

*Donald W. Nicholson & Associates, Ltd.*



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March 31, 2014

This brochure provides information about the qualifications and business practices of Donald W. Nicholson & Associates, Ltd. If you have any questions about the contents of this brochure, please contact us at 302-529-1500 or [admin@donaldwnicholson.com](mailto:admin@donaldwnicholson.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.

Donald W. Nicholson & Associates, Ltd. is a SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Donald W. Nicholson & Associates, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This Brochure, dated March 31, 2014, is an update from our previous brochure dated March 27, 2013. Changes to this brochure include the following:

- Assets under management were updated to reflect regulatory assets under management calculated pursuant to SEC guidance and reported as of December 31, 2013. (Item 4)

The above list includes a description of material changes made to the firm's current Disclosure Brochure (Form ADV Part 2A). Currently, our brochure may be requested by contacting Donald W. Nicholson, President, at 302-529-1500 or [admin@donaldwnicholson.com](mailto:admin@donaldwnicholson.com). Our brochure is also available free of charge, on our web site, at [www.nicholson-associates.com](http://www.nicholson-associates.com).

Additional information about Donald W. Nicholson & Associates, Ltd. is available by accessing the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the firm who are registered, or are required to be registered, as investment adviser representatives of the firm.

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

Donald W. Nicholson & Associates, Ltd. (“Donald W. Nicholson & Associates” or “the firm”) was founded by Donald W. Nicholson in 1987. In 1988, the company registered as an investment adviser. The owner of the firm is Donald W. Nicholson, President, and the firm’s main office is located in Wilmington, Delaware.

The firm offers two basic investment advisory services to its clients, non-discretionary Asset Management Services and Financial Planning Services. For either of these services, clients are asked to sign an Engagement Letter, which defines the specific advisory services for which the client has engaged Donald W. Nicholson & Associates.

##### Asset Management Services

Under the Asset Management Services offered to clients, Donald W. Nicholson & Associates provides individualized investment advice to clients based upon the client's specific needs. Through personal consultations, the firm gathers specific financial data to develop a client's personalized profile, which includes a client's investment objectives, current financial position, risk profile, investment time horizon, tax situation and liquidity needs. The firm reviews the client's personalized profile and based upon this review, determines an appropriate asset allocation model for the client. Such model takes into account the client's liquidity needs, portfolio goals, tax objectives and risk tolerance. Donald W. Nicholson & Associates then recommends specific investments to implement the client's recommended asset allocation model, incorporating a client's existing holdings where appropriate. The firm typically recommends use of no-load mutual fund investments to implement asset allocation recommendations, but may also recommend use of other securities or non-securities products as appropriate.

As part of the Asset Management services, the firm provides ongoing continuous monitoring of the client's portfolio. The firm will review, at least monthly, the performance of the portfolio and its assets to ensure the portfolio continues to meet the objectives of the portfolio. The firm may periodically recommend changes in the portfolio when the performance of the assets, or objectives of the portfolio, are not being met. At least annually, the account shall be reviewed with the client in order to evaluate if any rebalancing of assets is necessary. The firm offers this on-going Asset Management to clients on a non-discretionary basis.

##### Personal Financial Planning Services

The firm also offers Personal Financial Planning to clients. The firm offers a Comprehensive Review or a Limited Review. These financial planning services may or may not include

investment advice. The fee for Personal Financial Planning services covers the preparation and presentation of a written financial plan ("the Plan"). Dependent upon the scope of the services to be performed by the firm, the preparation of the Plan involves cooperating with and guiding such clients in gathering, compiling, preparing, and analyzing personal financial data.

Our past experience shows that the success of a financial plan lies in the implementation of recommendations. Once the firm presents the Plan to the client, the firm may also recommend financial products or networking with other professionals to implement recommendations made in the Plan. The firm may engage other consultants as may be needed in the preparation of either a Comprehensive or Limited Financial Plan.

**Comprehensive Review:** The comprehensive review will include a review of all seven of the following services:

1. Personal Budgeting
2. Net Worth Analysis
3. Insurance Management
4. Investment Planning
5. Tax Management
6. Estate Management
7. Business Planning

The firm will analyze and make recommendations of the client's present financial situation based on these seven comprehensive factors. Personal conferences will be scheduled as needed, and a comprehensive written report, which presents client objectives and a series of specific recommendations for their fulfillment, will be provided.

