

# PROSPECTUS

APRIL 30, 2012

## CLASS N SHARES

**Nicholas II, Inc. – NNTWX**  
**Nicholas Limited Edition, Inc. – NNLEX**  
**Nicholas High Income Fund, Inc. – NNHIX**

*CONSISTENCY in a WORLD of CHANGE*



Nicholas II, Inc.'s investment objective is long-term growth;  
Nicholas Limited Edition, Inc.'s investment objective is long-term growth;  
and Nicholas High Income Fund, Inc.'s investment objective is to seek  
high current income with capital appreciation as a secondary objective.

**The Securities and Exchange Commission has not approved or disapproved  
of any Fund's shares or determined whether this prospectus is truthful or complete.**

**Any representation to the contrary is a criminal offense.**

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## SUMMARY – NICHOLAS II, INC.

### Investment Objective

The Fund strives to increase the value of your investment over the long-term (“long-term growth”).

### Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

#### Shareholder Fees

*(fees paid directly from your investment)*

	Class N
Maximum Sales Charge (Load) Imposed on Purchases .....	None
Maximum Deferred Sales Charge (Load) .....	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends .....	None
Wire Redemption Fee .....	\$15.00
Exchange Fee .....	None

#### Annual Fund Operating Expenses

*(expenses that you pay each year as a percentage of the value of your investment)*

Management Fees .....	0.53%
Distribution (12b-1) Fees .....	0.25%
Other Expenses .....	0.21%
Total Annual Fund Operating Expenses .....	0.99%

**Example:** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

<u>One</u>	<u>Three</u>	<u>Five</u>	<u>Ten</u>
<u>Year</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>

The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same.

Although your actual costs may be higher or lower,

based on these assumptions, your costs would be: ..... \$101      \$315      \$547      \$1,213

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 27.93% of the average value of the portfolio.

### Principal Investment Strategies

To pursue the Fund’s investment objective of long-term growth, it primarily invests in common stocks of domestic corporations with medium-sized market capitalizations believed to have growth potential. The Fund believes a company’s annual sales volume and the market capitalization (the number of shares outstanding multiplied by the per share price) are the factors most illustrative of a company’s size. In distinguishing company size in terms of sales volume, the Fund considers a company’s sales volume relative to peer companies in the company’s industry. In terms of market capitalization, the Fund generally considers companies with market capitalizations up to \$2 billion as “small,” between \$2 billion and \$10 billion as “medium,” and greater than \$10 billion as “large.” To a lesser extent, the Fund may invest in companies with small and large market capitalizations. The Fund

looks for established companies with the potential for superior growth in sales and earnings in a diversified group of industries. The Fund's investment philosophy is basically a long-term growth philosophy, based upon the assumption that if a company achieves superior growth in sales and earnings, eventually the company's stock will achieve superior performance. It is anticipated that a major portion of the Fund's portfolio will be invested in common stocks of the types of companies, and in the manner, as described above.

## **Principal Risks of Investing**

As with any mutual fund, the Fund cannot guarantee that it will achieve its goals or that its performance will be positive over any period of time. The Fund's investments change in value. Consequently, the value of your Fund shares may change. If the value of the Fund shares or the values of the Fund's investments go down, you may lose money.

The principal risks of investing in the Fund are:

- **Market Risk** – Market risk involves the possibility that the value of the Fund's investments will fluctuate as the stock market fluctuates over short- or longer-term periods. Common stock prices tend to be more volatile than other investment choices.
- **Portfolio-Specific Risk** – From time to time, the value of an individual company may decline due to a particular set of circumstances affecting that company, its industry or certain companies within the industry, while having little or no impact on other similar companies within the industry. Because the Fund will invest most of its assets in the securities of mid-cap companies and to a lesser extent, small-cap companies, the Fund may face additional risks. Small- to mid-cap companies often have a limited market for their securities and limited financial resources, and are usually more affected by changes in the economy. Securities of small to medium capitalization companies also often fluctuate in price more than common stocks of larger capitalization companies.
- **Selection Risk** – The Fund also faces selection risk, which is the risk that the stocks the Fund purchases will underperform markets or other mutual funds with similar investment objectives and strategies.

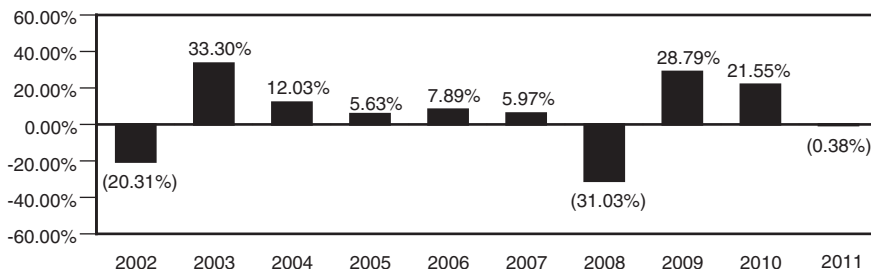
Since there are risks inherent in all investments in securities, there is no assurance that the Fund's objectives will be achieved.

## **Performance**

Class N shares of the Fund were first offered for sale on February 28, 2005; therefore, the performance information shown for periods prior to February 28, 2005 represents the performance for the original share class of the Fund, the Class I shares. Nicholas II – Class I shares were first offered for sale on October 17, 1983.

The bar chart shown below provides some indication of the risks of investing in the Fund. The chart shows the variability of the total return of the Fund's shares for the last ten calendar years<sup>(1)</sup>. Updated performance information for the Fund is available on our website at [www.nicholasfunds.com](http://www.nicholasfunds.com).

### Nicholas II, Inc. – Class N linked to Class I



<sup>(1)</sup> The Fund's fiscal year end is September 30. The Fund's year-to-date return as of March 31, 2012 was 14.19%.

For the ten calendar year periods shown in the above bar chart, the highest quarterly return was 15.32% (for the quarter ended June 30, 2003) and the lowest quarterly return was -21.54% (for the quarter ended December 31, 2008).

This next table shows how the average annual total returns for the Fund's Class I shares linked to Class N shares for the one, five and ten year periods ending on December 31, 2011 (the Fund's most recently completed calendar year), compared to the returns of broad measures of market performance and the performance average of similar mutual funds. The table also shows the average annual total returns for the Fund after taxes on distributions and after taxes on distributions and the redemption of all of your Fund shares. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. Updated performance information for the Fund is available on our website at [www.nicholasfunds.com](http://www.nicholasfunds.com).

	<u>One Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Nicholas II, Inc.</b>			
Return Before Taxes .....	-0.38%	2.65%	4.45%
Return After Taxes on Distributions .....	-0.74%	1.88%	3.80%
Return After Taxes on Distributions and Sale of Fund Shares .....	0.24%	2.14%	3.77%
<b>Russell Midcap Growth Index</b> (reflects no deduction for fees, expenses or taxes) .....	-1.65%	2.44%	5.29%
<b>Russell Midcap Index</b> (reflects no deduction for fees, expenses or taxes) .....	-1.55%	1.41%	6.99%
<b>Morningstar Mid-Cap Growth Category</b> (reflects no deduction for taxes) .....	-3.96%	2.01%	4.42%

*Of course, the Fund's past performance (before and after taxes) is no guarantee of its future returns.*

### Investment Adviser

Nicholas Company, Inc. serves as the Fund's investment adviser (the "Adviser").

## **Portfolio Manager**

Mr. David O. Nicholas is President, a Director and Portfolio Manager of the Fund and is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Nicholas has been Portfolio Manager of the Fund since 1993.

## **Purchase and Sale of Fund Shares**

The minimum initial investment for the Class N shares of the Fund is \$500. The minimum subsequent investment is \$100 except for those shareholders participating in an automatic investment plan established with the Fund, the minimum is \$50.

The Fund's shares are redeemable. Generally, shareholders may redeem some or all of their shares without charge by the Fund on any day when the New York Stock Exchange is open by written request, by telephone request by calling 800-544-6547, by accessing your account online at [www.nicholasfunds.com](http://www.nicholasfunds.com) or by wire transfer

## **Tax Information**

Shareholders may receive distributions from the Fund of ordinary income dividends and capital gains, which may be taxable to shareholders.

## **Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank or financial adviser), the Fund and its related companies may pay that intermediary for the sale of Fund shares and related services. Please bear in mind that these payments may create a conflict of interest by influencing the broker-dealer or other intermediary to recommend the Fund over another investment. Ask your intermediary or visit your intermediary's website for more information.

## SUMMARY – NICHOLAS LIMITED EDITION, INC.

### Investment Objective

The Fund strives to increase the value of your investment over the long-term (“long-term growth”).

### Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

#### Shareholder Fees

*(fees paid directly from your investment)*

	Class N
Maximum Sales Charge (Load) Imposed on Purchases .....	None
Maximum Deferred Sales Charge (Load) .....	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends .....	None
Wire Redemption Fee .....	\$15.00
Exchange Fee .....	None

#### Annual Fund Operating Expenses

*(expenses that you pay each year as a percentage of the value of your investment)*

Management Fees .....	0.75%
Distribution (12b-1) Fees .....	0.25%
Other Expenses .....	0.24%
<b>Total Annual Fund Operating Expenses .....</b>	<b>1.24%</b>

**Example:** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

<u>One</u> <u>Year</u>	<u>Three</u> <u>Years</u>	<u>Five</u> <u>Years</u>	<u>Ten</u> <u>Years</u>
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The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain the same.

Although your actual costs may be higher or lower, based on these assumptions, your costs would be: .....

\$126	\$393	\$681	\$1,500
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### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 37.64% of the average value of the portfolio.

### Principal Investment Strategies

To pursue the Fund’s investment objective of long-term growth, it primarily invests in common stocks of domestic corporations with small- and medium-sized market capitalizations believed to have growth potential. The Fund believes a company’s annual sales volume and market capitalization (the number of shares outstanding multiplied by the per share price) are the factors most illustrative of a company’s size. In distinguishing company size in terms of sales volume, the Fund considers a company’s sales volume relative to peer companies in the company’s industry. In terms of market capitalization, the Fund generally considers companies with market capitalizations up to \$2 billion as “small,” between \$2 billion and \$10 billion as “medium,” and greater than \$10 billion as “large.” To a

lesser extent, the Fund may invest in companies with large market capitalizations. The Fund looks for established companies with the potential for superior growth in sales and earnings in a diversified group of industries. The Fund's investment philosophy is basically a long-term growth philosophy, based upon the assumption that if a company achieves superior growth in sales and earnings, eventually the company's stock will achieve superior performance. It is anticipated that a major portion of the Fund's portfolio will be invested in common stocks of the types of companies, and in the manner, as described above.

## **Principal Risks of Investing**

As with any mutual fund, the Fund cannot guarantee that it will achieve its goals or that its performance will be positive over any period of time. The Fund's investments change in value. Consequently, the value of your Fund shares may change. If the value of the Fund shares or the values of the Fund's investments go down, you may lose money.

