

## **FORM ADV, PART 2**

**R. B. NEEDHAM ADVISORY CORP.**

**861 Turnpike Street  
North Andover, MA 01845**

**Mailing Address: P. O. Box 398  
Andover, MA 01810**

**Phone: 978-681-8821**

**FAX: 978- 685-8000**

**Email: [nvest@needhamadvisory.com](mailto:nvest@needhamadvisory.com)**

**Web Site: [www.needhamadvisory.com](http://www.needhamadvisory.com)**

**December 31, 2011**

Form ADV, Part 2, our “Disclosure Brochure” or “Brochure” is a very important document between you, our Clients, and R. B. Needham Advisory Corp. This Brochure is required by the Investment Adviser’s Act of 1940 and applicable state regulations and provides information about our qualifications and business practices.

If you have any questions about the contents of this brochure, please contact us at 978-681-8821 and/or email us at [nvest@needhamadvisory.com](mailto:nvest@needhamadvisory.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.

Information about R. B. Needham Advisory Corp. is also available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD Number. Our firm’s number is 105378.

Through 2011, we are a registered investment advisor with the SEC. Beginning in 2012, we will become a state-registered advisor. We will be registered in Massachusetts and New Hampshire. Our registration as an Investment Advisor does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us against other advisors in making your decision to hire us or to continue to maintain a mutually beneficial relationship.

## ***Item 2: Material Changes***

State and SEC regulations require that we advise you of material changes that have occurred at Needham Advisory since we posted our Form ADV Part 2 Brochure for the year ending December 31, 2011 to the SEC's public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We would like to notify of the following Material Change:

Priscilla Cubelli has joined the staff of Needham Advisory. Please see Priscilla's biography on either the Brochure Supplement at the end of the full Form ADV Part 2 which we have posted to IAPD or on the Investment Quarterly sent in the March 31, 2012 package from us.

Again, an updated Form ADV Part 2 has been posted to the SEC's public Disclosure website. You can obtain this update in the following ways:

- Search for CRD #105378 at the SEC's public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).
- Call Robert Needham or Nancy O'Neil at 978-681-8821.
- Email your request to [nvest@needhamadvisory.com](mailto:nvest@needhamadvisory.com).
- Send a written request to Needham Advisory, PO Box 398, Andover, MA 01810.

### ***Item 3: Table of Contents***

<b><u>Page</u></b>	<b><u>Topic</u></b>
1	Item 1: Cover Page
3	Item 2: Material Changes
4	Item 3: Table of Contents
6	Item 4: Advisory Business
7	Services
9	Item 5: Fees and Compensation
9	Fee Schedule – Investment Management
10	Other Fees and Expenses
11	Item 6: Performance-Based and Side-By-Side Management
12	Item 7: Types of Clients
13	Item 8: Methods of Analysis, Investment Strategies and Risk of Loss
13	Analysis
13	Investment Strategies
14	Risk of Loss
15	Item 9: Disciplinary Information
16	Item 10: Other Financial Activities and Affiliations
16	Consulting Services
16	Other Financial Activities and Affiliations
17	Item 11: Code of Ethics
18	Item 12: Brokerage Practices
18	Directed Brokerage
18	Brokerage Selection
19	Block Trades
19	Soft Dollars
19	Other Brokerage Arrangements
20	Item 13: Review of Accounts
20	Account Statements
21	Item 14: Client Referrals and Other Compensation

## ***Table of Contents (con't.)***

<b><u>Page</u></b>	<b><u>Topic</u></b>
22	Item 15: Custody
24	Item 16: Investment Discretion
25	Item 17: Voting Client Securities (i.e., Proxy Voting)
26	Item 18: Financial Information
27	Item 19: Requirements for State-Registered Advisors
28	Part 2B for Form ADV: Brochure Supplement
28	Robert B. Needham CFA
29	Client Service and Operations Professional
29	Priscilla Cubelli
29	Nancy J. O'Neil

## ***Item 4: Advisory Business***

Needham Advisory Corp., a registered investment advisor, was formed in 1985 to provide custom investment management and general financial counseling services to individuals, trusts, retirement plans and endowments. We are registered with the Securities and Exchange Commission (through 2011; beginning in 2012, we will be state registered) and our commitment is to act solely in your best interest on a fee-only basis; we do not receive commissions, nor do we sell products.

