

Grandfield & Dodd, LLC

Firm Brochure & Supplement *SEC Form ADV, Parts 2A & 2B*

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This brochure and supplement provides information about the qualifications and business practices of Grandfield & Dodd, LLC (“G&D”) and its investment professionals. If you have any questions about the contents of this brochure or supplement, please contact us at the phone number or e-mail address listed above. The information in this brochure has not been approved or verified by the United States Securities & Exchange Commission (“SEC”) or by any state securities authority.

Additional information about G&D and our investment professionals is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

This revised Firm Brochure & Supplement replaces the previous version dated January 11, 2010 to update the Advisory Business section with assets under management data as of December 31, 2010.

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Advisory Business

Grandfield & Dodd, LLC (“G&D”) provides customized investment advisory and management services to individuals, families, trusts, and others. Since its founding in 2001, the firm has been independently-owned and currently has five principal owners—Cheryl Grandfield, Richard Dodd, Ted Cho, Bonnie McKenna, and Jeffrey MacDonagh.

We seek to preserve and enhance the real purchasing power of our clients’ wealth over time through investments in publicly-traded securities and other assets. We work closely with each client to structure and manage diversified investment portfolios tailored to address their specific requirements, goals, and circumstances. Tax considerations and financial and estate planning needs are integral to the investment decision-making process for most clients, and we engage in ongoing discussion of these topics to orient investment portfolios accordingly. As part of our customized approach, we are responsive to client requests to consider social and environmental issues in their investments, and we allow clients to impose restrictions on certain securities or types of securities. We believe that the depth of professional expertise, attention to client needs, and high level client service that G&D provides is rare in today’s marketplace.

We are not affiliated with any banks, broker-dealers, or other financial institutions; therefore, we are able to serve our clients free from undue influence and with minimal conflicts of interest.

As of December 31, 2010, G&D managed the following client assets:

Discretionary Assets	\$	624,856,878
Non-Discretionary Assets		115,814,640
Total Assets Under Management	\$	740,671,518

Note: *Discretionary* assets are held in accounts where we have permission to implement investment decisions without first consulting the client. *Non-Discretionary* assets are held in accounts where we may not arrange transactions without first obtaining specific client consent. For additional information about discretion, please refer to the “Investment Discretion” section on page 11 of this brochure.

Fees & Compensation

G&D charges clients a management fee based on a percentage of assets under management. Our standard fee schedule is as follows:

<u>Assets Under Management</u>	<u>Annualized Fee</u>
first \$1 million	1.00%
next \$4 million	0.60%
next \$5 million	0.50%
next \$10 million	0.40%
next \$30 million	0.30%
balance over \$50 million	0.25%

Management fees are assessed in advance each calendar quarter. We calculate our fees using the market value (or our best estimate of fair market value in the absence of market value) of assets under management at the end of the previous calendar quarter. Based on each client’s preference, we will either deduct our fees directly from client assets or bill the client via invoice each quarter.

Sample Fee Calculation

Second quarter (April 1 to June 30) management fees are calculated based on assets under management as of March 31. Assuming \$8 million assets under management as of the market close on March 31, second quarter management fees are calculated as follows:

<u>Billable Assets</u>	<u>Rate Applied</u>	<u>Quarterly Fee</u>
\$1 million	0.250% (1/4 of 1.00%)	\$ 2,500
\$4 million	0.150% (1/4 of 0.60%)	6,000
\$3 million	0.125% (1/4 of 0.50%)	3,750
\$8 million	TOTAL	\$ 12,250

These management fees would most likely be billed (or deducted) some time in April.

Important Fee Disclosures

We believe our standard fee schedule is highly competitive. However, comparable services may be available from other providers at lower rates.

Under certain circumstances, our fee arrangements may be negotiable. However, as a matter of policy, G&D does not and will not utilize any fee arrangement based on a share of capital gains on or capital appreciation of client assets. To the extent that certain assets are charged reduced fees or are exempt from fees, a potential conflict of interest will exist since we will have a financial incentive to shift funds into higher-fee assets.

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Our management fees do not include any fees or commissions charged by third parties in connection with our advisory services (e.g., custodial fees, transaction fees, broker commissions, fund expenses, etc.). Accordingly, we encourage clients to review all third-party fees and expenses as well as G&D's management fees when evaluating the total cost of management. For additional information on brokerage costs, please refer to the "Brokerage Practices" section on page 8 of this brochure.

