

JOHNSON & SHUTE INVESTMENT ADVISORS, INC.

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This brochure provides information about the qualifications and business practices of Johnson & Shute Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 425-827-5755. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Johnson & Shute Investment Advisors, Inc. is also available on the SEC's website at www.advisorinfo.sec.gov.

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ADVISORY BUSINESS

- Johnson & Shute Investment Advisors, Inc. has been in business since 1989. The company offers investment management services to a diverse client group, including individuals, pension and profit-sharing accounts, trusts, estates and business organizations.
- The management services provided include reviewing a client's financial situation and discussing with the client their risk tolerance, investment time horizon and return needs. The client then selects one of our model portfolios that is appropriate for their situation. Our services include periodically rebalancing client portfolios to remain in line with the target percentages of the model portfolio. Clients may request to omit or replace one or more asset classes included in our model portfolios, although this is not recommended. See page two for a discussion of the firm's investment strategies.
- Our management services include meeting clients upon request to review changes in their financial situation, investment goals or risk tolerance and/or to review investment performance.
- Client assets are managed on a non-discretionary basis and totaled \$68,700,000 as of November 1, 2011. We do not manage any client assets on a discretionary basis.

FEES AND COMPENSATION

- We are compensated for our services as investment advisors by charging our clients a fee based upon the amount of assets under management. The scope of our services included in this fee are discussed in our engagement letter and include discussing our client's financial situation, investment goals and risk tolerance, selecting a model investment portfolio and meetings related to changes in the foregoing and discussions of portfolio performance. Additional services, such as financial planning, may be contracted under a separate agreement and may be charged either an hourly rate or a fixed fee. The hourly rates and fixed fees are variable depending upon the type of service requested.
- Our annual fee for investment advisory services is generally computed on the following fee schedule:

1% on amounts up to \$1,000,000
.5% on amounts from \$1,000,000 to \$1,500,000
.25% on amounts above \$1,500,000

Individual client fee schedules may vary from the above schedule under special circumstances but are non-negotiable.
- Fees are computed and collected at the end of each quarter. The fee is calculated based on the beginning balance at each quarter, plus contributions and minus withdrawals made during the quarter, and pro-rated on a daily basis. The fee is billed to the client's account quarterly. Under special circumstances, clients may be billed directly for their fees.

FEES AND COMPENSATION (CONT.)

- Clients may pay other types of fees in connection with their investments, including mutual fund expenses and brokerage and other transaction costs (see “Brokerage Practices” on page 4.) We do not receive any compensation, including 12b-1 fees, from mutual funds in connection with the purchase or sale of securities.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

- We do not accept performance based fees.

TYPES OF CLIENTS

- We generally provide investment advice to individuals and pension and profit-sharing plans. We may also provide investment advice to trusts, estates, charitable organizations, corporations or other business entities.
- Our general minimum account size is \$100,000. We may accept an account below this minimum under special circumstances, generally with a minimum fee of \$500.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- The company develops a series of model portfolios with varying levels of expected risk and return for clients to select from. The model portfolios consist of passively managed mutual funds representing various asset classes in both the equity and bond markets. The funds used are selected for their efficiency and low cost in earning asset class returns.
- Methods of analysis used to determine the asset classes and actual funds used in the model portfolios include fundamental and technical methods applied to historic returns.
- The company uses a long-term purchase investment strategy within each model portfolio.
- Investing in securities involves risk of loss that the client should be prepared to bear. Our model portfolios will experience month-to-month and year-to-year volatility, and the success of any investment plan is dependent upon accepting the volatility and remaining invested for the long term.
- Clients are shown the risk of loss for each model portfolio based upon historical returns of the model portfolio or a similarly constructed portfolio if the asset classes in the model portfolio were not available in the period under analysis. The material risk to each model portfolio is that an event will happen outside of historical experience that could have an unforeseen negative effect on the model portfolio.
- Our model portfolios consist of passively managed equity and fixed income asset class mutual funds, both domestic and foreign. The material risks involved are primarily a market decrease in any of the equity or fixed income asset classes included in the model portfolios or a general market decrease across asset classes.

DISCIPLINARY INFORMATION

- Neither the company or its employees have been subject to any disciplinary events by any court or regulatory agency since the company began doing business in 1989.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- Johnson & Shute Investment Advisors, Inc. is not a registered broker dealer and has no affiliations or material arrangements with any related person or service provider which could create a material conflict of interest with clients.
- Johnson & Shute Investment Advisors, Inc. is a separate entity from, and is not related to, Johnson & Shute, P.S., an accounting firm.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

- We have adopted a code of ethics covering all of the firm's employees. The following highlights some of the provisions in our code of ethics:
 - The code of ethics states that all employees must comply with federal securities laws and all employees have a duty to act in the best interests of our clients. To this end, all employees will act with care, loyalty, honesty and good faith in fulfilling their duties to the firm and our clients. We will strive to avoid conflicts of interest and will fully disclose any material facts concerning any conflict of interest that does arise with any client.
 - All client information is maintained with strict confidence, including our clients' (and former clients) identity, personal and financial information, securities holdings and investment advice furnished. We do not disclose any personal information about our clients to anyone without prior consent or as required by law.
 - The firm maintains policies and procedures designed to ensure compliance by our employees with federal securities laws and our code of ethics. These policies and procedures include provisions monitoring the personal trading of securities by employees to help prevent conflicts of interests between our employees and our clients.
- A copy of the company's Code of Ethics is available to any client or prospective client upon request.