The underlying philosophy of the company evolved through 25 years of portfolio management, trust, financial and estate planning experience is that clients should be able to expect creativity, professionalism, understandable communication and comprehensive investment counseling from one source. Our goal is to treat every client as our only client. We consider each client to be unique and structure portfolios accordingly. A successful investment philosophy can be tailored to meet the distinctive requirements of corporate retirement plans, endowments, trusts, and individuals. The consistent factor among all portfolios is our investment philosophy and discipline.

We have built our firm on factors we consider critical to best serve our clients: quality personnel, a clear investment strategy and decision process, consistent long term performance, client orientation, reliable support systems, and an environment in which decisions can be made in a timely manner. We measure our success not only by how our performance compares with market indices but also, and more importantly, by how we meet our client's objectives. We offer a client responsive approach to managing assets that is not often found in today's volume oriented financial services environment. Needham Advisory has and will continue to control and monitor its growth, as we will not compromise our service or performance.

The sole owner of R. B. Needham Advisory Corp. is Robert B. Needham.

We have updated our fee basis schedule and now charge most of the accounts formerly known as Information Only an annual \$250 administrative fee (\$62.50 per quarter). Therefore, we have changed the name of the Information Only category to Consult and no longer subtract it from Non-Discretionary to calculate AUM on both Form ADV Parts 1 and 2.

Our calculation of AUM on both Form ADV Parts 1 and 2 is:

$$\begin{array}{rcll} \text{Discretionary} & + & \text{Non-Discretionary} & = \text{AUM} \\ & & = \$69,226,631.60 \end{array}$$

As of December 31, 2011, AUM is calculated as follows:

$$\begin{array}{rcll} \$19,932,450.60 & + & \$50,880,836.89 & = \$70,813,287.49 \end{array}$$

As of 12/31/11, Needham Advisory has 285 accounts, of which 58 are discretionary and 227 are non-discretionary.

## **Services**

Needham Advisory Corporation is a full service investment and financial counseling firm. In that capacity we provide a number of services to our clients, some of which are in partnership with a non-affiliated custodian. We offer personalized solutions for immediate financial questions or long-term financial planning. Our services are not based on selling financial products, but focused on defining goals, identifying alternative strategies to achieve those goals and using our expertise and experience to provide assistance in implementing the appropriate strategy.

### ***Our Investment Management services include:***

- Goal definition, asset allocation security selection and Investment Management
- Quarterly reporting of results
- Annual review of results and account objectives
- Coordination with Third Party Plan Administrators for corporate employee benefit plans
- Consultation and coordination with Trustees on individual trusts
- Consultation with other professional advisors as requested by the client to insure that all the advisors are working towards the same goal
- Comprehensive Financial Counseling
- Hourly consultation for those who do not need or require continuous management

### ***The independent account custodian will provide:***

- Safekeeping all securities
- Collection of income
- Settlement of all security transactions including receipt and delivery of securities as well as the collection or payment of funds
- Notification of corporate actions and processing as directed
- Direct computer access to account status by Needham Advisory for review of account balances, pending trades, transaction activity and market valuations

***Our Financial Planning services include:***

- Manage current expenses and project future cash flows
- Understand alternatives when faced with buying a new house or investing in a business
- Determine the means and strategy to accumulate funds for financing a college education and achieving financial independence.
- Determine the lowest level of risk that needs to be taken when designing the investment portfolio to achieve your financial goals
- Evaluate the choices and allocation of investment assets to manage risk and control market variability
- Understand strategies to minimize income tax liability and maximize retirement savings
- Analyze insurance needs in order to contain catastrophic risks
- Evaluate retirement income distribution methods and understand wealth transfer techniques
- Develop an overall estate plan and plan for elder care needs

***Other Services:***

**Separately Managed Accounts**

Needham Advisory Corp. can provide access to other investment managers through the separately managed account facility of Charles Schwab if requested by a client. This service will incur a fee by the separate account manager in addition to fees charged by Needham Advisory. Needham Advisory's fee is based on a determination of the services NAC provides to the account and is based on rates in our current fee schedule. The client will be advised of NAC's fee prior to initiating a separately managed account relationship. Since this is a non-standard offering of NAC, merely an accommodation to clients' desiring this type of relationship, NAC does not provide ongoing supervision or due diligence for the separately managed account relationship.



