

Nichols Asset Management, LLC

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27 Virginia Ridge Road
Sudbury, MA 01776
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Form ADV Part 2A February 2012

This is a revised Brochure written for the ADV Part II updates for year 2012 and should be reviewed by any prospective and current client in its entirety, as all information contained is important.

This brochure/ADV Part II provides information about the qualifications and business practices of Nichols Asset Management, LLC. If you have any questions about the content of this brochure/ADV Part II please contact us at 617-338-6725 or 978-440-8741. The information in this brochure/ADV Part II has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Being registered as an Investment Advisor does not imply any level of skill or training.

Additional information about Nichols Asset Management, LLC is available on the SEC's website at <http://www.advisorinfo.sec.gov>.

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MATERIAL CHANGES AT NICHOLS ASSET MANAGEMENT, LLC

Nichols Asset Management, LLC is undertaking a GIPS Compliance audit specifically geared towards our Small Cap Growth Product. We have not, and do not currently claim GIPS compliance. We do not believe this will affect any individual client returns.

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I. NICHOLS ASSET MANAGEMENT, LLC ADVISORY BUSINESS

Nichols Asset Management, LLC provides investment advisory services and is owned and operated by its five partners. Nichols Asset Management, LLC began as Charles Nichols II Associates a sole proprietorship in 1992. The firm has grown and expanded its ownership structure since its founding to the current organization made up of five partners. Charles Nichols II the original founder has been with Nichols Asset Management, LLC, since 1992, Patricia Nichols later joined in 1994, Roland Gillis and Chris Ely became members in 2005, and Dave Smith joined in 2007. All five members are investment professionals, and all members are actively involved in Nichols Asset Management, LLC. Roland Gillis, Chris Ely and Dave Smith have worked as a team on and off over the past 15 years at leading investment firms. Please see the biographies for each member of the team.

Nichols Asset Management, LLC does not furnish investment advice through consultants, issue subscription periodicals, sell newsletters, or issue reports about specific securities for purchase or sale. Nichols Asset Management, LLC does not provide Financial Planning services to clients, or market timing services.

Nichols Asset Management, LLC primarily provides investment advisory services to institutions, individuals, Investment Companies as a sub-advisor, pension and profit sharing plans, trusts, estates and charitable organizations. Nichols Asset Management, LLC provides equity and balanced strategies for clients.

Nichols Asset Management, LLC, portfolios may at times include a wide range of securities depending upon client mandate. Client portfolios can have a specific mandate where the client has very strict guidelines of being fully invested at all times in a specific asset class, for example in small cap growth stocks. Clients may also impose restrictions on the ownership of specific types of securities or individual issuers. Nichols Asset Management, LLC, currently subscribes to services from RiskMetrics Group to assist in meeting these client restrictions when so requested. Some clients may have multiple portfolios each with different guidelines allowing for fixed income, equity, cash, and other instruments. Allocations among these various asset types may change over time depending upon market and/or client circumstances. Clients may also have tax considerations for their taxable portfolios, and not for their retirement funds so different strategies may be employed. The strategies at Nichols Asset Management, LLC can and will vary by client need and mandate.

II. ADVISORY SERVICES OFFERED AT NICHOLS ASSET MANAGEMENT, LLC

Nichols Asset Management, LLC provides investment advisory services. Our clients include but are not limited to Institutions, Investment Companies as a sub-advisor, pension and profit sharing plans, individuals, trusts, estates and charitable organizations.

The majority of Clients at Nichols Asset Management, LLC, have similar investment advisory agreements based on a percentage of assets under management. These fee arrangements may vary in their calculation methods based on client request, portfolio size, security type, client servicing, reporting requirements, and client mandate. For example, individual client portfolios are charged on assets under management, in arrears and the institutional clients are charged according to their state mandated fee schedules, these may include a percentage of assets under management in arrears, and average assets during the quarter in arrears. The fee schedules are very similar in terms of the fee percentage, but will differ in terms of the calculation method. The difference in calculation method of the institutions more appropriately reflects any increase or decreases in the size of the account. For individual clients that come in during the quarter or make significant changes in the size of the account, the fees are adjusted in favor of the client. Nichols Asset Management, LLC is willing to work with each client in this area, and fees are negotiable above the suggested one million dollar minimum account size.