The principal risks of investing in the Fund are:

- **Market Risk** – Market risk involves the possibility that the value of the Fund's investments will fluctuate as the stock market fluctuates over short- or longer-term periods. Common stock prices tend to be more volatile than other investment choices.
- **Portfolio-Specific Risk** – From time to time, the value of an individual company may decline due to a particular set of circumstances affecting that company, its industry or certain companies within the industry, while having little or no impact on other similar companies within the industry. Because the Fund will invest most of its assets in the securities of small- and mid-cap companies, the Fund may face additional risks. Small- to mid-cap companies often have a limited market for their securities and limited financial resources, and are usually more affected by changes in the economy. Securities of small to medium capitalization companies also often fluctuate in price more than common stocks of larger capitalization companies
- **Selection Risk** – The Fund also faces selection risk, which is the risk that the stocks the Fund purchases will underperform markets or other mutual funds with similar investment objectives and strategies.

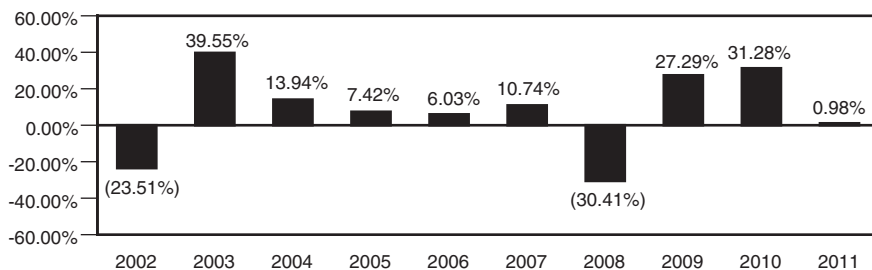
Since there are risks inherent in all investments in securities, there is no assurance that the Fund's objective will be achieved.

## **Performance**

Class N shares of the Fund were first offered for sale on February 28, 2005; therefore, the performance information shown for periods prior to February 28, 2005 represents the performance for the original share class of the Fund, the Class I shares. Nicholas Limited Edition – Class I shares were first offered for sale on May 18, 1987.

The bar chart shown below provides some indication of the risks of investing in the Fund. The chart shows the variability of the total return of the Fund's shares for the last ten calendar years. Updated performance information for the Fund is available on our website at [www.nicholasfunds.com](http://www.nicholasfunds.com).

### Nicholas Limited Edition, Inc. – Class N linked to Class I



For the ten calendar year periods shown in the above bar chart, the highest quarterly return was 18.40% (for the quarter ended June 30, 2009) and the lowest quarterly return was -21.25% (for the quarter ended December 31, 2008).

This next table shows how the average annual total returns for the Fund's Class I shares linked to Class N shares for the one, five and ten year periods ending on December 31, 2011 (the Fund's most recently completed calendar year), compared to the returns of broad measures of market performance and the performance average of similar mutual funds. The table also shows the average annual total returns for the Fund after taxes on distributions and after taxes on distributions and the redemption of all of your Fund shares. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

	<u>One Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Nicholas Limited Edition, Inc.</b>			
Return Before Taxes .....	0.98%	5.40%	6.06%
Return After Taxes on Distributions .....	0.12%	4.67%	5.45%
Return After Taxes on Distributions and Sale of Fund Shares .....	1.80%	4.55%	5.21%
<b>Russell 2000 Growth Index</b>			
(reflects no deduction for fees, expenses or taxes) .....	-2.91%	2.09%	4.48%
<b>Russell 2000 Index</b>			
(reflects no deduction for fees, expenses or taxes) .....	-4.18%	0.15%	5.62%
<b>Morningstar Small-Cap Growth Category</b>			
(reflects no deduction for taxes) .....	-3.55%	1.31%	4.38%

*Of course, the Fund's past performance (before and after taxes) is no guarantee of its future returns.*

### Investment Adviser

Nicholas Company, Inc. serves as the Fund's investment adviser (the "Adviser").

## **Portfolio Manager**

Mr. David O. Nicholas is President, a Director and Portfolio Manager of the Fund and is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Nicholas has been Portfolio Manager of the Fund since 1993.

## **Purchase and Sale of Fund Shares**

The minimum initial investment for the Class N shares of the Fund is \$500. The minimum subsequent investment is \$100 except for those shareholders participating in an automatic investment plan established with the Fund, the minimum is \$50.

The Fund's shares are redeemable. Generally, shareholders may redeem some or all of their shares without charge by the Fund on any day when the New York Stock Exchange is open by written request, by telephone request by calling 800-544-6547, by accessing your account online at [www.nicholasfunds.com](http://www.nicholasfunds.com) or by wire transfer.

## **Tax Information**

Shareholders may receive distributions from the Fund of ordinary income dividends and capital gains, which may be taxable to shareholders.

## **Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank or financial adviser), the Fund and its related companies may pay that intermediary for the sale of Fund shares and related services. Please bear in mind that these payments may create a conflict of interest by influencing the broker-dealer or other intermediary to recommend the Fund over another investment. Ask your intermediary or visit your intermediary's website for more information.

## SUMMARY – NICHOLAS HIGH INCOME FUND, INC.

### Investment Objectives

The Fund seeks high current income as its primary investment objective. Capital appreciation is a secondary objective that is sought only when consistent with the Fund's primary investment objective.

### Fees and Expenses of the Fund

The table below describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

#### Shareholder Fees

*(fees paid directly from your investment)*

	Class N
Maximum Sales Charge (Load) Imposed on Purchases .....	None
Maximum Deferred Sales Charge (Load) .....	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends .....	None
Wire Redemption Fee .....	\$15.00
Exchange Fee .....	None

#### Annual Fund Operating Expenses

*(expenses that you pay each year as a percentage of the value of your investment)*

Management Fees .....	0.45%
Distribution (12b-1) Fees .....	0.25%
Other Expenses .....	0.36%
<b>Total Annual Fund Operating Expenses .....</b>	<b>1.06%</b>

**Example:** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

<u>One</u> <u>Year</u>	<u>Three</u> <u>Years</u>	<u>Five</u> <u>Years</u>	<u>Ten</u> <u>Years</u>
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The Example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same.

Although your actual costs may be higher or lower, based on these assumptions, your costs would be: . . . . . \$108      \$337      \$585      \$1,294

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 61.19% of the average value of the portfolio.

### Principal Investment Strategies

To pursue the Fund's investment objective, it primarily invests in a diversified portfolio of high yield corporate bonds (also known as "non-investment grade bonds" or "junk bonds").

The Fund's fixed income investments may include rated and unrated securities. The Fund may invest in securities of any credit quality. The Fund is not subject to any limitations as to the percentage of its assets which must be invested in securities within the rating categories. However, the Fund generally invests a significant portion of its assets in non-investment grade debt securities (securities with lower credit qualities). The Fund invests in both short-term and long-term debt, and is not limited as to the maturities of the corporate debt securities in which it invests. The Fund does not have a pre-

set asset allocation strategy which would require that the Fund maintain a specific percentage of its assets in income-related securities (i.e., bonds) and equity-related securities (i.e., stocks).

In selecting investments, the Adviser performs its own in-depth credit analysis on the credit quality of issuers. In this evaluation, the Adviser will consider, among other things, the issuer's financial resources, its sensitivity to economic conditions and trends, its operating history, the quality of the issuer's management and regulatory matters. The Adviser also evaluates the long-term outlook for interest rate movement in selecting investments. By doing so, the Adviser attempts to mitigate potential interest rate and credit risk volatility by selecting investments which it believes offer reasonable prospects for preservation of capital values.

## Principal Risks of Investing

As with any mutual fund, the Fund cannot guarantee that it will achieve its goals or that its performance will be positive over any period of time. The Fund's investments change in value. Consequently, the value of your Fund shares may change. If the value of the Fund shares or the values of the Fund's investments go down, you may lose money.

The principal risks of investing in the Fund are:

- **Credit Risk** – Credit risk refers to an issuer's ability to make timely payments of interest or principal. Because the Fund primarily invests in non-investment grade debt securities (securities with lower credit qualities), the Fund is subject to a higher level of credit risk than a fund that only invests in investment grade securities. Recognized rating agencies consider the credit quality of non-investment grade securities to be speculative with respect to the issuer's continuing ability to pay interest or principal. Lower grade securities may have less liquidity, a higher incidence of default and the Fund may incur higher expenditures to protect the Fund's interest in such securities than investments in higher grade securities. Issuers of lower grade securities generally are more sensitive to negative corporate developments, such as a decline in issuer profits, or adverse economic conditions, such as a recession, than issuers of higher grade securities.
- **Interest Rate Risk** – Interest rate risk refers to the risk that the prices of the Fund's investments, particularly the debt securities in which the Fund primarily invests, are likely to fall if interest rates rise. This is because the prices of debt securities typically move in the opposite direction of interest rates. Debt securities with longer maturities generally are affected to a greater degree than debt securities with shorter maturities. Because the Fund does not have a policy limiting the maturity of its investments, and the Fund may invest in debt securities with longer maturities, the Fund may be subject to greater interest rate risk than a fund that invests primarily in short-term debt securities.
- **High Yield Bond Market Risk** – The entire high yield bond market can experience sudden and sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors, a high-profile default or just a change in the market's volatility.
- **Call Risk** – If interest rates fall, it is possible that issuers of bonds with high interest rates will prepay or "call" their bonds before their maturity dates. In such event, the proceeds could be reinvested by the Fund in bonds with the new, lower interest rates, resulting in a possible decline in the Fund's income and distributions to shareholders.
- **Selection Risk** – The Fund also is subject to selection risk, which is the risk that the investments the Fund's adviser selects will underperform markets or other mutual funds with similar investment objectives and strategies.
- **Liquidity Risk** – The Fund may invest in restricted or illiquid securities. Difficulty in selling a security may result in a loss to the Fund or additional costs. In addition, because the market for lower rated debt securities may be thinner and less active than for higher rated securities, there may be market price volatility for the Fund's lower rated debt securities and limited liquidity in the resale market.

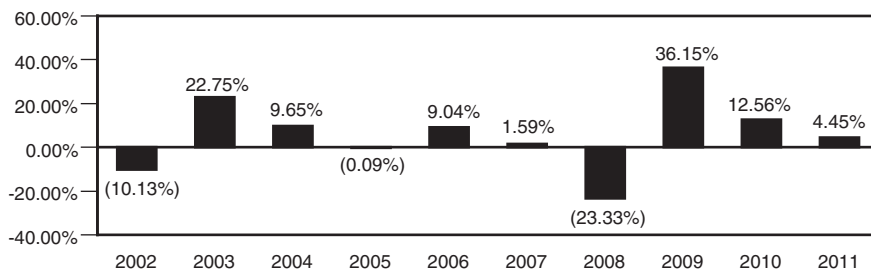
Since there are risks inherent in all investments in securities, there is no assurance that the Fund's objectives will be achieved.

