

*Donald W. Nicholson & Associates, Ltd.*



1403 Silverside Road, Suite B

Wilmington, DE 19810

302-529-1500

[www.nicholson-associates.com](http://www.nicholson-associates.com)

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This brochure provides information about the qualifications and business practices of Donald W. Nicholson & Associates, Ltd. If you have any questions about the contents of this brochure, please contact us at 302-529-1500 or [admin@donaldwnicholson.com](mailto:admin@donaldwnicholson.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

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

## **Item 2. Material Changes**

This Brochure is an update from our previous brochure filed on March 29, 2019. Changes to this brochure include the following:

- Disclosure language was revised in Item 14 to reflect payments for client referrals
- Disclosure language was revised in item 4 regarding periods of portfolio inactivity
- Disclosure language was added in Items 4, 5, 7, and 8 regarding the Schwab Institutional Intelligent Portfolios™ Program

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

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

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

Donald W. Nicholson & Associates, Ltd. (“Donald W. Nicholson & Associates” or “the firm”) was founded by Donald W. Nicholson in 1987. In 1988, the company registered as an investment adviser. The owner of the firm is Donald W. Nicholson, President, and the firm’s main office is located in Wilmington, Delaware. Don W. Nicholson currently serves on the Public Policy Committee for the National Association of Personal Financial Advisors, which focuses on public policy and advocacy efforts on behalf of the Fee-only planning community.

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

##### **Asset Management Services**

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

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

##### **Institutional Intelligent Portfolios™**

Donald W. Nicholson & Associates also provide some portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the “IIP Program” and “SWIA,” respectively). Through the IIP Program, we offer clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. The client’s portfolio is held in a brokerage account opened by the client at SWIA’s affiliate, Charles Schwab & Co., Inc. We are independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, Charles Schwab & Co., Inc., or their affiliates (together, “Schwab”). The IIP Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the “IIP Program Disclosure Brochure”), which is delivered to clients by SWIA during the online enrollment process.

We, and not Schwab, are your investment advisor and primary point of contact with respect to the IIP Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the IIP Program for you, choosing a suitable investment strategy and portfolio for your investment needs and goals, and managing that portfolio on an ongoing basis. SWIA’s role is limited to delivering the IIP Program Disclosure Brochure to clients and administering the IIP Program so that it operates as described in the IIP Program Disclosure Brochure.

We have contracted with SWIA to provide us with the technology platform and related trading and account management services for the IIP Program. This platform enables us to make the IIP Program available to clients online and includes a system that automates certain key parts of our investment process (the “IIP System”). The IIP System includes an online questionnaire that helps us determine your investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the IIP System in response to your answers to the online questionnaire. You may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we make the final decision and select a portfolio based on all the information we have about the you. The IIP System also includes an automated investment engine through which we manage your portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if you are eligible and elect to activate this feature).

We do not receive a portion of a wrap fee for our services to clients through the IIP Program. Clients do not pay fees to SWIA in connection with the IIP Program, but we charge clients a fee for our services as described below under Item 6 Fees and

Compensation. Our own advisory fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Charles Schwab & Co., Inc. as part of the IIP Program. Schwab does receive other revenues in connection with the IIP Program, as described in the IIP Program Disclosure Brochure.

We do not pay SWIA fees for its services in the IIP Program so long as we maintain \$100 million in client assets in accounts at Charles Schwab & Co., Inc., that are not enrolled in the IIP Program. If we do not meet this condition, then we pay SWIA an annual fee of 0.10% (10 basis points) on the value of our clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the IIP Program be maintained with Charles Schwab & Co., Inc.

#### Retirement Plan Consulting Services

Donald W. Nicholson & Associates also provides retirement plan consulting services, where it provides general investment advice and consulting services to sponsors of self-directed retirement plans. In addition, to the extent requested by the plan sponsor, the firm shall also provide participant education designed to educate participants to enable them to select an appropriate investment strategy for their retirement plan accounts.

