

## **NICOLET ADVISORY SERVICES, LLC**

*a Registered Investment Adviser*

111 North Washington Street  
Green Bay, WI 54301

(920) 617-5311

[www.nicoletbank.com/wealth-management/](http://www.nicoletbank.com/wealth-management/)

This brochure provides information about the qualifications and business practices of Nicolet Advisory Services, LLC (hereinafter “Nicolet Advisory Services” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, Nicolet Advisory Services is required to discuss any material changes that have been made to the brochure since the last annual amendment date March 28, 2017. The Firm has made the following material changes:

- The Firm has updated Item 4 to describe its use of Schwab Institutional Intelligent Portfolios and management of mutual funds held direct at American Funds Distributors, Inc;
- The Firm has updated Item 5 to describe its fees for assets managed using Schwab Institutional Intelligent Portfolios and held direct at American Funds Distributors, Inc;
- The Firm has updated Item 7 to reflect that the minimum investment required to open an account in the Schwab Institutional Intelligent Portfolios program is \$5,000 and that the minimum investment required to open an Account at American Funds Distributors, Inc. is determined by the respective American Funds prospectus;
- The Firm has updated Item 8 to discuss risk of loss related to Schwab Institutional Intelligent Portfolios and management of assets held direct at American Funds Distributors, Inc.;
- The Firm has updated Item 5, Item 10, and Item 12 to reflect that its Supervised Persons are no longer affiliated with SII Investments Inc. and that they are now affiliated with Private Client Services, LLC;
- The Firm has updated Item 10 to reflect that its Supervised Persons are no longer Investment Adviser Representatives of another investment adviser;
- The Firm has updated Item 12 to discuss its recommendation of Charles Schwab & Co., Inc. for accounts managed through the Schwab Institutional Intelligent Portfolios program; and
- The Firm has updated Item 17 to reflect that it designates Schwab Wealth Investment Advisory, Inc. to vote proxies for the ETFs held in Schwab Instructional Intelligent Portfolio program accounts.

The Firm has no other changes to disclose in relation to this Item.

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## Item 4. Advisory Business

Nicolet Advisory Services offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Nicolet Advisory Services rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Nicolet Advisory Services setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Nicolet Advisory Services first filed for registration as an investment adviser in May 2016 and is owned by Nicolet Bankshares, Inc. As of December 20, 2017, Nicolet Advisory Services had \$547,794,656 of assets under management, all of which was managed on a discretionary basis.

While this brochure generally describes the business of Nicolet Advisory Services, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Nicolet Advisory Services’ behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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Nicolet Advisory Services offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- Business Planning
- Estate Planning
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Corporate Retirement Planning

These services are rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, Nicolet Advisory Services is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Nicolet Advisory Services will recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage Nicolet Advisory Services or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Nicolet Advisory Services under a financial planning or consulting engagement. Clients are

advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Nicolet Advisory Services' recommendations and/or services.

### **Investment Management and Wealth Management Services**

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Nicolet Advisory Services manages client investment portfolios on a discretionary or non-discretionary basis. In addition, Nicolet Advisory Services can be engaged to provide wealth management services which include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

Nicolet Advisory Services primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage Nicolet Advisory Services to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Nicolet Advisory Services directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

Nicolet Advisory Services tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Nicolet Advisory Services consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Nicolet Advisory Services if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Nicolet Advisory Services determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, Nicolet Advisory Services select certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

Nicolet Advisory Services evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. Nicolet Advisory Services also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Nicolet Advisory Services continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Nicolet Advisory Services seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

#### **Use of Schwab Institutional Intelligent Portfolios**

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As mentioned above, Nicolet Advisory Services may provide portfolio management services through the Schwab Intelligent Portfolios program, an automated, online investment management platform for use by independent investment advisors sponsored by Schwab Wealth Investment Advisory, Inc. ("SWIA"), an affiliate of Charles Schwab & Co., Inc. ("Schwab"). Through the Program, Nicolet Advisory Services offers clients investment strategies that Nicolet Advisory Services has constructed and manages, each consisting of a portfolio of ETFs. The client's portfolio is held in a brokerage account opened by the client at Schwab. Nicolet Advisory Services is independent of and not owned by, affiliated with, or sponsored, or supervised by SWIA, Schwab, or their affiliates. Nicolet Advisory Services is the client's investment advisor and primary point of contact with respect to the Program, and, as such, Nicolet Advisory Services determines the appropriateness of the Program for clients, chooses suitable investment strategies and portfolios for clients' investment needs and goals, and manages portfolios on an ongoing basis. Clients eligible to enroll in the Program include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios Disclosure Brochure ("the Program Brochure"), which is delivered to clients by SWIA during the online enrollment process.