Client Portfolios

Nichols Asset Management, LLC portfolios may at times include a wide range of market capitalization and types of securities depending upon client mandate. Client portfolios may have a specific mandate where the client has very strict guidelines of being fully invested at all times in a specific asset class, for example small cap growth stocks. Clients may impose restrictions on the ownership of specific types of securities, and individual issuers. Nichols Asset Management, LLC currently subscribes to services from RiskMetrics Group to assist in meeting these client restrictions when so requested. Some Clients may have multiple portfolios each with different guide lines allowing for fixed income, equity, cash, and other instruments. Allocations among these various asset types may change over time depending upon market and/or client circumstances. Clients may also have tax considerations for their taxable portfolios, and not for their retirement funds; so different strategies may be deployed. Some clients must clear trades through their own compliance before allowing a purchase or sale by Nichols Asset Management, LLC. The strategies at Nichols Asset Management, LLC, can and will vary by client need and mandate.

The instruments utilized by Nichols Asset Management, LLC, for client strategies may include but are not limited to:

- Exchange- listed securities such as common stocks
- Preferred Securities
- American Depositary Receipts
- Debt securities including; Corporate Debt, US Government Securities, Municipal Debt, and CD's
- Exchange Traded Funds
- Mutual Funds
- Option Contracts
- Warrants
- Real Estate Investment Trusts
- Master Limited Partnerships
- Option Contracts on Securities
- Partnership Holdings of various types

Clients at Nichols Asset Management, LLC, have the majority of their assets in equities, exchange traded funds, and fixed income. The largest portfolio group by strategy is the Small Cap Growth institutional strategy followed by the multi-cap strategy employed for the individual client portfolios.

Nichols Asset Management, LLC, does not manage and does not participate in any WRAP programs.

Assets Under Management as of 12-31-11

Sub-advised*	\$ 34 million
Assets managed in house	\$191 million
<hr/>	
Total assets including sub-advised*	\$225 million

*Sub-advisor is used, Nichols Asset Management LLC retains some discretion some trading authority and reporting responsibilities.

III. FEES AND COMPENSATION

Nichols Asset Management, LLC, charges client portfolios on assets under management, in arrears. Nichols Asset Management LLC is required by some of the institutional clients fee mandates to apply specific calculations if they are making allocation adjustments intra quarter. Nichols Asset Management, LLC, is willing to work with each client in this area.

Nichols Asset Management, LLC, does not charge hourly fees, fixed fees, subscription fees, commissions, or incentive fees.

Nichols Asset Management, LLC, has a suggested account size of one million dollars. All accounts are billed quarterly in arrears. Clients with account of less than one million are typically billed at one percent of asset under management quarterly in arrears. Larger accounts have negotiated fees. Clients are allowed to determine if they are to be invoiced for payments to Nichols Asset Management, LLC, or if they are to be billed directly out of their account(s) in arrears.

Brokerage commissions, mutual fund, and ETF management fees are paid by the client. Nichols Asset Management, LLC, does not profit in any way when purchasing mutual funds or any other instruments for clients, and does not recommend securities for purchase or sale through any entity.

Nichols Asset Management, LLC, uses directed brokerage with Schwab Institutional where most clients are able to take advantage of lower on line commission rates. Nichols Asset Management, LLC, strives to keep portfolio turnover low and to provide clients with best execution of their trades. Clients may request the use of a different custodian and broker. Institutional clients use a variety of custodians and often request a certain portion of their commissions be directed to specific brokers. Nichols Asset Management, LLC, works to accommodate client requests wherever possible while striving for best execution.

Nichols Asset Management, LLC, does not manage any portfolios where fees are charged in advance. Nichols Asset Management, LLC, does not accept compensation for the sale of securities or other investment products.

IV. PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Nichols Asset Management, LLC, does not manage any portfolios using a performance based fee arrangement or any side-by-side management agreements.

V. TYPES OF CLIENTS

Nichols Asset Management, LLC, currently offers portfolio management to Institutions, Manager of Managers, Pension and Profit Sharing Plans, Individuals, Trusts, Charitable Organizations and Corporations or other business entities. Nichols Asset Management, LLC, does not offer financial planning. Nichols Asset Management, LLC has a suggested minimum account size of one million dollars.