Prior to engaging the firm, the plan sponsor will be required to enter into a Retirement Plan Consulting Agreement with Donald W. Nicholson & Associates setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, the fee arrangement, and the portion of the fee that is due from the client prior to the firm commencing services. The firm's fee will be based on a percentage (%) of the assets within the plan.

#### Personal Financial Planning Services

The firm also offers Personal Financial Planning to clients. The firm offers a Comprehensive Review or a Limited Review. These financial planning services may or may not include investment advice. The fee for Personal Financial Planning services covers the preparation and presentation of a written financial plan (the "Plan"). Dependent upon the scope of the services to be performed by the firm, the preparation of the Plan involves cooperating with and guiding such clients in gathering, compiling, preparing, and analyzing personal financial data.

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

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

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

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

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

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

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

#### General Information Related to Investment Recommendations

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

bond mutual funds, certificates of deposit, and fixed income exchange traded funds. In addition, the firm provides advice related to variable and fixed insurance products, and may also provide advice on limited partnership investments. In some cases, the firm also provides advice related to other non-securities topics. In limited cases, the firm may recommend the purchase or sale of options contracts.

As a service of its comprehensive approach to financial planning, Donald W. Nicholson & Associates may refer clients to other professionals from whom clients may receive specific necessary services. For example, the firm may refer clients to certain attorneys or CPAs if legal or accounting services are needed. In these cases, Donald W. Nicholson & Associates is not affiliated with these other services providers, nor compensated for the referrals. If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Donald W. Nicholson & Associates, shall be responsible for the quality and competency of the services provided. Clients may choose to work with these professionals at their sole discretion. In certain instances, and in its sole discretion, the firm may agree to pay for these other services rendered by other professionals.

Conflict of Interest: Mr. Nicholson serves on the Public Policy Committee of NAPFA. As a member of the committee, he may be called to review and comment on public policy issues effecting fee-only investment advisers such as Donald W. Nicholson & Associates.

Non-Discretionary Service Limitations. Clients that determine to engage Donald W. Nicholson & Associates on a non-discretionary investment advisory basis must be willing to accept that Donald W. Nicholson & Associates cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Donald W. Nicholson & Associates will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent. For instance, although the firm does not recommend market timing as an investment strategy, in the event of a market correction event where the firm cannot reach the client, a client may suffer investment losses or miss out on investment gains.

Retirement Rollovers. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If



Donald W. Nicholson & Associates recommends that a client roll over their retirement plan assets into an account to be managed by Donald W. Nicholson & Associates, such a recommendation creates a conflict of interest if Donald W. Nicholson & Associates will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Donald W. Nicholson & Associates. Donald W. Nicholson & Associates' Chief Compliance Officer, Donald W. Nicholson, Sr., remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such a rollover recommendation.

Portfolio Activity. Donald W. Nicholson & Associates has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Donald W. Nicholson & Associates will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Donald W. Nicholson & Associates determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity. Notwithstanding, there can be no assurance that investment decisions made by Donald W. Nicholson & Associates will be profitable or equal any specific performance level(s).

Cash Positions. Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Donald W. Nicholson & Associates may maintain cash and cash equivalent positions (such as money market funds, etc.) for defensive and liquidity purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating Donald W. Nicholson & Associates' advisory fee. ANY QUESTIONS: Donald W. Nicholson & Associates' Chief Compliance Officer, Donald W. Nicholson, Sr., remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

Account Aggregation Platforms. Donald W. Nicholson & Associates may provide its clients with access to one or more online account aggregation platforms (the "Platforms"). The Platforms allows a client to view their complete asset allocation, including those assets that Donald W. Nicholson & Associates does not manage (the "Excluded Assets"). Donald W. Nicholson & Associates does not provide investment management, monitoring, or implementation services for the Excluded Assets. Unless otherwise specifically agreed to, in writing, Donald W. Nicholson & Associates' service relative to the Excluded Assets is

limited to reporting only. Therefore, Donald W. Nicholson & Associates shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Donald W. Nicholson & Associates, shall be exclusively responsible for such investment performance. Without limiting the above, the Donald W. Nicholson & Associates shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The client may choose to engage Donald W. Nicholson & Associates to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Donald W. Nicholson & Associates and the client. The Platforms may also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Donald W. Nicholson & Associates. Finally, Donald W. Nicholson & Associates shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the Platforms without Donald W. Nicholson & Associates' assistance or oversight.