Nicolet Advisory Services will charge clients fees (as described below in Item 5) for its services in connection with the Program. Clients do not pay brokerage commissions to Schwab as part of the Program. Nicolet Advisory Services does not pay SWIA fees for the Program so long as Nicolet Advisory Services maintains \$100 million in client assets in accounts at Schwab that are not enrolled in the Program. If Nicolet Advisory Services does not meet this condition, then Nicolet Advisory Services may pay SWIA an annual fee of 0.10% on the value of clients' assets in the Program. This fee arrangement gives Nicolet Advisory

Services an incentive to recommend that clients with accounts not enrolled in the Program be maintained with Schwab.

#### **Management of Mutual Funds Held Direct at American Funds Distributors, Inc.**

Nicolet Advisory Services has the ability to actively manage mutual funds held direct at American Funds Distributors, Inc. (“American Funds”) in share classes that do not have an up-front or a contingent deferred sales charge for an asset-based fee. Class F-2 shares are designed for investors who choose to compensate their financial professional based on the total assets in their portfolios, rather than commissions or sales charges. This arrangement is often called an “asset-based” or a “fee-based” program. Class F-2 shares do not have an up-front or a contingent deferred sales charge (CDSC). Class F-2 shares do not carry a 12b-1. Expenses will vary among the funds. Please note that Class F-2 shares are not available for purchase in certain employer-sponsored retirement plans, unless they are a part of a qualifying fee-based program.

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

Nicolet Advisory Services offers services for a fee based upon assets under management by the Firm. Additionally, certain of the Firm’s Supervised Persons, in their individual capacities, offer securities brokerage services and/or insurance products under a separate commission-based arrangement.

Except as set forth below, the Firm’s wealth management fee varies in accordance with the following fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$49,999	1.45%
\$50,000 - \$99,999	1.35%
\$100,000 - \$249,999	1.25%
\$250,000 - \$499,999	1.20%
\$500,000 - \$999,999	1.15%
\$1,000,000 - \$1,999,999	1.00%
\$2,000,000 - \$2,999,999	0.90%
\$3,000,000 - \$3,999,999	0.80%
\$4,000,000 - \$4,999,999	0.70%
\$5,000,000 - \$7,499,999	0.60%
\$7,500,000 - \$9,999,999	0.50%
\$10,000,000 and Above	0.40%

For assets managed using the Schwab Institutional Intelligent Portfolios program, the Firm's wealth management fee varies in accordance with the following fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
\$5,000 - \$24,999	1.00%
\$25,000 and above	0.50%

For assets held direct at American Funds, the Firm's wealth management fee is 0.50%.

The Firm's investment management services (which do not include the financial planning and consulting services provided in a wealth management engagement) are available to smaller accounts at the discretion of the Firm (the "Wealth Accumulation Offering"). The Wealth Accumulation Offering is a limited service investment management services relationship with access to the Firm's service center for general questions and guidance. The fee for these services will be \$5 per month plus 0.50% of the assets under management.

Except for assets held direct at American Funds, the annual fee is prorated and charged monthly, in arrears, based upon the market value of the assets being managed by Nicolet Advisory Services on the last day of the previous billing period. For assets held direct at American Funds, the annual fee is prorated and charged quarterly in arrears, and based on the average daily net asset value during the billing period.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Nicolet Advisory Services may negotiate a fee rate that differs from the range set forth above.

### **Fee Discretion**

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Nicolet Advisory Services may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities. Notwithstanding the foregoing, fees for assets managed using the Schwab Institutional Intelligence Portfolio and held direct at American Funds are non-negotiable.



