

## Item 1 – Cover Page

Lakeside Advisors, Inc.

1115 East Denny Way, Seattle, WA 98122

206-285-1730

<http://www.lakesideadvisors.com>

February 21, 2012

This brochure provides information about the qualifications and business practices of Lakeside Advisors, Inc.

If you have any questions about the contents of this brochure, please contact us at 206-285-1730, or by email at [bob@lakesideadvisors.com](mailto:bob@lakesideadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities regulatory authority.

Lakeside Advisors, Inc. is a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us.

Additional information about Lakeside Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a firm's name or a unique identification number, known as CRD number. Our firm's CRD number is 104540.

## **Item 2 - Material Changes**

This is our annual update of Form ADV Part 2 A. There are no material changes from our last annual update which occurred on 4/18/2011. The only change made on this form was updated information about our assets under management in Item 4.

We are obligated to deliver, or offer to deliver any updates to this form as they occur, or at least annually. When updates occur, we will identify all material changes to the Form in this section.

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## **Item 4 – Advisory Business**

### **About Our Advisory Business**

Lakeside Advisors, Inc. (Lakeside, us, we, our) is an independent investment management firm registered with the SEC. Lakeside Advisors, Inc., formerly Financial Planning Resources, was founded by Robert E. Frey, CFP® in 1984 to assist individuals with all aspects of financial planning. Since 1984 we have focused on financial planning, however, our primary business is portfolio management for Clients (Clients, you, your). We serve individual investors, however we also manage assets for corporations, trusts and retirement plans.

Lakeside Advisors, Inc. is 100% owned by Robert E. Frey, CFP®, President and Chief Compliance Officer. We have one office, in Seattle, Washington.

Additional investment professionals include:

Kristi A. Mandt, CFP®, AIF®, Vice President  
Miki Okamoto-Swanson, CFA®, Vice President

### **Investment Advisory Services**

#### **A. Discretionary Portfolio Management**

We manage each client's investment portfolio based on your specific needs. Our initial meeting with you starts by understanding who you are in a financial sense. Our service includes one face-to-face meeting per year. Topics addressed, among others, may include:

- A review of your investment accounts
- Retirement plans (401k plan accounts or IRAs, etc.)
- Insurance contracts
- Tax related matters
- Estate documents
- Personal and family obligations
- Family and college plans

The result of this fact finding is to determine:

- Your financial position

- Financial goals and objectives for today and tomorrow
- Liquidity needs including cash flow demands
- Risk tolerance
- Investment constraints / restrictions

This information is used to construct a portfolio(s) that represent a blend of asset classes (stocks, bonds, alternatives, cash) for your risk and return characteristics.

If you have specific investment restrictions, these will be documented in the written agreement we have with you. We reserve the right to not open an account or close an account if the investment restrictions are so extensive that in our sole determination we cannot properly invest or diversify your portfolio(s).

You may update your investment restrictions, in writing. Investment restrictions are not “implemented” until accepted by Lakeside.

Our investment recommendations are not limited to any specific product or service offered by Lakeside or our employees, who are registered as Registered Representatives (RR) and insurance agents with a third party broker dealer or insurance companies.

We provide investment advice on the following “types” of securities or investment products:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign securities (via American Depository Receipts – traded on an exchange)
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in other forms of assets such as equipment leasing and Community Access Television (CATV)

Mutual funds or Exchange Traded Funds (ETFs) are typically used when they provide diversified access across a sector where we desire exposure but lack specific expertise (for example, investing in off-shore securities, including foreign equities, high yield bonds or alternative strategies).

## **B. Financial Planning Services**

Financial planning services involves our review and recommendations, including consultations related to your:

- Federal income tax
- Retirement planning / pension plans
- Estate planning
- Risk management, i.e., insurance policies (life, medical, disability and casualty)
- College education
- Savings
- Any issue related to your financial health or well being

If you purchase Financial Planning Services, you will receive a written report. This report would provide an analysis of your current financial position and personal facts with the recommendations designed to assist you in achieving your stated financial goals and objectives.

## **C. Financial Consulting Services**

Consulting services are “limited financial planning” services which are topical in nature. Clients may hire us to provide consulting services on some or all of the following topics over time:

- Financial goals and objectives
- Current financial position
- Retirement planning
- Real estate investments
- Insurance policies (life, medical, disability and casualty coverage)
- Federal income tax planning
- Estate plans
- Annual updates of your balance sheet
- Updates of capital accumulation programs (as recommended in your “financial plan”)

Consulting services are oriented towards your long-term goals and objectives.

**Assets Under Management (as of January 31, 2012)**

Type	Assets Under Management
Discretionary	\$185,552,976
Non-Discretionary	\$0.00
Total	\$185,552,976

**Item 5 – Fees and Compensation**

**Discretionary Management of Accounts**

Our annual asset based fee is:

0.50% (one-half of one percent) per year of the assets we manage  
for you which is billed quarterly in advance of our services

Our fees may be negotiable based upon a number of client-specific facts or circumstances.

Although we do not impose a minimum account size to open or maintain an account, we do impose a minimum annual fee. This “annual” fee is \$600 per year (or \$150.00 per quarter or \$50.00 per month).

The minimum annual fee is not negotiable, however, we do pro-rate the fee for the number of days in a calendar quarter that we provide services to you. In cases where an account is terminated during a calendar quarter, we pro-rate the fee for the number of days the services were provided. We promptly refund any of the pre-paid and un-earned fees to you. Although the minimum annual fee is non-negotiable, some long-standing clients whose fees were established in the past have been allowed to remain at a lower fee level.