## Performance

Class N shares of the Fund were first offered for sale on February 28, 2005; therefore, the performance information shown for periods prior to February 28, 2005 represents the performance for the original share class of the Fund, the Class I shares. Nicholas High Income – Class I shares came under the Adviser's management on November 21, 1977.

The bar chart shown below provides some indication of the risks of investing in the Fund. The chart shows the variability of the total return of the Fund's shares for the last ten calendar years. Updated performance information for the Fund is available on our website at [www.nicholasfunds.com](http://www.nicholasfunds.com).

### Nicholas High Income Fund, Inc. – Class N linked to Class I



For the ten calendar year periods shown in the above bar chart, the highest quarterly return was 10.84% (for the quarter ended June 30, 2009) and the lowest quarterly return was -16.38% (for the quarter ended December 31, 2008).

This next table shows how the average annual total returns for the Fund's Class I shares linked to Class N shares for the one, five and ten year periods ending on December 31, 2011 (the Fund's most recently completed calendar year), compared to the returns of a broad measure of market performance. The table also shows the average annual total returns after taxes on distributions and the redemption of all of your Fund shares. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. Updated performance information for the Fund is available on our website at [www.nicholasfunds.com](http://www.nicholasfunds.com).

	<u>One Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Nicholas High Income Fund, Inc.</b>			
Return Before Taxes .....	4.45%	4.51%	5.09%
Return After Taxes on Distributions .....	2.00%	2.10%	2.45%
Return After Taxes on Distributions and Sale of Fund Shares .....	2.95%	5.00%	2.75%
<b>Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index (reflects no deduction for taxes) .....</b>			
	4.37%	7.54%	8.73%

The Fund's Class N 30-day annualized yield at December 31, 2011 was 7.42%. Investors can obtain the Fund's current yield by calling 800-544-6547 (toll-free).

*Of course, the Fund's past performance (before and after taxes) is no guarantee of its future returns.*

## **Investment Adviser**

Nicholas Company, Inc. serves as the Fund's investment adviser (the "Adviser").

## **Portfolio Manager**

Mr. Lawrence J. Pavelec is a Senior Vice President of the Fund and is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Pavelec has been Portfolio Manager of the Fund since April 2008. He served as Co-Portfolio Manager of the Fund from April 2003 until April 2008.

## **Purchase and Sale of Fund Shares**

The minimum initial investment for the Class N shares of the Fund is \$500. The minimum subsequent investment is \$100 except for those shareholders participating in an automatic investment plan established with the Fund, the minimum is \$50.

The Fund's shares are redeemable. Generally, shareholders may redeem some or all of their shares without charge by the Fund on any day when the New York Stock Exchange is open by written request, by telephone request by calling 800-544-6547, by accessing your account online at [www.nicholasfunds.com](http://www.nicholasfunds.com) or by wire transfer.

## **Tax Information**

Shareholders may receive distributions from the Fund of ordinary income dividends and capital gains, which may be taxable to shareholders.

## **Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank or financial adviser), the Fund and its related companies may pay that intermediary for the sale of Fund shares and related services. Please bear in mind that these payments may create a conflict of interest by influencing the broker-dealer or other intermediary to recommend the Fund over another investment. Ask your intermediary or visit your intermediary's website for more information.

# INVESTMENT OBJECTIVES, PRINCIPAL INVESTMENT STRATEGIES, RELATED RISKS AND DISCLOSURE OF PORTFOLIO HOLDINGS

This section provides a more detailed description of each Fund’s investment objective, its principal investment strategies and related risks. The following questions and answers are designed to help you better understand each Fund’s principal investment strategies and the principal risks of investing in the Funds.

## Nicholas II, Inc. and Nicholas Limited Edition, Inc.

**What are the funds’ investment objectives?** The investment objectives of Nicholas II, Inc. and Nicholas Limited Edition, Inc. are to increase the value of your investment over the long-term (“long-term growth”). The funds’ Board of Directors may change the funds’ investment objective without shareholder approval, and in such event, the funds will provide you with advance notice of any change in investment objective.

**How does each Fund pursue its investment objective?** Nicholas II and Nicholas Limited Edition strive to meet their investment objectives by investing primarily in a diversified portfolio of equity securities of domestic companies, which they believe, have growth potential. In terms of market capitalization, Nicholas II invests primarily in mid-cap companies while Nicholas Limited Edition invests primarily in small- and mid-cap companies.

The funds believe a company’s annual sales volume and market capitalization (the number of shares outstanding multiplied by the per share price) are the factors most illustrative of a company’s size. To determine company size in terms of sales volume, the funds compares a company’s sales volume to peer companies in the company’s industry. In terms of market capitalization, the funds use the following standard:

	<u>Market Capitalization</u>
Small . . . . .	0 to \$2 Billion
Medium . . . . .	\$2 Billion to \$10 Billion
Large . . . . .	Over \$10 Billion

To pursue its goal, Nicholas II also may, to a lesser extent, invest in companies with small and large capitalizations and Nicholas Limited Edition also may, to a lesser extent, invest in companies with large capitalizations. Each funds investment philosophy is basically a long-term growth philosophy, based upon the assumption that if a company achieves superior growth in sales and earnings, eventually the company’s stock will achieve superior performance.

Each fund looks for companies with the potential for superior growth in sales and earnings. They seek companies that they believe are well positioned to take advantage of emerging, long-term social and economic trends, and have ample financial resources to sustain their growth. Each fund considers a number of factors in assessing a company’s value, including:

- a company’s strategic position in its industry;
- sales and earnings growth;
- attractive operating margins;
- ability to generate positive free cash flow;
- low debt-to-capital;
- product development;
- quality of management;
- overall business prospects; and
- A company’s price-to-earnings ratio (including an analysis of such ratio in relation to the company’s growth rate and industry trends).

There is no minimum percentage of each fund's assets which must be invested in the securities of companies in any particular industry or group of industries. In order to be classified as a diversified investment company, each fund must meet certain criteria established by the Investment Company Act of 1940, as amended. These regulations currently state that as to 75% of a fund's assets, at the date of investment, a fund may not (a) invest more than 5% of the value of such assets in the securities of any one issuer, or (b) invest in more than 10% of the voting securities of any one issuer.

Each fund may hold an investment for any length of time, and may buy or sell securities whenever it observes an appropriate opportunity. The funds may reduce or sell investments in companies if there is an actual or perceived deterioration in the fundamentals of a company (including the company's financial condition or performance, management-related problems, product-line or service-line issues, or industry problems). Nicholas II also may reduce or sell investments in companies if a company's market capitalization grows to a point that it is clearly no longer a medium-capitalization stock, or a small- or medium-capitalization stock for Nicholas Limited Edition, or if a company's stock price appreciates excessively in relation to its fundamental prospects. Investments in companies also may be sold if they fail to realize their growth potential or if there are other more attractive opportunities elsewhere.

Certain circumstances also may arise in which either or both of the funds takes a temporary defensive position. In the case of a temporary defensive position, which could arise from adverse market, economic, political or other conditions, each fund may hold up to 100% of its portfolio in cash, cash equivalents or U.S. government securities. During any period in which such fund maintains such a temporary defensive position, it may not achieve its investment objective.

Percentage limitations generally apply on the date of investment by each fund to the extent permitted by the Investment Company Act of 1940, as amended. Thus, if an investment satisfies a percentage restriction when it is made, no violation of that restriction is created by changes afterwards in the market value of the investment or the total assets of such fund.

## **Nicholas High Income Fund, Inc.**

**What is the Fund's primary investment objective?** The investment objective of Nicholas High Income Fund, Inc. is to obtain high current income. In addition, capital appreciation is a secondary goal that is sought only when consistent with the Fund's primary investment objective. Capital appreciation may result, for example, from an improvement in the credit standing of an issuer whose securities are held in the Fund's portfolio or from a general lowering of interest rates, or a combination of both. The Fund's Board of Directors may change the Fund's investment objective without shareholder approval, and in such event, the Fund will provide you with advance notice of any change in investment objective.

**How does the Fund pursue its primary investment objective?** The Fund strives to meet its primary investment objective by investing primarily in a diversified portfolio of high yield corporate bonds (also known as "non-investment grade bonds" or "junk bonds").

In selecting its investments, the Adviser performs its own in-depth credit analysis on the credit quality of issuers. In this evaluation, the Adviser will consider, among other things, the issuer's financial resources, its sensitivity to economic conditions and trends, its operating history, the quality of the issuer's management and regulatory matters. The Adviser also evaluates the long-term outlook for interest rate movement. By doing so, the Adviser attempts to mitigate potential interest rate and credit risk volatility by selecting investments which it believes also offer reasonable prospects for preservation of capital values.

In order to be classified as a diversified investment company, the Fund must meet certain criteria established by the Investment Company Act of 1940, as amended. These regulations currently state that as to 75% of the Fund's assets, at the date of investment, the Fund may not (a) invest more than 5% of the value of such assets in the securities of any one issuer, or (b) invest in more than 10% of the voting securities of any one issuer.

**What is the credit quality of the Fund's fixed income investments?** The Fund's fixed income investments may include rated and unrated securities. The Fund may invest in securities of any credit quality. The Fund is not subject to any limitations as to the percentage of its assets which must be invested in securities within the rating categories. However, the Fund generally invests a significant portion of its assets in non-investment grade debt securities (securities with lower credit qualities).

The next table is designed to help you understand credit ratings and detail the Fund's credit quality as of December 31, 2011.

### **Understanding Credit Quality Ratings**

*Rating agencies such as Standard & Poor's Corporation ("S&P") and Moody's Investor Service, Inc. ("Moody's") evaluate securities on the basis of the issuer's ability to meet all required principal and interest payments. Bonds with ratings above the line in the chart below are considered "investment grade," while those with ratings below the line are regarded as "non-investment grade" or "junk bonds."*

<u>S&amp;P</u>	<u>Moody's</u>	<u>Meaning</u>
AAA	Aaa	Highest Quality
AA	Aa	High Quality
A	A	Above-average Quality
BBB	Baa	Average Quality
BB	Ba	Average Quality
B	B	Below-average Quality
CCC	Caa	Poor Quality
CC	Ca	Highly Speculative
C	C	Lowest Quality
D	-	In Default

**A detailed explanation of these ratings can be found in the appendix to this prospectus.**

*At December 31, 2011, 89.51% of the Fund's total net assets were invested in rated and unrated convertible and non-convertible bonds. The following table shows the credit quality allocation of the portion of the Fund's assets invested in such securities at December 31, 2011.*

<u>Credit Rating Category</u>	<u>Moody's</u>	<u>Percentage of Total Net Assets</u>
	Aaa	—%
	Aa	—%
	A	—%
	Baa	—%
	Ba	19.37%
	B	59.42%
	Caa	10.72%
	Ca	—%
	C	—%
	-	—%
	Not Rated	—%
	Total	<u>89.51%</u>

**Rated Securities.** For rated securities, the Fund may invest in securities of any credit quality. In addition to relying, in part, on the ratings assigned to the debt securities, the Fund also will rely on the Adviser's judgment, analysis and experience in evaluating the credit worthiness of the issuer. Accordingly, the achievement of the Fund's investment objectives may be more dependent on the Adviser's own credit analysis than would be the case if the Fund invested primarily in higher quality debt securities.

