

# Threshold Group, LLC

## Part 2A of Form ADV

### The Brochure

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October 19, 2012

This brochure provides information about the qualifications and business practices of Threshold Group, LLC (“Threshold Group”). If you have any questions about the contents of this brochure, please contact us at 253-851-4300. 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.

Threshold Group is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Threshold Group is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

On March 30, 2012 we filed our annual amendment to Form ADV Brochure under the SEC's requirements and rules adopted in 2010. This Brochure updates the assets under management information and reflects the following additional material changes to our March 31, 2011 Brochure.

- Robert Critchfield has replaced James Morton as a trustee to the 2006 Threshold Return of Capital Trust which is disclosed in Item 4.
- Item 5 was updated to include the fees that are charged for the Family Office Services and to disclose the fees that are charged for different investment management offerings such as Threshold Family Office Fee, Threshold Wealth Management Fee, and Threshold Family Foundation Fee clients.
- Item 8 contains information regarding an overlay program and describes Threshold's role in recommending the underlying Investment Managers to the client and upon approval instructs the overlay manager to implement the selected Investment Managers in the overlay program. Item 8 now contains additional information regarding the services provided by an overlay manager. Lastly, disclosure was added to describe the relationship and agreement entered into with Russell Investment Management Company.
- Disclosure was added to Item 12 to better describe trading differences between our discretionary and non-discretionary clients and the trading process for each client type.
- Threshold employees may request referral from current clients or outside advisors and may be compensated under our overall employee compensation program for converting such referrals to the clients. However, Threshold Group has not entered into any solicitation agreements whereby third parties are compensated for referring business.

On October 19, 2012 this Brochure was updated to reflect Threshold Group's current fee schedule. Please see Item 5 for the fee schedules regarding the different investment management offerings such as Threshold Family Office Fee, Threshold Wealth Management Fee and Threshold Family Foundation Fee.

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## **Item 4. Advisory Business**

### Firm History and Principal Owners

Threshold Group was founded in January 1999 and is primarily owned by RT Management LLC, which is primarily owned by the 2006 Threshold Return of Capital Trust. Edward Lazar, Threshold Group's President, and Robert Critchfield are the trustees of the 2006 Threshold Return of Capital Trust. As of December 31, 2011, Threshold Group managed approximately \$221,387,545 on a discretionary basis and approximately \$ 2,364,847,648 on a non-discretionary basis on behalf of approximately 493 clients. Threshold Group's assets under advisement, which include its assets under management, are approximately \$2,586,235,193.

### Services Provided

Threshold Group provides discretionary and non-discretionary investment advisory services.

Threshold Group will assist the client in creating the financial foundation that supports each client's lifestyle, legacy, and other asset goals. Services offered by Threshold Group include:

- Development, implementation and monitoring of a documented investment plan;
- Asset Allocation – Developing models to allocate client assets among asset classes (e.g., equity, fixed income, , commodities, currencies and real estate) to achieve client objectives;
- Asset Class Structure, Investment Manager Review and Monitoring – Developing guidelines for the number of money managers to manage the client's assets as well as the sizing of the positions. Establishing the targeted characteristics of the assets to be committed to each manager. Providing information with respect to the potential money managers within each asset class. Developing a process to monitor the progress of the investments toward the established objectives;
- Manager/fund research and recommendations;
- Custodian oversight and consolidated investment reporting;
- Cash Flow – Advising clients on handling routine cash flow;
- Performance – Monitoring portfolio performance and providing clients periodic performance reports; and
- Special Projects – Assisting clients on special projects in a wide variety of areas including research.

Threshold Group provides advice concerning the structure of a client's portfolio but not with

respect to underlying securities. Threshold Group recommends money managers through separately managed accounts, private investment funds, mutual funds, and ETFs (collectively, “Investment Managers”), to make portfolio investments in accordance with specified investment objectives on portions of the total portfolio.

When the services provided are non-discretionary in nature, clients must approve the initial implementation and all subsequent changes to the asset allocation.

Threshold Group Clients may obtain additional information about Investment Managers, investment strategies, advisory fees and other pertinent information that is available and provided in the Form ADV Part 2 or other disclosure brochure of the Investment Managers. Threshold Group generally does not provide or deliver Form ADV Part 2. The Investment Managers are legally required to deliver their own disclosure brochure directly to Threshold Group Clients.

Threshold Group has formed a strategic relationship with Portfolio Advisors, LLC, an independent, full-service private equity firm. Through this strategic relationship Threshold Group Clients have access to private equity funds sponsored by Portfolio Advisors, LLC and Threshold Group may recommend that clients invest in one or more of the private equity funds.

Threshold Group may recommend one or more separate account overlay programs to access Investment Managers it recommends to clients. In these overlay programs, the client enters into a discretionary investment advisory agreement with Threshold Group; Threshold Group has correspondingly entered into sub-advisory agreements with overlay managers to implement the underlying Investment Managers’ strategies.

Further information about Portfolio Advisors and overlay programs is discussed below in Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*.