Fees are charged on the value of the assets we manage as reported by your third party, qualified custodian (see Brokerage Practices Item).

## **Payment of Advisory Fees:**

### **Direct Debiting**

Most clients authorize us to have our advisory fees directly debited from your custodial account by your custodian upon the presentation of a debit request from Lakeside. The month following the deduction of our advisory fees by your custodian, you will receive a statement from your custodian which shows all the holdings in your account(s) and the deposits or withdrawals from your account (including the advisory fees paid to Lakeside).

Please note that your custodian does not verify the accuracy of our fee calculations. Should you have questions on our fee calculations, please contact us.

### **Pay by Check**

If you prefer, you can elect to pay our advisory fee upon presentation of an invoice. In this case we will mail you an invoice and you send us a check. We request our fees be paid within 15 days of the date of our invoice.

### **Financial Planning and Consulting Services**

Fees for financial planning or consulting services are not negotiable. Fees are offered two ways for financial planning or consulting services:

- 1) **Hourly:** at \$250.00 per hour
- 2) **Fixed Fee:** based upon an estimate of the hours at \$250.00 per hour or as agreed to by Lakeside and the specific client.

We estimate the number of hours and fee to meet with, work on and present your financial plan. One half of the estimated fee is paid in advance of our service with the execution of the Planning Agreement. We consider the "Plan" completed when the Planning Report is delivered to you. At this time, we will present the "final" invoice to you and request payment within 15 days.

If you choose the Fixed Fee, we will bill one quarter of the fee with the signing of the Agreement. We then bill you each quarter for the balance of the annual service. Each fixed fee agreement is subject to re-negotiation. It does not automatically renew.



Exception: if we mutually agree and document an additional service over and above those specified in the original contract covering planning services for the year, we will bill at our standard hourly rate, in addition to the fixed annual fee.

If you terminate a Financial Planning agreement before the plan is delivered to you, we will bill you for the time spent on your Plan at \$250 per hour. Un-earned fees are promptly refunded, earned fees due are billed to you.

## **Other Fees**

Our management fees do not include the following fees and expenses. All of these fees or expenses are borne by you:

- Brokerage commissions
- Transaction fees
- Other related costs and expenses
- Charges imposed by custodians, brokers and other third parties, including but not limited to:
  - Advisory fees and administrative fees charged by mutual funds and ETFs
  - Advisory fees charged by sub-advisers (if any are used for your account)
  - Custodial fees
  - Deferred sales charges (on mutual funds or annuities)
  - Odd-Lot differentials
  - Transfer taxes
  - Wire transfer and electronic fund processing fees
  - Commissions or mark-ups / mark-downs on security transactions
  - Reorganization fees

Please see “Other Fees in Connection with Trading” on Item 12 on this Brochure for additional information and disclosure related to “other costs” you may incur.

## **Additional Compensation**

The following individuals are separately licensed to sell securities, investment products or solutions for separate and customary commission compensation through KMS Financial Services, Inc. (KMS) as registered representatives. This may present a conflict of interest. The conflict is that we may recommend products or services to financial planning clients based on the compensation we receive versus your specific needs when we act as a registered representative or insurance agent.

Robert E. Frey, CFP®

Kristi A. Mandt, CFP®, AIF®, Vice President

These individuals are separately licensed with:

- KMS, a securities broker dealer with the Financial Industry Regulatory Authority (FINRA), a registered investment adviser and a member of the Security Investors Protection Corporation (SIPC). KMS is also an insurance agency/broker with licenses to sell insurance products or services for various insurance companies.

KMS utilizes Pershing, LLC (Pershing) as a qualified custodian. Pershing is a subsidiary of the Bank of New York (BoNY).

As a result, Robert and Kristi receive separate and customary commission compensation for the sale of the following to clients who use Lakeside for Portfolio Management and Financial Planning services. Note: the advisory fees you pay to Lakeside as described above are not “off set” by the additional compensation we receive as RRs or insurance agents of KMS or any insurance company. Additional and customary commission compensation includes:

- Securities, including mutual funds (12b-1 servicing fees, etc.)
- Investment products
- Insurance products or policies
- Other products or services sold to Clients who use Lakeside for Portfolio Management Services, Financial Plans or Consulting services
- Sub-agent transfer fees or similar compensation that flows from executing brokers to Pershing / KMS

We fully disclose all relevant factors in situations where our interest may appear to diverge from our clients.

As described under Brokerage Practices later in this brochure, you may receive benefits from our additional licenses through reduced or no commission (ticket charge) when we place transactions for your Portfolio Management Accounts at KMS. Pershing makes available a “Fund Vest” platform. Mutual funds available on this platform do not cause a commission (ticket charge). All other mutual funds purchased or sold incur a commission (ticket charge). Please see Item 10 Brokerage Practices.

## Insurance Agent Transactions

Robert and Kristi are licensed to sell some lines of insurance and may receive payment directly from implementing specific insurance needs of clients. Insurance commissions are not off-set against the Financial Planning or Consulting Fees you pay to Lakeside.

No obligation: You are not obligated to use any Lakeside investment professional to implement financial planning or consulting recommendations. You are in fact, free to select any broker dealer RR or insurance agent that you wish to use for planning / consulting recommendations.