VI. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

There are several steps taken in the investment process by Nichols Asset Management, LLC, before a security is purchased or sold for a client portfolio. Nichols Asset Management, LLC, has developed a proprietary fundamental model to narrow the universe of stocks to include in a client portfolio. The model ranks stocks based on a number of metrics. Six important metrics used are Revenue Growth, Margins, Earnings Growth, Cash Flow, Balance Sheet and Valuation. These metrics along with a number of other measures help the portfolio managers at Nichols Asset Management, LLC, continuously look at a large number of companies and build a portfolio for each client. Once the model has narrowed the universe of stocks, fundamental bottoms up analysis is employed. Portfolios are diversified across sectors, and may include larger or smaller allocations to particular sectors of the market. There is commonality across portfolios utilizing the same strategy, and sometimes within the multi-cap strategy used for the individual clients there can be some names in common with, for example the Small Cap Growth Strategy.

The investment professionals at Nichols Asset Management, LLC, look at overall market fundamentals and at times of market uncertainty or volatility some portfolios will have higher percentages of fixed income, or cash to try to preserve principle. Clients having strict fully invested mandates will remain fully invested, and to mitigate risk less volatile names will be added where and if possible. Clients need to be advised that investment in markets implies risk that cannot always be controlled and significant losses are possible.

VII. DISCIPLINARY INFORMATION

NONE

VIII. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Chris Ely, Roland Gillis and Dave Smith are CFA Charter holders.

Charles Nichols II is a member of the CFA

Chris Ely, Roland Gillis, and Charlie Nichols are members of the Boston Security Analysts Society

The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter-holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Nichols Asset Management, LLC *claims compliance with the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by CFA Institute.*

IX. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRACSATIONS AND PERSONAL TRADING

All members of Nichols Asset Management, LLC, adhere to the CFA Code of Ethics because we believe it outlines clearly and appropriately the standards that every manager should follow. This in no way means that the CFA Institute guarantees, approves of or has verified professional conduct at Nichols Asset Management.

Code of Ethics and Standards of Professional Conduct Preamble

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members

and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA®] designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including CFA charter-holders) and candidates for the CFA designation (“Members and Candidates”) must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of and uphold the rules governing capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

I. PROFESSIONALISM

A. Knowledge of the Law. Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

B. Independence and Objectivity. Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit,

compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

C. Misrepresentation. Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

D. Misconduct. Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information. Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

A. Loyalty, Prudence, and Care. Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.

B. Fair Dealing. Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

Standards of Professional Conduct

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C. Suitability.

1. When Members and Candidates are in an advisory relationship with a client, they must:

a. Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.

b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.

c. Judge the suitability of investments in the context of the client's total portfolio.

2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation. When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

E. Preservation of Confidentiality. Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client,

2. Disclosure is required by law, or

3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

A. Loyalty. In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

B. Additional Compensation Arrangements. Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.

C. Responsibilities of Supervisors. Members and Candidates must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision or authority.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.

2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

B. Communication with Clients and Prospective Clients.

Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.

2. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.

3. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention. Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

A. Disclosure of Conflicts. Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

B. Priority of Transactions. Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

C. Referral Fees. Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Members and Candidates in the CFA Program.

Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA examinations.

B. Reference to CFA Institute, the CFA Designation, and the CFA Program. When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA

Conflict of Interest/ Working with Other outside Managers

Nichols Asset Management, LLC, works with other Investment Advisors by client request in order to diversify their holdings. We do not believe there to be a conflict of interest in these cases since Nichols Asset Management, LLC, does not receive compensation from these other managers.