A relationship may be terminated at any time, by G&D or a client, upon notification of the other party. G&D will refund any prepaid, unearned fees as calculated on a daily pro rata basis. New clients have the right to terminate an advisory relationship without penalty within five business days of establishing one.

Performance-Based Fees & Side-By-Side Management

As a matter of policy, G&D will not accept performance-based fees from a client. This type of fee arrangement is based on a share of capital gains on or capital appreciation of client assets.

Types of Clients

G&D primarily provides services to individuals and their families, including assets held in trusts, estates, foundations, and retirement plans. We also provide services to a small number of not-for-profit institutions. Our minimum client relationship size is \$1 million assets under management. In certain situations, we may waive this minimum.

Methods of Analysis, Investment Strategies, & Risk of Loss

G&D seeks to preserve and enhance the real purchasing power of clients' wealth over time through investments in publicly-traded securities and other assets. We base our investment recommendations and decisions on our analysis of the broad economic outlook and financial market conditions as well as fundamental research on industries and companies.

We believe that investing in equity securities provides our clients with an excellent avenue for increasing their wealth while protecting it from the deleterious effects of inflation over time. We evaluate opportunities from the perspective of a potential business owner, and as a result, we are long-term investors with a horizon that often extends well beyond one year. We specifically look for industry-leading companies that are positioned to grow in size and profitability through some sustainable competitive advantage. We prefer financially strong firms led by competent and experienced management teams. Valuation is very important; however, we recognize that different valuation criteria apply to different types of businesses and look for investment

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opportunities among smaller, higher growth enterprises as well as larger, more mature businesses.

Equity markets frequently move to extremes driven by excessive investor enthusiasm or fear, and the risk of loss is ever-present. However, we believe this volatility creates investment opportunities. To manage this risk, diversification is necessary, and we avoid undue concentration in any one industry or company. We also believe participation in international markets through investments in foreign and/or global multi-national companies offers diversification benefits as well as higher growth potential.

For many of our clients, fixed income securities (e.g., bonds) play an important role in their investment portfolios. Bonds can provide a higher level of income than equities and offer a counterbalance to the inherent volatility of the equity markets. Although these securities are relatively stable, there is the potential for investor loss from issuer default or changes in interest rates, and liquidity may be limited. To mitigate these risks, we favor higher-quality, obligations generally maturing within five years and typically hold them to maturity. We consider opportunities across a broad range of publicly-traded debt (e.g., U.S. Treasury securities, municipal bonds, corporate bonds, etc.) to best fit the needs of the client. For example, we consider investing in tax-exempt municipal bonds to the extent that a client's tax situation and/or comparative market yields warrant.

Upon client request, G&D may also provide advice on private investments or alternative assets (e.g., hedge funds, etc.). These types of investments potentially offer diversification benefits and above-average returns. However, these funds' underlying assets and/or investment strategies, as well as their limited liquidity and transparency, may entail potentially higher risks. Therefore, we do not believe these investments are suitable for many of our clients. When we are asked to provide advice in this area, we only recommend funds for which we are able to conduct adequate due diligence.

Disciplinary Information

There are no material legal or disciplinary events in G&D's history.

Other Financial Industry Activities & Affiliations

G&D is independently-owned, and none of its principal owners or personnel are employed or affiliated with any bank, broker-dealer, or other financial institution or professional services firm (e.g., accounting, law, real estate).

Code of Ethics, Participation or Interest in Client Transactions, & Personal Trading

G&D personnel or related persons may buy or sell securities in their personal accounts that are identical to those recommended by G&D to clients. Furthermore, G&D personnel

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or related persons may have a pre-existing interest or position in securities which G&D may recommend to clients.

As these situations represent potential conflicts of interest, G&D has adopted a *Code of Ethics* designed to preserve our fiduciary duty to put client interests ahead of our own. The *Code of Ethics* requires personnel to disclose potential conflicts of interest and establishes numerous restrictions on the trading activities of G&D personnel and related persons including:

- Supervision and monitoring of personal trading activities and holdings.
- Prohibition of certain transactions (e.g., IPO participation, short sales).
- Restrictions on the purchase or sale of securities recommended to clients.
- Minimum holding periods.

The *Code of Ethics* requires all G&D personnel and related persons to comply with applicable federal and state regulations governing SEC-registered investment advisers. Violations of the *Code of Ethics*' provisions may result in termination. A complete copy of G&D's *Code of Ethics* is available to any client or prospective client upon request.