**Unrated Securities.** The Fund will invest in unrated securities only when the Adviser believes the financial condition of the issuers of such securities and/or protection afforded by the terms of the securities limit the risk to the Fund to a degree comparable to that of rated securities in which the Fund may invest.

**Does the Fund have a policy limiting the maturity of investments?** The Fund does not have a policy limiting the maturity of its investments. The Fund invests in both short-term and long-term debt and equity securities. Debt securities with longer maturities generally tend to produce higher yields but are subject to greater interest rate risk than debt securities with shorter maturities. Most preferred stocks have no stated maturity or redemption date.

The Fund does not have a pre-set asset allocation strategy which would require that the Fund maintain a specific percentage of its assets in income-related securities (i.e., bonds) and equity-related securities (i.e., stocks).

Certain circumstances also may arise in which the Fund takes a temporary defensive position. In the case of a temporary defensive position, which could arise from adverse market, economic, political or other conditions, the Fund may hold up to 100% of its portfolio in cash, cash equivalents or U.S. government securities. During any period in which the Fund maintains such a temporary defensive position, it may not achieve its investment objective.

Percentage limitations generally apply on the date of investment by the Fund to the extent permitted by the Investment Company Act of 1940, as amended. Thus, if an investment satisfies a percentage restriction when it is made, no violation of that restriction is created by changes afterwards in the market value of the investment or total assets of the Fund.

## Principal Risks of Investing in the Funds

**Market Risk.** (Applies to Nicholas II, Inc. and Nicholas Limited Edition, Inc.) The value of a Fund's investments, and therefore, the value of your Fund shares, may go up or down. Value changes in a Fund's investments and consequently, your Fund shares may occur because among other things, a particular stock market fluctuates. Stock markets tend to move in cycles, with periods when stock prices generally go up, known as "bull markets," and periods when stock prices generally go down, referred to as "bear markets." Stock prices in general may decline over short or extended periods. Thus, there is a possibility that the value of a Fund's investments will decrease because of declines in the stock market, regardless of the success or failure of the operations of a Fund's portfolio companies. At other times, there are specific factors that may adversely affect the value of a particular investment of a Fund, which in turn may reduce the value of a Fund's investments, and consequently, your Fund shares.

**Selection Risk.** (Applies to all Funds) Each Fund also is subject to selection risk, which is the risk that the stocks the Fund buys will underperform the markets or other mutual funds with similar investment objectives and strategies.

**Portfolio-Specific Risk.** (Applies to Nicholas II, Inc. and Nicholas Limited Edition, Inc.) From time to time, the value of an individual company may decline due to a particular set of circumstances affecting that company, its industry or certain companies within the industry, while having little or no impact on other similar companies within the industry. Because the Fund invests most of its assets in the securities of small- and mid-cap companies, the Fund may be subject to additional risks. Small-cap companies often have a limited market for their securities and limited financial resources, and are usually more affected by changes in the economy. Securities of small to medium capitalization companies also often fluctuate in price more than common stocks of larger capitalization companies. If the value of the Fund's investments in small- to medium-cap companies decreases, the value of the Fund's shares also may go down.

**Credit Risk.** (Applies to Nicholas High Income Fund, Inc.) Credit risk refers to an issuer's ability to make timely payments of interest or principal. Recognized rating agencies consider non-investment grade securities (securities with lower credit qualities) to be speculative with respect to the issuer's continuing ability to pay interest or principal. Because the Funds may invest in non-investment grade

debt securities, these Funds are subject to a higher level of credit risk than a fund that only invests in investment grade securities. Lower grade securities may have less liquidity, a higher incidence of default and a Fund may incur higher expenditures to protect the Fund's interest in such securities than investments in higher grade securities. Issuers of lower grade securities generally are more sensitive to negative corporate developments, such as a decline in profits, or adverse economic conditions, such as a recession, than issuers of higher grade securities. In addition, the achievement of a Fund's investment goals may be more dependent on the Adviser's own credit analysis than would be the case if the Fund invested in higher quality debt securities.

While the risk of investing in lower rated securities with speculative characteristics is greater than the risk of investing in higher rated securities, the Fund's attempt to minimize this risk through diversification of its investments and by analysis of each issuer and its ability to make timely payments of interest and principal.

**Interest Rate Risk.** (Applies to Nicholas High Income Fund, Inc.) Interest rate risk refers to the risk that the prices of a Fund's investments, particularly the debt securities in which the Funds may invest, are likely to fall if interest rates rise. This is because the prices of debt securities typically move in the opposite direction of interest rates. Debt securities with longer maturities generally are affected by changes in interest rates to a greater degree than debt securities with shorter maturities. Because the Funds do not have a policy limiting the maturity of its investments, and a Fund may invest in debt securities with longer maturities, the Funds may be subject to greater interest rate risk than a fund that primarily invests in short-term debt securities. In addition, the income you receive from a Fund is based primarily on interest rates, which can vary widely over the short- and long-term. If interest rates decline, your income from a Fund may decline as well.

**High Yield Bond Market Risk.** (Applies to Nicholas High Income Fund, Inc.) The entire high yield bond market can experience sudden and sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors, a high-profile default or just a change in the market's volatility.

**Call Risk.** (Applies to Nicholas High Income Fund, Inc.) If interest rates fall, it is possible that issuers of bonds with high interest rates will prepay or "call" their bonds before their maturity dates. In such event, the proceeds could be reinvested by a Fund in bonds with the new, lower interest rates, resulting in a possible decline in the Fund's income and distributions to shareholders.

**Liquidity Risk.** (Applies to Nicholas High Income Fund, Inc.) From time to time, the Fund may purchase a portion of bonds, debentures or other debt securities in private placements. Restricted securities may have a contractual limit on resale or may require registration under federal securities laws before they can be sold publicly. Difficulty in selling these securities may result in a loss to the Fund or additional costs, which could adversely impact the Fund's net asset value. However, the Fund is subject to an operating policy adopted by the Fund's Board that the Fund will not invest more than 15% of its total assets in illiquid securities. While this policy is subject to change by the Fund's Board without a shareholder vote, as matter of practice, the Fund will not change such policy without prior notice to its shareholders. In addition, because the market for lower rated debt securities may be thinner and less active than for higher rated securities, there may be market price volatility for the Fund's lower rated debt securities and limited liquidity in the resale market.

**Risks Related to Certain Other Portfolio Investments and Strategies.** (Applies to all Funds) Each Fund may use other investment strategies. These strategies and the associated non-principal risks are described in further detail in each Fund's Statement of Additional Information ("SAI"), which is incorporated by reference herein.

**Disclosure of Portfolio Holdings.** A description of each Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities is available in the Fund's SAI. There can be no assurance that a Fund's policies with respect to information about its portfolio securities will be effective or protect the Fund from the potential misuse of holdings by individuals or firms in possession of that information. The Fund's complete portfolio holdings are made available to the public on a quarterly basis generally no later than 60 days after the end of each calendar quarter end. A summary

of the Fund's portfolio composition is also posted to the Fund's website at [www.nicholasfunds.com](http://www.nicholasfunds.com) under the heading "Quarterly Factsheet" generally 10 days or more following a calendar quarter end. This summary composition may include the Fund's top ten holdings and a breakdown by sector.

*The Funds may use many different investment strategies in seeking their investment objectives, and each has certain investment restrictions. These strategies and certain of the restrictions and policies governing each of the Fund's investments are explained in detail in the Funds' SAI's, each of which is incorporated by reference herein. If you would like to learn more about how a Fund may invest and the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities, you should request a copy of such Fund's SAI. To learn how to obtain a copy, see the back cover page of this Prospectus.*

*As with any mutual fund, there can be no guarantee that a Fund will achieve its goals or that you will not lose money on your investment. There is no guarantee that a Fund's performance will be positive over any period of time. In view of the risks inherent in all investments in securities, there is no assurance that a Fund's objective will be achieved.*

## FINANCIAL HIGHLIGHTS

### Nicholas II, Inc.

The financial highlights table is intended to help you understand Nicholas II, Inc.'s Class N financial performance for the past five fiscal periods ended September 30, 2011. Certain information reflects financial results for a single Class N share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). The information for the periods ended September 30, 2011, 2010, 2009 and 2008 has been audited by Deloitte & Touche LLP, Independent Registered Public Accounting Firm, whose report, along with the Fund's financial statements and related notes, are included in the Fund's Annual Report, which is incorporated herein by reference and which may be obtained without charge by calling or writing the Fund. The information relating to the Fund for the year ended September 30, 2007 was audited by other auditors.

	<u>Years Ended September 30,</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
NET ASSET VALUE,					
BEGINNING OF PERIOD . . . . .	\$19.11	\$16.87	\$19.04	\$25.03	\$23.00
INCOME (LOSS) FROM					
INVESTMENT OPERATIONS					
Net investment income (loss) <sup>(1)</sup> . . . . .	.02	.02	.07	.03	(.00) <sup>(2)</sup>
Net gain (loss) on securities					
(realized and unrealized) . . . . .	(.21)	2.29	(1.02)	(3.44)	3.08
Total from investment operations . . . . .	<u>(.19)</u>	<u>2.31</u>	<u>(.95)</u>	<u>(3.41)</u>	<u>3.08</u>
LESS DISTRIBUTIONS					
From net investment income . . . . .	(.05)	(.07)	(.10)	(.01)	—
From net capital gain . . . . .	(.38)	—	(1.12)	(2.57)	(1.05)
Total distributions . . . . .	<u>(.43)</u>	<u>(.07)</u>	<u>(1.22)</u>	<u>(2.58)</u>	<u>(1.05)</u>
NET ASSET VALUE,					
END OF PERIOD . . . . .	<u>\$18.49</u>	<u>\$19.11</u>	<u>\$16.87</u>	<u>\$19.04</u>	<u>\$25.03</u>
TOTAL RETURN . . . . .	(1.25)%	13.70%	(3.17)%	(14.92)%	13.77%
SUPPLEMENTAL DATA:					
Net assets, end of year (millions) . . . . .	\$102.9	\$44.1	\$31.9	\$1.8	\$0.8
Ratio of expenses to average net assets . . . . .	.99%	1.00%	.98%	1.02%	1.01%
Ratio of net investment income (loss)					
to average net assets . . . . .	.10%	.12%	.48%	.09%	(.01)%
Portfolio turnover rate . . . . .	27.93%	28.67%	32.86%	27.48%	19.56%

(1) Computed based on average shares outstanding.

(2) The amount rounds to \$0.00.