Nichols Asset Management, LLC, does not recommend securities to clients for their general portfolios where Nichols Asset Management, LLC, has material financial interest. At times Nichols Asset Management, LLC, members may own and trade in the same securities held in client accounts and this does require scrutiny to make sure that clients come first. For example, the seed portfolio for the Nichols Asset Management, LLC's Small Cap Growth Strategy is funded by a member of Nichols Asset Management, LLC. The seed portfolio is in the composite, therefore all the trades in a name are grouped with the other composite trades. This would also be true of clients not in the composite, but holding any of the same names to be bought or sold. If the name is held in portfolios that cannot step out to other brokers then the trade will be done with the main custodian to get what we believe to be the best execution and same average price for all clients. The buy or sell will be allocated on an average price basis, and if incomplete, will be awarded to each client pro-rata again at the average price. Member trades are not to be completed until clients' trades are completed unless they can be grouped and completed as a block trade. The Advent Moxy system was integrated during the summer of 2011 to better address trading. All members and member controlled portfolios are set up to immediately send Nichols Asset Management Compliance. A confirm for each and every trade is sent to the CCO so that compliance with our Code of Ethics can be assured whenever possible.

Revised February 2012

X. PRIVACY OF CONSUMER INFORMATION (REGULATION S-P)

This regulation requires financial institutions to notify clients as to the disclosure of nonpublic personal information. At Nichols Asset Management, LLC, all client information is confidential. The only confidential information that is disclosed is the information that is provided to Schwab Institutional in order to open accounts and determine margin, tax status etc.

During 2011 Nichols Asset Management, LLC, has taken measures to further safeguard personal information and has implemented additional measures in order to comply with the new Commonwealth of Massachusetts data security regulations. Specifically, we have informed everyone working at Nichols Asset Management, LLC, or dealing with personal information of any clients of the importance of protecting client information. We have added additional locking file cabinets, upgraded password protection on the individual computers and the server, added additional software security and have informed everyone of the importance of not electronically transmitting account numbers, names, and any other identifying information. Nichols Asset Management, LLC, utilizes a specialized e-mail service provider, SMARSH, to archive all email communication and encrypt emails when sensitive client information is involved. The Nichols Asset Management, LLC, server and backup server are in locking server cabinets, with controlled access, firewalls, and password protection. Portable devices are not to contain any client information. Custodian access is by password and in the case of Schwab use of a password and an authentication device only. Additional more specific information is available upon request. In addition Schwab requires additional confirmation of outgoing wires etc. for all clients.

We do not provide information to any entity other than your custodian, or your accountant upon request.

We do not sell client information to anyone, nor do we share your information.

We do not disclose client information to any third parties with the exception of client accountants, and only when requested by the client.

The personal information that is collected is the information collected as required by Schwab to open accounts. The other information that is requested such as investment parameters etc. is kept confidential at Nichols Asset Management, LLC.

We do not collect or use client information for a website.

We do maintain and collect information necessary to manage client's accounts such as transactions, account balances, historical transactions since this is necessary in the overall administration of accounts. This information is kept confidential.

We maintain personal client information to meet information requirements as per SEC and IRS regulations, and information concerning taxes etc.

We restrict access to client information to employees/Partners of Nichols Asset Management, LLC. All members of Nichols Asset Management, LLC, are required to safeguard client information.

We make an ongoing effort to safeguard client information by restricting access to our physical premises and shredding any documents on the premises that are to be discarded having to do with any information regarding client or account information.

We will provide clients with timely notice of any changes in our privacy practices or those of Schwab Institutional, and all other brokers or custodians used by the client.

XI. BROKERAGE PRACTICES

Nichols Asset Management, LLC, uses outside brokers, and directed brokerage for the majority of individual clients through our custodian. Nichols Asset Management, LLC, believes the current directed brokerage arrangement offers best execution to our individual clients because it allows trades to be aggregated. Clients are free to determine their custodian, and their own desired directed brokerage. The institutional clients already have custodians, and typically dictate brokerage criteria on a best execution basis, and may include certain lists of brokers (directed brokerage subject to best execution) that are to be utilized over time. Nichols Asset Management, LLC, is happy to work with clients, their custodians and various brokers. Nichols Asset Management, LLC, does not participate in soft dollars; however Nichols Asset Management, LLC, does utilize brokers that provide what we believe to be best execution and research that benefits the client. Nichols Asset Management, LLC, and its clients have not to our knowledge received any products or services from these brokers that would represent a conflict of interest. The examples of research from these firms would be a conference on a specific industry or a management lunch. The information that a member of Nichols Asset Management, LLC, might gain would be used to benefit the client in that the decision made on a specific industry or holding would be better informed.