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**Additional Fees and Expenses**

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In addition to the advisory fees paid to Nicolet Advisory Services, clients will also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges include securities brokerage commissions (including asset-based fees charged by the client’s custodian), transaction fees, custodial fees, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

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**Direct Fee Debit**

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Clients generally provide Nicolet Advisory Services and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Nicolet Advisory Services.

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**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to Nicolet Advisory Services’ right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients may withdraw account assets on notice to Nicolet Advisory Services, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. Nicolet Advisory Services may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

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**Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with Nicolet Advisory Services (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Nicolet Advisory Services.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Private Client Services, LLC ("PCS"), provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to PCS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Nicolet Advisory Services also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PCS.

A conflict of interest exists to the extent that Nicolet Advisory Services recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that Nicolet Advisory Services, in its sole discretion, deems appropriate, Nicolet Advisory Services may provide its investment advisory services on a fee-offset basis. In this scenario, Nicolet Advisory Services may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PCS.

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

Nicolet Advisory Services does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

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

Nicolet Advisory Services offers services to individuals, pension and profit sharing plans, banking and thrift institutions, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Requirements**

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Nicolet Advisory Services does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship, but reserves the right to require such on a case-by-case basis. The minimum investment required to open an account in the Schwab Institutional Intelligent Portfolios program is \$5,000. As an accommodation, a client may make an initial purchase of less than \$5,000, however, the assets will not be invested in the program and will remain in cash, until the account balance reaches \$5,000 or greater. The Program Brochure describes related minimum required account

balances for maintenance of the account, automatic rebalancing, and tax-loss harvesting. The minimum investment required to open an Account at American Funds is determined by the respective American Funds prospectus. Finally, certain Independent Managers may impose more restrictive account requirements and billing practices from the Firm. In these instances, Nicolet Advisory Services may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

### **Methods of Analysis and Investment Strategies**

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Nicolet Advisory Services utilizes a combination of fundamental and technical analysis, as well as charting. The main sources the Firm uses include research from TD Ameritrade, Northern Trust, Morningstar Direct, and Morningstar Workstation, as well as research provided directly by investment companies and other information gathered through public websites. Other sources of information include financial newspapers, magazines, publications, white papers, research materials prepared by third party sources, rating services, annual reports, prospectuses, press releases, and filings with the SEC.

The Firm's representatives have the ability to use the following strategies for clients. While the Firm oversees and supervises the representatives' investment decisions, there are situations where different representatives will make different decisions about particular securities. In all cases, the Firm will ensure that these decisions are in each client's best interest.

#### *Wealth Management*

The two primary core investment strategies used inside client accounts will be strategic risk-based asset allocation and active risk-based asset allocation. These strategies can be coupled with strategic targeted objective strategies. Although the strategic targeted objective strategies will be used infrequently. If clients feel they don't fit well with any of Nicolet Advisory Services' strategies, the Firm has the ability to create custom strategies that will fit their needs and objectives.

#### *Strategic risk-based asset allocation strategies*

Description – Broadly diversified among the major asset classes, primarily invested in passively managed index ETFs and/or mutual funds while making limited (1 to 2 changes per year, if any) allocation changes within the strategy as market conditions change. Guidance will be provided from Northern Trust and other sources, which will be considered by the investment committee. These strategies will be guided by the client's objectives, financial and tax status, risk tolerance and other factors.

*Active risk-based asset allocation strategies*

Description – Broadly diversified among the major asset classes, primarily invested in passively managed index ETFs and/or mutual funds while making regular (3 to 4 changes per year) allocation changes within the strategy as market conditions change. Guidance will be provided from Northern Trust and other sources, which will be considered by the investment committee. These strategies will be guided by the client's objectives, financial and tax status, risk tolerance and other factors.

*Strategic targeted objective strategies*

Description – Targeted diversification among selected asset classes, primarily invested in passively managed index exchange traded funds. In most cases, these strategies will act only as small portion of a client's overall portfolio. These strategies will be guided by the client's objectives, financial and tax status, risk tolerance and other factors.

*Custom strategy*

Description – custom strategies will be reserved for any client that feels their objectives and needs cannot be met with any of the listed strategies above. These portfolios will be guided by the client's objectives, financial and tax status, risk tolerance and other factors.

*Wealth Accumulation Offering*

The primary investment strategy used inside client accounts will be strategic risk-based asset allocation.