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

We do not manage Client accounts with so-called performance based fees. Our fees are described under Item 3.

## **Item 7 – Types of Clients**

**Portfolio Management Services (Discretionary Management of Accounts)** are provided to:

- Individuals and high net worth individuals
- Trusts and estates
- Individual retirement plan participant accounts
- Not for profit entities
- Corporation or other business entities (Limited Liability Companies, Limited Partnerships, etc.)

We do not impose a minimum asset level to open and maintain a portfolio management account. However, we do impose a minimum annual fee of \$600 per year billed quarterly.

Please realize that the minimum annual fee is higher (and in some cases, much higher) than 0.50% for smaller accounts.

**Financial Planning and Consulting Services** are provided to:

- Individuals and high net worth individuals

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

### **Methods of Analysis**

Lakeside uses fundamental and technical analysis in formulating our investment advice to you. Please see Item 4 for a list of the types of securities we use for client portfolios.

**Fundamental and Technical Analysis:** Fundamental analysis attempts to determine a security's intrinsic value. Technical analysis uses data to determine patterns and trends related to the securities price. We believe the value of any security is permanently linked to fundamentals which determine the expectations of the present value of the cash flows a company can generate, the ability to grow the cash flow and the uncertainty of the discount rate applied to the cash flows available to the owners of the company (stockholders) that is reflected in the company's stock price. Our investment decisions begin with fundamental values and expectations. The marketplace helps to make the final decision to buy or sell. Our investment philosophy involves recognizing the direction of supply and demand forces for specific assets and taking appropriate actions.

### **Sources of Information**

The main sources of information include financial newspapers and magazines, third party research papers, corporate rating services, timing services, corporate filings with the SEC and company press releases

### **Investment Strategies and Portfolio Composition**

**Consulting Services:** Our strategy for consulting clients is typically oriented toward long-term investments, including both mutual funds and individual securities, with good fundamentals.

**Portfolio Management:** All the discretionary accounts are managed using an active approach. Although each client's account is managed based on your unique needs, we have three main strategies:

#### **1) Fixed Income Strategy**

Preservation of capital and low volatility is the goal for this strategy. Portfolios consist of laddered taxable bonds, non-taxable bonds and certificates of deposit. We employ

this strategy as a conservative approach for preservation of capital and income generation.

## **2) Balanced Strategy**

Fixed Income and Equity Strategies are blended for your specific needs as appropriate. Balanced account allocations are never static, they move with the markets. Some clients may be 50-50 (equity to fixed income) but others may be 30-70 (equity to fixed income).

The percentage allocated to either strategy is based upon your income needs, safety of principal and risk tolerances.

- For the fixed income allocation we follow our fixed income strategy above.
- For the equity allocation we follow our equity strategy described below.

## **3) Equity Strategy**

This strategy aims for capital appreciation primarily through the following equity based securities:

- Mutual funds
- ETFs
- Individual equities listed on an exchange or over-the-counter (OTC) market

The equities used include small and large capitalization securities and growth, value or turnaround situations. Positions are initiated with strict buy and sell targets.

Investment strategies used to implement investment advice may include:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions (Margin involves “borrowing” money from your custodian using the securities in your account as collateral. As a result, you pay interest on the additional dollars you are borrowing to increase your opportunity for profit by leveraging your purchasing power. Margin is often an excellent strategy for clients with large, low cost stock positions where selling the stock creates excessive tax

liability. Margin allows you to borrow against securities positions and using the borrowed dollars to diversify your holdings / exposure to the markets).

- Option writing, including covered options, uncovered options or spread strategies

All investments carry the risk of loss of your invested assets. There is no guarantee that any investment strategy will meet its objective or be profitable. Depending on the types of securities purchased or sold for your accounts, you may face the following risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause the price of fixed income securities to fluctuate. For example, when interest rate rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond or mutual fund may decline due to the move in market factors such as interest rates, foreign exchange rates and market volatility.
- **Inflation Risk:** Inflation will erode purchasing power.
- **Currency Risk:** The change in value of investments overseas due to currency fluctuation (exchange rate risk) which may affect foreign issuers (through American Depository Receipts) or ETFs which replicate off shore indexes or sectors.
- **Reinvestment Risk:** The proceeds and interest income from an investment may be reinvested at a lower interest rate.
- **Business Risk:** The risk associated with a particular industry or a particular company within an industry.
- **Financial Risk:** A company which uses debt to finance growth or operations may face difficulties meeting financial obligations.
- **Liquidity Risk:** Holding illiquid (difficult to trade) securities may restrict the ability to sell the investment in a timely manner or at an advantageous price. (Lakeside does not typically invest in illiquid securities for clients).

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Lakeside or the integrity of our management.

There are no disciplinary activities past or present to disclose.

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

### **Registered Representative / Insurance Agent – Broker**

Robert E. Frey, President, Chief Investment Officer and Chief Compliance Officer, is licensed as a RR with KMS (see Item 5) and is an insurance agent appointed with various insurance companies. Robert is also a partner of Robert Kerstin Company, a property management company and a partner of Robert Palmer Company, LP.

Kristi A. Mandt, Vice President, is licensed as a RR with KMS (see item 5). Kristi is also a Co- Owner / President of Daily Value Recordkeeping Systems, owner of Davis Mann Ltd., Co-Owner / President of Millikin Mandt Associates, Inc. and an insurance agent appointed with various insurance companies.

