Item 1-Cover page

Form ADV Part 2A
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James M. Johnston & Associates, Inc.
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CRD#106048

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This brochure provides information about the qualifications and business practices of Johnston & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at 303-831-6120. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Johnston & Associates, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

This document represents a brochure for your review. It is an integral part of our client agreement and contains relevant information about our personnel, strategies, and policies. Johnston & Associates, Inc. is a Registered Investment Advisor (RIA) but this registration does not imply any special level of skill or training.

Item 2- Material Changes

Scott Evans left the firm in 2019. Otherwise there are no material changes to the brochure since the last filing, dated July 31, 2019.

Item 3-Table of Contents

Item 4-Advisory Business

Johnston & Associates, Inc. (J&A) provides professional financial services on a continuous and regular basis to clients. These services include discretionary investment portfolio management, asset allocation, security research and recommendation, trading, advice on non-managed assets, and consulting services on large portfolios. J&A manages approximately $130 million (as of 01/31/2020) on a discretionary basis.

The consulting services are provided to ultra high net worth clients who have assets with multiple advisors. These recommendations are driven by the desire to aid clients in understanding all the moving parts of having their assets managed by different advisors. This particular service is very unique to each client as the level of service and recommendation varies greatly by individual client needs. Consulting services are provided on portfolios totaling approximately $122 million (as of 01/31/2020). The total Assets Under Management for J&A is approximately $252 million.

As a point of clarification, we also provide estate planning, tax planning, and insurance planning services. These services are provided by JMJ Consulting, Inc. and are not included in the scope of this brochure. However, it is noted that in providing all of these different services to clients, there is overlap between the J&A services and the JMJ Consulting, Inc. services.

Item 5-Fees and Compensation

Annual fees for traditional portfolio management are calculated as a percentage of net market value of assets under management (AUM). The basic annual fee is 1.00% and is charged quarterly, in arrears, at the end of each calendar quarter. A prorated fee for beginning or ending the advisory relationship mid quarter is applied.

Clients may negotiate a lower fee schedule with J&A. Considerations will be granted for larger amounts of assets placed under management, relationships with JMJ Consulting, Inc. and other factors. Individual fee agreements are disclosed in the written Advisory Agreement between the client and J&A. Fees earned up to the cancellation of the written agreement by the client are payable to J&A through date of receipt of cancellation notice plus 30 days.

In situations where consulting services are provided, fees are charges on a retainer basis or flat rate. These fees are negotiable depending on the client relationship, assets overseen, and services provided.

J&A uses mutual funds and/or exchange traded funds (ETFs) as part of client allocations. In these cases the client will pay a management fee directly to J&A and a separate fee indirectly to the manager of the mutual fund or ETF.

In situations where J&A employs a Sub-Advisor (see Item 10), a client will not incur higher fees than those charged in a conventional Client/Advisor relationship. The amount of fees shared between J&A and Sub-Advisor is typically 2/3 to the Sub-Advisor, 1/3 to J&A, but it will vary depending on the client relationship and assets under management.

Item 6-Performance Based Fees

Not Applicable—J&A does not charge performance-based fees

Item 7-Types of Clients

J&A works with many different types of clients. Our typical client is a high net worth individual or family. High Net Worth is defined as having total assets of at least $5 million or investible assets of at least $1 million. We also work with Ultra High Net Worth clients, those having total assets of at least $50 million or investible assets of at least $10 million. In providing services to these types of clients J&A will frequently work with client-held corporations, trusts, profit sharing plans, and/or charitable trusts. Finally, J&A will work with individuals or families whose asset bases do not meet the high net worth threshold on a case-by-case basis. J&A does not employ a minimum account requirement.