**Limited Review:** The firm's primary approach is to deal with the client's financial planning needs in an in-depth, comprehensive manner, as described above. However, the firm will provide consultations and/or recommendations relative to a specific analysis, if requested by a client.

Specific analyses offered by the firm from which the client may choose include:

1. Personal Budgeting
2. Net Worth Analysis
3. Insurance Management
4. Investment Planning
5. Tax Management
6. Estate Management
7. Business Planning

## General Information Related to Investment Recommendations

Donald W. Nicholson & Associates does not limit its investment recommendations to any specific type of product or security. A client's individual needs and objectives are analyzed to determine appropriate investments and products for the client. Since different types of investments typically involve different types of risk, the firm conducts a risk analysis of the client and his/her overall portfolio, before recommending a certain investment. In general, the firm utilizes no-load mutual funds to implement asset allocation strategies or financial plan recommendations. The firm may also recommend equity investments in individual stocks, mutual funds, and exchange traded funds. Donald W. Nicholson & Associates also provides recommendations on fixed income investments, including individual bond positions, bond mutual funds, certificates of deposit, and fixed income exchange traded funds. In addition, the firm provides advice related to variable and fixed insurance products, and may also provide advice on limited partnership investments. In some cases, the firm also provides advice related to other non-securities topics. In limited cases, the firm may recommend the purchase or sale of derivative products, including options contracts.

As a service of its comprehensive approach to financial planning, Donald W. Nicholson & Associates may refer clients to other professionals from whom clients may receive specific necessary services. For example, the firm may refer clients to certain attorneys or CPAs if legal or accounting services are needed. In these cases, Donald W. Nicholson & Associates is not affiliated with these other services providers, nor compensated for the referrals. While the firm believes these services providers will provide clients with qualified and competent advice at fair and competitive fees, the firm is not liable for, and does not take responsibility for the advice and/or services provided by these professionals. Clients may choose to work with these professionals at their sole discretion.

## Assets Under Management

As of December 31, 2013, Donald W. Nicholson & Associates was providing investment advisory services to 136 clients. The total value of assets under management for which the firm provides regular and continuous investment supervisory services was \$131,050,450.

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

### Asset Management Services

For Asset Management services, Donald W. Nicholson & Associates charges its clients an annualized fee based on a percentage of assets under management. The asset based fee

applies to all assets managed by the firm, except for assets specifically excluded by the firm. The fee for Asset Management Services is billed in arrears of service being rendered and is based upon the market value of the assets under management determined as of the close of business on the last trading day of each month or quarter, depending upon the billing cycle determined between the Advisor and client. The quarterly fee shall be automatically deducted from the client's account, when pre-authorized by the client in writing, and is calculated based on an annual fee schedule as follows:

ANNUAL FEE SCHEDULE

1.00 % on the first \$1,000,000 of assets

0.80 % on the next \$1,000,000 of assets

0.60 % on all amounts thereafter

Assets managed for a partial billing cycle will be billed a pro-rata amount based on the number of days during the cycle for which the assets were managed. In some cases, clients may be able to pay fees directly by check, upon presentation of an invoice. Existing clientele may pay fees based upon pre-existing fee schedules in effect at the time of their Assets Under Management Agreement, which may differ from the above stated fee schedule. These different fee schedules may be higher or lower than current fee arrangements. The firm may, in its sole discretion, determine when, if ever, previous fee schedules will or will not apply to existing clients. Clients will receive advance written notice of any change in their applicable fee schedules. Donald W. Nicholson & Associates maintains the right to charge different clients a different fee for the same service, depending on the complexity of the services provided. Fees are negotiable at the sole discretion of the firm. The fees described above may be househanded for the management of multiple accounts under the control of a single client, at the discretion of the firm.

Costs associated with account set-up, transaction fees, custody or account statements will generally be the responsibility of the client. In certain limited cases, the Advisor may pay certain transaction costs. Clients investing in mutual funds will pay a proportionate share of the mutual fund management fees of the fund in which they are invested and such fees are in addition to those set out above.