Use of Mutual Funds and ETFs. While Donald W. Nicholson & Associates may recommend allocating investment assets to mutual funds that are not publicly available, Donald W. Nicholson & Associates may also recommend that clients allocate investment assets to publicly available mutual funds and ETFs that the client could obtain without engaging Donald W. Nicholson & Associates as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly available mutual funds or ETFs without engaging Donald W. Nicholson & Associates as an investment adviser, the client or prospective client would not receive the benefit of Donald W. Nicholson & Associates' initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. Donald W. Nicholson & Associates may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Donald W. Nicholson & Associates' services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. Donald W. Nicholson & Associates' Chief Compliance Officer, Donald W. Nicholson, Sr., remains available to address any questions that a client or prospective client may have regarding the above.

Client Obligations. In performing our services, Donald W. Nicholson & Associates shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Clients are responsible for promptly notifying Donald W. Nicholson & Associates if there is ever any change in their financial situation or investment objectives so that Donald W. Nicholson & Associates can review, and if necessary, revise its previous recommendations or services.

## Assets Under Management

As of December 31, 2019, Donald W. Nicholson & Associates was providing investment advisory services to 162 clients. The total value of assets under management for which the firm provides regular and continuous investment supervisory services was \$179,930,728.

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

### Asset Management Services

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

#### ANNUAL FEE SCHEDULE

1.00 % on the first \$2,000,000 of assets

0.80 % on the next \$2,000,000 of assets

0.60 % on all amounts thereafter

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

Costs associated with account set-up, transaction fees, custody or account statements will generally be the responsibility of the client. Clients investing in mutual funds and ETFs will pay a proportionate share of the fund fees and expenses (including management fees) in which they are invested and such fees are in addition to those set out above.

#### Institutional Intelligent Portfolios™ Fees

As described in Item 4 above, clients do not pay fees to SWIA or brokerage commissions or other fees to Charles Schwab & Co., Inc. as part of the IIP Program. Schwab does receive other revenues in connection with the IIP Program, as described in the IIP Program Disclosure Brochure. Clients of Donald W. Nicholson & Associates do not pay extra fees to the firm for use of the IIP Program platform; the fee assessed by Donald W. Nicholson & Associates will be described in the client agreement and will typically reflect the Asset Management fee schedule described above.

#### Retirement Plan Consulting Services

The terms and conditions of the firm's retirement plan consulting services shall generally be set forth in a Retirement Plan Consulting Agreement between the firm and the plan sponsor. The firm's negotiable retirement plan consulting fees generally range between 0.40% and 0.60% of the value of plan assets under advisement, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

#### Financial Planning Services

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

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

## General Information Regarding Fees and Account Termination

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

While Donald W. Nicholson & Associates has established a specific fee schedule for the advisory services offered, the firm may negotiate fees under certain, limited circumstances, at its sole discretion. Factors considered when determining whether a different fee will be negotiated include, among other things, legacy fee schedules, the complexity of the client's financial situation, related accounts under management or for which financial planning services are provided, portfolio style, and the provision of other services provided to the client. In the event that a client does not have any cash in their account for purposes of paying their advisory fee and the client has elected to have their fees debited directly from their account to pay their fees owed, Donald W. Nicholson & Associates reserves the right to sell securities at its discretion to make available its advisory fee earned. For client assets sold in taxable accounts, the sale of securities will be subject to tax consequences.

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

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

Clients may terminate investment advisory Engagement Letters at any time upon prior written notice. If an Engagement Letter is terminated within the first five business days, clients are entitled to a full refund of any fees paid. If an Engagement Letter is terminated

after more than five business days, clients will be assessed fees on a pro-rata basis. Donald W. Nicholson & Associates will not be compensated on the basis of a share of capital gains in an account, and will not collect fees of more than \$1,200 six months in advance of earning such fees.