## ***Item 5: Fees and Compensation***

### ***Fee Schedule - Investment Management***

#### ***Fee Payment Options***

As indicated in our advisory agreement with you, there are two options you may select to pay for our services:

Direct debiting (Preferred) – each quarter we will notify your custodian of the amount of the fee due. The custodian does not validate or check the calculation of our fee. The custodian will deduct the fee from your billing account. Each month you will receive a statement directly from your custodian showing all transactions. The statement after quarter end will show the advisory fee paid by you to us.

Pay-by-check – we will issue you an invoice for our services quarterly and you will pay us by check.

Fees are billed quarterly, in arrears, on the quarter end market value at the following rates:

<b>Account Asset Value</b>	<b>Annual Fee</b>
Assets up to \$2,000,000	1%
Assets over \$2,000,000	1/2 of 1%

Minimum Annual Fee - \$1,500.00

No minimum account size

For accounts invested 100 percent in mutual funds, the above fees will be reduced by 25 percent but not below an annual minimum fee of \$750.00.

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your account(s). The following list of fees or expenses that can be charged by the broker/custodian directly when a security is bought, sold, or held in your account(s). Other fees not listed here may also be incurred and charged:

- Brokerage commissions and markups
- Transaction fees
- Exchange fees
- SEC fees
- Advisory and administrative fees charged by Mutual Funds or Exchange Traded Funds

- Advisory fees charged by sub-advisors (if used for your account)
- Custodial fees
- Deferred sales charges on mutual funds and annuities
- Odd-Lot differentials
- Transfer taxes
- Wire transfer and electronic fund processing fees

We do not receive, directly or indirectly, any of these fees charged to you. They are paid directly to the broker/custodian/mutual fund. In addition, we do not have any “employee” that receives any compensation from purchase or sale of securities for your account. We are a fee-only investment advisor. We do not have any potential conflicts of interest present that relate to any additional (and un-disclosed) compensation from you.

### ***Other Fees and Expenses***

Needham Advisory Corp. does not provide custodial services but will assist our clients in obtaining suitable safekeeping services. There may be an additional charge by the custodian for these services. Accounts custodied through Needham Advisory as part of a consultation arrangement will be billed an annual administrative fee of \$250.00.

For accounts which an officer of Needham Advisory serves as either sole or co-trustee, additional expenses for mandated audits, trust income tax preparation, or other extraordinary services will be charged to the account in addition to the basic management fee.

### ***Investment Consultation***

Investment consultation services are available at an hourly rate of \$250.00. Consultation does not include continuous supervisory services. The minimum fee per consult is \$250.00. Investment consultation fees are payable upon completion of the consultation.

### ***Financial Consultation***

Financial consultation is available at an hourly rate of \$250.00. For complex financial plans Needham Advisory will provide a best efforts estimate of the total fee in advance. Fees for financial consultation are payable 1/3 at contract initiation and the balance upon completion.

### ***Item 6: Performance-Based and Side-By-Side Management***

Needham Advisory does not charge advisory fees on a share of the capital appreciation of a client's account (performance-based fees). Our advisory fee compensation is charged only as disclosed above in Item 5.

## ***Item 7: Types of Clients***

Needham Advisory provides services to a number of different types of clients, including:

- Individuals, including high net worth individuals
- Trusts, estates, and charitable organizations
- Pension and profit sharing plans
- Corporations or other business entities
- Non-profit entities

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

### **Analysis**

Needham Advisory's security analysis methods include:

- technical analysis through the examination of charts (like Worden Brothers Telechart)
- fundamental analysis which includes the examination of ratios
- Select Value – proprietary relative value analysis of securities in our stock universe

In conducting security analysis, we utilize a broad spectrum of information, including:

- financial publications and Internet-based materials
- third-party research materials
- annual reports
- prospectuses
- regulatory filings
- company press releases
- corporate rating services

### **Investment Strategies:**

Strategies involving frequent trading of securities can affect investment performance.

