

Part 2A of Form ADV: Firm Brochure

Johnston Lemon Asset Management

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This brochure provides information about the qualifications and business practices of Johnston Lemon Asset Management. If you have any questions about the contents of this brochure, please contact us at 202-842-5618 or kenneth_miller@johnstonlemon.com. 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.

Additional information about Johnston Lemon Asset Management also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 109126.

Item 2: Material Changes

Form ADV is used by investment advisers to register with both the Securities and Exchange Commission (SEC) and state securities authorities. It has two parts. Part one requires information about the investment adviser's business, ownership, clients, employees, business practices, affiliations, and any disciplinary events of the adviser or its employees. Part two of the ADV requires investment advisers to prepare narrative brochures written in plain English that contain information such as the types of advisory services offered, the adviser's fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel of the adviser.

There have been no material changes to our Firm Brochure since the last annual update of the brochure. Our last brochure was as of March 1, 2011.

A copy of the entire Firm Brochure may be obtained through contacting Ms. Robin Mitler at 202-842-5209 or robin_mitler@johnstonlemon.com.

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Item 4: Advisory Business

A. Business Description

Johnston Lemon Asset Management (JLAM) is located at 1101 Vermont Avenue NW, Washington, D.C. 20005. JLAM is a wholly-owned subsidiary of Johnston, Lemon & Co. Incorporated (JL), a Washington, D.C. investment firm founded in 1920. We have no other public or private shareholders.

Johnston Lemon Asset Management was founded in 1995 as the investment advisory subsidiary of Johnston, Lemon & Co. Incorporated. Our goal was to offer clients in-house portfolio management, in a program in which we act as a fiduciary, with a high level of client care and service. We are proud of JLAM's growth over the years, and feel that the firm occupies a unique place in the Washington, D.C. business community: a local, privately-owned investment boutique, with experienced personnel and accessible portfolio managers.

JLAM provides the following services to clients:

- Portfolio management
- Asset allocation
- Security selection
- Development of an Investment Policy Statement
- Distribution planning (for retirement income, or distributions from an endowment)
- Periodic conference calls and in-person meetings
- Coordination with legal and tax advisers
- Communication with an organization's Board of Directors
- In-person contact with portfolio managers
- Performance reporting
- Cost basis and tax reporting
- Proxy voting
- Securities Class Action Claim Filing

We carefully tailor our advisory services for the needs of each client. Our investment process starts with personal discussions with each client, in which we determine the client's objectives, liquidity needs, time horizon and risk tolerance. We typically discuss the client's personal background, family composition, and investment history. Based on these discussions, we identify an asset allocation strategy for each client, and create and manage a portfolio based on that strategy.

Investment selection and account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Once the client's portfolio has been established, we review the portfolio at a minimum on a quarterly basis, and if necessary, rebalance the portfolio according to the client's individual needs.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company, and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Exchange traded funds (ETFs)

Because some types of investments or strategies involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

B. Program Types

Johnston Lemon Asset Management offers two separate investment programs: discretionary and non-discretionary. In the discretionary program, clients are assigned a dedicated portfolio manager, who buys and sells securities on the client's behalf without prior approval for each transaction. In the non-discretionary program, an adviser makes recommendations for approval by the client.

The discretionary program is JLAM's flagship product. Originally, JLAM only managed money on a discretionary basis, and the majority of current JLAM assets are in the discretionary program. David Straus, our Senior Portfolio Manager, has managed discretionary accounts since JLAM's founding, and we maintain a performance record that dates to the organization's inception.

The non-discretionary program was created in 2007 to accommodate clients who want to pursue an investment strategy that is different from the strategy utilized in the managed accounts, who want to maintain decision-making authority, or who fall below the discretionary program's account minimum.

The following table summarizes some of the key similarities and differences between the discretionary and non-discretionary programs:

	Discretionary Program	Non-Discretionary Program
Dedicated Adviser	Yes	Yes
Dedicated Portfolio Manager	Yes	No
Asset allocation strategy	Yes	Yes
Portfolio holdings	Primarily individual stocks, bonds and Exchange Traded Funds	Primarily individual stocks, bonds, Exchange Traded Funds and traditional mutual funds
Investment strategy	Highly defined	Varies between clients
Track record	Maintained for the organization since inception	Maintained for each client since inception

Clients can, and often do, have accounts in both programs.

