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## **Needham & Company, LLC**

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This brochure provides information about the qualifications and business practices of Needham & Company, LLC (“Needham”). If you have any questions about the contents of this brochure, please contact us at (212) 371-8300 or [smerlino@needhamco.com](mailto:smerlino@needhamco.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.

Needham is an SEC-registered investment adviser. Registration with the SEC or with any state securities authority does not, of itself, imply a particular level of skill or training. Additional information about Needham is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

This section describes the material changes to Needham's Brochure since its last annual amendment on March 13, 2020. There were no material changes since the previous filing.

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#### **Item 4 – Advisory Business**

Needham is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (“FINRA”). Needham clears and settles all transactions as a broker-dealer on a fully disclosed basis through Pershing LLC (“Pershing”). Needham is registered with the SEC as an investment adviser solely for the purpose of providing equity research to selected clients for special compensation (“Research Advisory Services”). In this regard, Needham publishes and provides to clients standardized equity research, which does not purport to meet the specific investment objectives or needs of particular individuals or accounts. Needham’s Research Advisory Services focus on emerging growth companies in the health care, technology, telecommunications and semiconductor industries. Research Advisory Services cover approximately 350 companies in such areas as clean technology, communications, consumer, enterprise infrastructure, health care, industrial and diversified growth, semiconductors and semiconductor equipment and software.

Needham was founded in 1985 and has been engaged in the publication of equity research since inception. Needham is a wholly-owned indirect subsidiary of The Needham Group, Inc. George Needham is the principal shareholder, chairman of the Board and chief executive officer of The Needham Group, Inc.

Needham’s principal office and place of business is located in New York, NY. The Firm has branch offices in Boston, MA, Chicago, IL, Minnesota, MN, Menlo Park, CA, and San Francisco, CA.

#### **Item 5 – Fees and Compensation**

Needham offers Research Advisory Services to institutional investment advisers and other fiduciaries ancillary to brokerage as part of the Firm’s own client commission arrangements (“CCA Program”) and as a third-party research provider in conjunction with client commission arrangements sponsored or administered by other broker-dealers, in accordance with Section 28(e) of the Securities Exchange Act of 1934 (the “Section 28(e) Safe Harbor”).

Research Advisory Services offered as part of Needham’s CCA Program are paid for with commissions charged to clients of the CCA Program for brokerage transactions effected by the Firm for such clients. The commission rate and the amount allocated for the payment of Research Advisory Services and other third-party research are separately negotiated with each client. A portion of the commissions charged is credited to the client and allocated for the payment of Research Advisory Services and other third-party research on a periodic basis.

Needham also offers Research Advisory Services as a third party research provider in connection with client commission arrangements of other broker-dealers. The specific amounts paid by clients for Research Advisory Services as part of other broker-dealers’

client commission arrangements or otherwise are negotiated with the client in each instance.

In addition, the Firm may offer Research Advisory Services independent of the CCA Program or another broker-dealer's client commission arrangements for a fee.

#### **Item 6 – Performance Fees and Side-by-Side Management**

Needham does not provide investment supervisory services to clients or otherwise manage investment advisory accounts. Accordingly, Needham does not have any performance fee arrangements with clients.

#### **Item 7 – Types of Clients**

Needham provides Research Advisory Services primarily to institutional investors, including pension and profit sharing plans, pooled investment vehicles (such as hedge funds), investment advisers and corporations and other businesses.

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

In formulating research recommendations, the Firm's research analysts analyze fundamental data, SEC and other public filings, information provided by rating agencies, press releases and other primary and secondary sources of information about the issuer, its competitors and macroeconomic trends that may impact upon the subject industry. Research analysts also conduct on-site visits to companies and in-person or telephonic meetings with company management, employees, customers or competitors.

Needham provides order execution services on demand to clients of its Research Advisory Services. Clients are advised that investing in securities and other financial instruments involves risk of loss. The price or value of investments may fall or rise against the interest of investors. Income from investments may fluctuate. Past performance is not necessarily a guide to future performance.