Each client custodian "sweeps" non-invested cash balances in client accounts every day into a money market account selected by the client and offered as a service by the custodian. At client request, we will recommend the sweep vehicle among the choices offered by the custodian. In that case, we make a recommendation based on our understanding of the client's tax status and risk preferences. Money market sweeps generally fall into three categories: government money market funds, prime rated money market funds, and tax-exempt money market funds.

Our core expertise is management and servicing of a wide range of risk-managed equity management (primarily common stocks and mutual funds), fixed income management (including corporate, government, and municipal bonds), and customized balanced portfolios.

In addition to the types of securities described above, we may invest in preferred stocks, government agency securities, money market instruments, and such other securities that we may select, unless expressly limited by written direction or client guidelines.

### **Risk of Loss**

All investments in securities include a risk of loss that each client should be prepared to bear. Certain strategies may impose more risk than others. Stock and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control.

We will do our very best in the management of your assets; however, we cannot guarantee any level of performance. However, depending upon the client needs and investment mandate, we will endeavor to thoroughly explain the risk applicable and address it in the investment management agreement as well.

### ***Item 9: Disciplinary Information***

Needham Advisory and its employees have no reportable discipline history.

## ***Item 10: Other Financial Activities and Affiliations***

### ***Consulting Services***

Needham Advisory offers a financial planning and strategy development service for individuals who may or may not use investment management services. These services include an analysis of the client's:

- cash flow
- budget
- asset allocation
- tax
- insurance
- retirement
- net worth
- estate tax situation

Recommendations for changes in each of the above categories will be made upon request. The service will also offer follow-up consultation and an update of the plan upon request.

Needham Advisory is also actively engaged in providing financial and estate planning services on an hourly fee basis. The financial and estate planning consulting services comprise approximately 10% of the business activity of Needham Advisory.

These consulting services are billed at a rate of \$250.00 per hour.

### ***Other Financial Industry Activities and Affiliations***

Needham Advisory was affiliated with PENFACS Financial Services, Inc. as sub-advisor to a group of their accounts. However, as mentioned in Item 2: Material Changes, this group of accounts followed Kim Yoshida to her new place of employment.

### ***Other Relationships***

Needham Advisory Corp has a strategic alliance with the firm Appleton Partners, Inc. (API) of Boston. This alliance provides back up services to Needham Advisory clients should the managers of Needham Advisory be unable to perform their duties due to illness or death. In addition API stands ready to provide access to their research services and staff for up to 100 hours per month. There is no charge to NAC clients for this service.



## ***Item 11: Code of Ethics***

As required by regulation, and because it's good business, we have adopted a Code of Ethics that governs a number of potential conflicts of interest we might have when offering our advisory services to you. This Code of Ethics is designed:

- to ensure we meet our fiduciary obligation to you
- to detect and prevent violations of security laws
- to drive home a "culture of compliance" within our firm.

Our Code of Ethics is comprehensive, is distributed to each employee at the time of hire, and annually thereafter. We supplement the Code with on-going monitoring of employee activity.

Our Code includes the following:

- requirements related to the confidentiality of your information
- prohibitions on insider trading and rumor-mongering
- prohibition of gifts and entertainment that exceed \$100
- reporting of gifts and entertainment within our policy standards
- pre-clearance of employee trading
- quarterly review of all personal securities transactions
- annually we require all employees identify members of their household and report accounts to which they have a "beneficial interest" (meaning that they have ownership or authority over the account.
- we also require our employees to annually acknowledge receipt and understanding of our Code of Ethics.

Our Code of Ethics does not prohibit personal trading by our employees. As you may imagine, as a professional investment advisor, we follow our own advice. As a result, we may purchase or sell the same of similar securities that we do for you, our client.

You may request a complete copy of our Code of Ethics by contacting:

Robert B. Needham, President & Chief Compliance Officer  
Needham Advisory Corp.  
861 Turnpike Street  
North Andover, MA  
978-681-8821  
[rneedham@needhamadvisory.com](mailto:rneedham@needhamadvisory.com)

## ***Item 12: Brokerage Practices***

### ***Directed Brokerage:***

If the client instructs Needham Advisory to use a particular broker for portfolio transactions, the client will not benefit from the advisor's ongoing efforts to select brokers that provide the best services at the lowest cost commissions. Also the client will not be able to obtain volume discounts or best execution for some trades through block trading.