If the firm recommends use of a third party investment advisor, the third party investment advisor will provide clients a disclosure document, which discloses all applicable fees and expenses. Client should refer to this disclosure document for specific fee schedules and termination and refund procedures. The annual fee charged to the client for third party investment advisory programs will vary, but Advisor will be paid a portion as disclosed in the third party advisor's offering materials. Fees will be debited from the client's account

on a quarterly basis, and statements will be provided to the client. Participation in any third party investment advisory program may cost the client more or less than purchasing program services separately.

### Financial Planning Services

The fee for a Comprehensive Financial Plan is quoted in advance to the client. All fees are calculated based upon an hourly rate of up to \$300 per hour, based upon the complexity of the services to be provided. In some cases, at the sole discretion of the firm, the fee may be quoted on a fixed-fee or retainer basis, not to exceed \$25,000. The quoted fee does not include the initial consultation meeting, which is provided at no cost to the client. Donald W. Nicholson & Associates may engage other consultants as may be needed in the preparation of the financial plan, whose cost shall be considered in the calculation of the quoted fee. One-half of the quoted fee will be due at the time of the signing of the Letter of Engagement and the remainder will be due at the time of the presentation of the final plan. Hourly rates are subject to annual adjustment. Fees are negotiable at the sole discretion of the firm.

The fee for a Limited Financial Plan is billed at the completion of the work and is calculated based on an hourly rate of up to \$300 per hour, or on a fixed-fee basis at the sole discretion of Donald W. Nicholson & Associates. The initial consultation meeting is provided at no cost to the client. Fees are negotiable at the sole discretion of the firm.

### General Information Regarding Fees and Account Termination

In addition to advisory fees, clients may be subject to custodial and account fees charged by account custodians or broker/dealers with whom clients establish accounts. Such additional fees may include, but are not limited to, transaction charges, IRA fees and other account administrative fees. Please see additional disclosure made for Item 12, Brokerage Practices, later in this brochure. In cases where shares of mutual funds or exchange traded funds are included in clients' portfolios, clients may also be subject to fees and expenses charged directly by the mutual fund or exchange traded fund company. Such fees may include, but are not limited to, management fees, fund expenses, distribution fees, and 12b-1 fees. Clients should refer to the applicable product prospectus for a complete discussion of the fees and charges associated with the product.

While Donald W. Nicholson & Associates has established a specific fee schedule for the advisory services offered, the firm may negotiate fees under certain, limited circumstances, at its sole discretion. Factors considered when determining whether a different fee will be negotiated include, among other things, the complexity of the client's financial situation, related accounts under management or for which financial planning services are provided, portfolio style, and the provision of other services provided to the client.



Clients are not required to implement financial planning or asset allocation recommendations made by associates of Donald W. Nicholson & Associates. Clients also have the option of purchasing investment products through another broker/dealer of their choice; however associates of the firm may not be able to provide investment advisory services for assets purchased away from custodians recommended by the firm.

If Donald W. Nicholson & Associates' clients purchase non-variable insurance products as a result of recommendations made by the firm, unaffiliated outside insurance agents may be recommended. Clients may pay normal and customary insurance commissions to these recommended insurance agents. Donald W. Nicholson & Associates will not receive any portion of these insurance commissions. Associates of the firm do not transact insurance business for advisory clients, but rather, may recommend the services of outside insurance agents for product implementation.

Clients may terminate investment advisory Engagement Letters at any time upon prior written notice. If an Engagement Letter is terminated within the first five business days, clients are entitled to a full refund of any fees paid. If an Engagement Letter is terminated after more than five business days, clients will be assessed fees on a pro-rata basis. Donald W. Nicholson & Associates will not be compensated on the basis of a share of capital gains in an account, and will not collect fees of more than \$1,200 six months in advance of earning such fees.

For clients who participate in a third party advisory program, account fees and termination procedures are disclosed as part of the third party advisor's offering materials and disclosure brochures. Clients should refer to those materials for a complete discussion of the fees and termination practices associated with the third party advisory program.