Item 8- Methods of Analysis, Investment Strategies and Risk of Loss

This section is intended to explain the essential elements of significant strategies employed by J&A and the material risks involved with those strategies. This is important to note straightaway: J&A invests client accounts and portfolios separately and uniquely to each client. We do not use model portfolios into which clients are shoehorned. We take the time and expend the effort to ensure each of our clients' portfolios is managed with their unique set of circumstances considered. Therefore, it is important that you discuss these strategies and risks with us as they may or may not apply to how your particular portfolio is being managed.

Our primary strategy is an asset allocation based portfolio consisting of stocks, bonds, cash, and alternative investments. Asset allocation means determining a set percentage of each asset class to be used as long-term guidelines, based on the individual client's unique set of circumstances. This involves, but is not limited to, age, net worth, dependents, future funding needs, cash flow needs, investable asset base, and risk assessment. The risk assessment is the combination of the client's ability to take risk and the client's desire for risk. For example, you may want to be very aggressive but if you have a lot of dependents, little money or high need for income you do not have a high ability to take risk. Conversely, you may have all the money in the world (high ability) but just simply be uncomfortable with a lot of exposure to the stock market (low desire for risk). Tactical decisions (shorter-term in nature) are employed to take advantage of temporary changes in the investment landscape.

There are risks involved with any investment decision; even holding cash presents the risk of failing to keep up with inflation and losing purchasing power of your money. Of course this is relatively minor in the big picture and certainly relative to the risk of losing money in less conservative strategies.

Johnston & Associates, Inc. relies upon the professional judgment of its portfolio managers to make decisions about client investments. The basic philosophy is to invest in attractively valued companies, or the debt of companies, that represent better long-term investment opportunities than other possible investments. J&A employs top-down analysis (looking at global economic, geographic, demographic, political, and environmental factors) to develop a thesis of the most attractive areas in which to invest. This is generally applied to overall portfolio construction. Bottom-up, fundamental research (individual company financial information, ratios, supply chain dynamics, etc.) is employed to find individual stocks. This is combined with technical analysis (research of charts), which is typically used to support entry/exit points, timing decisions and trends.

The first vehicle of the asset allocation model is stocks. We use mutual funds, exchange traded funds (ETFs) and individual securities to gain exposure to stocks. The material risks of mutual funds are that J&A does not control the underlying investments within the portfolio. This means that we do not fully control the securities owned, timing of trading, trading costs, tax consequences, management turnover, etc. This also applies to ETFs, although since ETFs are usually closely tied to an index these consequences are lessened. The tradeoff is that the net asset value (NAV) of the ETF may fluctuate from the trading price, meaning you may not be able to realize the actual value of the ETF upon buying or selling.

All stock investing involves the risk that:

- the stock market may go down, and that this may be due to factors beyond your control or that of J&A including world events, economic events, market or trading events, political events, currency events, and fraud on the part of officers of the underlying investments;
- the investments are not insured against loss by the FDIC or any third party;
- shorter-term holding periods generally increase the risk of outside events impacting a portfolio;
- investments issued by entities outside the United States can involve additional risks due to governmental actions, accounting differences, currency related issues, greater market volatility, higher transaction costs, and delays with receipt of dividends (it is noted that investments within the US bear many of these risks as well);
- the opinion of J&A about investments may be incorrect;
- for clients who desire a more aggressive trading strategy it is noted that frequent trading can adversely affect portfolio returns by generating higher trading costs and additional tax consequences.

J&A employs bond investing in asset allocation models. We will use mutual funds and ETFs for exposure to bonds. These funds carry the same risk that equity or stock-based funds do. Additionally, individual bonds are used in portfolio management. J&A typically uses a third-party firm for assistance in research of bonds. J&A does not pay these firms anything for this research and no soft-dollar type arrangements are made. However clients may be exposed to higher commission costs or trading spreads (the difference in price between at what a security can be bought and at what it can be sold).