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

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

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

Donald W. Nicholson & Associates provides investment advisory services to individuals, high-net worth individuals, pension & profit sharing plans, trusts, and estates. Clients eligible to enroll in the IIP 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 IIP Program. The IIP Program is generally recommended for clients with \$150,000 or less in investable assets, although exceptions to this general standard may apply. The IIP Program Disclosure Brochure describes related minimum required account balances for maintenance of the account, automatic rebalancing, and tax-loss harvesting. **Please Note:** Similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Donald W. Nicholson & Associates' Chief Compliance Officer, Donald W. Nicholson, Sr., remains available to address any questions that a client may have regarding its advisory fee schedule.

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

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

Donald W. Nicholson & Associates conducts its research on the investments it recommends using publicly available performance information. Donald W. Nicholson & Associates

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

Donald W. Nicholson & Associates uses investment management strategies that it feels best meet its clients' needs and objectives. Such strategies typically include long-term investment strategies of holding investments for a year or longer. While this strategy typically meets the needs and objectives of our clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client. Of course, the length of time a client stays invested in an asset depends on the nature of the client's objectives and the performance of the asset in meeting the stated objectives of the portfolio. In addition, all securities investments involve risk and clients may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, Donald W. Nicholson & Associates takes extra care to determine an appropriate risk tolerance of its clients. Investment recommendations are always made with this risk tolerance in mind.

Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the firm) will be profitable or equal any specific performance level(s).

In addition to the fundamental investment strategies discussed above, Donald W. Nicholson & Associates' clients may have access to margin. Use of margin has a high level of inherent risk. (See discussion below).

Donald W. Nicholson & Associates does not recommend the use of margin. Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the

borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. Borrowing money on margin to pay bills or other expenses increases a client's level of exposure to market risk and volatility. The more money a client borrows on margin, the greater the market risk. This is especially true in the event of a significant downturn in the value of the assets used to collateralize the loan. In some circumstances, clients may lose more money than they originally invested and borrowed. As the marginable investments in a client's portfolio provide the collateral for the loan, the value of that collateral fluctuates according to market activity, while the amount the client borrows stays the same. Although clients may retain the ability to use margin, Donald W. Nicholson & Associates does not use margin for investment purposes and does not recommend its use by clients.

#### Institutional Intelligent Portfolios™ Program Risks

The IIP Program Disclosure Brochure includes a discussion of various risks associated with the IIP Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the IIP Program Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

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

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

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

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

Associates of the firm were previously licensed as insurance representatives, and may be entitled to receive some residual compensation on insurance cases previously written. However, it is Donald W. Nicholson & Associates' policy to donate all such residual commission compensation to various charities. Neither Donald W. Nicholson & Associates nor its representatives receive and retain any commission compensation. Associates of the firm do not currently transact insurance business for advisory clients, but rather, may recommend the services of outside insurance representatives for product implementation.



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

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

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

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

Donald W. Nicholson & Associates or its owners, officers and employees may buy or sell securities that are the same or different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it represents a conflict of interest. Donald W. Nicholson & Associates or its owners, officers and employees may not sell securities from their accounts directly to a client, nor may they purchase securities directly from a client (i.e., principal transactions). Donald W. Nicholson & Associates, its

owners, officers and employees are prohibited from trading on material nonpublic information. Donald W. Nicholson & Associates does not trade ahead of clients, but instead puts clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction was done without the employee's knowledge of a client's transaction. Donald W. Nicholson & Associates endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision making process for client investment recommendations. Donald W. Nicholson & Associates also endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the implementation of investment recommendations made to clients.

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

## **Item 12. Brokerage Practices**

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

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

commission rates or volume discounts. Therefore, brokerage and investment advisory services offered by Donald W. Nicholson & Associates may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately.