Clients should also be aware that a potential conflict of interest exists if a broker refers business to Needham Advisory and becomes a beneficiary of trading activity on the account through directed brokerage.

Clients requesting directed brokerage must provide the Registrant with written directions to do so.

### ***Brokerage Selection:***

Needham Advisory will endeavor to select those brokers or dealers who in our judgment provide the services needed for the management of the client's account at the most reasonable commission rates possible. The reasonableness of the broker's commissions are evaluated on the broker's ability to provide professional services, competitive commission rates or markups/mark-downs and other services that in our judgment will help Needham Advisory in providing investment management services to the client. Research and services will not justify material differences in execution costs.

Charles Schwab & Co., Inc. has been determined to meet our requirements and most discretionary transactions are placed through them. The professional services available to Needham Advisory from Schwab are:

- favorable execution and commission rates
- receipt of duplicate client confirmations
- receipt of electronic duplicate statements
- access to a trading desk serving Schwab Institutional clients exclusively
- access to block trading that provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts
- ability to have investment advisory fees deducted directly from the client account
- access to a website exclusive to Schwab Institutional clients. The website provides:
  - the ability to enter money movement transactions electronically
  - the ability to download, post, and reconcile daily transactions

- research capabilities
- compliance publications
- ongoing training and education through live and on-demand webcasts, articles, and bulletins
- access to mutual funds that generally require significantly higher minimum initial investments or are generally available only to institutional investors.

Needham Advisory does not negotiate with brokers for the lowest transaction costs and most favorable execution on each client transaction but does review our ongoing relationship with Schwab to determine if services and charges continue to justify their selection as Needham Advisory's primary broker

***Block Trades:***

RBNAC may aggregate or "bunch" securities of different clients for block trading where doing so will provide lower commission costs and/or better execution for all the clients involved. When clients' accounts are aggregated each account in the aggregation is charged or credited with the average price to the total blocked transaction.

***Soft Dollars:***

Needham Advisory, as a matter of policy, does not utilize research and other services obtained from broker-dealers or third parties on a soft dollar commission basis.

***Other Brokerage Arrangements:***

We do not engage in the following:

- Rotational Procedures
- Agency Cross Transactions
- Principal Trading

### ***Item 13: Review of Accounts***

All accounts are reviewed through both an individual portfolio basis and an asset review basis. The asset review basis is a continuing review of each stock held in portfolios to ascertain that it continues to meet the standards of the portfolios.

If sale of a security is indicated by the asset review, all accounts holding that asset will be reviewed regardless of any other review cycle.

While the continuing daily asset-by-asset review will provide active continual management, each account will also be reviewed monthly. This review includes:

- A review of the total market value of each account
- A review of gains and losses for each portfolio holding
- A review of the continuing suitability of each asset in the portfolio
- A review of income to assure that client objectives will be met

Prior to the monthly review, we review all transactions that have occurred in the portfolio – income, additions or withdrawals, and capital changes. A change in the client’s financial situation or objectives will also trigger a review of the portfolio as indicated above.

#### ***Account Statements***

The custodian will send a statement to a client usually on a monthly basis. This statement will include a list of portfolio holdings and transactions for the period. Duplicate confirmations of each trade will be sent to the client and to Needham Advisory at the time of the transaction.

Needham Advisory sends a statement quarterly (or more often if requested by the client). Needham’s statement includes a list of portfolio holdings, market value of the portfolio, cost basis information, transactions for the period, and other information, such as a performance summary, requested by the client.

Needham Advisory’s statement also urges the client to compare our statement to that produced by the custodian; any discrepancies should be immediately reported.

An annual tax letter is also sent to the client by Needham Advisory. It includes Realized Gains and Losses, Management Fees Paid, and Other Expenses. The custodian issues a 1099 which summarizes interest and dividend income and mutual fund capital gains and losses. Beginning in 2011, the responsibility for reporting Realized Gains and Losses on “covered” securities (equities purchased in 2011) will be the custodian’s. This responsibility will be phased in each year, equities and mutual funds in 2012, equities, mutual funds, and fixed income in 2013, etc.

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

Needham Advisory does not compensate anyone for client referrals.