There are many differences between the two programs, and so they are described separately in most sections of this Brochure.

C. Account restrictions

Clients are able to place guidelines or restrictions on securities purchased or sold for their account. If, for example, a client is an accountant, and is prohibited from owning stock in the companies her firm audits, she can provide us with a list of such securities, and we will not purchase those securities in her account.

D. Account minimums

JLAM maintains the following account minimums:

- \$500,000 for the discretionary program
- \$100,000 for the non-discretionary program

We administer account minimums as follows:

- Accounts with the same owner can be aggregated to meet the account minimum.
- We have changed our account minimums over time. Clients are subject to the account minimum that was in place at the time they entered into a relationship with JLAM.
- We make exceptions to account minimums in order to accommodate clients who are depositing or transferring assets to JLAM over a period of time.

E. Third Party Money Managers and Wrap Fee Programs

As part of our Form ADV Part 2A filing, we are requested to disclose any relationships with “third party money managers,” a common arrangement where advisory firms sub-contract management of some client assets to other advisory firms.

Our firm does not utilize third-party money managers or wrap fee programs. All discretionary assets are managed in-house by a Washington, DC-based portfolio manager.

F. Assets Under Management

As of December 31, 2011, JLAM was managing \$123,846,000 of client assets. Of this amount, \$96,020,000 is in the discretionary program, and \$27,826,000 is in the non-discretionary program.

Item 5: Fees and Compensation

A. Advisory Fee

Johnston Lemon Asset Management charges a fee that is stated as an annualized percentage of assets under management (e.g., 1.25%). Our fees are assessed quarterly, in January, April, July and October. One-fourth of the annual fee is assessed each quarter, based on the account’s value on the last calendar day of the quarter.

We offer lower fees to clients with higher levels of assets. JLAM will aggregate accounts with the same owner(s) for purposes of determining the account fee.

Fees are debited in accordance with the fee authorization in the client service agreement. While almost all of our clients choose to have their fee debited to their account, we will invoice clients upon request.

We utilize separate billing systems for the discretionary and non-discretionary programs, so there are significant differences in the way the two programs are billed, including the fee schedule and the method for calculating the fee. The fees for the two programs are described separately below.

Clients are not charged commissions for trades executed through Johnston, Lemon & Co. Incorporated.

Discretionary Program

Fees for the discretionary program range from 0.35% to 1.25%. Our fee schedule is as follows:

<u>Assets</u>	<u>Fee</u>
Up to \$750,000	1.25%
\$750,000 to \$1,500,000	1.00%

\$1,500,000 to \$2,500,000	0.75%
\$2,500,000 to \$5,000,000	0.60%
Over \$5,000,000	Negotiable

Fees are assessed on a graduated schedule, with the client paying a different percentage fee on different asset levels within the portfolio (e.g., 1.25% on the first \$750,000, 1% on the next \$750,000, etc.).

Fees are assessed in arrears. Clients who terminate their advisory agreement with JLAM will be assessed a pro-rated fee for the number of days between the end of the prior billing period and the date of termination.

Non-Discretionary Program

Fees for the non-discretionary program range from .60% to 1.00%. Our fee schedule is as follows:

<u>Assets</u>	<u>Fee</u>
Up to \$2,000,000	1.00%
\$2,000,001 to \$3,000,000	0.85%
\$3,000,001 to \$4,000,000	0.80%
\$4,000,001 to \$5,000,000	0.75%
\$5,000,001 to \$10,000,000	0.60%
Over \$10,000,000	Negotiable

Clients are charged a percentage fee based on the amount of the assets in the portfolio. The client will pay the same fee for all assets in the portfolio (e.g., a client with \$2,000,001 in assets will pay a fee of .85% on the entire portfolio, a client with \$3,000,001 in assets will pay a fee of .8% on the entire portfolio, etc.).

Fees for the non-discretionary program are assessed in advance. Clients who terminate their advisory agreement with JLAM will receive a refund based on the number of days remaining in the current calendar quarter.

B. Limited Negotiability of Fees

While Johnston Lemon Asset Management has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. The primary factors that influence a client's fee are the amount of assets the client has with us, and the composition of the client's portfolio.