Nichols Asset Management, LLC, does not participate in Brokerage for client referrals.

Nichols Asset Management, LLC, aggregates orders wherever possible so that each client will get the same average price on an allocation. If an order is incomplete for the day then the allocation is awarded to each client on a pro rata basis.

XII. REVIEW OF ACCOUNTS

Client accounts are reviewed continuously by the members of Nichols Asset Management, LLC. Charles Nichols II, Patricia M. Nichols and Chris Ely review the individual portfolios and Charles Nichols II, Chris Ely, Dave Smith and Roland Gillis review the institutional portfolios. Nichols Asset Management, LLC requires the custodian to send each client a statement directly, and Nichols Asset Management, LLC sends out at least a quarterly report detailing performance and any notable changes in the portfolio. In circumstances of extreme volatility more communication may be deemed necessary if strategies are significantly altered. The universe of securities is reviewed and updated on a monthly basis using a quantitative model and more often in the case of market turmoil or unexpected news or information in a market sector or specific name.

Clients receive monthly statements from their custodians. Institutional clients have a weekly or monthly reporting criteria as well as a daily reporting requirement to their custodians. Individual clients receive quarterly information from Nichols Asset Management, LLC, as well as their monthly custodial statements that come directly from their respective custodian.

XIII. CLIENT REFERRALS AND OTHER COMPENSATION.

SOLICITOR AGREEMENT

DISCLOSURE STATEMENT AND ACKNOWLEDGEMENT

This Disclosure Statement is being provided to you to describe the nature of the referral of your account to Nichols Asset Management Inc. (the "Adviser") by Hamersley Partners, LLC ("Hamersley Partners"). The Adviser is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "SEC"). Hamersley Partners is a broker-dealer registered with the SEC and the MSRB, and is a member of the Financial Industry Regulatory Authority, Inc.

The Adviser and Hamersley Partners, LLC ("Hamersley Partners") have entered into a solicitation agency agreement pursuant to which the Adviser compensates Hamersley Partners for referring investment advisory clients to the Adviser. The Adviser will pay Hamersley Partners a monthly retainer of \$4,500 (until March 31, 2012) and twenty percent (20%) of the advisory fee charged to you with respect to the provision of investment advisory services by the Adviser for a period of six years. If you invest in a fund or comingled vehicle managed by Adviser, the Adviser will pay Hamersley Partners twenty percent (20%) of any fees payable by the fund or comingled vehicle to the Adviser relating to your investment for a period of six years. Please review Part 2A of the Adviser's Form ADV for more information about the Adviser and the Adviser's stated fees.

By signing this Statement where indicated below, you acknowledge receiving a copy of both this Statement and Part 2A of the Adviser's Form ADV and your understanding that (i) Hamersley Partners is being compensated with respect to your contribution of assets for management by the Adviser and (ii) the compensation arrangements described above give Hamersley Partners an interest in causing you to invest with, and to maintain your investment management arrangements with, the Adviser. You also understand that Hamersley Partners is not responsible for rendering investment advice or providing recommendations and that Hamersley Partners shall bear no responsibility or liability of any kind as a result of any action, or failure to act, by the Adviser.

If you have any questions regarding the above, please feel free to contact the Adviser. In view of some pre-existing relationships there are institutional clients where

Hamersley Partners does not receive any compensation. Clients of Nichols Asset Management, LLC are not charged fees by Hamersley Partners.

Please see the biographies of Hamersley Partners at the end of this document. Hamersley is a broker/dealer registered with the SEC, FINRA, and the MSRB. More information is available at www.finra.org

XIV. CUSTODY

Nichols Asset Management, LLC, does not provide custody services. Clients must use a qualified custodian and must receive statements directly from their respective custodian and refer to those statements for market values. Clients receive at least quarterly information on their accounts from Nichols Asset Management, LLC, but again they must refer to the market values supplied to them by their custodians.

XV. INVESTMENT DISCRETION

Nichols Asset Management, LLC provides services that include investment discretion. Investment discretion at Nichols Asset Management, LLC, means that authority to buy and sell securities for a client's account that Nichols Asset Management, LLC, deems appropriate based on knowledge of the client. Nichols Asset Management, LLC, requires a client to sign an Investment Advisory Agreement, and the agreement includes descriptive questions as to risk parameters for the client's portfolio.