As a result, our employees are actively engaged in other business activities in addition to the services provided by Lakeside. We are therefore licensed to receive separate and customary commission compensation from advisory clients when we place (purchase or sell) securities or insurance products through KMS or various insurance companies.

However, for portfolio management clients, when we place transactions for your account(s) at KMS, the commissions charged to you for those transactions are either zero (we receive no commission credit) or at a ticket charge only (we receive no portion of that ticket charge). In addition, certain 12b-1 (shareholder service fees) charged by mutual funds to their shareholders are paid by the mutual funds. These fees are typically 25 to 50 basis points, but may be as much as 100 basis points (one percent) of the assets you own in a mutual fund. This compensation then flows to each of our employees who are RRs of KMS.

Our employees who are RRs of KMS are the “RR of record” on your accounts held through KMS.

### **KMS supervision:**

Lakeside and KMS as business entities have entered into a written agreement. In this agreement, Lakeside pays a portion of our gross revenue from portfolio management account clients for the “privilege” of KMS allowing its RRs to be principals or employees of Lakeside. In industry terminology, KMS “allows” us to be engaged in an “outside business activity” (outside of KMS). The cost for this privilege is documented in the agreement

between KMS and Lakeside. We pay KMS 2.5% to 5.0% of the portfolio management fees we earn from our clients.

KMS has a duty to supervise the outside business activity of its RRs, including Lakeside employees who are RRs. As a result, KMS requires all portfolio management accounts to be held at Pershing or other designated custodians. (Please see Item 12). The agreement to pay KMS a portion of our portfolio management fee income is designed, in part, to pay KMS for this supervision.

As required by regulation we disclose to you all potential and actual conflicts of interest related to Lakeside and our employees. As a result, the receipt of additional compensation is a potential conflict of interest. Our ability to mitigate this conflict is driven by our fiduciary obligations as a registered investment adviser and the disclosure you are reading here.

You, as a client of Lakeside are not obligated to purchase any security, product or insurance product from any employee who is a RR of KMS or an insurance agent / broker for any insurance company.

You are free to select any financial services provider to implement planning or consulting recommendations.

Insurance recommendations within a financial plan or consulting service include:

- Life
- Health,
- Disability
- Property and casualty coverage

Frequent consultation occurs with specialists, who are most often agents, brokers or insurance company representatives. Lakeside makes client referrals to such persons or companies but receives no compensation for doing so.

## **Item 11 – Code of Ethics**

### **Code of Ethics**

We are required by regulation to have certain internal procedures to address potential and actual conflicts of interest. At Lakeside, we follow our own advice. As a result, when



appropriate we may purchase or sell the same securities that are recommended to you, our client.

The Code of Ethics (Code) applies to all of our employees. The Code describes our fiduciary obligations to clients, the standard of conduct expected of fiduciaries.

The Code includes, but not limited to, the following topics:

- Confidentiality of client information (described in our Privacy Disclosure you receive)
- A prohibition on the use of material, non-public information (called insider trading)
- Limitations and restrictions on the acceptance of gifts, including reporting of certain gifts and business entertainment items
- Personal securities trading procedures including disclosure of all holdings, all members of an employee's household / beneficial ownership accounts (for example, husband / wife accounts, minor children accounts, individual retirement accounts, trusts, etc.) and brokerage accounts

Upon initial hire and annually thereafter, all employees of Lakeside must acknowledge their receipt, review of and understanding of the Code as amended.

### **Personal Trading**

Employees may have a position in securities recommended to clients. In addition, we permit employees to purchase or sell securities which we recommend to clients for their own account or accounts controlled by them. Trading in the same securities is a conflict of interest between you and our employees. Our Code mitigates this conflict due to the topics covered by the Code and the reviews we conduct of all employee / personal trading initially, quarterly and annually.

The Code restricts trading in securities by our employees while the securities are being traded by us or being considered to be included in the list of securities currently held in client's accounts. In general, employees are expected to trade a security for their personal accounts only after trading of that same security has been completed in client accounts.

We may, however, combine the transactions of employees and clients together on an aggregated basis. When this occurs, employee and client accounts will share any commission costs equally and receive securities at a total average price.

We create a trade order (specifying each participating account) and its allocation prior to the entry of the aggregated order. As required, we retain the records of each order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated to clients first, and to employees after client orders are completely filled. If there are any exceptions, it will be explained on the order.

The Code requires the personal trades by our employees to be approved by our Chief Compliance Officer (CCO) before execution. These are called “reportable transactions”.

Other transactions, exempt or non-reportable transactions, do not require prior approval, includes:

- 1) Ongoing participation in an issuer’s dividend and stock purchase plan
- 2) Any transaction over which the employee does not have any direct or indirect influence or control or involuntary transactions, such as mergers, inheritances and gifts
- 3) Ongoing participation in a systematic investment in mutual funds or other securities
- 4) Transactions involving the purchase and sale of certain debt instruments and mutual funds (open-end)
- 5) US Government Bonds / Bills / Notes

Our Code requires employees to report all personal securities transactions, however, employees are not required to disclose those that are “non-reportable securities” (mutual funds, US Government securities or money market mutual funds).

We review personal trading records on a quarterly basis.