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

Donald W. Nicholson & Associates does not charge performance-based fees.

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

Donald W. Nicholson & Associates provides investment advisory services to individuals, high-net worth individuals, corporations or other businesses, pension & profit sharing plans, trust, estates and charitable organizations.

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

Donald W. Nicholson & Associates uses various methods of analysis in formulating the investment advice offered on behalf of the firm. For financial planning clients, Donald W. Nicholson & Associates likes to take a comprehensive approach to evaluate an overall financial plan, portfolio strategy and asset allocation that meets a client's needs and objectives. Rather than focusing on specific investments, Donald W. Nicholson & Associates identifies an appropriate ratio of securities, fixed income investments, non-securities investments and cash, to build a financial plan that is suitable for a client's investment needs, objectives and risk tolerance. Donald W. Nicholson & Associates typically does not recommend frequent and short-term trading strategies for its clients. Portfolios are typically made up of various mutual fund investments, but may also include fixed income securities, exchange traded funds, and other suitable investment products. On occasion, portfolios may also include individual equity or bond positions, certificates of deposits, and derivative products, such as options contracts.

Donald W. Nicholson & Associates conducts its research on the investments it recommends using publicly available performance information. Donald W. Nicholson & Associates utilizes various sources for this research. Donald W. Nicholson & Associates evaluates the experience and track record of product managers, to determine whether a manager has demonstrated the ability to manage assets under varying economic situations. The firm also evaluates the underlying investments in a mutual fund to determine whether the manager invests in a manner that is consistent with the fund's investment objective. A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a manager may have demonstrated a certain level of success in past economic times, he or she may not be able to replicate that success in future markets. In addition, just because a manager may have invested in a certain manner in past years, such manager may deviate from his/her strategy in future years. To mitigate this risk, Donald W. Nicholson & Associates attempts to select investments from companies with proven track records that have demonstrated a consistent level of performance and success. Donald W. Nicholson & Associates also relies on an assumption that the rating agencies it uses to evaluate investments are providing accurate and unbiased analysis.

Donald W. Nicholson & Associates uses investment management strategies that it feels best meet its clients' needs and objectives. Such strategies typically include long-term investment strategies of holding investments for a year or longer. While this strategy typically meets the needs and objectives of our clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client. Of course, the length of time a client stays invested in an asset depends on the nature of the client's objectives and the performance of the asset in meeting the stated objectives of the portfolio. In addition, all securities investments involve risk and clients

may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, Donald W. Nicholson & Associates takes extra care to determine an appropriate risk tolerance of its clients. Investment recommendations are always made with this risk tolerance in mind.

#### **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Donald W. Nicholson & Associates or the integrity of Donald W. Nicholson & Associates' management. The firm has no reportable information applicable to this Item.

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

The sole business of Donald W. Nicholson & Associates involves the offering of the investment advisory services described in this brochure. The development of Financial Plans may or may not include the rendering of investment advice. Associates of Donald W. Nicholson & Associates spend the majority of their time offering the services of the firm.

Associates of the firm were previously licensed as insurance representatives, and may receive some residual compensation on insurance cases previously written. Associates of the firm do not currently transact insurance business for advisory clients, but rather, may recommend the services of outside insurance representatives for product implementation.

As a part of the comprehensive approach to financial planning, Donald W. Nicholson & Associates may refer clients to other professionals from whom clients may receive specific necessary services. For example, Donald W. Nicholson & Associates may refer clients to certain attorneys or CPAs if legal or accounting services are needed. In these cases, Donald W. Nicholson & Associates is not affiliated with these other services providers, nor compensated for the referrals. While Donald W. Nicholson & Associates believes these services providers will provide clients with qualified and competent advice at fair and competitive fees, Donald W. Nicholson & Associates is not liable for, and does not take responsibility for the advice and/or services provided by these professionals. Clients may choose to work with these professionals at their sole discretion and the fees charged by these services providers may be higher or lower than other providers of similar services.