## ***Item 15: Custody***

Needham Advisory complies with the Custody Rule which became effective March 12, 2010. The Custody Rule was imposed by the SEC as a response to the Madoff Affair to better safeguard client assets. The Commonwealth of Massachusetts has also adopted a custody rule that is substantially the same as the federal rule.

Custody is defined as “holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.”

Examples of custody are:

- Possession of client funds, unless an advisor receives them inadvertently
- An arrangement that authorizes an advisor to withdraw client funds
- Possession of client login credentials
- Acting in any capacity that gives an advisor legal ownership or access to client funds – trustee/executor/conservator/general partner.

The amended custody rule provides that an advisor with custody of client assets, such as Needham Advisory, is required to undergo an annual surprise exam by an independent public accountant to verify those assets for which the client is deemed to have custody.

Another provision of the Custody Rule is that the advisor must exercise “due inquiry” to be certain that custodians are sending clients statements. For Schwab accounts, Needham Advisory receives an electronic alert from Schwab attesting that statements have been sent out for all accounts. We also receive duplicate paper statements of “custody accounts.” For non-Schwab accounts, Needham Advisory receives a duplicate paper statement monthly.

Other provisions of the Custody Rule include:

- The advisor must maintain client assets with a qualified custodian
- The advisor’s statement must have a disclaimer URGING the client to compare the advisor’s statement to the custodian’s.

Please note that valuations on the custodian’s statement and on the advisor’s may differ slightly depending on the source of the prices. Needham Advisory obtains its prices from Schwab and from Interactive Data Corporation (IDC). For tax and other purposes, the custodian’s statement is the official record of the client’s account.

Needham Advisory primarily collects management fees through the direct debit of fees from the clients' accounts. The client gives us this authority when the account is opened. The Commonwealth of Massachusetts in 950 CMR Chapter 12.205(5) says that a registered investment advisor deemed to have custody or discretionary authority must have a surety bond of not less than \$10,000.

Massachusetts also says that "custody" shall have the meaning defined in the federal regulations. This means that accounts for which an investment advisor is deemed to have custody is subject to an annual surprise audit of these accounts. Massachusetts does consider having the authority to collect management fees through the direct debit of fees from a client's account as having custody. However, an advisor is exempt from the independent verification requirement when this is the ONLY reason an advisor has custody when the advisor has written authorization to deduct fees from the account, and a copy of the billing invoice is sent to the client.

We calculate the fee based on the provisions of the Investment Counsel Contract. The invoice is sent to the custodian for payment from the account. A copy of the invoice is simultaneously sent to the client. Each invoice has a disclaimer reminding clients that the custodian does not verify the accuracy of the fee and that the client should verify the accuracy of the calculation.

When the custodian gets the invoice it enters a management fee expense transaction that is shown on the custodian's statement to the client.

For accounts where the client has not given us the authority to directly debit their account for management fees, we send the bill to them and they pay the fee directly.

## ***Item 16: Investment Discretion***

### ***Discretionary Accounts:***

For Discretionary Accounts, Needham Advisory has the authority to determine without obtaining specific client consent:

- Securities to be bought or sold
- Amount of the securities to be bought or sold
- Broker to be used
- Commission rates to be paid

### ***Non-Discretionary Accounts:***

For Non-Discretionary Accounts, Needham Advisory does not have the authority described above. Needham Advisory must first have client consent for each item outlined above.



### ***Item 17: Voting Client Securities (i.e., Proxy Voting)***

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. Needham Advisory votes proxies for securities consistent with the best economic interest of the clients that have given us this authority.

Our policy includes:

- the responsibility to monitor corporate actions
- receive and vote client proxies
- disclosing any potential conflicts of interest
- making information available to clients who have not given us the authority to vote proxies for their account
- maintaining complete, written records of our proxy voting activities

A copy of our Proxy Policy is given to new clients upon account opening and is available upon written request to Robert B. Needham, Chief Compliance Officer.

### ***Item 18: Financial Information***

Needham Advisory does not charge or solicit pre-payment of \$1,200 in fees per client six or more months in advance, rather we charges fees in arrears as described in Item 5.

Needham Advisory does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments.

Needham Advisory has not been the subject of a bankruptcy petition at any time during the past ten years.