As stated above, initially, upon hire and annually thereafter we require:

- Disclosure of all brokerage accounts owned by the employee and family members
- Disclosure of all security holdings in brokerage accounts or in certificate form
- Disclosure of all members of the employee’s household
- Disclosure of all beneficial ownership accounts (those where the employee has the rights or authority to the account and assets)
- Certification to the Code, its requirements and the individual’s understanding and compliance with the Code

## **Prohibition on Use of Insider Information**

We prohibit any employee from the use of material, non-public inside information. This includes taking any action for their own account(s), accounts of any client or communicating the information to any person outside of our President / Chief Compliance Officer until such time the information is available to the general public. Material, non-public inside information is defined as information that an investor would find useful to determine to purchase or sell a security. The information is material and non-public if the information is not available to the investing public via newspaper, internet or other broadly distributed media.

Clients can request a copy of our Code of Ethics by contacting our Chief Compliance Officer, Robert E. Frey at (Tel: 206-285-1730, Fax: 206-267-2316) or [bob@lakesideadvisors.com](mailto:bob@lakesideadvisors.com).

## **Item 12 – Brokerage Practices**

### **Portfolio Management Clients Recommended Broker**

We require clients to open and maintain a brokerage account at KMS/ Pershing (see Item 4 and 10).

However, although client assets are custodied at Pershing, we do have “brokerage discretionary authority” that we use on a limited basis for fixed income security transactions, only. This means that we will “trade away” from KMS / Pershing for your account if we purchase or sell fixed income securities (corporate bonds, municipal bonds, Government bonds, etc.). In such a case, Pershing charges a “trade away fee” for each execution we place at another broker or dealer.

Trade away fees are \$22.00 per account, per transaction for bonds. This trade away fee is in addition to and separate from the price we negotiate for the bond (purchase or sale) which includes a commission by the broker dealer we are purchasing from or selling to.

These transactions are typically handled by the executing broker on a principal basis. This means that the price to buy or sell the bond for your account includes a mark-up (commission) on bond purchases (the purchase price includes the commission) or a mark-down (commission) in the case of selling a bond (the price paid by the broker dealer includes their commission).

When we evaluate third party brokers or dealers for fixed income transactions, we evaluate those brokers on a number of factors, including the following:

- Execution capability
- Financial responsibility and responsiveness
- Expertise in corporate, municipal and US Government bonds
- Reputation, integrity and financial stability
- Competitiveness of price negotiation and spreads
- Promptness of execution
- Past history of execution of trades
- Clearance and settlement capabilities
- Quality of confirmations and account statements
- Access to markets
- Sophistication of trading facilities
- Fixed income inventory

Lakeside, in coordination through our RR status through KMS is able to participate in Pershing's investment management service program. Through this program, Pershing provides both brokerage and custodial services to the majority of our clients with our RRs as the "RR of record on the accounts and KMS as the broker dealer of record on the accounts. This impacts the compensation that is earned on your accounts by our employees who are RRs with KMS. Please see Items 4, 5 and 10 for additional detail. We also have evaluated Pershing based on the same criteria we use when we trade away from Pershing for fixed income securities. For other types of securities (mutual funds, ETFs, individual stocks (equity), options, warrants, etc.), we believe that Pershing offers Lakeside and our client's value, quality execution and service. Pershing is one of the largest and most respected custodians / brokers in the United States, offering global financial services to many client firms.

We periodically evaluate all the brokers or dealers including Pershing we use for our client transactions to ensure we are using brokers who provide best execution. Note that best execution is a concept and not a defined term. Best execution is driven in part from the types of securities we use in client accounts, the factors listed above and includes commissions and price negotiation. However, not all factors apply to any specific transaction. This means that we may negotiate the price on a bond at a broker other than Pershing which may not be the lowest price of that bond but the broker has the number of bonds we are looking to buy or sell for accounts. As a result, we may pay a higher or lower price for best execution on that transaction.

When purchasing or selling open-end mutual fund shares, price negotiation and other factors are not applicable except for using institutional share classes or obtaining a waiver

of loads on certain funds as mutual fund shares are purchased and sold at the day's net asset value.

## **Trade Aggregation and Allocation**

### **Block Trading**

To facilitate our obligations of best execution, we may, but are not obligated to aggregate multiple client transactions in the same security together (block or bunched trade). When using block trading, we are provided with a larger order which gives us the opportunity to negotiate a better price on the security. When employing a block trade:

- All clients participating in the block are known at the time of the order's entry, including each client's percentage of the block.
- Blocks are completed by day-end. If they are not completed, the securities purchased are average priced and allocated across all participating clients. The balance of the order may be implemented next day.
- Block Trade Allocations:
  - Partially filled order are allocated on a pro-rata basis.
  - When a block is filled (full or partial) at several prices through multiple trades, an average price (and commission) is used when allocating the transactions to client accounts.
  - Only trades executed within the block on the single day may be combined for purposes of calculating the average price.
  - To protect clients from multiple trade away fees or commissions on smaller allocations we will allocate as indicated:
    - If a partial fill for a block is completed, we may allocate the full amount of smaller participating clients (100 shares or under) to fully complete the order. This eliminates multiple charges for smaller allocations, thus saving clients' money. The balance of the block will then be pro-rated to the balance of the participating client accounts.
  - If employee trades are blocked with those of customers in a block with a partial fill, employee transactions are excluded until all client accounts are filled.

We also enter trades individually and randomly pursuant to client contributions or withdrawals from their accounts, to rebalance an account or re-allocate an account due to a change in a client's personal facts or circumstances.