All bond investing involves the risk that:

- the bond market may go down for similar reasons as the stock market;
- the bond market may go down due to rising interest rates;
- price declines due to individual issuer problems with paying interest or principal or a general deterioration of their financial condition;

- early repayment of principal (calling a bond) which can result in the loss of any premium paid over par value and a lower rate of return upon reinvestment (if interest rates are lower than when the original investment was purchased);
- the investments are not insured against loss by the FDIC or any third party;
- investments issued by entities outside the United States can involve additional risks due to governmental actions, accounting differences, currency related issues, greater market volatility, higher transaction costs, and delays with receipt of dividends (it is noted that investments within the US bear many of these risks as well);
- the opinion of J&A about investments may be incorrect.

Alternative investments for J&A encompass everything outside stocks, bonds and cash. They include Real Estate Investment Trusts (REITS) and private real estate, commodity investing via ETFs or exchange traded notes (ETNs), private equity, private credit, and options strategies. Since REIT and commodity investments are done via mutual funds or ETFs primarily, the investment risks are similar to investing in mutual funds or ETFs of stocks. One additional investment risk of ETNs is that the investment is backed by the issuing bank, so you have risk that the credit worthiness of the bank could deteriorate, adversely affecting the ETN. One additional investment risk to mutual funds, ETFs or ETNs that invest in commodity futures is that the cost of reinvestment in new futures as current ones expire could be higher than the underlying spot price (current price) of the commodity dictates (this phenomenon is known as "contango"). Access to private real estate, equity, or credit strategies is on a limited case-by-case basis. These strategies add additional risk of being illiquid, non-transparent, and have higher fees. These risks are offset by the potential for greater returns, and access to investments not available to every investor via the public market. Typically, the investments are through private access to a fund of multiple investments, but on a limited basis may also be direct investment in individual private entities.

The only significant options strategy J&A employs is covered call investing. This involves the sale of a contract that obligates the seller to sell an asset at a certain price for a certain time. The seller receives a premium up front for accepting this condition. J&A employs covered call strategies primarily as an income generating strategy, but also as a technical strategy. The primary risk involved is that the stock in question, the covered position, will rise above the exercise price of the option and the position will be called away. This entails an opportunity cost that the client would have been better off not selling a call but rather letting the investment appreciate to its full potential. Also, it is noted that no downside protection is offered from a covered call other than the premium earned.

J&A employs other options strategies as well but only on a case-by-case basis when unique client circumstances warrant them. Typically, these are hedging strategies.

In no way is this section meant to list all risks involved with investing, just the material risks of the main strategies of J&A.

Item 9-Disciplinary Information

Not Applicable—No disciplinary actions

Item 10-Other Financial Industry Activities and Affiliations

J&A may determine to allocate client assets with another Registered Investment Advisor, called a Sub-Advisor, or obtain additional expertise and services that will be beneficial to clients. The Sub-Advisor will tailor its advice to J&A with regard to a specific individual client of J&A. We will only use a Sub-Advisor who has maintained registration with the appropriate governing bodies. Each client that engages in the combined J&A/Sub-Advisor relationship will receive the ADV of both J&A and the Sub-Advisor and the contract between client and J&A/Sub-Advisor as well as the contract between J&A and Sub-Advisor.

Item 11-Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Johnston & Associates, Inc. has a written Code of Ethics that is available upon request to any client or prospect. A summary of the Code follows:

- J&A and its employees shall 1. conduct themselves with integrity and dignity and act in an ethical manner in their dealings with clients, professional associates, and the public; 2. acknowledge there is an element of professional ethical conduct required that exceeds ethical standards in daily life; and 3. shall act solely in the best interest of the client and avoid conflicts and/or abuse of the position of trust.

- J&A policy prohibits any employee from acting upon, misusing, or disclosing any material, non-public information, known as insider information, and any violations of this policy will result in disciplinary action and/or termination.

- J&A policy does allow employees to maintain personal securities accounts provided any such investing by the employees or household family members is consistent with the firm's fiduciary duty to its clients. The employee must report all such account and reportable transactions to the firm's Chief Compliance Officer.