*Please consider the performance information above in light of the Fund's investment objectives and policies, and market conditions during the reported time periods. Again, you must remember that historical performance does not necessarily indicate what will happen in the future. The value of your Class N shares may go up and down.*

## Nicholas Limited Edition, Inc.

The financial highlights table is intended to help you understand Nicholas Limited Edition, Inc.'s Class N financial performance for the past five years ended December 31, 2011. Certain information reflects financial results for a single Class N share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). The information has been audited by Deloitte & Touche LLP, Independent Registered Public Accounting Firm, whose report, along with the Fund's financial statements and related notes, are included in the Fund's Annual Report, which is incorporated by reference into the SAI and which may be obtained without charge by calling or writing the Fund.

	<u>Years Ended December 31,</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
NET ASSET VALUE,					
BEGINNING OF PERIOD .....	\$21.50	\$17.54	\$13.78	\$19.86	\$19.51
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income (loss) <sup>(1)</sup> .....	(.11)	(.06)	(.04)	.01	(.06)
Net gain on securities (realized and unrealized) .....	<u>.33</u>	<u>5.56</u>	<u>3.80</u>	<u>(6.05)</u>	<u>2.17</u>
Total from investment operations .....	<u>.22</u>	<u>5.50</u>	<u>3.76</u>	<u>(6.04)</u>	<u>2.11</u>
LESS DISTRIBUTIONS					
From net investment income .....	—	—	.00 <sup>(2)</sup>	(.01)	—
From net capital gain .....	<u>(1.25)</u>	<u>(1.54)</u>	<u>—</u>	<u>(.03)</u>	<u>(1.76)</u>
Total distributions .....	<u>(1.25)</u>	<u>(1.54)</u>	<u>.00<sup>(2)</sup></u>	<u>(.04)</u>	<u>(1.76)</u>
NET ASSET VALUE,					
END OF PERIOD .....	<u>\$20.47</u>	<u>\$21.50</u>	<u>\$17.54</u>	<u>\$13.78</u>	<u>\$19.86</u>
TOTAL RETURN .....	.98%	31.28%	27.29%	(30.41)%	10.74%
SUPPLEMENTAL DATA:					
Net assets, end of period (millions) .....	\$30.8	\$22.6	\$12.3	\$7.7	\$3.7
Ratio of expenses to average net assets .....	1.24%	1.19%	1.16%	1.12%	1.26%
Ratio of net investment income (loss) to average net assets .....	(.52)%	(.30)%	(.28)%	.07%	(.30)%
Portfolio turnover rate .....	37.64%	40.04%	40.41%	35.64%	26.11%

(1) Computed based on average shares outstanding.

(2) Rounds to \$0.00.

*Please consider the performance information above in light of the Fund's investment objectives and policies, and market conditions during the reported time periods. Again, you must remember that historical performance does not necessarily indicate what will happen in the future. The value of your Class N shares of the Fund may go up and down.*

## Nicholas High Income Fund, Inc.

The financial highlights table is intended to help you understand Nicholas High Income Fund, Inc.'s Class N financial performance for the past five years ended December 31, 2011. Certain information reflects financial results for a single Class N share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions). The information has been audited by Deloitte & Touche LLP, Independent Registered Public Accounting Firm, whose report, along with the Fund's financial statements and related notes, are included in the Fund's Annual Report, which is incorporated by reference into the SAI and which may be obtained without charge by calling or writing the Fund.

	<u>Years Ended December 31,</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
NET ASSET VALUE,					
BEGINNING OF PERIOD .....	\$9.64	\$9.18	\$7.24	\$10.06	\$10.60
INCOME FROM					
INVESTMENT OPERATIONS					
Net investment income .....	.66	.69	.63	.52	.71
Net gain (loss) on securities					
(realized and unrealized) .....	(.23)	.44	1.94	(2.82)	(.54)
Total from					
investment operations .....	.43	1.13	2.57	(2.30)	.17
LESS DISTRIBUTIONS					
From net investment income .....	(.68)	(.67)	(.63)	(.52)	(.71)
NET ASSET VALUE,					
END OF PERIOD .....	<u>\$9.39</u>	<u>\$9.64</u>	<u>\$9.18</u>	<u>\$ 7.24</u>	<u>\$10.06</u>
TOTAL RETURN .....	4.45%	12.56%	36.15%	(23.33)%	1.59%
SUPPLEMENTAL DATA:					
Net assets, end of period (millions) .....	\$2.6	\$3.4	\$16.2	\$0.09	\$1.13
Ratio of expenses to					
average net assets .....	1.06%	1.06%	1.06%	1.06%	1.07%
Ratio of net investment					
income to average net assets .....	7.07%	7.34%	7.67%	6.72%	6.58%
Portfolio turnover rate .....	61.19%	78.23%	88.33%	61.42%	59.14%

*Please consider the performance information above in light of the Fund's investment objectives and policies, and market conditions during the reported time periods. Again, you must remember that historical performance does not necessarily indicate what will happen in the future. The value of your Class N shares may go up and down.*

## THE FUND'S INVESTMENT ADVISER

Nicholas Company, Inc., located at 700 North Water Street, Milwaukee, Wisconsin 53202, is the Funds investment adviser. The Adviser furnishes each Fund with continuous investment services and is responsible for overall management of each Fund's business affairs, subject to supervision by each Fund's Board of Directors.

The Adviser is the investment adviser to three other mutual funds and to numerous institutions and individuals with substantial investment portfolios. The additional mutual funds it advises are: Nicholas Equity Income Fund, Inc., Nicholas Fund, Inc. and Nicholas Money Market Fund, Inc. As of December 31, 2011, the Adviser had approximately \$2.7 billion in assets under management.

The annual fee paid to the Adviser under each Investment Advisory Agreement is paid monthly and is based on the average net asset value of each Fund, as determined by valuations made at the close of each business day of the month.

For each of the Funds, the following tables illustrate the calculation of the Adviser's annual fee:

### Nicholas II, Inc.

<u>Net Asset Value of the Fund</u>	<u>Annual Fee Calculation (Based on the Average Net Asset Value of the Fund)</u>
Up to and including \$50,000,000	0.75 of 1%
Over \$50,000,000 and including \$100,000,000	0.60 of 1%
In excess of \$100,000,000	0.50 of 1%

### Nicholas Limited Edition, Inc.

<u>Net Asset Value of the Fund</u>	<u>Annual Fee Calculation (Based on the Average Net Asset Value of the Fund)</u>
In excess of \$0	0.75 of 1%

### Nicholas High Income Fund, Inc.

<u>Net Asset Value of the Fund</u>	<u>Annual Fee Calculation (Based on the Average Net Asset Value of the Fund)</u>
Up to and including \$50,000,000	0.50 of 1%
Over \$50,000,000 and including \$100,000,000	0.40 of 1%
In excess of \$100,000,000	0.30 of 1%

For the fiscal year ended September 30, 2011, the aggregate fee paid to the Adviser for Nicholas II, Inc. was 0.53% of the Fund's average net assets. For the fiscal year ended December 31, 2011, the aggregate fee paid to the Adviser for Nicholas Limited Edition, Inc. was 0.75% of the Fund's average net assets. For the fiscal year ended December 31, 2011, the aggregate fee paid to the Adviser for Nicholas High Income Fund, Inc. was 0.45% of the Fund's average net assets. The Adviser has agreed to reduce the annual fee by any operating expenses (other than the management fee) incurred by Nicholas High Income Fund, Inc. in excess of 0.85 of 1% of average daily net assets. The Adviser shall at least annually reimburse the Fund for all expenses incurred in excess of this amount.

A discussion regarding the basis for each Board of Director's approval of each Fund's Investment Advisory Agreement is available in each Fund's Semiannual or Annual Report to Shareholders for the periods ended March 31, December 31 and June 30 for Nicholas II, Inc., Nicholas Limited Edition, Inc. and Nicholas High Income Fund, Inc., respectively.

Under separate Investment Advisory Agreements with the Funds, the Adviser, at its own expense and without reimbursement from the Funds, furnishes the Funds with office space, office facilities and executive officers and executive expenses (such as health insurance premiums for executive officers).

Each Fund pays all of its operating expenses. Operating expenses include, but are not limited to, fees paid for attendance at Board meetings to directors who are not interested persons of the Adviser or officers or employees of each Fund, salaries of administrative and clerical personnel, association membership dues, auditing and accounting services, legal fees and expenses, printing, fees and

expenses of any custodian or trustee having custody of Fund assets, postage, charges and expenses of dividend disbursing agents, registrars and stock transfer agents, including the cost of keeping all necessary shareholder records and accounts and handling any problems related thereto, and certain other costs related to the aforementioned items. Each Fund also pays the Adviser for accounting and administrative services provided to the Funds by the Adviser that a Fund is obligated to pay under its Investment Advisory Agreement, subject to certain payment guidelines adopted by unanimous resolution of the Board of Directors. A description of the payment guidelines is included in each Fund's SAI under "The Fund's Investment Adviser"

## Portfolio Management

**Nicholas II, Inc.** Mr. David O. Nicholas is President, a Director and Portfolio Manager of the Fund and is primarily responsible for the day-to-day management of the Fund's portfolio. He has been Portfolio Manager of the Fund's portfolio since March 1993. Mr. David O. Nicholas is Chief Investment Officer and a Director of the Adviser, and has been employed by the Adviser since 1986. Mr. David O. Nicholas is a Chartered Financial Analyst.

**Nicholas Limited Edition, Inc.** Mr. David O. Nicholas is President, a Director and Portfolio Manager of the Fund and is primarily responsible for the day-to-day management of the Fund's portfolio. He has been Portfolio Manager of the Portfolio since March 1993. David O. Nicholas is Chief Investment Officer and a Director of the Adviser, and has been employed by the Adviser since 1986. Mr. David O. Nicholas is a Chartered Financial Analyst.

**Nicholas High Income Fund, Inc.** Mr. Lawrence J. Pavelec is a Senior Vice President and Portfolio Manager of the Fund and is primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Lawrence J. Pavelec served as Co-Portfolio Manager of the Fund from April 2003 until April 2008, and is a Senior Vice President of the Adviser, and has been employed by the Adviser since April 2003. Mr. Lawrence J. Pavelec is a Chartered Financial Analyst.

Each Fund's SAI provides additional information about the respective Portfolio Managers' compensation, other accounts managed by the Portfolio Managers, and the Portfolio Managers' ownership of securities in the respective Funds.

Albert O. Nicholas is a controlling person of the Adviser through his ownership of 97% of the outstanding voting securities of the Adviser.

## PRICING OF FUND SHARES

Each Fund's price per share is the net asset value ("NAV") of the Fund. The NAV of each Fund is determined by dividing the total value in U.S. dollars of the Fund's total net assets by the total number of shares outstanding at that time. Net assets of each Fund are determined by deducting the liabilities of the Fund from the total assets of the Fund. The securities held by each Fund are valued at market value or, if a market quotation is not readily available, their fair value is determined in good faith using procedures adopted by such Fund's Board of Directors. As an example, a market quotation may not be readily available if the trading of a security is halted by its primary exchange and does not resume before the markets close or the primary exchange experiences technical difficulties. If a security is valued using fair value pricing, a Fund's value for that security is likely to be different than the last quoted market value. The NAV is determined as of the close of regular trading on the New York Stock Exchange ("NYSE") (usually 4:00 p.m., New York time) on each day the NYSE is open. Therefore, shares of the Funds are not priced on days when the NYSE is closed, which generally is on weekends and national holidays in the U.S.A. For a list of holidays observed by the NYSE, please contact the Funds or see a Fund's SAI.