*Strategic risk-based asset allocation strategies*

Description – Broadly diversified among the major asset classes, primarily invested in passively managed index ETFs and/or mutual funds while making limited (1 to 2 changes per year, if any) allocation changes within the strategy as market conditions change. These strategies will be guided by the client's objectives, financial and tax status, risk tolerance and other factors.

**Risk of Loss**

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*Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Nicolet Advisory Services' recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price

movements of stocks, bonds and other asset classes. There can be no assurance that Nicolet Advisory Services will be able to predict those price movements accurately or capitalize on any such assumptions.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Independent Managers*

As stated above, Nicolet Advisory Services may select certain Independent Managers to manage a portion of its clients' assets. In these situations, Nicolet Advisory Services continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Nicolet Advisory Services generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Schwab Institutional Intelligent Portfolios*

The Program Disclosure Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses market/systemic risks, asset

allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

#### *American Funds Advisor Direct*

Representatives will manage the funds within the American Fund family on a discretionary basis, based upon the investment objectives and risk tolerance provided by the client. While the Firm oversees and supervises the representatives' investment decisions, there are situations where different representatives will make different decisions about particular securities. In all cases, the Firm will ensure that these decisions are in each client's best interest.

An investment in a mutual fund involves risk, including the loss of principal. Mutual fund shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., expense ratios, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

#### *Credit Risk*

This refers to the possibility that a particular bond issuer will not be able to make expected interest rate payments and/or principal repayment. Typically, the higher the credit risk, the higher the interest rate on the bond.

#### *Interest Rate Risk*

Interest rate risk is the possibility that a fixed-rate debt instrument will decline in value as a result of a rise in interest rates. Whenever investors buy securities that offer a fixed rate of return, they are exposing themselves to interest rate risk. This is true for bonds and also for preferred stocks.

#### *Business Risk*

Business risk is the measure of risk associated with a particular security. It is also known as unsystematic risk and refers to the risk associated with a specific issuer of a security. Generally speaking, all businesses

in the same industry have similar types of business risk. But used more specifically, business risk refers to the possibility that the issuer of a stock or a bond may go bankrupt or be unable to pay the interest or principal in the case of bonds.

#### *Taxability Risk*

This applies to municipal bond offerings, and refers to the risk that a security that was issued with tax-exempt status could potentially lose that status prior to maturity.

#### *Call Risk*

Call risk is specific to bond issues and refers to the possibility that a debt security will be called prior to maturity. Call risk usually goes hand in hand with reinvestment risk because the bondholder must find an investment that provides the same level of income for equal risk. Call risk is most prevalent when interest rates are falling, as companies trying to save money will usually redeem bond issues with higher coupons and replace them on the bond market with issues with lower interest rates.

#### *Inflationary Risk*

Inflationary risk is the chance that the value of an asset or income will be eroded as inflation shrinks the value of a country's currency. Put another way, it is the risk that future inflation will cause the purchasing power of cash flow from an investment to decline.

#### *Liquidity Risk*

Liquidity risk refers to the possibility that an investor may not be able to buy or sell an investment as and when desired or in sufficient quantities because opportunities are limited. A good example of liquidity risk is selling real estate. In most cases, it will be difficult to sell a property at any given moment should the need arise, unlike government securities or blue chip stocks.

#### *Reinvestment Risk*

In a declining interest rate environment, bondholders who have bonds coming due or being called face the difficult task of investing the proceeds in bond issues with equal or greater interest rates than the redeemed bonds. As a result, they are often forced to purchase securities that do not provide the same level of income, unless they take on more credit or market risk and buy bonds with lower credit ratings. This situation is known as reinvestment risk: it is the risk that falling interest rates will lead to a decline in cash flow from an investment when its principal and interest payments are reinvested at lower rates.

#### *Social/Political / Legislative Risk*

Risk associated with the possibility of nationalization, unfavorable government action or social changes resulting in a loss of value is called social or political risk. Because the U.S. Congress has the power to

change laws affecting securities, any ruling that results in adverse consequences is also known as legislative risk.

#### *Currency/Exchange Rate Risk*

Currency or exchange rate risk is a form of risk that arises from the change in price of one currency against another. The constant fluctuations in the foreign currency in which an investment is denominated vis-à-vis one's home currency may add risk to the value of a security.