- J&A's policy is to protect the confidentiality, integrity and security of any non-public, personal information of its clients and prospects and to prevent unauthorized access to, or the use or disclosure of, such information.

J&A also has set trading policies to govern employee or firm accounts. Specifically, employees or the firm may buy or sell securities that J&A also buys or sells for its clients. All client trading actions must be completed before any firm or employee trading actions of the same security are initiated. This applies to all reportable securities transactions as defined by the SEC, and includes government securities, open-end mutual fund shares, mutual fund shares as part of a unit investment trust (such as an annuity or variable life insurance policy), and short term debt obligations (such as CDs, money market funds and repurchase agreements). Short-swing profits, defined as 30 days or less, are prohibited in securities owned by clients and recommended by the firm. Mutual fund "Market Timing" and "Late Trading" practices are prohibited.

Item 12-Brokerage Practices

J&A reviews brokerage benefits at least once a year, but typically more often than that. Taken into consideration are trading costs (commissions), other fees (account fees, business fees like wire costs or transfer costs), research provided, trading execution, technology solutions, and service provided. While trading costs are a large priority, they are not the sole determinant as other services provided may keep the costs of J&A lower and, therefore, keep the AUM fees charged to clients lower than they otherwise would be. Because of these reasons we discourage directed brokerage, meaning situations where clients direct us where to place their trades. We find directed brokerage not only exposes the client to additional charges but may also expose the client to additional charges incurred by J&A to manage the portfolio. That said, we will work with a client in a directed brokerage relationship if that client is willing to cover the extra expenses unique to the relationship.

J&A has a trade error policy. Any trading error done by an employee of the firm will be removed from the client's account(s), and the firm will be responsible for any losses incurred. A trade error is defined as a mistake in the actual trading process, usually consisting of an incorrect amount of shares or an incorrect security. Market timing is not considered a trade error.

J&A does receive research and discounted services due to its relationship with certain custodians. These are "soft-dollar" relationships. Those benefits are derived due to the custody of client assets. The benefits are advantageous to J&A because otherwise the firm would have to pay for these services; therefore J&A may have an incentive to recommend a custodian for these reasons and not strictly due to best execution. Soft-dollar benefits service all client accounts and no adjustment is made for proportional credits (meaning more/less trading commissions).

J&A uses block allocation trading wherever possible. This means aggregating all client trades in a specific security so as to achieve a uniform client price. This removes any conflict of interest among clients for better execution. This may also result in lower costs to clients. When partial orders are filled for a block trade, J&A will use a pro rata allocation. When pro rata would result in any particular client being disadvantaged by the trade J&A will eliminate that client from the trading pool and allocate the remaining shares to clients accordingly.

Item 13-Review of Accounts

Johnston & Associates, Inc. receives duplicate trade confirmations the day after a trade and custodial statements at least quarterly, but usually monthly. The confirmations are reconciled to the trade blotter to ensure accuracy. The statements are reconciled quarterly to J&A internal account management software.

Client portfolios are reviewed at least quarterly by the portfolio manager, although this review is typically more frequent. Additionally, a more formal review is done annually and will involve a client meeting via phone, or in person, to update the client on performance, consistency with allocation model, and any reasons for deviation from the model.

When utilizing a Sub-Advisor, J&A receives monthly statements for assets actively managed by the Sub-Advisor and quarterly performance reviews on each client account.

Item 14-Client Referrals and Other Compensation

Not Applicable—J&A does not pay for client referrals, nor does it pay non-supervised persons for management services.

Item 15-Custody

All client accounts are held by a third-party custodian. Client appoints J&A as a limited power of attorney (LPOA) to interact within the client accounts. This agreement allows J&A to deduct AUM fees on a quarterly basis via an invoice sent to the custodian. Clients are always notified via invoice of these fee deductions. Clients may agree to be billed separately for quarterly fees thereby removing any ability of J&A to remove fees from the account.