XVI. VOTING CLIENT SECURITIES

PROXY VOTING POLICIES AND PROCEDURES Revised January 2012

A) Policy

The Firm has adopted and distributes a proxy voting policy annually to ensure that voting discretion is exercised in the best interests of the Firm's clients. Nichols Asset Management, LLC, does not vote proxies for all clients; the choice is up to each client.

Nichols Asset Management, LLC, will endeavor to cast proxy votes of clients in a manner we believe is in the best interest of each client that maximizes client shareholder value, and rights, and in keeping with a socially responsible manner as it relates to fair and reasonable executive compensation, corporate governance, corporate labor practices, and being environmentally responsible. Voting also covers accountability, disclosure, and dilution. We support executive compensation disclosure requirements, and an annual review of executive pay. Changes in the structure of a corporation should put shareholder value first, we support majority voting, some anti-takeover provisions, but shareholders should be allowed to vote on provisions, which might include, poison pills, staggered board seats, the need for outside directors, etc, such that it preserves and maximizes shareholder value. The capital structure of a corporation is also important to our clients, which includes issuing stock, common and preferred, debt, stock option plans, expensing of options which depends upon the company and the particular industry. Each company and industry differs.

Nichols Asset Management, LLC, does not provide brokerage, underwriting insurance or banking services. If at some point there is a conflict of interest it will be disclosed to all affected clients in full detail according to SEC rules and regulations.

Nichols Asset Management, LLC will notify the clients that we vote proxies for, that we will have available the proxy information on file. This notification goes out annually, typically in our first quarter client letters. Copies of Proxies that have been voted are on file at NAM and available upon client request. Some clients require monthly proxy voting and reporting and we are happy to oblige.

In a case where there may be a material conflict of interest the best interest of the client comes first. Honesty, integrity, and trust are the core values of NAM. We do not allow conflicts of interest to arise and if in the future they did, that the client always comes first, and their interest will always be paramount and supersede any situation where Nichols Asset Management, LLC, would benefit at the client's expense.

XVII. FINANCIAL INFORMATION

Nichols Asset Management, LLC, does not accept any prepayment of management fees.

XVIII. BIOGRAPHIES

Nichols Asset Management, LLC currently requires a college degree and substantial market experience for all its members to have discretion and investment decision making responsibilities.

Patricia M. Nichols: Partner, President & Chief Compliance Officer

Patricia M. Nichols has over 24 years experience in various aspects of the money management field. Prior to joining Nichols in 1994, Ms. Nichols was a fixed income investment and marketing manager at Pan Agora Asset Management. Since 1983, she has managed institutional money ranging from money markets and derivatives to mortgages, corporate, and treasury bonds as well as equity futures. At Back Bay Advisors from 1988-1990, she consistently outperformed her benchmark. At E.F. Hutton Asset Management from 1983-1987, she shared responsibility for redirecting the hedging strategy to profitability. In addition, she successfully expanded the reverse repo and bonds borrowed portfolio to \$2.2 billion; accounting for 12% of the daily portfolio income which helped boost the \$6.6 billion fund to the top of the Lipper Large Government fund rankings. Mrs. Nichols has extensive experience in the area of portfolio analytics and derivative products. Ms. Nichols has previously held Series 7, 3, and 63 registrations with the NASD. Ms. Nichols received her B.A. in Economics in 1979 from the University of Denver.

Charles Nichols II: Partner, Chief Investment Officer

Charles Nichols has over 25 years experience in the investment business and technology fields. In early 1992, Mr. Nichols founded Nichols Asset Management. From 1982-1990, Mr. Nichols was a Wall Street telecommunications and technology analyst. In 1988-1989, Mr. Nichols was Vice President and telecommunications analyst at Prudential Securities and a Vice President and equity analyst at Bear Stearns & Company, responsible for research of the long distance, telecommunications equipment, and networking industries. From 1983 through 1987, Mr. Nichols was First Vice President and equity analyst at E.F. Hutton, responsible for coverage of the telecommunications equipment, networking, and long distance services industries. Mr. Nichols has also

worked for Montgomery Securities and Wood Gundy as an analyst. Mr. Nichols received a B.S. in Economics & Finance from the University of Denver in 1978.