As part of our account review process we conduct random reviews which may cause us to re-balance an account or to apply a new target security to the account. We typically manage all client accounts on an individualized basis. It is this personal and customized approach that we believe is a key to our customer service.

We typically (but not always) individually manage client accounts. As a result, block trading is most often used for tradeaways for fixed income securities. Block trading is utilized when there is client benefit to do so.

Block trading in open-end mutual funds does not derive a price or execution benefit as open ended mutual funds are purchased and sold at the day's net asset value.

### **Prohibited Trading Practices**

Lakeside, by policy does not participate in:

- Cross transactions where the buying or selling of securities from one client portfolio management account directly into another client account (called cross transactions or agency cross transactions)
- Principal transactions where the securities sold by clients are purchased by Lakeside and then sold to another client. As indicated above, we do purchase or sell fixed income securities to other broker dealers who buy or sell fixed income securities on a principal basis (the price includes a mark-up or mark-down retained by that third party dealer)
- Soft dollars - we do not compensate broker-dealers for third-party research services (known as "soft dollar agreement") with the use of client commissions. We pay for our research tools directly to the provider via check.

### **Directed Brokerage**

Although we recommend and require clients to custody their accounts at KMS, we do not consider this as a directed brokerage relationship.

However, clients should understand that when we trade away from your custodian we do so typically only for fixed income securities.

We do not have clients who direct us to use a specific broker or dealer for their transactions. Clients could do so, however, we reserve the right to accept, or not accept such direction, in our sole discretion.

We place most transactions at Pershing for two reasons:

1. KMS has provided us permission to conduct business as Lakeside and in doing so, for compliance and supervisory reasons, trading at the clearing firm used by KMS and us as RRs provides KMS data and information to monitor our activity.
2. Pershing as a globally recognized name has one of the best reputations in the United States as a broker, dealer and custodian. For the type of business we conduct, our size and the securities we use, we believe that Pershing provides us and our clients with quality execution. We trade away from Pershing for fixed income securities so we can access specialty brokers or dealers in state specific municipal bonds and other “specialty” fixed income situations we believe are of benefit to our clients and the services we provide.

### **Commission Charges**

Our ability to negotiate commissions is limited to those transactions conducted or placed at broker dealers other than Pershing.

At Pershing, ticket charges (transactions cost) are:

<b>Type of Security</b>	<b>Commission / Ticket Charge</b>	<b>Note / Comment</b>
Mutual Funds	None	FundVest Platform at Pershing
Mutual Funds	\$15.00 to \$19.00	Depends on the fund at Pershing
Equities	\$19.00, up to 2,000 shares  Over 2,000 shares, add an additional \$0.01 (1 cent per share)	
Fixed Income	\$22.00	Per transaction

Pershing imposes the following additional charges:

- \$1.75 for e-delivery of trade confirmations to clients
- \$3.50 for paper delivery of trade confirmations to clients

## **Item 13 – Review of Accounts**

### **Periodic Review – Portfolio Management Accounts**

Our President and two Vice Presidents are responsible for reviewing portfolio management accounts. Our portfolio management accounts are reviewed indirectly on a continuous basis by reviewing the securities held by all of our clients. Client accounts are reviewed at least quarterly for account level compliance. We request to meet with you face-to-face to review your accounts at least annually.

Please contact us immediately when your personal or family circumstances change. These may impact the investment advice and decisions we make on your behalf in managing your assets.

The following factors may trigger more frequent reviews:

- Client's investment exposure (for example, major shift in stock market trends)
- Federal income tax (estimate of quarterly income tax payments)
- Changes in the client's personal life (marriage, birth of a child, retirement, etc.)
  - Please remember to contact us immediately when life changing events occur to you or your family.

### **Periodic Reviews for Financial Planning**

Not applicable for Financial Planning Clients unless contracted for in the agreement for service.

### **Regular Reports**

#### Portfolio Management accounts:

You receive a quarterly report from us which documents the performance of your account at the end of each quarter for the calendar year to date. The report includes:

- A portfolio appraisal (holdings / positions)
- Performance
- The Statement of Management Fees



Our reports are provided separate from and in addition to the statements you receive from your custodian (Pershing). These statements are typically delivered directly to you in addition to all transaction confirmations from the broker dealer / custodian. We receive copies of all of the confirmations and monthly reports sent to you.

We encourage our clients to compare the reports provided directly to you by your independent (to Lakeside), third party, qualified custodian (bank, broker, trust company, insurance company) to the reports provided by Lakeside. We use the pricing information provided by your custodian to price the securities and generate our reports to you. Please note the total value of your accounts at Pershing may differ from the reports we provide to you. This is due to a number of factors including but not limited to:

- Price errors which occur from time to time and which we may over-write
- Accrued interest due or payable
- Posting (or not posting) dividends or interest
- The difference between trade date and settlement date accounting

Each discretionary client receives our reports at least quarterly. We may provide more frequent reporting upon a client's request.

All clients should receive statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets at least quarterly, but possibly more frequently (monthly). If you do not receive your custodial reports, please contact us.

#### Financial Planning:

Each financial planning client receives, at least once per year:

- An updated balance sheet
- A summary of the progress of your investments

Other, additional reports may be provided including the following or as we may mutually agree:

- Retirement funding progress
- Real estate investment performance depending on the client needs

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

We do not compensate any person or company, directly or indirectly for the introduction of clients to our firm.