BROKERAGE PRACTICES

- The company selects a broker-dealer to be the custodian of client assets based on a variety of factors, including reasonableness of commissions, safety of client assets and ability to provide high quality service to clients. We attempt to negotiate the lowest commissions possible for our clients.
- We may recommend that clients establish brokerage accounts with the Schwab Institutional Division of Charles Schwab & Co., Inc., (Schwab) a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. We are independently owned and operated and not affiliated with Schwab. Schwab provides us with access to its institutional trading and custody services, which are not typically available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge and is not otherwise contingent upon us committing to Schwab any amount of business other than a minimum of \$10 million of client assets held in accounts at Schwab. Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For our clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction related fees for securities trades.
- Schwab also makes available to us other products and services which may benefit us but which may benefit our clients' accounts indirectly. Some of these other products and services assist us in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of our management fees from our client accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of our client accounts. Schwab Institutional also makes available to us other services intended to help us manage and further develop our business. These services may include consulting, publications and conferences on practice management, information technology, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered by independent third parties. While we act as a fiduciary, we endeavor to act in our clients' best interests, and our recommendation that our clients maintain their assets in accounts at Schwab is based on many factors, including factors which facilitate our monitoring of client accounts. We periodically explore other custodians to evaluate whether Schwab is the best choice considering, among other things, safety and cost to our clients.
- We do not aggregate the purchase or sale of securities across client accounts.

REVIEW OF ACCOUNTS

- Account reviews are conducted by the company's two portfolio managers periodically as agreed upon by the client and the portfolio manager. The size of a client's portfolio and level of activity (i.e. deposits and withdrawals) will influence the frequency of reviews. Triggering factors for reviews include the level of activity, and changes in client goals, risk tolerance or investment time horizon. All client accounts are reconciled monthly.
- Client accounts are reviewed periodically (at least quarterly) for rebalancing by the chief compliance officer.
- Daily account transactions are downloaded directly from the custodian and all trades, deposits and withdrawals are reviewed as downloaded.
- The company provides quarterly written reports to our clients showing consolidated account portfolio positions and quarter-to-date and year-to-date performance results.

CLIENT REFERRALS AND OTHER COMPENSATION

- We do not have any arrangements to compensate any individual or company for client referrals.

CUSTODY

- The company does not have custody of client funds and all client funds are held with a qualified custodian, currently Charles Schwab & Co., Inc. Clients will receive monthly account statements from the custodian and should review these statements carefully. Clients should also compare the account statements they receive from the custodian to the quarterly reports received from us and notify us immediately of any discrepancies.

INVESTMENT DISCRETION

- Clients will be asked to sign a limited power of attorney form with us. This agreement shall be exercised only to purchase asset class investments in the agreed upon model portfolio, periodically rebalance the portfolio and to collect management fees. It is not intended that the power of attorney be a discretionary power of attorney.

VOTING CLIENT SECURITIES

- We do not retain authority to vote client securities. Clients will receive their proxies or other solicitations directly from the custodian. Clients may contact us at our office to discuss any questions they may have on any voting issues or solicitations.

FINANCIAL INFORMATION

- We do not require prepayment of management fees, accept discretionary authority to manage securities or maintain custody of client assets.

SUPPLEMENTAL INFORMATION

This brochure supplement provides information about Rodger P. Shute that supplements the Johnson & Shute Investment Advisors, Inc. brochure. Additional information about Rodger P. Shute is available on the SEC's website at www.advisorinfo.sec.gov.

Rodger P. Shute
11130 NE 33rd Pl., Suite 102
Bellevue, WA 98004
425-827-5755

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Born 1945

B.A. in Business Administration (Accounting), 1971, University of Washington, Summa Cum Laude

Professional Education Program, 1988, College of Financial Planning

Master of Science in Financial Planning, 1991

Last five years: Johnson & Shute Investment Advisors, Inc. (Investment Advisor, Vice-President, Director of Research, Portfolio manager)

DISCIPLINARY INFORMATION

No disciplinary actions have been taken against this person.

OTHER BUSINESS ACTIVITIES

None

ADDITIONAL COMPENSATION FROM ADVISORY SERVICES

None except from clients.

SUPERVISION

All employee activities are performed on an investment team with another portfolio manager.

REQUIREMENTS FOR STATE REGISTERED ADVISORS

This person has not been involved in any arbitration claims, any civil, self-regulatory or administrative proceedings or bankruptcy proceedings.

SUPPLEMENTAL INFORMATION

This brochure supplement provides information about Gregory A. Radovich that supplements the Johnson & Shute Investment Advisors, Inc. brochure. Additional information about Gregory A. Radovich is available on the SEC's website at www.advisorinfo.sec.gov.

Gregory A. Radovich
11130 NE 33rd Pl., Suite 102
Bellevue, WA 98004
425-827-5755

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Born 1958

B.A. in Business Administration (Accounting), 1981, University of Washington

Masters in Business Administration (Finance), 1986, University of Washington

Last five years: Johnson & Shute Investment Advisors, Inc. (President, Chief Compliance Officer, Portfolio manager)

DISCIPLINARY INFORMATION

No disciplinary actions have been taken against this person.

OTHER BUSINESS ACTIVITIES

Johnson & Shute, P.S. (Manager, Certified Public Accountant in Public Practice)

Approximately 35% of time spent in this business

ADDITIONAL COMPENSATION FROM ADVISORY SERVICES

None except from clients.

SUPERVISION

All employee activities are performed on an investment team with another portfolio manager.

REQUIREMENTS FOR STATE REGISTERED ADVISORS

This person has not been involved in any arbitration claims, any civil, self-regulatory or administrative proceedings or bankruptcy proceedings.