Christopher R. Ely, CFA: Partner, Portfolio Manager & Analyst

Chris Ely has over 25 years of investment experience as an analyst and portfolio manager. Most recently, he served as Executive Vice President of Loomis Sayles & Co., LP, and a member of its Board of Directors. Mr. Ely led the Specialty Growth team managing portfolios of small and mid-sized growth companies for institutions, mutual funds and high net worth clients. Mr. Ely and his team grew this business from its inception in July 1996 to a peak of over \$3 billion of assets under management. Prior to Loomis Sayles, Mr. Ely was a portfolio manager and analyst at Keystone Investments (Evergreen) where in his last position he was lead portfolio manager of the firm's small cap growth fund, S-4, and separately managed accounts utilizing the same investment style. He has appeared on CNBC and is an occasional guest on Bloomberg Radio's "On The Money". Mr. Ely earned his B.A. in Mathematical Economics from Brown University in 1978 and his MBA from Babson College in 1984. He holds a CFA and is a member of the Boston Security Analysts Society.

Roland W. Gillis, CFA: Partner, Portfolio Manager & Analyst

Roland Gillis has over 30 years of investment experience, most recently as a Partner of Putnam Investments where he was Managing Director and Director of their Specialty Growth Equity team. Mr. Gillis was the lead Portfolio Manager on the Putnam Voyager Fund from 1995-2000. He was responsible for investments in high-quality, rapidly growing small- and mid-cap companies. Mr. Gillis was the Portfolio Leader of the Discovery Growth Fund and a Portfolio Member on the Small Cap Growth Fund. Additionally, he managed Putnam Information Sciences Trust, an offshore small cap technology fund, since 1996. Prior to joining Putnam in 1995, Mr. Gillis was a Vice President, Portfolio Manager, and analyst with the Keystone Investments (Evergreen) from 1982-1994. From 1980-1982 Gillis was an analyst with Loomis Sayles & Company. Mr. Gillis received his MBA from Thunderbird, The Garvin School of International Business, and his B.A. from Northeastern University. Mr. Gillis has a CFA.

David L. Smith, CFA: Partner, Portfolio Manager & Analyst

Dave Smith has over 25 years experience as a securities analyst and portfolio manager. He comes to NAM from Sirios Capital Management, LP where he was Director, Technology Sector. Prior to joining Sirios, Mr. Smith served for nine years as a Vice President and Portfolio Manager on the Specialty Growth team at Loomis Sayles & Co.,

LP. There, he was instrumental in helping to build Loomis Sayles' specialty growth group to a peak of \$3 billion in assets under management. From 1990 through 1996, Mr. Smith was a Vice President, Portfolio Manager and analyst at Keystone Investments (Evergreen) working on the small cap growth team and its flagship Keystone S-4 Fund. Mr. Smith earned an MBA from the Johnson School at Cornell University in 1990, a B.A. in Political Science (honors) from the University of Massachusetts/Amherst in 1982 and holds a CFA.

Hamersley Partners, LLC

Peter Pavlina has more than 25 years experience in financial services. Before starting Hamersley Partners, he worked at Oechsle International Advisors where he was responsible for institutional consultant and plan sponsor marketing, client service and portfolio management. Prior to that, he was an equity analyst at Keystone Custodian Funds and an accountant at Price Waterhouse. Mr. Pavlina has an MBA from the Sloan School at the Massachusetts Institute of Technology, an MS in Taxation from Golden Gate University, and a BS in Finance and Accounting from Santa Clara University. He holds Series 7, 63 and 24 securities licenses and is a Certified Public Accountant.

Andrew Phillips has 5 years of experience in institutional asset management marketing. At Hamersley Partners he is responsible for RFP completion and database population for the firm's clients, creation of marketing collateral, institutional consultant and plan sponsor marketing, and is the firm's Chief Compliance Officer. Prior to joining Hamersley Partners, he worked for Enterasys Networks (formerly Cabletron Systems) marketing network technology solutions to large institutional buyers across the Western United States. Mr. Phillips graduated from Boston College with a BA in History. He holds Series 7, 63, and 24 securities licenses.