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

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

Asset Management Services clients may be limited in their choice of broker-dealer to those broker-dealers with whom the custodian of their assets has a relationship or affiliation. Any transactions executed by Donald W. Nicholson & Associates on the client's behalf would be executed through one of the custodians mentioned above, unless specifically directed

otherwise by the client. Use of these custodians may cost the client more or less than use of other custodians recommended by other investment advisers. Neither Donald W. Nicholson nor its Associates receive any referral fees for the client's use of these custodians/broker-dealers. The firm does, however, receive online computer capabilities from the custodians, free of charge, in order to have access to the most current client portfolio and trading information. Clients do not pay higher fees than those obtainable from other brokers in return for those products and services. Any research received from these custodians may be used to service all client accounts, and not just those who maintain custody at that custodian.

Please Note: In the event that the client directs Donald W. Nicholson & Associates to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Donald W. Nicholson & Associates. Higher transaction costs adversely impact account performance.

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

### Additional Benefits

Furthermore, Donald W. Nicholson & Associates may, from time-to-time, receive marketing support or have conference attendance fees paid for by Schwab or mutual fund wholesalers. These benefits from Schwab and mutual fund wholesalers may or may not be offered to Donald W. Nicholson & Associates again in the future. Market support typically includes partial payment for marketing events, including venue expenses. Marketing events may be open to current clients or prospective clients. Donald W. Nicholson & Associates reserves the right to negotiate for additional marketing support in the future. Mutual fund wholesalers provide marketing support to Donald W. Nicholson & Associates in their sole discretion and at their own expense, and neither Donald W. Nicholson & Associates nor its clients pay any fees to Schwab or mutual fund wholesalers for the marketing support received. Donald W. Nicholson & Associates has not entered into any written agreement to govern the marketing support received by mutual fund wholesalers.

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

### Asset Management Services

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

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

#### Personal Financial Planning Services

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

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

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

In addition to investment advisory fees, neither Donald W. Nicholson & Associates nor its associates generally receive compensation in any other form. However, associates of the firm were previously licensed as insurance representatives, and may be entitled to receive some residual compensation on insurance cases previously written. In these instances, it is Donald W. Nicholson & Associates' policy to donate all such residual commission compensation to various charities. Neither Donald W. Nicholson & Associates nor its representatives receive and retain any commission compensation. Associates of the firm do not currently transact insurance business for advisory clients, but rather, may recommend the services of outside insurance representatives for product implementation.

In addition, Donald W. Nicholson & Associates may receive reimbursement from certain product sponsors for expenses incurred as a result of training or other due diligence meetings, or for participation or sponsorship in the firm's promotional events. Such reimbursement does not influence the advisory services offered, or the fees charged by the firm, but it nevertheless could represent a conflict of interest to clients. As discussed previously, Donald W. Nicholson & Associates receives economic benefits from Schwab. See disclosure provided for Item 12 above. The firm endeavors at all times to act in the best interests of its clients, and does not make its decisions for client recommendations based on the potential for reimbursement, compensation or other services offered by a product sponsor or custodian.

If a client is introduced to Donald W. Nicholson & Associates by either an affiliated or unaffiliated solicitor, Donald W. Nicholson & Associates may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the investment advisory fee charged by Donald W. Nicholson & Associates, and shall not result in any additional charge to the client. If the client is introduced to Donald W. Nicholson & Associates by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of the Donald W. Nicholson & Associates written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Donald W. Nicholson & Associates and the solicitor, including the compensation to be received by the solicitor from Donald W. Nicholson & Associates.

## **Item 15. Custody**

Donald W. Nicholson & Associates does not maintain custody of client funds or securities, except to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. Clients receive normal and customary

custodial account statements that detail the amount of advisory fees debited from an account. Clients are responsible for verifying the accuracy of the fees debited, as custodians do not verify accuracy. Clients are also strongly encouraged to compare information provided on custodial statements against any information provided by Donald W. Nicholson & Associates.

#### **Item 16. Investment Discretion**

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

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

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

The firm will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof.

#### **Item 18. Financial Information**

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

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

#### **Privacy Policy**

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

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

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