publicly traded mutual funds, private investment partnerships/hedge funds, investment advisors, and securities broker/dealers. In 1997, Dave was a co-founding partner of a mid-sized certified public accounting firm based in Philadelphia, PA where he was in charge of the firm's national financial services practice. Prior to founding this firm, Dave was a financial services partner with another mid-sized regional certified public accounting firm where he served a national base of financial services clients. Dave is a member of the American and Pennsylvania Institutes of Certified Public Accountants and has served as a member of the AICPA Investment Company Committee. He has been an active participant in investment company industry programs and seminars. Dave is a Magna Cum Laude graduate of Temple University where he earned a Bachelor of Business Administration degree with a major in Accounting.

**Item 3. Disciplinary Information.**

This item is not applicable.

**Item 4. Other Business Activities.**

This item is not applicable.

**Item 5. Additional Compensation.**

This item is not applicable.

**Item 6. Supervision.**

Ronald J. Juvonen serves as the Managing Member of the Adviser and has ultimate supervisory control over all aspects of the Adviser's operations. The Adviser provides investment advice to its clients using a team approach pursuant to which all investment research and portfolio investment decisions are made jointly and collaboratively. The other members of the Adviser's investment research team are Ronald Juvonen and Glenn Goldstein. Accordingly, each investment team member is supervised by the other members of the team. All investment transactions are reviewed daily by each investment research team member. The members of the Adviser's investment research team can be reached at the Adviser's corporate offices at (610) 925-3480. In addition, the Adviser has adopted a Compliance Manual and a comprehensive suite of related compliance policies and procedures. The Adviser's Chief Compliance Officer, David Smith, is responsible for implementing these policies and procedures to provide assurance that the activities of the Adviser and all of its supervised persons adhere to the requirements of the Investment Advisers Act and the rules and regulations promulgated thereunder and that the advisory services it provides to its clients are rendered in accordance with the policies and procedures disclosed herein. The Adviser believes that these procedures provide an additional level of supervision of all of those within its organization that have investment discretion of client assets.

**Item 7. Requirements for State-Registered Advisers.**

This item is not applicable.

**Brochure Supplement**

**Glenn J. Goldstein**

**March 28, 2011**

**Downtown Associates, L.L.C.  
674 Unionville Road, Suite 105  
Kennett Square, PA 19348  
610-925-3480**

**This brochure supplement provides information about Glenn J. Goldstein that supplements the Downtown Associates, L.L.C. brochure. You should have received a copy of that brochure. Please contact David C. Smith if you did not receive the Downtown Associates, L.L.C.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Ronald J. Juvonen, A. L. Loomis, III, and David C. Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2. Educational Background and Business Experience.**

Glenn J. Goldstein, born 4/18/81, is the Principal of Portfolio Research and Management of the Downtown Associates, L.L.C. (the "Adviser"). Glenn joined Downtown Associates in 2006 and currently focusing on extensive equity research. Prior to joining Downtown Associates, Glenn was an analyst with SCP Partners, an \$850 million private equity fund investing primarily in late-stage venture growth companies. He previously worked for George Weiss Associates in New York, a \$1+ billion long/short hedge fund, as an analyst on a relative value equity portfolio. Glenn is a graduate of the Management and Technology Program at the University of Pennsylvania where he received a B.S. in Economics from the Wharton School, majoring in Finance, and a B.S. in Systems Engineering. He is a member of the CFA Institute and CFA Society of Philadelphia.

**Item 3. Disciplinary Information.**

This item is not applicable.

**Item 4. Other Business Activities.**

This item is not applicable.

**Item 5. Additional Compensation.**

This item is not applicable.

**Item 6. Supervision.**

Ronald J. Juvonen serves as the Managing Member of the Adviser and has ultimate supervisory control over all aspects of the Adviser's operations. The Adviser provides investment advice to its clients using a team approach pursuant to which all investment research and portfolio investment decisions are made jointly and collaboratively. The other members of the Adviser's investment research team are Ronald Juvonen and David Smith. Accordingly, each investment team member is supervised by the other members of the team. All investment transactions are reviewed daily by each investment research team member. The members of the Adviser's investment research team can be reached at the Adviser's corporate offices at (610) 925-3480. In addition, the Adviser has adopted a Compliance Manual and a comprehensive suite of related compliance policies and procedures. The Adviser's Chief Compliance Officer, David Smith, is responsible for implementing these policies and procedures to provide assurance that the activities of the Adviser and all of its supervised persons adhere to the requirements of the Investment Advisers Act and the rules and regulations promulgated thereunder and that the advisory services it provides to its clients are rendered in accordance with the policies and procedures disclosed herein. The Adviser believes that these procedures provide an additional level of supervision of all of those within its organization that have investment discretion of client assets.

**Item 7. Requirements for State-Registered Advisers.**

This item is not applicable.