#### **Item 9 – Disciplinary Information**

On December 11, 2014, Needham, without admitting or denying the findings, consented to the entry of an order by FINRA making findings that Needham failed to adopt and implement written supervisory procedures reasonably designed to ensure compliance with NASD Rule 2711; violated certain provisions of Rule 2711 in connection with a proposed initial public offering by permitting a research analyst to participate in the Firm's efforts to solicit its participation as an underwriter in the offering by allowing the analyst to communicate his views on the company to company management during the solicitation period, and by implying that the Firm would offer favorable research coverage; and failed to include in research reports certain disclosures required by Rule 2711 or failed to clearly direct readers to required disclosures. FINRA imposed a civil money penalty of \$2,500,000.

On December 18, 2007, Needham, without admitting or denying the findings, consented to the entry of an order by FINRA making findings that Needham advertised trading volume in three securities for one month that exceeded the Firm's executed volume in those securities, and that Needham failed adequately to supervise the activities of its associated persons in making such advertisements. FINRA imposed a civil money penalty of \$200,000.

On June 25, 2007, Needham, without admitting or denying the findings, consented to the entry of an order by FINRA making findings that Needham reported to OATS 50 execution reports that contained inaccurate, incomplete, or improperly formatted data; submitted incorrect capacity, exception and member type codes, account type codes, cancellation times and cancel/replace amounts; submitted ACT reports that failed to match or link in OATS; in 63 instances when it acted as principal for its own account, failed to provide written notification disclosing to its customers that it was a market maker and failed, in 28 instances, to provide notification disclosing its correct capacity; and failed in 11 instances to provide written notification to customers that the transaction was executed at an average price. FINRA imposed a civil money penalty of \$7,500.

On October 31, 2005, Needham, without admitting or denying the findings, consented to the entry of an order by FINRA making findings that, from November 10 through November 21, 2003, Needham transmitted to OATS 11 reports that contained inaccurate, incomplete, or improperly formatted data; and that on 10 occasions, Needham failed to provide written notification to customers of its correct capacity for the transaction. FINRA imposed a civil money penalty of \$8,000.

On July 1, 2003, Needham, without admitting or denying the findings, consented to the entry of an Order by the SEC making findings that (1) on four occasions during 1999 through 2001, Needham received compensation from other investment banking firms in consideration for publishing research regarding those firms' investment banking clients without disclosing in the research the receipt of such consideration or the amount thereof; and (2) the Firm failed to preserve business-related internal e-mail communications for a period of three years as required under Section 17(a)(1) of the Securities Exchange Act of 1934 and Rule 17a-4 thereunder. FINRA imposed a civil money penalty of \$700,000.

On December 10, 2002, Needham, without admitting or denying the findings, consented to the entry of an order by FINRA making findings that Needham traded for its own account ahead of customer limit orders; failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, and failed to execute customer limit orders; failed to display immediately the customer limit orders in listed securities in its public quotation when each such order was at a price that would have improved Needham's bid or offer in such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with its bid or offer in each such security; failed to establish, maintain and enforce adequate written supervisory procedures to achieve compliance with the applicable securities laws and

regulations, in that the procedures failed to specify: (1) the frequency of review, documentation of review and the individual responsible for compliance with limit order protection/display rules and regulations; (2) how the Firm would regularly and rigorously assess the quality of competing markets to ensure best execution of customers' orders, including the designation of a principal(s) responsible for regularly and rigorously assessing the quality of competing markets and providing best execution of customer orders; and (3) a description of the review to be conducted and documentation of said reviews. FINRA imposed a civil money penalty of \$65,000 and required Needham to make restitution in the amount of \$915.12 plus interest to investors.

On July 30, 2002, Needham, without admitting or denying the allegations, consented to the entry of an order by FINRA making findings that the Firm traded ahead of a research report issued by it on October 26, 1998, and that it failed to establish and maintain policies and procedures reasonably designed to achieve compliance with FINRA rules and interpretations prohibiting member firms from trading ahead of research. FINRA determined, following an investigation of the Firm's research and trading activities, that the violation was an isolated incident. FINRA imposed a civil money penalty of \$80,000.