Each client's fee schedule is identified in the investment advisory agreement.

C. Additional Expenses

Mutual Fund Fees: We utilize Exchange Traded Funds (ETFs) and mutual funds in client portfolios, and these funds have separate and distinct fees that are in addition to the fees paid to Johnston Lemon Asset Management. These fees and expenses are described in each fund's prospectus, and generally include a management fee, other fund expenses and a possible distribution (also known as "12(b)1") fee. JLAM takes these fund expenses into consideration when designing and implementing investment strategy, and we attempt to minimize fund expenses to the extent that we are able to do so in balance with a client's other objectives.

Custodial and Broker Dealer Fees: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians (such as an annual IRA custodial fee, SEC or foreign fees or a fee for a debit card or banking services) and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

D. Additional Information Regarding Fees

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice.

Grandfathering of Minimum Account Requirements: Clients are subject to the fee schedule in effect at the time the client entered into the advisory relationship. Therefore, our firm's fees differ among clients.

ERISA Accounts: Johnston Lemon Asset Management is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

Item 6: Performance Based Fees

Johnston Lemon Asset Management does not charge performance-based fees.

Item 7: Types of Clients

Johnston Lemon Asset Management provides advisory services to the following types of clients:

- Individuals and families
- Trusts and estates
- Charitable organizations and foundations
- Trade associations
- Pensions and profit-sharing plans
- Corporations

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

Discretionary Program

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. JLAM deploys an investment style that emphasizes a core portfolio of large capitalization domestic equities and investment grade bonds of intermediate term duration. We begin our analysis with a top-down approach by evaluating macroeconomic variables to forecast major factors that affect the overall valuations of financial assets. These factors include economic growth, monetary policy, fiscal policy, interest rates, inflation, taxation, the regulatory environment, and corporate earnings. We further refine this approach to determine which sectors of the economy should do better or worse than the overall economy. We then incorporate fundamental valuations to determine which major sectors of the financial markets we plan on overweighting, equal-weighting, or underweighting relative to the benchmark S&P 500 Index.

Our final step is to use a bottom-up approach. For equities, our universe of companies includes the S&P 500 and those companies with S&P 500 characteristics but which are not in the Index. We evaluate these securities to determine which ones to buy; sell or hold. We attempt to measure the intrinsic value of a security by looking at economic and financial factors to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). We look for companies that appear underpriced relative to their growth rates and tend to prefer companies that create shareholder value either through dividend growth, share buybacks or debt repayments. In addition, we utilize third party research

to support and complement our own analysis. Selected securities are included in portfolios based on our predetermined sector weightings. Equities are sold from the portfolios based on one or more factors. These include; a change in the underlying fundamentals of the company, the stock reaches or exceeds our target price, a change in our sector weighting, the stock becomes too large a position in a portfolio and/or a shift in our view of the secular trend of equity prices. Our typical holding period for equities is four years, but changes with market conditions and the volatility of individual equities in the portfolio.

For fixed income, our universe includes publicly traded foreign and domestic corporate, government, government agency, and municipal securities that are rated investment grade by at least two of the ratings agencies. (In cases of coverage by just one rating agency, that rating must be investment grade.) We analyze inflation expectations, credit spreads, monetary policy, fiscal policy and economic conditions to determine the relative attractiveness of the major bond categories. We then analyze income, balance sheet and cash flow statements to determine which securities to buy. In addition we utilize third party research to support and complement our own analysis. Bonds are typically held to maturity but may be sold before maturity if the underlying fundamentals deteriorate, the valuation exceeds our fair value estimate, or if there is a more attractive alternative.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially profitable entry and exit points for both individual securities and the market as a whole. We also regularly review charts of market and security activity in an attempt to identify directional trends and to predict how long the trend may last and when that trend might reverse.