Shareholder purchase, redemption and exchange orders are processed using the NAV next calculated after receipt of such request in proper order by a Fund (or an Authorized Agent of the Funds). In order to receive a day's price, your request must be received in proper order by the close of regular trading on the NYSE. If you request to purchase, redeem or exchange your shares after the NYSE has closed or on a day the NYSE is closed, the NAV will be determined as of the close of the next day the NYSE is open for trading.

## PURCHASE OF FUND SHARES

	TO OPEN AN ACCOUNT	TO ADD TO AN ACCOUNT
<b>MINIMUM INVESTMENT</b>	\$500	\$100 \$50 via the Automatic Investment Plan
<b>BY MAIL</b> <b>Regular Mail:</b> Nicholas Funds c/o U.S. Bancorp Fund Services, LLC P.O. Box 701 Milwaukee, Wisconsin 53201-0701  <b>Overnight Mail:</b> Nicholas Funds c/o U.S. Bancorp Fund Services, LLC Third Floor 615 East Michigan Street Milwaukee, Wisconsin 53202	Complete and sign the Account Application.  Make your check payable to <i>Nicholas Funds</i>	Send your check along with the <b>Invest by Mail</b> form detached from your confirmation statement.  Send your check payable to <i>Nicholas Funds</i> with your account number in the memo field.
<b>BY INTERNET –</b> <b>www.nicholasfunds.com</b> The Funds must have bank instructions on file to purchase Fund shares this way.	You may not make an initial purchase of Fund shares via the internet.	Visit <a href="http://www.nicholasfunds.com">www.nicholasfunds.com</a> and click on “Account Access” to purchase or exchange shares from another fund in the Nicholas complex.
<b>BY TELEPHONE – 800-544-6547</b> <b>414-276-0535</b> The Funds must have bank instructions on file to purchase Fund shares this way. Telephone calls will be recorded.	You may not make an initial purchase of Fund shares via the telephone.	Call the Fund’s transfer agent, U.S. Bancorp Fund Services, LLC, during business hours (8:00 A.M. to 7:00 P.M. Central Time).
<b>BY WIRE</b> U.S. Bank, N.A. ABA 075000022 U.S. Bancorp Fund Services, LLC Account 112-952-137 <i>[Fund Name]</i> (shareholder account number) (shareholder registration)	Complete and send in an Account Application. The completed application must be received in advance of the wire.  Call U.S. Bancorp to notify 800-544-6547 or 414-276-0535.	Call U.S. Bancorp to notify 800-544-6547 or 414-276-0535.
<b>AUTOMATIC INVESTMENT PLAN</b> U.S. Bancorp 800-544-6547 or 414-276-0535	Not applicable.	Contact the Funds for additional information.

### Other Information about Purchasing Fund Shares

Your application to purchase a Fund’s shares must be in proper order to be accepted, may only be accepted by the Funds or an Authorized Agent of the Funds, and is not binding until accepted. Once your purchase order has been accepted, you may not cancel or revoke it. All purchase orders must be accompanied by payment in U.S. funds. Purchase of shares will be made in full and fractional shares computed to three decimal places.

Your check should be drawn on a U.S. bank, savings and loan or credit union. Checks are accepted subject to collection at full face value in U.S. funds. To prevent check fraud, cashiers checks, third-party checks, Treasury checks, credit card checks, starter checks and money orders will not be accepted. The transfer agent will charge a \$25 fee against your account, in addition to any loss sustained by a Fund, if any payment check is returned to the transfer agent or your Automated Clearing House (“ACH”) transfer does not clear. The Funds will not accept purchase or exchange orders under circumstances or in amounts considered disadvantageous for shareholders.

Under the Automatic Investment Plan, you may purchase Fund shares automatically on a monthly basis. You may authorize the Fund to withdraw \$50 or more from your bank on a monthly basis. To participate in this plan, you must complete the “Automatic Investment Plan” section of the application or contact the Fund at 800-544-6547 for additional information.

In compliance with the USA Patriot Act of 2001, please note that the transfer agent, U.S. Bancorp Fund Services, LLC (“U.S. Bancorp”), will verify certain information on your Account Application as part of the Fund’s Anti-Money Laundering Program. As requested on the Account Application, you must supply your full name, date of birth, social security number and permanent street address. Mailing addresses containing a P.O. Box will not be accepted as a permanent street address. Please contact U.S. Bancorp (800-544-6547 or 414-276-0535) if you need additional assistance when completing your application. Shares of the Funds have not been registered for sale outside of the United States. The Funds generally do not sell shares to investors residing outside of the United States, even if they are U.S. citizens or lawful permanent residents, except to investors with U.S. military APO or FPO addresses.

If we do not have a reasonable belief of the identity of a customer, the account will be rejected or the customer will not be allowed to perform a transaction on the account until such information is received. The Funds also reserve the right to close the account within 5 business days if clarifying information or documentation is not received.

You should be aware that deposit of purchase and exchange requests in the mail or with other independent delivery services does not constitute receipt by U.S. Bancorp or the Funds.

Only bank accounts held at domestic financial institutions that are “ACH” members may be used for telephone or internet transactions. The ability to perform internet and telephone transactions will become effective approximately 15 business days after an application including bank instructions or a change of account options request to add or change bank instructions is received.

During periods of substantial economic or market changes or due to technical difficulties, you may have difficulty making internet or telephone purchases and exchanges. If you are unable to perform your transaction via the internet or by telephone, you may purchase and exchange Fund shares by delivering the request in person or by mail.

The Funds and their transfer agent are not responsible for the consequences of delays resulting from the banking or Federal Reserve wire system, or from incomplete wiring instructions. If you are making an initial investment by wire, you must first complete and return to the appropriate address an Account Application.

Due to fixed expenses incurred by the Funds in maintaining individual accounts, the Funds reserve the right to redeem accounts that fall below the minimum investment required due to shareholder redemption (but not solely due to a decrease in net asset value of a Fund). In order to exercise this right, a Fund will give advance written notice of at least 30 days to the accounts below such minimum. The Fund’s transfer agent may charge an activity fee for certain requests, including but not limited to, requesting stop payment on a redemption check and overnight delivery of redemption proceeds. Your mutual fund account may be transferred to your state of residence if no activity occurs within your account during the inactivity period specified in your state’s abandoned property laws.

Share ownership is electronically recorded. Accordingly, the Funds will not issue certificates representing Fund shares. The Fund’s transfer agent will credit the shareholder’s account with the number of shares purchased. Written confirmations are issued for all purchases of Fund shares.

## REDEMPTION AND EXCHANGE OF FUND SHARES

<p><b>BY MAIL</b>  <b>Regular Mail:</b>          Nicholas Funds          c/o U.S. Bancorp Fund Services, LLC          P.O. Box 701          Milwaukee, Wisconsin 53201-0701</p> <p><b>Overnight Mail:</b>          Nicholas Funds          c/o U.S. Bancorp Fund Services, LLC          Third Floor          615 East Michigan Street          Milwaukee, Wisconsin 53202</p>	<p>Written redemption and exchange requests must include the name of the Fund, the account number(s), the amount of money or number of shares being redeemed or exchanged, the name(s) on the account(s) and the signature(s) of each registered account holder. <i><b>You may exchange your Class N shares in the Fund for Class N shares of any Nicholas Fund.</b></i> If an account registration is individual, joint tenants, sole proprietorship, custodial (Uniform Transfer to Minors Act), or general partners, the written request must be signed exactly as the account is registered. If the account is owned jointly, all owners must sign.</p>
<p><b>BY INTERNET –</b>  <b>www.nicholasfunds.com</b>          The Funds must have bank instructions on file to redeem Fund shares this way.</p>	<p>Visit <a href="http://www.nicholasfunds.com">www.nicholasfunds.com</a> and click on “Account Access” to redeem or exchange shares to another fund in the Nicholas complex.</p>
<p><b>BY TELEPHONE – 800-544-6547</b>  <b>414-276-0535</b>          Telephone calls will be recorded.</p>	<p>Call the Funds’ transfer agent, U.S. Bancorp Fund Services, LLC, during business hours (8:00 A.M. to 7:00 P.M. Central Time).</p>
<p><b>BY WIRE – 800-544-6547</b>  <b>414-276-0535</b></p>	<p>Call U.S. Bancorp to request wire redemptions.</p>
<p><b>SYSTEMATIC WITHDRAWAL PLAN</b>          U.S. Bancorp          800-544-6547 or 414-276-0535</p>	<p>Contact the Funds for additional information.</p>

### Other Information about Redeeming and Exchanging Fund Shares

All redemptions and exchanges will be processed immediately upon receipt and written confirmations will be issued for all redemptions and exchanges of Fund shares. Once your redemption or exchange order has been accepted, you may not cancel or revoke it.

The Funds ordinarily pay for redeemed shares within seven days after receipt of a request in proper order, except as provided by the rules of the Securities and Exchange Commission. Redemption proceeds to be wired normally will be wired on the next business day after a NAV is determined. The Funds reserve the right to hold payment up to 15 days or until notified that investments made by check have been collected, at which time payment will be made.

You may instruct U.S. Bancorp to mail the proceeds to the address of record or to directly mail the proceeds to a pre-authorized bank account. Proceeds also may be wired to a pre-authorized account at a commercial bank in the United States. The transfer agent charges a \$15 wire redemption fee. In addition, proceeds also may be electronically transferred through the ACH to a pre-authorized account at no cost. Please contact the Funds for the appropriate form if you are interested in setting your account up with wiring instructions or authorizing electronic transfers.

You can redeem and exchange your shares by internet or telephone unless you decline this option in writing.

During periods of substantial economic or market changes or due to technical difficulties, you may have difficulty making internet or telephone redemptions and exchanges. If you are unable to perform your transactions via the internet or by telephone, you may redeem or exchange your shares by delivering the request in person or by mail.

Procedures for redeeming and exchanging Fund shares by internet or telephone may be modified or terminated at any time by a Fund or its transfer agent. The exchange privilege may be terminated or modified only upon 60 days advance notice to shareholders. Neither the Funds nor their transfer agent will be liable for following instructions communicated by the internet or telephone which they reasonably believe to be genuine. The Funds and their transfer agent will employ reasonable procedures to confirm that instructions received by telephone are genuine, and if they do not, they may be liable for losses due to unauthorized or fraudulent instructions.