Clients are strongly urged to compare statements received from third-party custodians to quarterly reports received from J&A, which include the copy of the invoice for management fees. The invoice shows the calculation of the fee which matches the amount deducted as shown on the third-party statement.

Item 16-Investment Discretion

J&A functions as a discretionary investment advisor. This means that the client grants J&A authority to choose the securities and amount thereof to be purchased or sold in the client's accounts. The client also grants J&A authority to determine timing of the trade, the broker at which the trade is done and the trading costs paid to the broker.

Clients are free to limit discretion as they see fit, although this usually would be limited to a certain asset class, security type, or company they would not want to own. J&A does not work with clients for whom prior approval of each trade would be required on an AUM fee basis. If this type of relationship is sought, then J&A would suggest a consulting relationship with a flat rate or retainer fee as more appropriate.

Item 17-Voting Client Securities

Johnston & Associates, Inc. does not vote proxies for clients. Clients will receive all proxy notices. If the Advisory Agreement signed by the client is silent on this topic, it implies proxies will not be voted by J&A. Clients are welcome to contact J&A to ask questions about how proxy voting issues apply to them, and J&A will help them make a voting decision.

Item 18-Financial Information

Not Applicable—J&A is not required to list any financial information due to billing client fees in advance

Item 19-Requirements for State Registered Advisors

Please see Form ADV Part 1 for a listing of officers and their educational and business backgrounds. Please see Item 4 on this brochure for a description of other business activities. J&A does not charge performance fees, does not have any criminal or civil disclosures, or additional affiliate relationships.

Item 1-Cover page

Form ADV Part 2B
March 19, 2019

James M. Johnston & Associates, Inc.
dba Johnston & Associates, Inc.

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Form ADV Part 2B is a supplementary brochure which serves to provide the business background and education of employees of Johnston & Associates, Inc. who have discretionary authority over client accounts and/or who have contact with clients regarding the investment procedure.

This supplement should accompany Form ADV Part 2A, but if it does not, please contact J&A at the above phone number or email to request a copy.

Edward J. Durica, III, CFA

Item 2-Educational Background and Business Experience

- 2005 Awarded CFA Charter
  - To earn a Chartered Financial Analyst Charter one must have four years of qualified investment work experience, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, and complete the CFA Program. The CFA Program reflects a broad body of knowledge, which is continuously updated to reflect the real world of today's global investment industry. The Program is organized into three levels, each culminating in a six-hour exam. Completing the Program takes a minimum of two years and candidates report an average of 300 hours of study per level. Earning the CFA Charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry.
- 2002-Present Johnston & Associates, Inc.
  - Mr. Durica is the Vice President and portfolio manager for client accounts at J&A. In this capacity he makes the asset allocation recommendations, researches possible investments, makes trading decisions, including size and timing, and oversees the reporting functions. Mr. Durica also acts as the firm's Chief Compliance Officer.
- 2002 University of Denver
  - MBA with Finance Specialization
- 1997-2001 Charles Schwab Corporation
  - Investment Specialist (Retail and Platinum trading)—Mr. Durica started with retail investors but quickly moved to working with Active Traders at the Platinum level. His primary role was assisting investors with structuring equity, bond and option trades.
- 1995 University of Colorado-Boulder
  - BA History, *magna cum laude*, US concentration

Item 3-Disciplinary Information

Not Applicable—Mr. Durica has not been the subject of any disciplinary actions

Item 4-Other Business Activities

Mr. Durica is the CFO of the United States Bomb Technician Association (USBTA)

Item 5-Additional Compensation

Mr. Durica is compensated his work as CFO of the USBTA

Item 6-Supervision

Mr. Durica is supervised by James M. Johnston, President. Mr. Johnston reviews the quarterly reports created by Mr. Durica, including the client performance. He also reviews trading situations and decisions via regular meetings with Mr. Durica. Mr. Johnston can be reached at 303 831 6120.