Risks for all forms of analysis. Our security analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information. Further, our fundamental and technical analysis does not mitigate the risk of loss in both individual securities and portfolios as a whole that the client should be prepared to bear.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Equity Strategy: We attempt to add value for clients by purchasing a diversified portfolio of stocks from our buy list which underweight the major S&P 500 sectors we feel are overvalued or have poor relative prospects based on our analysis of future economic trends and overweighting major S&P sectors we feel are undervalued or have good relative prospects based on our analysis of future economic trends. Portfolios typically have approximately 30 stock positions

and sector divergence from the S&P 500 does not typically exceed 50%. In addition, we may use Exchange Traded Funds (ETFs) to add to sector positions or to add to asset classes that we feel are appropriate to maximize returns and/or reduce portfolio volatility. These include but are not limited to: small, mid and large-cap equities, international equities, emerging market equities, and sector and industry specific equities. In addition, we may use ETFs that invest in commodities, currencies and that use leverage, derivatives and short sales. The additional asset class ETFs do not typically exceed 25% of the portfolio. Accounts which fall below our minimum asset level may have an ETF concentration of as much as 100%.

Fixed Income Strategy: We use bonds in our portfolios when appropriate, to provide income and reduce volatility. The bond portion of a portfolio is typically laddered over an intermediate term (4-7 years) with individual bond positions generally not exceeding 5% of the portfolio, and diversified so as not to be overly concentrated in a company or sector. Our goal is to preserve our clients' capital, while maintaining the advantages of income stability, higher yield and potential appreciation that longer-term bonds may afford. In addition, we may use ETFs or mutual funds to add bond positions in smaller portfolios and/or to add exposure in areas other than investment grade bonds. These may include, but are not limited to: inflation protected bonds, foreign bonds, high yield bonds and convertible bonds.

Option Strategy: We may occasionally use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- We may sell a call for a security owned by a client if we feel the underlying equity is still an appropriate hold for the long term, but may have limited short term potential. The client receives the money from selling the call and may also maintain the position in the underlying security if it does not rise above a certain price over a certain period of time. If the stock does exceed the stated price, the stock would be sold at the lower stated price instead of the higher market price.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

Risk of Investment Strategies: Our investment strategies do not mitigate the risk of loss in

both individual securities and portfolios as a whole that the client should be prepared to bear.

Non-Discretionary Program

The non-discretionary program exists to serve clients who are not accommodated by the discretionary program. The appeal of the program is its flexibility. As a reflection of this mandate, there is no uniform investment strategy in the non-discretionary program. Investment strategy is determined by the specific needs of each client.

Risk of Loss: Investments in securities are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

Item 9: Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Management personnel of Johnston Lemon Asset Management are separately licensed as registered representatives of Johnston Lemon & Co. Incorporated, a parent company and subsidiary of Johnston Lemon Group, Inc. Johnston, Lemon & Co. Inc. is a member of FINRA.

These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

While Johnston Lemon Asset Management and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgement of these individuals when making recommendations.

Clients should be aware that the receipt of additional compensation by Johnston Lemon Asset Management and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Johnston Lemon Asset Management endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;

- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and objectives;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Item 11: Code of Ethics, Participation or Interest

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Johnston Lemon Asset Management and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Johnston Lemon Asset Management's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You

may request a copy by sending an email to Kenneth.Miller@johnstonlemon.com, or by calling us at 202-842-5618.

Johnston Lemon & Co. Incorporated or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

Johnston Lemon Asset Management may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction in which Johnston Lemon Asset Management acts as an investment adviser and broker-dealer for an advisory client and another person on the other side of the transaction.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

Equity purchase transactions by officers or employees of JLAM are not permitted for five (5) full business days prior to the initial recommendation of the same security to advisory clients or for two (2) full business days after such recommendation. Equity sale transactions are prohibited for two (2) full business days following an initial recommendation.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as security representatives and investment advisors of Johnston, Lemon & Incorporated. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12: Brokerage Practices

A. Authority to Determine Broker Dealer

Johnston Lemon Asset Management requires clients to provide us with written authority to determine which broker dealer to use.

B. Soft Dollar Arrangements

“Soft dollar arrangements” are a common arrangement where investment advisers accept services from a broker dealer – such as research – in return for transactions placed with that broker dealer.

Johnston Lemon Asset Management does not participate in soft dollar arrangements.

Discretionary Program

Johnston Lemon Asset Management will execute block trades where possible and when advantageous equally and on a pro-rated basis between accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Johnston Lemon Asset Management will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Johnston Lemon Asset Management's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Johnston Lemon Asset Management, or our firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Johnston Lemon Asset Management to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as

the best net price.

4) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

5) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

6) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

7) Johnston Lemon Asset Management's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

8) Funds and securities for aggregated orders are clearly identified on Johnston Lemon Asset Management's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

9) No client or account will be favored over another.

Non-Discretionary Program

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As a matter of policy and practice, Johnston Lemon Asset Management does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Item 13: Review of Accounts

Discretionary Program

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at a minimum on an annual basis. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: David Straus and Joshua Olds.

REPORTS: In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, Johnston Lemon Asset Management will provide quarterly reports summarizing account performance, balances and holdings.

Non-Discretionary Program

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by the President, Advisor Supervisor, CFO/CCO and Assistant Compliance Officer.

REPORTS: In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

Item 14: Client Referrals and Other Compensation

A. Other compensation

It is Johnston Lemon Asset Management's policy not to allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

B. Client referrals

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to the discretionary program. We do not engage solicitors for the non-discretionary program. Whenever we pay a referral fee, we require the Solicitor to provide the prospective

client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is Johnston Lemon Asset Management's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15: Custody

Discretionary Program

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Unless directed otherwise by the client, all accounts in this program are held at Pershing LLC, a clearing firm not affiliated with Johnston Lemon.

Non-Discretionary Program

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

It is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

All client accounts in this program are held at Pershing LLC.

Item 16: Investment Discretion

Discretionary Program

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Non-Discretionary Program

As previously disclosed in Item 4 of this brochure, this program does not provide discretionary asset management services.

Item 17: Voting Client Securities

Discretionary Program

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Robin Mitler by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Robin Mitler by telephone, email, or in writing.

Proxy Voting Policies

JLAM contracts Egan-Jones Proxy Services ("EJ") to assist in proxy voting for a majority of JLAM clients. JLAM does not use EJ to vote on holdings that have been directed by a JLAM client to purchase and/or hold. JLAM uses EJ's Standard Voting Guidelines to vote a majority of our clients' proxies. For those clients that JLAM does not contract EJ to vote their proxies, JLAM follows EJ's standard voting policies not including the exception described below.

- In support of corporate management in opposition to shareholder resolutions proposed by special interest groups with adversarial resolutions.
- Against staggered board proposals.
- Against defensive measures prepared in opposition to takeovers.
- In support of auditors unless there is a material conflict of interest or other issue that leads EJ to believe that a change in auditors would be in the best interest of shareholders.
- Votes on director nominees on a case-by-case basis. Key criteria include, but are not limited to, composition of the board, attendance of board meetings, how many other board seats the director holds, and the director's response toward past shareholder proposals that were approved by a majority of the shareholders.
- Against measures calling for creation of special classes of stock with extra voting

- power.
- In support of cumulative voting proposals.

EJ's Standard Voting Guidelines recommend voting for stock-compensation packages if they are below a certain threshold. In general, JLAM votes against excessive executive compensation packages. JLAM will vote for stock compensation packages on a case-by-case basis if the proxy vote in question requires compensation to be tied to share price performance.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at 1101 Vermont Avenue, NW, Suite 800, Washington, DC 20005.

Non-Routine Matters

In all situations involving non-routine proposals that do not fall within the guidelines set forth in the standing proxy votes, the voting officer will, upon careful review, vote the shares in accordance with the general policies and procedures set forth above.

Except in rare instances, abstention is not an acceptable position and controversial issue will be voted – either for or against.

Class Action Litigation

Johnston Lemon Asset Management has engaged Chicago Clearing Corporation (CCC) to provide class action litigation monitoring and securities claim filing services.

CCC's sole business is securing class action claims. CCC monitors each claim our clients have, collects the applicable documentation, interprets the terms of each settlement, files the appropriate claim form, interacts with the administrators and distributes your award on your behalf. They charge a contingency fee of 20%, which is subtracted from your award when the award is paid.

Non-Discretionary Program

As a matter of policy, we do not vote proxies on behalf of clients. Therefore, although we may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining

to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

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Item 18: Financial Information

Johnston Lemon Asset Management has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Johnston Lemon Asset Management has not been subject to bankruptcy proceedings during the past ten years.