## ***Item 19: Requirements for State-Registered Advisors***

Needham Advisory will be SEC-registered through 2011. Beginning in 2012, Needham Advisory will become a state-registered advisor. NAC will have to register in Massachusetts and New Hampshire.

The sole owner and principal officer of Needham Advisory is Robert B. Needham. Bob's education and business background is spelled out in Part 2B of Form ADV: Brochure Supplement, which is included in this document.

Needham Advisory is not involved in any business other than investment counsel and management.

Needham Advisory does not receive any compensation other than that listed in Item 5. Needham Advisory is not involved in any performance-based compensation arrangement as stated in Item 6.

Personnel of Needham Advisory have not been involved in or found liable in any claim or administrative proceeding involving:

- (a) an investment or an investment-related business;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices

Personnel of Needham Advisory do not have any type of relationship or arrangement with any issuer of securities

## ***Part 2B for Form ADV: Brochure Supplement***

### ***Professional Staff: Education and Business Background:***

The professional staff at Needham Advisory is committed to the highest level of quality service for our clients. We bring strong technical expertise and, from years of experience in the Trust and Banking industries, an acute awareness of the varying needs of clients. The investment principal, who has held the senior investment position in a several large organizations, realized he could more successfully meet clients' needs in a more client-focused environment. We offer clients over 40 years of trust and investment experience in developing and implementing the investment decision process.

None of our personnel has any disciplinary history.

Personnel of Needham Advisory have not been the subject of an arbitration claim alleging damages in excess of \$2,500 or have been found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s) or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or

Personnel of Needham Advisory also have not been the subject of a bankruptcy petition.

### **Investment decisions for clients are made by:**

#### ***Robert B. Needham CFA***

Robert B. Needham was born in 1940.

Bob is President and Chief Compliance Officer for Needham Advisory Corp. Bob began his investment career in 1968 after five years of financial and business planning experience with a division of Johnson and Johnson. He has served as a portfolio manager with the Trust Division of the Fleet National Bank, Providence, Rhode Island and, for the seven years immediately prior to forming R. B. Needham Advisory Corporation, was the Senior Vice President and Senior Investment Officer in charge of the Trust Department of the Arlington Trust Company of Lawrence, Massachusetts. In these positions he counseled individuals, corporations, and endowments in their investment and financial strategy development.

Bob graduated from Dartmouth College in 1962 where he majored in economics and has an MBA from the Amos Tuck School of Business Administration. He is a Chartered Financial Analyst (CFA) and a member of the Boston Security Analysts Society. He was Past President of the Merrimack Valley Estate Planning Council. Bob was a Trustee and past Treasurer of the Merrimack Valley Community Foundation. He is currently a Trustee and former Chair of the Merrimack Valley YMCA and Chairman of the Board of the Franciscan Hospital for Children in Brighton, MA. He served as Director of the United Methodist Foundation of New England where he chaired its investment committee. Bob is also a Director of Appleton Partners, Inc., a Boston based investment counsel firm.

### ***Client Service and Operations Professionals***

#### ***Priscilla Cubelli***

Priscilla Cubelli has recently joined our administration team at Needham Advisory. Priscilla was born in 1941. Priscilla joined us from Eastern Wealth Management where she served as Vice President for six years after Eastern Bank acquired the First National Bank of Ipswich Trust Department. She served FNBI as Sr. Vice President and head of the Investment Management and Trust Services Department for 10 years. Merrimack Valley residents are likely to remember Priscilla from her days at Arlington Trust Company in Lawrence where she was a senior trust officer and at Shawmut Bank in Andover. Priscilla graduated with honors from the National Graduate Trust School and was awarded the Certified Trust and Financial Advisor (CTFA) designation from the Institute of Certified Bankers. She is well respected for her technical and personal skills in trust and account administration. Priscilla is a resident of Methuen.

#### ***Nancy J. O'Neil***

Nancy J. O'Neil was born in 1957. Nancy joined Needham Advisory Corporation in September 1995 and assumed responsibilities for Operations and Accounting. Prior to joining Needham Advisory Corporation, Nancy had 20 years of banking experience in various capacities at Arlington Trust Company, Lawrence and at State Street Bank, Boston.

She has been involved with Literacy Volunteers of Methuen for several years.

Nancy graduated with honors from Salem State College where she majored in Business Education.