Brokerage Practices

G&D has a fundamental fiduciary duty to seek best execution for client trade orders, and to this end, we direct client trades to broker-dealers that provide strong execution capability, reliable market access, and competent trade support services at low transaction costs. On behalf of our clients, we have negotiated commission rates with selected broker-dealers that we believe are highly competitive but recognize that these negotiated rates may not necessarily be the lowest available in the marketplace.

Potential Conflicts of Interest

We evaluate and select broker-dealers solely on the benefit that they provide to our clients; however, certain client relationships and ancillary services provided to G&D and our clients by broker-dealers give rise to the following potential conflicts of interest:

- **G&D clients.** Broker-dealers selected by G&D may include firms that employ clients of G&D. Therefore, we have an incentive to direct trades to these broker-dealer firms to strengthen our relationships with those clients.
- **“Soft-dollar benefits.”** Broker-dealers offer a range of products and services to G&D and other institutional customers. Many of these products and services benefit both G&D and our clients, but some benefit only G&D. Benefits received in the past year include: technology to access account data and facilitate trade order entry and allocation, proprietary and third-party investment research reports and market data, direct assistance with back-office account administration, regulatory compliance newsletters, legal and technology consulting, publications and seminars on practice management issues, and group discounts for various

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third-party service providers. These soft-dollar benefits are not a factor in our selection of a broker-dealer; nonetheless, they create an incentive for us to select a broker-dealer to obtain these benefits rather than achieve best execution.

- **Collective benefit.** Commissions paid on a trade may yield a soft-dollar benefit that helps all G&D clients, and not just the client that placed the trade. For example, a broker-dealer may provide a research report that benefits all of our clients, not just the clients who paid commissions to that broker-dealer.

To ensure that these potential conflicts of interest do not interfere with our fiduciary duty of best execution and fair treatment to our clients, we conduct an annual review of our brokerage relationships which includes an examination of these potential conflicts.

Directed Brokerage

G&D also accepts client instructions to execute transactions through a specific broker-dealer of their choosing. However, in these situations, we may not have the authority or ability to negotiate commissions, obtain volume discounts, or otherwise achieve best execution. As a result, trading and/or other transaction costs may be higher for clients who direct G&D to use a specific broker-dealer.

Aggregate (Block) Trading

G&D may aggregate client trades when we believe that liquidity or availability will be materially improved, or when we wish to obtain consistent execution prices across related accounts. Otherwise, we generally do not aggregate client orders to obtain volume discounts on brokerage costs. Clients participating in these trades will share transaction costs on a pro rata basis, when possible, and receive the weighted average price achieved on the entire block. G&D personnel are prohibited from participating in block trades for client accounts.

Initial Public Offerings

If we determine that participation in an initial public offering (“IPO”) is advantageous to our clients, we will identify the suitable accounts and the appropriate level of participation for each account and place an order based on the aggregate IPO interest for all of our clients. If we are unable to fill the entire order, we will allocate the quantity received on a pro rata basis. However, we may adjust the proration for considerations such as minimum position size or other client requirements. G&D personnel are prohibited from participating in any IPOs.

Review of Accounts

G&D continuously reviews the securities held in client portfolios. Each client’s portfolio is reviewed at least quarterly by one or more investment professionals (see *Brochure Supplement* on page 13). Additional reviews may be triggered by changes to a client’s

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financial circumstances, market or economic conditions, or security-specific issues, among other reasons. These reviews include an assessment of the client portfolio's asset allocation, diversification, and income generation relevant to client needs. We also evaluate the individual securities held in the portfolio based their long-term prospects relative to other potential investments as well their continued suitability for the client.

G&D provides statements of account holdings and market values to clients on a quarterly basis. We are able to provide these reports on a more frequent basis upon request. In addition to these quarterly appraisals, we routinely send written correspondence to individual clients describing specific recommendations for, or changes to, their portfolio on an ad hoc basis. From time to time, we also send clients a written commentary discussing market conditions or economic developments.

For one-on-one meetings, G&D provides detailed portfolio reports including performance data, account holdings, market values, and a review of recent transactions. We believe that annual meetings with clients are valuable but will accommodate any reasonable schedule requested by the client.

Client Referrals & Other Compensation

G&D does not compensate any third party for client referrals. However, we may refer clients to professional service providers (e.g., accountant, attorney, etc.) who are themselves G&D clients or have referred clients to us.