## **Item 15 – Custody**

Lakeside does not have physical custody of your funds or securities (see Items 4 and 5 regarding the directly debiting of advisory fees and Item 13).

Your assets are held (as described previously) at a third party qualified custodian in a separate account in your name.

However, in the written agreement with you, we are authorized to directly debit our fees from your custodial accounts (see Item 5).

## **Item 16 – Investment Discretion**

We are provided with your written authority to utilize investment discretionary authority in the agreement we have with you.

This means that we have the authority to select the securities and the amount of securities to purchase and sell for your account(s) consistent with your stated investment objectives and limitations, if any.

When selecting securities and determining amounts, we base the investment decision on the investment policy, cash flow needs and client specific restrictions.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

We do not have, for any client, the authority or responsibility to vote proxies on your behalf. As a result, we do not have or maintain proxy voting policies or procedures. Proxy materials are sent directly to you by your custodian. If we inadvertently receive proxy materials for you / your account, we forward those immediately to you.

Clients are responsible for voting proxies for all securities maintained in client portfolios.

If you have questions regarding proxy matters, please call us. We will provide assistance in making the determination on how to vote the proxy. However, you have the authority (final decision) of how you will vote the proxy.

In addition, we do not provide guidance or advice on corporate action matters, including lawsuits among others.

## **Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures. We do not have any financial commitment or issue that impairs its ability to meet contractual and fiduciary commitments to clients. We have not been, nor have any principals been the subject of a bankruptcy proceeding.

## Part 2B of Form ADV: *Brochure Supplement*

### Item 1 Cover Page

Lakeside Advisors, Inc.  
1115 East Denny Way  
Seattle, WA 98122  
(206) 285-1730  
(206) 267-2316

This brochure supplement provides information about our employees:

Robert E. Frey, President, Chief Investment Officer, Chief Compliance Officer,  
[bob@lakesideadvisors.com](mailto:bob@lakesideadvisors.com)

Kristi A. Mandt, Vice President, [kristi.mandt@mma401k.net](mailto:kristi.mandt@mma401k.net)

Miki Okamoto-Swanson, Vice President, Portfolio Analyst,  
[miki@lakesideadvisors.com](mailto:miki@lakesideadvisors.com)

You should have received a copy of the Part 2 A brochure as we include this supplement with all copies. Please contact Robert E. Frey if you did not receive Lakeside's Part 2 A Brochure, or if you have any questions related to the brochure or this supplement.

Additional information about Robert, Kristi and Miki is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## **Robert E. Frey, CFP®**

### **Item 2 Educational Background and Business Experience**

**Born:** 1944

**Education after High School:**

BS, Illinois Institute of Technology

MS, University of Washington

CFP®<sup>1</sup> certification (Certified Financial Planner), 1975, College for Financial Planning

**Employment History, Past 5 years:**

President, owner, Chief Investment Officer, Chief Compliance Officer, 1984 to Present  
Lakeside Advisors, Inc.

Registered Representative, 1972 to Present  
KMS Financial Services, Inc.

Insurance Agent, 1971 to Present  
Licensed with various insurance companies

Partner, 1981 to Present  
Robert Kersten Co. (investment partnership, originally property investments)

Partner, 1979 to 2011  
Robert Palmer Co., LP (investment partnership)

Supplemental: Robert has served on the district and consultative committee for FINRA (previously NASD or National Association of Securities Dealers). He has also taught Securities and Syndication coursework as well as Financial Planning courses.

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<sup>1</sup> The CFP® designation is granted by the Certified Financial Planner Board of Standards. To use this mark, individuals must meet education, examination and experience requirements. Education required is an advanced college level course of study related to areas of financial planning AND requires a Bachelor's Degree from an accredited US college or university (or foreign equivalent). Focus areas of the course include insurance, risk management, employee benefit, investments, income tax, retirement and estate planning. Experience requires 3 years of full time financial planning related experience or 2,000 hours per year. Ethics requires us to be bound by the CFP Board's standards of professional conduct for CFP® practitioners and continuing education requirements (30 hours per year).

### **Item 3 Disciplinary Information**

There are no disciplinary events to disclose for Robert E. Frey (legal, disciplinary events, civil or criminal actions or proceedings before any US governmental agency or self-regulatory agency).

### **Item 4 Other Business Activities**

Robert E Frey is a:

- Registered representative, KMS Financial Services
- Insurance Agent for various insurance companies
- Partner in two investment partnerships

See above, Item 2 (and Part 2 A of Form ADV) for complete details.

### **Item 5 Additional Compensation**

Robert E Frey receives separate and additional compensation (which is not credited against Financial Planning or Consulting Fees paid to Lakeside. Additional compensation comes from activity as a:

- Registered representative, KMS Financial Services
- Insurance Agent for various insurance companies

See above, Item 2 (and Part 2 A of Form ADV) for complete details.

### **Item 6 Supervision**

Robert is the President and Chief Compliance Officer (CCO) for Lakeside. Robert serves as the Chief Investment Officer (CIO) on the investment committee. Investment decisions and portfolio activity are reviewed as a team by all the supervised persons listed in this supplemental brochure.

Robert as CCO is responsible to provide supervisory oversight to the team as well as all employees and officers of Lakeside.

Code of Ethics compliance for Robert is reviewed by Kristi A. Mandt, our compliance administrator. Kristi's telephone number is 206-267-2312.