***You may not fax your redemption or exchange request. The Funds will return and not process requests that contain restrictions as to the time or date redemptions and exchanges are to be effected.***

The Funds may require additional supporting documents for redemptions and exchanges made by corporations, executors, administrators, trustees and guardians. Specifically, if the account is registered in the name of a corporation or association, the request must be accompanied by a corporate resolution signed by the authorized person(s). A redemption or exchange request for accounts registered in the name of a legal trust must have a copy of the title and signature page of the trust agreement on file or must be accompanied by the trust agreement and signed by the trustee(s).

For federal income tax purposes, redemptions and exchanges generally are treated as a sale of the shares being redeemed or exchanged. You may recognize a capital gain or loss equal to the difference between the redemption or exchange price and your cost basis for the shares being redeemed or exchanged. An exchange between the funds involving master retirement plans and IRA accounts generally is not a taxable transaction for federal tax purposes. See “Dividends, Distributions and Federal Tax Status” for further information. If you have an individual retirement account (“IRA”) or other retirement plan, you must indicate on your redemption requests whether or not to withhold federal income tax. Unless a redemption request specifies not to have federal income tax withheld, the transaction will be subject to withholding. Please consult your current IRA Disclosure Statement for any applicable fees. IRA redemptions may not be conducted using the internet.

Nicholas Company, Inc. is the adviser to the portfolios of the Class N shares discussed within this Prospectus with which you may conduct exchange transactions, and which have investment objectives as discussed in the section “More on the Fund’s Investment Objectives, Principal Investment Strategies and Risks.” Nicholas Company, Inc. also is the adviser to the portfolios of the Class I shares of the Funds having the same investment objectives as discussed within this Prospectus as well as Nicholas Equity Income Fund, Inc., Nicholas Fund, Inc. and Nicholas Money Market Fund, Inc., all of which have investment objectives as discussed in separate prospectuses.

If you choose to exercise the exchange privilege, your shares will be exchanged at their next determined NAV. Minimum investment requirements must be met.

If you are interested in exercising the exchange privilege, you must obtain the appropriate prospectus from Nicholas Company, Inc.

A signature guarantee helps protect the Funds and shareholders against fraud. A signature guarantee of each owner is required in the following situations:

- if you change or transfer the registration of your account;
- if you change the bank account of record for your account;
- if you opted out of telephone or internet privileges and would like to re-establish these on your account;
- upon redemption of shares when certificates have been issued for your account;
- when you want the redemption proceeds sent to a different address than is registered on the account;
- if the redemption proceeds are to be made payable to someone other than the account owner(s);
- any redemption transmitted by federal wire transfer to your bank not previously set up with the Fund;

- if a change of address request has been received by the Funds or their transfer agent within 15 days of a redemption request; and
- for redemption requests greater than \$100,000.

Your redemption will not be processed until the signature guarantee, if required, is received in proper order. A notary public is not an acceptable guarantor. A Fund may waive or modify any signature guarantee requirements at any time.

*If you are uncertain about what documents or instructions are necessary in order to redeem and exchange shares, please write or call U.S. Bancorp (800-544-6547 or 414-276-0535) prior to submitting a request. A redemption or exchange request will not become effective until all documents are received in proper order.*

## **USE OF A PROCESSING INTERMEDIARY TO PURCHASE AND REDEEM FUND SHARES**

You can purchase and redeem shares of any Fund through certain broker-dealers, financial institutions and other service providers (“Processing Intermediaries”). Certain Processing Intermediaries are, in turn, authorized to designate other intermediaries to accept purchase and redemption orders on the Funds’ behalf. If you invest in a Fund through a Processing Intermediary, the Processing Intermediary rather than you may be the shareholder of record. Processing Intermediaries may use procedures and impose restrictions in addition to or different from those applicable to shareholders who invest in a Fund directly. You should read the program materials provided by the Processing Intermediary in conjunction with this Prospectus before you invest in a Fund in this way.

Processing Intermediaries may charge fees or other charges for the services they provide to their customers. Such charges vary among Processing Intermediaries, but in all cases will be retained by the Processing Intermediary and not remitted to the Funds or the Adviser.

A Fund also may enter into an arrangement with some Processing Intermediaries which authorizes them to process purchase and redemption orders on behalf of such Fund on an expedited basis (an “Authorized Agent”). Receipt of a purchase or redemption order by an Authorized Agent will be deemed to be received by the Fund for purposes of determining the NAV of Fund shares to be purchased or redeemed. If you place a purchase order through an Authorized Agent, you will pay the Fund’s NAV next computed after the receipt by the Authorized Agent of such purchase order, plus any applicable transaction charges imposed by the Authorized Agent. For redemption orders placed through an Authorized Agent, you will receive redemption proceeds which reflect the NAV next computed after the receipt by the Authorized Agent of the redemption order, less any redemption fees imposed by the Authorized Agent.

Of course, you do not have to use the services of a Processing Intermediary, or pay the fees that may be charged for such services. You can invest directly with a Fund without a sales charge. If you hold Fund shares through a Processing Intermediary, you must redeem your shares through such Processing Intermediary. You should contact the Processing Intermediary for instructions on how to redeem. If you originally invested directly with a Fund, you can redeem Fund shares directly through the Fund without a redemption charge.

## **FREQUENT PURCHASES AND REDEMPTIONS OF FUND SHARES**

Frequent purchases and sales of fund shares may affect shareholders in various ways. Depending on various factors, including but not limited to, the size of the Funds, the amount of assets the portfolio manager typically maintains in cash or cash equivalents, and the dollar amount, number and frequency of trades, short-term or excessive trading may disrupt the efficient management of a Fund’s portfolio, may impact Fund performance and may increase brokerage, administrative and other expenses. The Funds reserve the right to reject any purchase request, including exchange requests from other Funds, if the Fund regards the request as disruptive or if the Fund deems the request to have the potential to be disruptive. However, a Fund cannot ensure that its efforts will eliminate all risks of market timing.

Certain types of funds are particularly susceptible to market timing activity, including international, small-cap and high yield bond funds. This is due to the relative illiquidity and volatility of their holdings. Nicholas II, Inc. and Nicholas Limited Edition, Inc. will invest in the securities of entities with small capitalizations. To the extent that such Funds invest in small capitalization entities in amounts that are material, the Funds may be at greater risk for attempted market timing activity than funds that do not invest in the securities of corporations with small capitalizations. Nicholas High Income Fund, Inc. primarily invests in a diversified portfolio of fixed income securities, including high yield corporate bonds, debentures and preferred stocks, securities convertible into common stocks, and common stocks. To the extent that the Nicholas High Income Fund, Inc. invests in high yield corporate bonds in amounts that are material, it may be at greater risk for attempted market timing activity than funds that do not invest in the securities of high yield corporate bonds.

Each Fund discourages disruptive trading in Fund shares for abusive purposes in accordance with the policies and procedures adopted by its Board of Directors, which are reasonably designed to detect and discourage disruptive trading. These policies and procedures apply to any account, whether an individual account or an account referred to as an “omnibus account” where a financial intermediary holds Fund shares for a number of its customers in one account. Because there is currently no generally applied standard in the marketplace as to what level of trading activity is abusive, each Fund’s Board of Directors elected not to adopt rigid rules specifying what activity is abusive or how suspected abusive activity will be addressed. In adopting a Fund’s policies and procedures, each Fund’s Board of Directors determined that it would be in the best interests of shareholders to provide flexibility in dealing with such activities.

Under each Fund’s policies and procedures, each Fund currently uses various methods to deter disruptive activity in both individual and omnibus accounts, including but not limited to, selective monitoring of trading activity and undertaking preventive action designed to discourage and preclude disruptive traders from entering the Funds. We may consider trading in a Fund’s shares to be disruptive if we detect one or more of the following in an account:

- Shares traded out of a Fund within a short period of time after the shares were purchased;
- Two or more purchases and redemptions are made within a short period of time;
- A series of transactions within a Fund that is indicative of a timing pattern or strategy; or
- One or more large trades relative to a Fund’s overall size.

Each Fund reserves the right to take responsive action to trading activity deemed disruptive by such Fund’s compliance committee, even though such trades may not fall into one or more of these categories.

In connection with our review of suspected disruptive trading, we may, at our option, contact the individual or entity or the financial intermediary believed to be engaged in or to have facilitated such trading. If we reasonably believe that the trading was disruptive, we will ask that investor or financial intermediary to refrain from such activity in the future. In addition, the investor or financial intermediary may be restricted from future purchases into one or more of the Funds and may also be restricted from future purchases of shares offered by any of the funds in the Nicholas fund complex.

In determining what action to take with respect to suspected disruptive trading activity, a Fund will act in a manner that is consistent with the best interests of such Fund’s shareholders by making independent assessments of instances or patterns of potentially improper conduct in a manner consistent with the policies and procedures approved by the Fund’s Board of Directors.

While no Fund accommodates market timing activities engaged in for abusive purposes, the methods used by a Fund to deter and detect market timing activities involve judgments that are inherently subjective and our response to potentially disruptive trading activity may not be uniform. This means that a Fund may not take remedial action against investors detected engaging in a disruptive trade for reasons believed by the Funds to be legitimate and non-abusive. Examples of legitimate trading activities include, but may not be limited to, asset allocation, dollar cost averaging, emergency liquidations, estate planning measures or similar activities that may nonetheless arguably result in disruptive trading of Fund shares.

There is a risk that a Fund's policies and procedures will prove ineffective in whole or in part to detect or prevent abusive market timing activities. For example, it may be difficult for a Fund to identify such activities engaged in by investors through the use of omnibus accounts administered by financial intermediaries who transmit purchase, exchange, or redemption orders to a Fund on behalf of their customers who are the beneficial owners. Short-term trading by these investors is likely to go undetected by a Fund.

If a Fund is unable to detect and deter trading abuses, its performance, and its long-term shareholders, may be harmed. In addition, because no Fund has adopted specific limitations or restrictions on the trading of its shares, shareholders may be harmed by the extra costs and portfolio management inefficiencies that result from excessive or disruptive trading of Fund shares, even when the trading is not for abusive purposes.

## **TRANSFER OF FUND SHARES**

You may transfer a Fund's shares in instances such as the death of a shareholder, change of account registration, change of account ownership and in cases where shares of a Fund are transferred as a gift. You can obtain documents and instructions necessary to transfer a Fund's shares by writing or calling U.S. Bancorp (800-544-6547 or 414-276-0535) prior to submitting any transfer requests.

## **DISTRIBUTION OF SHARES**

### **Distributor**

Quasar Distributors, LLC (the "Distributor"), 615 East Michigan Street, Milwaukee, Wisconsin, 53202, serves as the distributor and principal underwriter of the Funds' shares. The Distributor is a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

### **Rule 12b-1 Plan**

Each Fund has adopted on behalf of its Class N shares a distribution plan (the "Distribution Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, which allows Class N shares to pay distribution fees for the sale and distribution of its shares. Under the Distribution Plan, Class N shares may pay as compensation up to an annual rate of 0.25% of the average daily net asset value of Class N shares to the Adviser or other qualified recipient under the Distribution Plan. As these fees are paid out of a Fund's assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

### **Shareholder Servicing Agents**

Each Fund has adopted on behalf of its Class N shares a shareholder servicing plan (the "Servicing Plan") under which the Adviser may perform, or arrange for others to perform, certain shareholder functions. For these shareholder services, the Adviser and/or shareholder servicing agents are entitled to receive an annual shareholder servicing fee up to an amount of 0.10% of the average daily net assets attributable to the Class N shares of a Fund. The Adviser may pay additional compensation from time to time, out of its assets and not as an additional charge to the Funds, to selected shareholder servicing agents and other persons in connection with providing services to the holders of Class N shares.