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

Nicolet Advisory Services has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations.

#### **Registered Representatives of a Broker/Dealer**

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Certain of the Firm's Supervised Persons are registered representatives of PCS and provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

#### **Licensed Insurance Agents**

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A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Nicolet Advisory Services recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.



**Related Bank**

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Nicolet Advisory Services is under common control and shares the same office with Nicolet National Bank, a community bank serving Wisconsin and Michigan that offers solutions for commercial, residential and private banking. In the event a client requires banking services, the Firm will recommend Nicolet National Bank. The Firm does not receive any portion of any compensation received by Nicolet National Bank, and does not receive a referral fee in connection with banking services that affiliates render to Nicolet Advisory Services clients.

In addition, Supervised Persons of the Firm may own shares of stock or debt instruments (“interests”) of Nicolet Bankshares. While clients may purchase interests in Nicolet Bankshares, the Firm does not give advice on the purchase, sale or retention of Nicolet Bankshares interests. If clients request, investment adviser representatives of the Firm will discuss these securities with the client but will not recommend the timing or price of purchase or sale of such.

Because of the common ownership and possible involvement by Nicolet Advisory Services associates with the bank, there exists a conflict of interest to the extent that the Firm recommends the banking services of Nicolet National Bank or discuss any investment in stock or debt instruments of Nicolet Bankshares.

**Central Operating Services**

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Nicolet Advisory Services is under common control and shares the same office with Nicolet Financial Group LLC (“NFG”). NFG provides, through Supervised Persons that are associated with PCS, central operating services to Nicolet Advisory Services and registered representatives and investment adviser representatives of PCS, some of which are also dually registered as investment adviser representatives of Nicolet Advisory Services. The central operating services include the following services for Nicolet Advisory Services and PCS representatives and their clients: i) trading; ii) investment models; iii) billing; and iv) office of supervisory jurisdiction (OSJ) and other compliance oversight. The Firm does not receive any portion of any compensation received by NFG for the central operating services.

**Item 11. Code of Ethics**

Nicolet Advisory Services has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. Nicolet Advisory Services’ Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Nicolet Advisory Services' personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person having access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Nicolet Advisory Services to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker/Dealers for Client Transactions**

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Nicolet Advisory Services generally recommends that clients utilize the custody, brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("TD Ameritrade") for investment management accounts. Nicolet Advisory Services participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of

securities, trade execution, clearance and settlement of transactions. Nicolet Advisory Services receives some benefits from TD Ameritrade through its participation in the program.

In addition, Nicolet Advisory Services recommends the custody, brokerage and clearing services of Schwab for assets managed using the Schwab Institutional Intelligent Portfolios program. While clients are required to use Schwab as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with Schwab by entering into an account agreement directly with Schwab. If the client does not wish to place his or her assets with Schwab, then Nicolet Advisory Services cannot manage the client's account through the Program. As described in the Program Brochure, SWIA may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for Nicolet Advisory Services' clients and accounts for clients of other independent investment advisory firms using the Program.

Factors which *Nicolet Advisory Services* considers in recommending TD Ameritrade, Schwab, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. TD Ameritrade enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by TD Ameritrade may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Nicolet Advisory Services' clients to TD Ameritrade and Schwab comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Nicolet Advisory Services determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Nicolet Advisory Services seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist Nicolet Advisory Services in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Nicolet Advisory Services does not have to produce or pay for the products or services.

Nicolet Advisory Services periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

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Nicolet Advisory Services receives without cost from TD Ameritrade and Schwab computer software and related systems support, which allow Nicolet Advisory Services to better monitor client accounts maintained at TD Ameritrade and Schwab. Nicolet Advisory Services receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at TD Ameritrade and Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit Nicolet Advisory Services, but not its clients directly. In fulfilling its duties to its clients, Nicolet Advisory Services endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Nicolet Advisory Services’ receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm’s choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Nicolet Advisory Services receives the following benefits from TD Ameritrade:

- Reimbursement of up to \$175 to clients moving assets to TD Ameritrade;
- Free trading for clients for the first 60 days from account open date;
- The first year cost of each account opened at Orion Advisor Services which provides a portfolio management solution that the Firm expects to utilize;
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