On June 11, 2002, Needham, without admitting or denying the allegations, consented to the entry of an order by FINRA making findings that Needham failed to execute orders presented at its published bid or offer in an amount up to its published quotation size, thereby failing to honor its public quotation; that Needham's supervisory system failed to provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning firm quotations; that Needham, as a market maker in securities, caused a locked/crossed market condition prior to market opening by entering a quotation that locked or crossed a trade-or-move message that was at the receiving market maker's quoted price and whose aggregate size was at least 5,000 shares; and that Needham was a party to a locked or crossed market condition prior to market opening and received a trade-or-move message in each instance through SelectNet and, within 30 seconds of receiving such messages, failed to fill the incoming message for the full size of the message or move its quotation by an increment that would have unlocked/uncrossed the market; and that Needham failed to display customer limit orders in NASDAQ securities in its published quotation that would have improved Needham's bid or offer in each such security, or when the order was priced equal to Needham's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with Needham's bid or offer in each such security. FINRA imposed a civil money penalty of \$67,500.

On October 9, 2001, Needham, without admitting or denying the allegations, consented to the entry of an order by FINRA making findings that Needham failed to contemporaneously or partially execute seven customer limit orders in six NASDAQ securities after it traded each subject security for its own market making account at a price that would have satisfied each customer's limit order; and that in October 2000, Needham failed to immediately reflect nine retail customers' limit orders in its quotations. FINRA imposed a civil money penalty of \$32,500.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Needham is dually registered with the SEC as an investment adviser and broker-dealer. Needham is a full-service broker-dealer that specializes in working with emerging growth companies in the business services, health care, technology, biotechnology and life sciences industries. Needham structures and executes initial and follow-on public offerings, private placements, including private investments in public equity, and registered direct offerings. The Firm provides advisory services in connection with acquisitions, divestitures, mergers, joint ventures, restructurings and other corporate transactions. Needham also conducts an institutional sales and trading and brokerage business and provides dedicated market making for a large number of small to medium sized companies' equity securities. Certain of the Firm's management personnel are registered representatives or registered principals.

Needham provides research reports to Needham Investment Management, LLC, an affiliated SEC-registered investment adviser that provides portfolio management services to investment funds in which clients may invest, including the Needham Growth Fund, the Needham Aggressive Growth Fund and the Needham Small Cap Growth Fund, registered investment companies under the Investment Company Act of 1940. Needham Investment Management, LLC also is the general partner in certain unregistered investment funds in which clients may invest, including the Needham Emerging Growth Fund and the Needham Contrarian Fund (QP).

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

Needham has adopted a Code of Ethics that contains provisions designed to address potential conflicts of interest that may arise in connection with the personal trading activities of employees, limit the giving of gifts and other benefits by employees, and prevent the improper use of material, non-public information about issuers. Clients and prospective clients may obtain a copy of the Code of Ethics by contacting Salvatore Merlino, Chief Compliance Officer, by e-mail at [smerlino@needhamco.com](mailto:smerlino@needhamco.com) or by telephone at (212) 371-8300.

As a registered broker-dealer, Needham regularly effects securities transactions for customers on an agency or principal basis. Needham may buy, sell or make a market in the securities covered by Research Advisory Services. Needham makes a market in most securities subject to Research Advisory Services and may hold a position – long or short – in such securities at any given time.

If a client for Research Advisory Services uses Needham as broker or dealer in connection with the purchase or sale of securities subject to Research Advisory Services, Needham may act as agent for such client, as agent for such client and another customer,



or as principal for Needham's own account in effecting the transaction. Transactions performed under Needham's CCA Program generally are performed on an agency or riskless principal basis in accordance with the Section 28(e) Safe Harbor. Needham ordinarily charges a commission, markup or markdown in effecting client transactions. Needham's commission rates, markups and markdowns are negotiated separately with each client.