KMS has a regulatory duty to supervise the activities of its registered representative, including Robert, as well as his activities as a registered investment adviser.

If you have any questions related to the supervision of Lakeside or our employees, please contact Robert at 206-285-1730 or via email at [bob@lakesideadvisors.com](mailto:bob@lakesideadvisors.com). Thank you.

## **Kristi A. Mandt, CFP®, AIF®<sup>2</sup>**

### **Item 2 Educational Background and Business Experience**

**Born:** 1957

**Education after High School:**

BA, Finance, University of Puget Sound  
CFP® certification (Certified Financial Planner), 1991, College for Financial Planning  
AIF® (Accredited Investment Fiduciary), 2011, Course by Fiduciary Insights 360

**Employment History, Past 5 years:**

Vice President, Compliance Administrator, 2/05 to Present  
Lakeside Advisors, Inc.

Registered Representative, 2/05 to Present  
KMS Financial Services, Inc.

Insurance Agent, 1983 to Present  
Licensed with various insurance companies

President, Co-Owner, 1995 to Present  
Millikin Mandt Associates, Inc.

President, Co-Owner, 1995 to Present  
Daily Value Recordkeeping Systems (401k service provider)

Owner, 1996 to Present  
Davis Mann, Ltd.

### **Item 3 Disciplinary Information**

There are no disciplinary events to disclose for Kristi A. Mandt (legal, disciplinary events, civil or criminal actions or proceedings before any US governmental agency or self-regulatory agency).

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<sup>2</sup> The AIF® designation certifies the recipient has received specialized knowledge of fiduciary standard of care and their application to the investment management process. To receive the AIF® designation, individuals must complete a training program, pass a comprehensive, closed-book final examination under the supervision of a proctor and consent to compliance with the AIF Code of Ethics. In order to maintain the designation, Kristi must annually renew her affirmation of the Code and complete six hours of continuing education credits. The certification is managed and administered by the Center of Fiduciary Studies (an affiliate of Fiduciary 360).



#### **Item 4 Other Business Activities**

As indicated immediately above (Item 2) and in Part 2 A of this Brochure, Kristi is involved in a number of other business activities:

- Registered Representative of KMS Financial Services, Inc.
- Insurance Agent for various insurance companies
- President and Co-Owner of Millikin Mandt Associates, Inc.
- President and Co-Owner of Daily Value Recordkeeping Systems
- Davis Mann, Ltd., Owner

Kristi spends up to 25% of her time on outside (other than Lakeside) activities.

#### **Item 5 Additional Compensation**

Kristi receives separate and additional compensation (which is not credited against Financial Planning or Consulting Fees paid to Lakeside). Additional compensation comes from activity as a:

- Registered representative, KMS Financial Services
- Insurance Agent for various insurance companies

Kristi also receives additional compensation from the firms where she is a co-owner, president or owner.

See above, Item 2 (and Part 2 A of Form ADV) for complete details.

#### **Item 6 Supervision**

Kristi is supervised by Lakeside's President, Robert E. Frey. Supervision is conducted by a sampling of the client work produced by Kristi, a sampling of portfolios and through day-to-day interaction between Lakeside's investment professionals. Kristi also serves on the Investment Committee which reviews investment decisions and portfolio activity of clients.

If you have any questions related to the supervision of Lakeside or our employees, please contact Robert at 206-285-1730 or via email at [bob@lakesideadvisors.com](mailto:bob@lakesideadvisors.com). Thank you.

## **Miki Okamoto-Swanson, CFA®<sup>3</sup>**

### **Item 2 Educational Background and Business Experience**

**Born:** 1976

**Education after High School:**

BA, Kansai Gaidai University (Japan)

Huron College (Canada – exchange student, 1 year)

CFA® designation (Chartered Financial Analyst), 2010, CFA Institute

**Employment History, Past 5 years:**

Portfolio Analyst, 7/06 to Present

Lakeside Advisors, Inc.

### **Item 3 Disciplinary Information**

There are no disciplinary events to disclose for Miki Okamoto-Swanson (legal, disciplinary events, civil or criminal actions or proceedings before any US governmental agency or self-regulatory agency).

### **Item 4 Other Business Activities**

None related to financial services.

Miki serves as a board member for Chado Urasenke Tankokai Seattle Association a not for profit organization. Miki does not receive any compensation for serving on the board. She allocates a minimal amount of her professional time for this organization.

### **Item 5 Additional Compensation**

None.

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<sup>3</sup> The Chartered Financial Analyst designation is an international professional designation awarded by the CFA Institute (formerly AIMR) to financial professionals. To earn the CFA charter candidates must pass each of three sequential six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have at least 48 months of qualified, professional investment experience. CFA charterholders are also obligated to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

## **Item 6 Supervision**

Miki is supervised by Lakeside's President, Robert E. Frey. Miki, as a portfolio analyst assists Robert in the management of client's portfolios. As a result, there is significant day-to-day interaction between Robert and Miki. In addition to activity as a portfolio analyst, Miki supports Lakeside through client service, client reporting, compliance support and operational activity. Miki also serves on the Investment Committee which reviews investment decisions and portfolio activity of clients.

If you have any questions related to the supervision of Lakeside or our employees, please contact Robert at 206-285-1730 or via email at [bob@lakesideadvisors.com](mailto:bob@lakesideadvisors.com). Thank you.