Custody

G&D allows clients to select the custodian for accounts managed by us, provided that they are qualified custodians as defined by the SEC (i.e., banks, registered broker-dealers, and certain foreign custodians) that provide at least quarterly account statements directly to the client or their independent representative. We urge our clients to compare the account statements provided by their qualified custodians with those received from G&D.

If clients do not have a preferred custodian, we may recommend The Bank of New York Mellon ("BNY Mellon") and/or the Institutional division of Charles Schwab & Co., Inc. ("Schwab"). We believe that both provide quality services at competitive costs. However, both are public companies with securities that we may either recommend or own in client accounts or personal accounts owned by our personnel. Therefore, there is a potential conflict of interest as we may have an incentive to recommend either custodian to improve the value of our client or personal holdings.

Relationship with Schwab Institutional

G&D and other independent investment advisers who maintain at least \$10 million of client assets at Schwab are provided access to institutional trading, custody services, and other soft-dollar benefits (see "Brokerage Practices" section on page 8) that are not

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typically available to Schwab's retail customers. As a result, there is a potential conflict of interest since we have an incentive to recommend Schwab as a custodian in order to satisfy the asset minimum to qualify for these services and benefits.

Investment Discretion

G&D accepts written discretionary authority to manage client portfolios (i.e., we can make changes without seeking specific consent from a client). We can accommodate a wide range of limitations or restrictions on this authority to suit client needs. We classify accounts using five general levels of discretion:

- **Blind.** We exercise full investment discretion and may not discuss potential transactions nor accept trade instructions from the client.
- **Full.** We exercise full investment discretion and generally do not consult with client prior to making changes.
- **Limited.** We generally seek to consult with client prior to making changes but reserve the authority to make changes without client consent.
- **None.** We have trading authority but no investment discretion. We will not place any trades without specific client consent.
- **Advisory.** We have no trading authority and are unable to place trades for the client. All trades are placed by the client with or without G&D assistance.

Any limitations on our investment discretion may affect an account's investment performance relative to accounts where no such restrictions exist.

Note: In the table listed G&D's assets under management in the "Advisory Business" section on page 4, *discretionary* assets are held in accounts classified as Blind, Full, and Limited, and *non-discretionary* assets are held in accounts classified as None or Advisory.

Voting Client Securities

G&D votes proxies on behalf of clients who have given us this authority, and we have adopted a formal set of guidelines for making proxy voting decisions. These guidelines are directly solely toward protecting shareholder interests. We review each proxy and record our conclusions and vote. We generally vote all client proxies in the same manner but in certain situations, we may be able accommodate a client request to direct their vote in a particular solicitation. A complete copy of our *Proxy Voting Guidelines* is provided annually to clients and is also available upon request.

Clients who have elected to retain proxy voting authority should receive proxies or solicitations directly from their custodian or transfer agent.

Financial Information

To the best of our knowledge, G&D is in good financial health. We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

Brochure Supplement—Investment Professionals

G&D has assembled a dedicated team of professionals and wealth specialists with over a century of collective experience in the investment industry. This supplement provides information on the members of our team—Cheryl Grandfield, Richard Dodd, Ted Cho, Bonnie McKenna, Jeffrey MacDonagh, and Ann Dichter.

If you have any questions about our personnel, please contact us at the phone number or e-mail address provided on the cover of this brochure. Additional information about our investment professionals is available on the SEC’s website at www.adviserinfo.sec.gov.

Educational Background & Business Experience

Cheryl L. Grandfield, CFA, CIC

Cheryl is a co-founder and Principal of Grandfield & Dodd. She has more than thirty-five years of investment experience. From 1976 through 2000, she was with Brundage, Story & Rose (“BS&R”), where she was made a partner in 1984. At BS&R, her responsibilities included portfolio management for families and individuals, and equity research and analysis. At various times, she directed BS&R’s activities in equity research, tax-exempt bond analysis and trading, and regulatory compliance. Cheryl began her investment career in the Personal Trust Investment Department of Bankers Trust Co. in 1973.

Cheryl holds the Chartered Financial Analyst* and Chartered Investment Counselor** designations and earned a Master of Business Administration from Fordham University. She graduated from St. Lawrence University with a Bachelor of Arts in English Literature. Cheryl is past President of the Women’s Bond Club of New York and is presently Trustee of St. Lawrence University. Cheryl was born in 1951.