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

Donald W. Nicholson & Associates has adopted a Code of Ethics to promote the principles of honesty and integrity in its business practices, and to maintain Donald W. Nicholson & Associates' reputation as a firm that operates with the highest level of professionalism. Donald W. Nicholson & Associates recognizes its fiduciary responsibilities to its clients, and its duty and pledge to place clients' interests first and foremost. In connection with this duty, all employees of Donald W. Nicholson & Associates are subject to the firm's Code of Ethics, and are required to acknowledge their understanding of its terms. A copy of the firm's Code of Ethics will be provided to any client or prospective client upon request.

Donald W. Nicholson & Associates' Code of Ethics establishes procedures for employees to report personal securities transactions and personal securities holdings. The Code sets forth procedures for management review of these reports. In some cases, Donald W. Nicholson & Associates' employees may be required to obtain pre-approval for certain personal securities transactions or refrain from certain transactions altogether. The firm's Code of Ethics also sets forth the obligation of all Donald W. Nicholson & Associates employees to comply with applicable state and federal securities laws, and the duty to cooperate in any investigation or inquiry conducted on or by Donald W. Nicholson & Associates. Finally, the firm's Code of Ethics establishes procedures for the reporting of any potential violation of the firm's Code.

Donald W. Nicholson & Associates or its owners, officers and employees may buy or sell securities that are the same of different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it may represent a potential conflict of interest, which would be fully disclosed to the client. Donald W. Nicholson & Associates or its owners, officers and employees may not sell securities from their accounts directly to a client, nor may they purchase securities directly from a client. Donald W. Nicholson & Associates, its owners, officers and employees are prohibited from trading on material nonpublic information. Donald W. Nicholson & Associates does not trade ahead of clients, but instead puts clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction was done without the employee's knowledge of a client's transaction. Donald W. Nicholson & Associates endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision making process for client investment recommendations. Donald W. Nicholson & Associates also endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the implementation of investment recommendations made to clients.

Donald W. Nicholson & Associates prohibits its owners, officers, and employees from participating in any principal transactions, where securities are purchased directly from, or sold directly to a client. The firm also prohibits its owners, officers and employees from purchasing shares in initial public offerings or private placement offerings, unless express written permission is provided in advance, by the firm's Chief Compliance Officer. Donald W. Nicholson & Associates, its owners, officers and employees, do not recommend to clients that they buy or sell securities in which a person associated with the firm has a material financial interest.

## **Item 12. Brokerage Practices**

Donald W. Nicholson & Associates provides investment advisory services on a non-discretionary basis. As such, clients are free to implement or decline investment recommendations made by Donald W. Nicholson & Associates. In addition, clients are free to implement investment recommendations at firms of their choice; however, if clients choose to implement transactions at firms other than those recommended by Donald W. Nicholson & Associates, the firm may be unable to provide investment advisory services for those assets.

Donald W. Nicholson & Associates recommends using the Schwab Institutional Division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker/dealer, member SIPC, as the broker/dealer through which clients execute securities transactions and maintain brokerage accounts. While no client is required to select Schwab for execution and custodial services, Donald W. Nicholson & Associates may be unable to provide investment advisory services to clients who elect to use other firms. Donald W. Nicholson & Associates does not maintain discretionary control over client accounts and cannot, therefore, select broker/dealers for clients. However, the firm routinely recommends that clients utilize the brokerage and custodial services offered by Schwab, unlike other advisors who may permit clients to direct brokerage. In some cases, Donald W. Nicholson & Associates is able to negotiate specific transaction costs for transaction execution. However, transactions executed by Schwab will typically be subject to the transaction and execution fee schedule in effect at the time of execution. Donald W. Nicholson & Associates does not negotiate commission rates or volume discounts. Therefore, brokerage and investment advisory services offered by Donald W. Nicholson & Associates may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately.

Donald W. Nicholson & Associates is independently owned and operated and not affiliated with Schwab. Schwab provides access to its institutional trading and custody services generally available to independent investment advisors. Schwab also makes available to

Donald W. Nicholson & Associates, other products and services that benefit the firm but may not benefit its clients' accounts. Some of these other products and services assist the firm in managing and administering clients' accounts. These include software and other technology that provide access to client account data, provide research, pricing information and other market data, and assist with other back-office functions, recordkeeping and client reporting. Schwab may discount or waive its fees for these services or pay for the fees of a third-party providing these services to Donald W. Nicholson & Associates. While as a fiduciary, the firm always endeavors to act in its clients' best interests, the firm's recommendation to custody assets in accounts maintained by Schwab may be based in part on the benefit to the firm of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Donald W. Nicholson & Associates believes, however, that the overall quality of the custodial and execution services offered by Schwab meets the best interests of its clients.