Needham may have an investment banking relationship with the issuer of securities subject to Research Advisory Services. Needham maintains information barriers between its corporate finance, research and institutional sales and trading departments. Subject to certain exceptions in accordance with Needham's Code of Ethics and compliance policies, persons associated with Needham that participate in investment banking activities are generally not involved in the preparation of Research Advisory Services; similarly, research analysts involved in the preparation of Research Advisory Services generally do not engage in investment banking activities. Accordingly, information about an issuer may be available to persons or departments within the Firm that is not available to the research analyst covering such issuer and would not be reflected in such research reports.

Needham's compliance procedures contain restrictions on proprietary trading in the event of an initiation of coverage or change of rating or recommendation with regard to the issuer or securities subject to Research Advisory Services.

Other disclosures specific to potential conflicts of interest regarding particular issuers or securities are described in the research reports and other products subject to Research Advisory Services. In general, Needham discloses in its research reports whether, among other things:

- The research analyst (or a household member) has a financial interest in the securities of the covered company;
- The Firm has managed or co-managed a public offering of securities for the subject company in the preceding 12 months;
- The Firm and/or its affiliates have received compensation for investment banking services from the subject company in the preceding 12 months;
- The analyst or a member of the analyst's household serves as an officer, director or advisory board member of the subject company;
- The Firm, at the time of publication, makes a market in the subject company; and
- The Firm and/or its affiliates have an ownership interest (of one percent or more) in the subject company.

Needham permits its officers, employees and directors to engage in personal securities transactions as and to the extent permitted by the Firm's Code of Ethics and compliance

policies. Officers, directors or employees may buy or sell for their own accounts securities that are the subject of Research Advisory Services or that Needham otherwise recommends to clients, and may engage in transactions for their own accounts in a manner that is inconsistent with such recommendations. Personal securities transactions by officers, employees or directors may raise potential conflicts of interest. Needham has adopted policies and procedures reasonably designed to ensure that personal securities trading is conducted in accordance with applicable law and the Firm's Code of Ethics.

#### **Item 12 – Brokerage Practices**

Needham's sales and trading personnel may, in accordance with a client's instructions, exercise discretion with respect to timing and price in executing an order to purchase or sell securities or other financial instruments. Needham may elect to execute an order in any location or on any market or exchange where such instruments are traded subject to the Firm's duty to obtain best execution for the order. Where a client directs the Firm to execute transactions through a specified broker-dealer, Needham is not responsible for the quality of execution obtained by such broker, and accepts no responsibility in such instances.

#### **Item 13 – Review of Accounts**

Needham's investment advisory services consist solely of the preparation and distribution of equity research. Needham does not provide investment supervisory services with respect to customer accounts.

Needham provides trade execution services on demand, but does not exercise investment discretion over customer accounts, monitor customer accounts or otherwise provide investment advice to customers with regard to specific transactions, positions or portfolios.

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

Needham does not receive payment or other economic benefits from non-clients in connection with the provision of Research Advisory Services. Needham does not directly or indirectly compensate any person for client referrals.

#### **Item 15 – Custody**

Needham does not maintain custody of client funds or securities.

#### **Item 16 – Investment Discretion**

Needham does not exercise discretionary authority to purchase or sell securities or to manage securities positions or accounts on behalf of clients.

#### **Item 17 – Voting Client Securities**

Needham does not maintain custody of client securities. All client accounts are introduced to the Firm's clearing broker, Pershing, which may hold funds and securities with respect to client accounts. To the extent that client securities are held by Needham's clearing broker, any voting or other disposition of the client's shareholder rights with respect to such securities shall be performed in accordance with the provisions of any account agreement entered into between the client and Needham and/or Pershing or any other agreement between the parties pertaining thereto.

#### **Item 18 – Financial Information**

Needham generally does not require or solicit prepayment of fees six or more months in advance. Needham provides research services ancillary to brokerage in connection with which commission credits may be carried forward and applied toward future payment of research. Credits may be accumulated for use at any time up to one year.