Richard W. Dodd

Richard is a co-founder and Principal of Grandfield & Dodd. He has more than forty years of investment experience. From 1979 to 1998, he was with The Bank of New York as Vice President and senior portfolio manager of tax-exempt portfolios for high-net-worth families and individuals. From 1977 to 1979, he was the municipal credit analyst at W.H. Mell Inc, a municipal bond dealer firm. Richard began his investment career in the Personal Trust Investment Department of Bankers Trust Co. in 1970.

Richard graduated from New York University with a Bachelor of Science in Banking & Finance and also pursued undergraduate studies at the University of Virginia. Richard is a member of the Municipal Analysts Group of New York and the National Federal of Municipal Analysts. Richard was born in 1943.

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Tae-Gene (Ted) K. Cho, CFA

Ted is Principal of Grandfield & Dodd. He has more than fifteen years of investment experience. He was made a partner of the firm in 2005 and has been managing client portfolios and conducting equity and credit research since joining the firm in 2002. Previously, he was Vice President at Banc of America Securities, where he was an equity research analyst covering the aerospace and defense industries. He has also worked as an equity research analyst at Salomon Smith Barney and Smith Barney covering industrial conglomerates. Ted began his investment career with Sanford C. Bernstein & Co. in 1995.

Ted holds the Chartered Financial Analyst* designation and graduated from McGill University with a Bachelor of Arts in History. Ted was born in 1971.

Bonnie C. McKenna, CFA

Bonnie is Principal of Grandfield & Dodd. She has more than twenty-five years of investment experience. She was made a partner of the firm in 2007 and has been managing client portfolios and conducting equity and credit research since joining the firm in 2004. Previously, she was Vice President in the Investment Research Department at The Bank of New York, where she covered the health care sector. She was also Vice President at Kidder, Peabody & Co. as an equity analyst in the investment strategy group. Bonnie began her investment career in with Brundage, Story & Rose in 1983.

Bonnie holds the Chartered Financial Analyst* designation and earned a Master of Business Administration in Finance from New York University. She graduated from the University of Michigan with a Bachelor of Arts in Irish Studies. Bonnie was born in 1961.

Jeffrey T.S. MacDonagh, CFA

Jeff is Principal of Grandfield & Dodd. He has more than ten years of investment experience. He was made a partner of the firm in 2011 and has been managing client portfolios and conducting equity and credit research since joining the firm in 2008. Previously, he was Portfolio Manager and Director of Research at Domini Social Investments, a mutual fund family specializing in socially responsible investing. He has also worked as Assistant Portfolio Manager at Loring, Wolcott & Coolidge Fiduciary Advisors. Jeff began his career with KLD Research & Analytics, Inc. as an investment researcher in 2000.

Jeff holds a Chartered Financial Analyst* designation and earned a Master of Science in Engineering Systems and a Master of Science in Urban & Environmental Planning from Massachusetts Institute of Technology. He graduated from the University of Wisconsin with Bachelor of Science degrees in Physics, Mathematics, and Philosophy. Jeff was born in 1976.

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Ann N. Dichter

Ann is Managing Director at Grandfield & Dodd. She has ten years of investment experience and has been involved in the firm's portfolio management and equity research activities since 2003. She began her investment career when she joined G&D in 2001. Previously, she worked as the Director of Travel Administration at Philip Morris Management Corp., as an independent marketing consultant and freelance writer, and as the Director of Sales of Praeger Publishers.

Ann earned a Master of Business Administration from New York University and graduated from Coe College with a Bachelor of Arts in History. Ann was born in 1948.

* The Chartered Financial Analyst (CFA) designation is awarded by the CFA Institute to individuals who pass a series of written examinations on investment principles and meet certain professional and ethical requirements.

** The Chartered Investment Counselor (CIC) designation is awarded by the Investment Adviser Association to individuals who have been awarded the CFA designation and demonstrate significant experience in investment counseling and portfolio management.

Disciplinary Information

None of G&D's investment professionals have been involved in any material legal or disciplinary events.

Other Business Activities

None of G&D's investment professionals are actively engaged in any investment-related business or occupation outside of G&D.

Additional Compensation

None of G&D's investment professionals receive compensation or other economic benefits from a third-party in connection to providing advisory services to our clients.

Supervision

G&D's principal owners are actively involved in every aspect of our advisory business including formulation and communication of investment the advice provided to our clients. In addition, G&D has a formal compliance program, which includes our *Code of Ethics*, to supervise the activities of our personnel and ensure that we fulfill our fiduciary duty to our clients.