In some cases, Donald W. Nicholson & Associates may recommend that clients establish brokerage accounts with TD Ameritrade, which provides custody of clients' assets. Through the firm's relationship with TD Ameritrade, the client can receive consolidated reporting of all assets and execute transactions through broker-dealers with whom TD Ameritrade has a relationship or affiliation. TD Ameritrade maintains custody of client's assets, while Donald W. Nicholson & Associates provides all non-discretionary investment advice. Donald W. Nicholson & Associates does not have any soft-dollar arrangements and does not receive any soft-dollar benefits from TD Ameritrade. The firm does, however, have access to free research and the various tools available to advisers through the TD Ameritrade web site. These tools assist advisers in servicing customer accounts by providing, among other things, access to transaction information and account balances, performance reporting, the ability to debit advisory fees from customer accounts, and duplicate trade confirmations and custodial account statements.

Asset management clients may be limited in their choice of broker-dealer to those broker-dealers with whom the custodian of their assets has a relationship or affiliation. Any transactions executed by Donald W. Nicholson & Associates on the client's behalf would be executed through one of the custodians mentioned above, unless specifically directed otherwise by the client. Use of these custodians may cost the client more or less than use of other custodians recommended by other investment advisers. Neither Donald W. Nicholson nor its Associates receive any referral fees for the client's use of these custodians/broker-dealers. The firm does, however, receive on-line computer capabilities from the custodians, free of charge, in order to have access to the most current client portfolio and trading information. Clients do not pay higher fees than those obtainable from other brokers in return for those products and services. Any research received from these custodians may be utilized to service all client accounts, and not just those who maintain custody at that

custodian.

For clients who participate in a third party advisory program, brokerage and custody arrangements are disclosed as part of the third party advisor's offering materials and disclosure brochures. Clients should refer to those materials for a complete discussion of the brokerage practices associated with the third party advisory program.

Donald W. Nicholson & Associates does not specifically use client brokerage commissions to obtain research or other products or services. Donald W. Nicholson & Associates does not recommend broker/dealers or custodians in order to receive client referrals from such broker/dealers or custodians. Donald W. Nicholson & Associates does not typically aggregate the purchase or sale of securities for various client accounts.

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

#### **Asset Management Services**

The performance of the assets in asset management accounts will be monitored by Donald W. Nicholson & Associates on an on-going basis to ensure that the assets are performing in line with the firm's expectations and are meeting the individual needs of the client. On a monthly basis, the assets in these accounts will be valued by the applicable account custodian. Donald W. Nicholson & Associates will periodically compare the asset performance to the target performance, and any material asset adjustments or moves will be recommended to the client at that time. At least annually, an Associate of the firm will meet with the client and conduct a thorough review of the client's objectives and risk tolerance. Any necessary changes to the portfolio will be recommended by the firm at these reviews, and the client may choose to implement such recommendations. Changes in a client's financial situation or investment objectives, or significant economic, political or market changes may result in more frequent account reviews. The President of the Advisor will be responsible for all performance monitoring and performance reviews.

All clients receive a portfolio performance summary as part of the billing invoice sent on a quarterly basis. Clients will receive quarterly statements from the Advisor which detail the transactions and investments during the statement period, and the current value and performance of the assets under management. All clients receive monthly or quarterly transaction and investment valuation statements from their custodian. Such statements detail any advisory fees debited from the client's account. While Donald W. Nicholson & Associates endeavors to present accurate and complete performance information, clients should always refer to the official custodial statements to compare account information.

### Personal Financial Planning Services

If clients choose to implement investment recommendations made as a result of financial planning services, accounts will be reviewed at predetermined times, or at a minimum annually by Donald W. Nicholson & Associates. However, special reviews may occur more frequently in the event of changes in the client's financial circumstances or needs, or in the event of a disability, hardship, death, marriage, divorce or other material occurrence. The President of the Advisor shall oversee the planning advice and recommendations made within a financial plan.