## **DIVIDENDS, DISTRIBUTIONS AND FEDERAL TAX STATUS**

Each Fund intends to qualify annually as a "regulated investment company" under the Internal Revenue Code of 1986 and intends to take all other action required to ensure that little or no federal income or excise taxes will be payable by such Fund. As a result, each Fund generally will seek to distribute to its shareholders substantially all of its net investment income and net realized capital gain.

For federal income tax purposes, dividends and distributions by a Fund, whether received in cash or invested in additional shares of a Fund, will be taxable to the Fund's shareholders, except those shareholders that are not subject to tax on their income. Net realized long-term gains are paid to shareholders as capital gain distributions. Income distributed from a Fund's net investment income and net realized short-term gains are paid to shareholders as ordinary income dividends. Distributions generally will be made annually in December. Distributions may be taxable at different rates depending on the length of time a Fund holds a security. Dividends, if any, of the Nicholas High Income Fund, Inc. are paid to shareholders on or about the end of April, July, October and December. Dividends, if any, of Nicholas II, Inc. and Nicholas Limited Edition, Inc. are paid to shareholders on or about the end of December. Each Fund will provide information to its shareholders concerning the character and federal tax treatment of all dividends and distributions. If you elect to receive distributions and/or capital gains paid in cash, and the U.S. Postal Service cannot deliver the check, or if a check remains outstanding for six months, the Funds reserve the right to reinvest the distribution check in your account, at the Fund's current net asset value, and to reinvest all subsequent distributions.

At the time of purchase of Fund shares, a Fund may have undistributed income or capital gains included in the computation of the NAV. Therefore, a dividend or capital gain distribution received shortly after such purchase by a shareholder may be taxable to the shareholder, although it is, in whole or in part, a return of capital and may have the effect of reducing the NAV.

Under federal law, some shareholders may be subject to "backup withholding" on reportable dividends, capital gain distributions (if any) and redemption payments. Generally, shareholders subject to backup withholding will be those (i) who, to the Fund's knowledge, have furnished an incorrect tax identification number, or (ii) who have failed to declare or underreported certain income on their federal returns. When establishing an account, you must certify under penalties of perjury that the taxpayer identification number you give to the Funds is correct and that you are not subject to backup withholding.

The foregoing tax discussion relates to federal income taxes only and is not intended to be a complete discussion of all federal tax consequences. You should consult with a tax adviser concerning the federal, state and local tax aspects of an investment in the Funds.

## **DIVIDEND AND DISTRIBUTION REINVESTMENT PLAN**

Unless you elect to accept cash in lieu of shares, all dividends and capital gain distributions are automatically reinvested in additional shares of the Fund through the Dividend and Distribution Reinvestment Plan (the "Reinvestment Plan"). You may elect to accept cash on an application to purchase shares, by telephone or by separate written notification. All reinvestments are at the NAV in effect on the dividend or distribution date and are credited to the shareholder's account. U.S. Bancorp will notify you of the number of shares purchased and the price following each reinvestment period.

You may withdraw from or thereafter elect to participate in the Reinvestment Plan at any time by giving written or telephonic notice to U.S. Bancorp. The Funds' transfer agent must receive an election prior to the dividend record date of any particular distribution for the election to be effective for that distribution. If an election to withdraw from or participate in the Reinvestment Plan is received between a dividend record date and payment date, it shall become effective on the day following the payment date. The Funds may modify or terminate the Reinvestment Plan at any time on 30 days written notice to participants.

## **SYSTEMATIC WITHDRAWAL PLAN**

If you own \$10,000 or more of a Fund's shares at the current market value, you may open a Systematic Withdrawal Plan (the "Plan") and receive monthly, quarterly, semiannual or annual payments for any designated amount. You may elect to have a check sent to you at your address of record, or proceeds can be sent directly to your predetermined bank account via electronic funds transfer through the Automated Clearing House network. When you participate in the Plan all income and capital gain dividends should be reinvested in shares of the Fund. U.S. Bancorp reinvests all income and capital gain dividends in shares of a Fund. You may add shares to, withdraw shares from, or terminate the Plan, at any time. Each withdrawal may be a taxable event to you. Liquidation of shares in excess of distributions may deplete or possibly use up the initial investment, particularly in the event of a market decline, and withdrawals cannot be considered a yield or income on the investment. In addition to termination of the Plan by a Fund or its shareholders, the Fund's transfer agent may terminate the Plan upon written notice mailed to the shareholders. Please contact Nicholas Company, Inc. for copies of the Plan documents.

## **TAX DEFERRED ACCOUNTS**

If you are eligible, you may set up one or more tax deferred accounts. A contribution to certain of these plans also may be tax deductible. The Funds offer the following tax deferred accounts: traditional, Roth, SEP, and SIMPLE IRAs; a Master Retirement Plan for self-employed individuals and partnerships; and Coverdell Savings Accounts for qualified education expenses for children under 18. A description of applicable service fees and application forms are available upon request from the Funds. These documents also contain a Disclosure Statement, which the IRS requires to be furnished to individuals who are considering adopting these plans. It is important that you obtain up-to-date information from the Funds before opening a tax deferred account. Investors should consult with their tax adviser or legal counsel before investing in a tax deferred account.

## **APPENDIX A - DESCRIPTION OF BOND RATINGS**

### **STANDARD & POOR'S RATINGS**

AAA rated bonds are the highest grade obligations. They possess the ultimate degree of protection as to principal and interest. Marketwise, they move with interest rates, and hence provide the maximum safety on all counts.

AA rated bonds also qualify as high-grade obligations, and in the majority of instances differ from AAA issues only in small degree. Marketwise, as with AAA rated bonds, they move with interest rates.

A rated bonds are regarded as upper medium-grade. They have considerable investment strength but are not entirely free from adverse effects of changes in economic and trade conditions. Interest and principal are regarded as safe. They predominantly reflect money rates in their market behavior, but to some extent, also economic conditions.

BBB rated bonds, or medium-grade category bonds, are borderline between definitely sound obligations and those where the speculative element begins to predominate. These bonds have adequate asset coverage and normally are protected by satisfactory earnings. Their susceptibility to changing conditions, particularly to depressions, necessitates constant watching. Marketwise, the bonds are more responsive to business and trade conditions than to interest rates. This group is the lowest which qualifies for commercial bank investment.

BB - B rated bonds are regarded, on balance, as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

CCC rated bonds have a currently identifiable vulnerability to default, and are dependent upon favorable business, financial and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, they are not likely to have the capacity to pay interest and repay principal.

CC-C rated bonds are usually bonds which are subordinated to senior debt that is assigned an actual or implied "CCC" or "CCC-" rating. A "C" rated bond also may involve a situation where a bankruptcy petition has been filed, but debt service payments are continued.

D rated bonds are in payment default. They involve a situation where interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes such payments will be made during such grace period. A "D" rated bond also may involve the filing of a bankruptcy petition if debt service payments are jeopardized.

## MOODY'S BOND RATINGS

Aaa rated bonds are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edged." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa rated bonds are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than in Aaa securities.

A rated bonds possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa rated bonds are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba rated bonds are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B rated bonds generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa rated bonds are of poor standing. They may be in default or there may be present elements of danger with respect to principal or interest.

Ca rated bonds represent obligations which are speculative in a high degree. They are often in default or have other marked shortcomings.

C rated bonds are the lowest rated class of bonds, and bonds so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

*Investment Adviser*

NICHOLAS COMPANY, INC.  
Milwaukee, Wisconsin  
414-276-0535 or 800-544-6547

*Distributor*

QUASAR DISTRIBUTORS, LLC  
Milwaukee, Wisconsin

*Transfer Agent*

U.S. BANCORP FUND SERVICES, LLC  
Milwaukee, Wisconsin  
414-276-0535 or 800-544-6547

*Custodian*

U.S. BANK N.A.  
Milwaukee, Wisconsin

*Independent Registered Public Accounting Firm*

Deloitte & Touche LLP  
Milwaukee, Wisconsin

*Counsel*

MICHAEL BEST & FRIEDRICH LLP  
Milwaukee, Wisconsin

## FOR MORE INFORMATION ABOUT THE FUNDS:

The Funds' Statements of Additional Information ("SAIs"), each dated April 30, 2012, contain more detailed information on all aspects of each Fund, and each is incorporated by reference in this Prospectus. Additional information about each Fund also is available in its Annual and Semiannual Report to Shareholders. Each Fund's Annual Report discusses the market conditions and investment strategies that significantly affected such Fund's performance during its last fiscal year.

To request a free copy of the current Annual/Semiannual Report to Shareholders or SAI for a Fund or other information about the Fund's, or to make shareholder inquiries, please write or call: Nicholas Funds, 700 North Water Street, Milwaukee, Wisconsin 53202, 800-544-6547 (toll-free). Along with the Funds' Annual/Semiannual Reports and SAIs, additional information about each Fund also can be obtained from the Fund's Internet website at [www.nicholasfunds.com](http://www.nicholasfunds.com).

In addition, you can review and copy the Fund's reports and SAIs at the Commission's Public Reference Room of the Securities and Exchange Commission in Washington, D.C. Information on the operation of the Commission's Public Reference Room may be obtained by calling the SEC at 202-942-8090. Reports and other information about the Fund also are available on the SEC's Internet website at [www.sec.gov](http://www.sec.gov). For a duplicating fee, copies of such information may be obtained by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Commission's Public Reference Section of the SEC, Washington, D.C. 20549-0102.

For the most current price and return information for the Fund's Class N shares, you may call the Funds at 800-544-6547 (toll-free) or 414-276-0535 or check the Fund's website at [www.nicholasfunds.com](http://www.nicholasfunds.com). You also can find the most current price of each Fund's Class N shares in the business section of your newspaper in the mutual fund section under the heading "Nicholas Group" – "NchII," "NchLt," or "NchIn." If you prefer to obtain this information from an on-line computer service, you can do so by using the ticker symbols or CUSIP numbers as follows:

	<u>Ticker</u>	<u>CUSIP</u>
Nicholas II, Inc.	NNTWX	653740209
Nicholas Limited Edition, Inc.	NNLEX	653738203
Nicholas High Income Fund, Inc.	NNHIX	653741207

### Investment Company Act File Nos.

Nicholas II, Inc.	811-03851
Nicholas Limited Edition, Inc.	811-04993
Nicholas High Income Fund, Inc.	811-00216