In addition, Nicolet Advisory Services receives the following benefits from Schwab:

- Trade execution and allocate aggregated trade orders for multiple client accounts;
- Pricing and other market data;
- Technology to facilitate payment of our fees from our clients’ accounts; and

- Assistance with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

There is no direct link between Nicolet Advisory Services' participation in TD Ameritrade's institutional customer program, its recommendation of Schwab, and the investment advice it gives to its clients, although Nicolet Advisory Services receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors and/or Schwab retail investors. The Firm also has the ability deduct advisory fees directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. TD Ameritrade and Schwab may fund business consulting and professional services received by Nicolet Advisory Services' related persons.

Some of the products and services made available by TD Ameritrade and Schwab may benefit Nicolet Advisory Services but not its client. These products or services may assist Nicolet Advisory Services in managing and administering client accounts, including accounts not maintained at TD Ameritrade and/or Schwab. Other services made available by TD Ameritrade and Schwab are intended to help Nicolet Advisory Services manage and further develop its business enterprise. The benefits received by Nicolet Advisory Services' participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade and/or Schwab.

Nicolet Advisory Services does not pay SWIA fees for its services in connection with the Program so long as it maintains \$100 Million in client assets in accounts at Schwab that are not enrolled in the Program. In light of this arrangements with Schwab, this is a conflict of interest, because the Firm has an incentive to recommend that clients maintain their accounts with Schwab based on the Firm's interest in receiving Schwab's services that benefit its business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. As set forth above, in fulfilling its duties to its clients, Nicolet Advisory Services endeavors at all times to put the interests of its clients first.

**Brokerage for Client Referrals**

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Nicolet Advisory Services does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

**Directed Brokerage**

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The client may direct Nicolet Advisory Services in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Nicolet Advisory Services (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Nicolet Advisory Services may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

**Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PCS. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless PCS provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through PCS if they have not secured written consent from PCS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PCS, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than PCS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit. Finally, Nicolet Advisory Services reimburses PCS for supervision of the Supervised Persons activities through the Firm. The supervision is over all of the Supervised Person’s activities at the Firm, not just those for clients that are broker-dealer clients of PCS.

**Trade Aggregation**

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Transactions for each client generally will be effected independently, unless Nicolet Advisory Services decides to purchase or sell the same securities for several clients at approximately the same time. Nicolet Advisory Services may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences

in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Nicolet Advisory Services' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Nicolet Advisory Services' Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Nicolet Advisory Services does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

### **Account Reviews**

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Nicolet Advisory Services monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's investment adviser representatives. In addition, random reviews are done by the Firm on a periodic basis. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Nicolet Advisory Services and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

**Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports (by email or through a web portal) from Nicolet Advisory Services and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Nicolet Advisory Services or an outside service provider.

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

The Firm does not currently provide compensation to any third-party solicitors for client referrals.

**Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize Nicolet Advisory Services and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit those funds to the Firm in accordance with applicable custody rules. This is the only type of "custody" under those rules that the Firm takes. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Nicolet Advisory Services.

In addition, as discussed in Item 13, Nicolet Advisory Services may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Nicolet Advisory Services.

**Item 16. Investment Discretion**

Nicolet Advisory Services is given the authority to exercise discretion on behalf of clients. Nicolet Advisory Services is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Nicolet Advisory Services is given this authority through a power-of-attorney included in the agreement between Nicolet Advisory



Services and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Nicolet Advisory Services takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

## **Item 17. Voting Client Securities**

Except as set forth herein, Nicolet Advisory Services generally does not accept the authority to vote a client's securities (i.e., proxies or other legal notices) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied. The Firm may provide advice on voting certain proxies, as well as corporate and legal actions. Clients may contact the Firm with questions about any such issuer solicitations.

Nicolet Advisory Services has designated SWIA to vote proxies for the ETFs held in their Schwab Instructional Intelligent Portfolio program accounts, as described in the Program Disclosure Brochure. Nicolet Advisory Services have directed SWIA to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third party proxy voting service provider retained by SWIA for this purpose. Additional information about this arrangement is available in the Program Brochure. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by signing a Schwab form available upon request from Nicolet Advisory Services.

## **Item 18. Financial Information**

Nicolet Advisory Services is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.