For those clients requesting the Comprehensive Personal Financial Planning, a written plan shall be prepared and provided to the client at the termination of the planning services. Other reports may be provided from time to time based on each client's particular needs or circumstances. No valuation or performance reports will be prepared, unless requested by the client.

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

In addition to investment advisory fees, neither Donald W. Nicholson & Associates nor its associates generally receive compensation in any other form. However, because associates of the firm previously maintained insurance licenses, they may receive residual compensation in the form of commission income or service fees from business previously placed with insurance companies. Any such compensation would be disclosed to the client. In addition, Donald W. Nicholson & Associates may receive reimbursement from certain product sponsors for expenses incurred as a result of training or other due diligence meetings, or for participation or sponsorship in the firm's promotional events. Such reimbursement does not influence the advisory services offered, or the fees charged by the firm, but it nevertheless could represent a conflict of interest to clients. As discussed previously, Donald W. Nicholson & Associates may receive some economic benefit through the firm's association with Schwab. See disclosure provided for Item 12 above. The firm endeavors at all times to act in the best interests of its clients, and does not make its decisions for client recommendations based on the potential for reimbursement, compensation or other services offered by a product sponsor or custodian.

The Advisor does not currently compensate anyone directly or indirectly for client referrals.



**Item 15. Custody**

Donald W. Nicholson & Associates does not maintain custody of client funds or securities, except to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. Clients receive normal and customary custodial account statements that detail the amount of advisory fees debited from an account. Clients are responsible for verifying the accuracy of the fees debited, as custodians do not verify accuracy. Clients are also strongly encouraged to compare information provided on custodial statements against any information provided by Donald W. Nicholson & Associates.

**Item 16. Investment Discretion**

Donald W. Nicholson & Associates does not accept discretionary authority to manage securities accounts on behalf of clients. Donald W. Nicholson & Associates may, upon a client's instruction, reallocate or rebalance existing investment accounts to insure accounts stay consistent with the client's requested asset allocation guidelines.

For clients who participate in a third party advisory program, such advisors may retain account discretion, which would be disclosed as part of the third party advisor's offering materials and disclosure brochures. Clients should refer to those materials for a complete discussion of the management practices associated with the third party advisory program.

**Item 17. Voting Client Securities**

Donald W. Nicholson & Associates does not accept authority to vote client securities on behalf of clients. Clients retain all rights to their brokerage accounts, including the right to vote proxies. Clients are responsible for directing each custodian of their assets to forward copies of all proxies and shareholder communications directly to the client. While Donald W. Nicholson & Associates may provide information or consultation to assist a client in deciding how to vote a particular security, the ultimate decision and responsibility to vote a security lies with the client.

For clients who participate in a third party advisory program, such advisors may vote proxies on behalf of clients. Proxy voting procedures would be disclosed to clients as part of the third party advisor's offering materials and disclosure brochures. Clients should refer to those materials for a complete discussion of the proxy voting practices associated with the third party advisory program.

## **Item 18. Financial Information**

Donald W. Nicholson & Associates does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered. Donald W. Nicholson & Associates is therefore not required to include a financial statement or balance sheet with this brochure.

Donald W. Nicholson & Associates does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Donald W. Nicholson & Associates has not been the subject of any bankruptcy petition.

## **Privacy Policy**

Donald W. Nicholson & Associates maintains a specific Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. Donald W. Nicholson & Associates collects nonpublic information about clients from the following sources: information we receive from clients verbally, on applications or other forms and information about client transactions with others or us.

We may have to share client information with unaffiliated firms in order to service client accounts. Additionally, we may have to provide information about clients to regulatory agencies as required by law. Otherwise, Donald W. Nicholson & Associates will not disclose any client information to an unaffiliated entity unless a client has given express permission for Donald W. Nicholson & Associates to do so.

Donald W. Nicholson & Associates is committed to protecting client privacy. We restrict access to clients' personal and account information to those employees who need to know the information. We also maintain physical, electronic and procedural safeguards to protect client information.