James M. Johnston, CPA

Item 2-Educational Background and Business Experience

- 2005-Present JMJ Consulting Inc.
  - Mr. Johnston is the President of JMJ Consulting, Inc. Mr. Johnston's specialties include estate planning, tax strategies and insurance strategies for small business owners, high net worth individuals and their families.
- 1989-Present James M. Johnston & Associates, Inc.
  - Mr. Johnston is the President of J&A. In this capacity he serves a limited role in the investment management process and strictly as an emergency back-up to the portfolio manager(s) in the trading of securities in client accounts.
- 1980-1990 Golden Johnston Companies
  - Estate Planning
- 1976-1980 CIGNA
  - Estate Planning
- 1973-1976 Internal Revenue Service
  - Field Auditor
- 1971 Cleveland State University
  - BS Business Administration

- Registered Representative License Supervision
  - 2009-2010 Woodbury Financial Services
  - 2007-2008 RMIN Securities, Inc.
  - 2004-2007 Cascade Financial Management
  - 1994-2004 Cascade Investment Group, Inc.

Item 3-Disciplinary Information

Not Applicable—Mr. Johnston has not been the subject of any disciplinary actions

Item 4-Other Business Activities

Mr. Johnston's primary business is as President of JMJ Consulting, Inc, which involves estate planning, tax strategies and insurance strategies. Many clients of JMJ Consulting, Inc. are also clients of Johnston & Associates, Inc.

Item 5-Additional Compensation

Mr. Johnston derives the majority of his compensation from JMJ Consulting, Inc. This includes hourly fee work associated with estate planning cases as well as commissions from insurance sales.

Item 6-Supervision

Mr. Johnston is not directly supervised. However, his activities, especially regarding personal trading, are overseen by the Chief Compliance Officer of J&A, Edward J. Durica, III, CFA. Mr. Durica can be reached at 303 831 6120.

Jonathan V. Wombwell, CFA

Item 2-Educational Background and Business Experience

- 2018-Present Johnston & Associates, Inc.
    - Mr. Wombwell, as portfolio manager, conducts industry research, performs equity analyses and makes investment recommendations on US equities with emphases on intrinsic value, dividend income and total shareholder return.
- 2017-2018 Highgate Investment Securities, LLC
    - Mr. Wombwell, as Vice President, conducted industry research, performed equity analyses, made investment recommendations and executed trades in client portfolios.
- 2009-2017 Western Tanager Asset Management, LLC
    - Equity Analyst & Portfolio Manager. Mr. Wombwell founded Western Tanager Asset Management, LLC where he developed and executed a focused, value-oriented investment strategy in US equities.
- 2004 Awarded CFA Charter
    - The CFA Program reflects a broad body of knowledge and is organized into three levels, each culminating in a six-hour exam. Completing the Program takes a minimum of three years and candidates report an average of 300 hours of study per level. Earning the CFA Charter demonstrates mastery of many of the advanced skills needed for investment analysis.
- 2002-2009 Molson Coors Brewing Co.
    - Director, Market Development, Strategy. Mr. Wombwell led the annual planning function, managed a team of analysts and conducted financial analyses to support capital allocation and investments to drive growth and realize cost savings.
- 1998 The University of Texas at Austin
    - MBA, Deans' Award, Sord Scholar
- 1986 The Colorado College
    - B.A., Geology, *magna cum laude*

Item 3-Disciplinary Information
Not Applicable—Mr. Wombwell has not been the subject of any disciplinary actions

Item 4-Other Business Activities
Not Applicable—Mr. Wombwell has no outside business activities

Item 5-Additional Compensation
Not Applicable—Mr. Wombwell does not receive any outside compensation

Item 6-Supervision
Mr. Wombwell is supervised by James M. Johnston, President. Mr. Johnston reviews his research and investment recommendations. Mr. Johnston can be reached at 303 831 6120.