In certain circumstances Threshold Group may monitor non-Threshold Group-recommended Investment Managers for clients. Threshold Group will document the Investment Managers it is monitoring. Depending on the type of investment vehicle, monitoring may involve reviews of Investment Managers newsletters, marketing materials, and performance, among other things. The type of review and materials gathered for these non-Threshold Group-recommended managers will be at the discretion of Threshold Group.

In addition to investment advisory services, Threshold Group also provides family office services as further discussed below in Item 10, *Other Financial Industry Activities and Affiliations*.

## Item 5. Fees and Compensation

### Information on Fees

Threshold Group serves three specific client segments and has developed a service offering and fee schedule that is tailored to each.

#### Threshold Family Office

Threshold Group's Family Office offering is designed to deliver integrated investment management and family office services to ultra high net worth families with large or complex, multigenerational structures. The annual fee for this integrated service is comprised of an investment advisory services fee and a family office services fee, which are determined as follows:

#### Non-Discretionary Investment Advisory Relationship

##### Investment Advisory Services Fee

- 50<sup>1</sup> basis points annually on the first \$50,000,000 in assets, plus
- 25 basis points annually on the next \$50,000,000 in assets, plus
- 20 basis points annually on amounts above \$100,000,000

##### Family Office Services Fee

- |                        |                      |
|------------------------|----------------------|
| • 1 to 3 households    | \$ 50,000 annual fee |
| • 4 to 7 households    | \$100,000 annual fee |
| • 8 or more households | \$150,000 annual fee |

Threshold Group charges the sum of the two fees above for its integrated Family Office offering, which is subject to a minimum fee of \$300,000 annually. Clients are invoiced in advance at the beginning of each calendar quarter. In calculating the asset based fees above, assets are valued at the simple average of the market values at the end of the previous two quarters. Due to differences in the timing of when Investment Managers send quarterly statements, Threshold Group calculates fees using the most current asset values available on the date fees are calculated. Fees for a new client's first quarter will be prorated if necessary and based on market value at the beginning of the relationship or nearest prior quarter or month end. Fees for a terminating client's last quarter will also be prorated if necessary.

#### Threshold Wealth Management

Threshold Group's Wealth Management offering is designed to deliver holistic financial planning services and discretionary investment management to high net worth individuals and families. Wealth Management clients can draw on Threshold's rich experience set and resources in investment research, estate and tax planning, philanthropy, and family governance when they need them, without having to pay for them when they don't. The annual fee for Wealth

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<sup>1</sup> Fee on first \$50MM may be discounted 2-10 basis points for discretionary relationships, based on complexity of accounts

Management services is determined as follows:

**Discretionary Advisory Relationship**

- 80 basis points annually on the first \$10,000,000 in assets, plus
- 50 basis points annually on the next \$10,000,000 in assets, plus
- 30 basis points annually on amounts above \$20,000,000

**Non-Discretionary Advisory Relationship**

- 90 basis points annually on the first \$10,000,000 in assets, plus
- 50 basis points annually on the next \$10,000,000 in assets, plus
- 30 basis points annually on amounts above \$20,000,000

The Wealth Management fee above is subject to a minimum fee of \$50,000 annually. Clients are invoiced in advance at the beginning of each calendar quarter, based on the value of their assets at the end of the previous quarter. Due to differences in the timing of when Investment Managers send quarterly statements, Threshold Group calculates fees using the most current asset values available on the date fees are calculated. Fees for a new client's first quarter will be prorated if necessary and based on market value at the beginning of the relationship. Fees for a terminating client's last quarter will also be prorated if necessary.

**Threshold Family Foundation**

Threshold Group's Family Foundation offering is designed to deliver holistic, discretionary investment management and planning services to large family foundations. Family Foundation clients can draw on Threshold's rich experience set in serving complex multigenerational families and their charitable foundations in addition to our market leading investment research and advisory capabilities. The annual fee for Family Foundation services is determined as follows:

**Discretionary Advisory Relationship**

- 65 basis points annually on the first \$10,000,000
- 50 basis points annually on the next \$40,000,000 in assets, plus
- 20 basis points annually on the next \$50,000,000 in assets, plus
- 15 basis points annually on amounts above \$100,000,000

**Discretionary Advisory Relationship**

- 85 basis points annually on the first \$10,000,000
- 50 basis points annually on the next \$40,000,000 in assets, plus
- 20 basis points annually on the next \$50,000,000 in assets, plus
- 15 basis points annually on amounts above \$100,000,000

The Family Foundation fee above is subject to a minimum fee of \$50,000 annually. Clients are invoiced in advance at the beginning of each calendar quarter, based on the value of their assets at the end of the previous quarter. Due to differences in the timing of when Investment Managers send quarterly statements, Threshold Group calculates fees using the most current asset values available on the date fees are calculated. Fees for a new client's first quarter will be

prorated if necessary and based on market value at the beginning of the relationship. Fees for a terminating client's last quarter will also be prorated if necessary.

Because of the differences in services provided to each client, fees are negotiable. Fees are based on the services required, the amount of assets Threshold will advise on, non-standard reporting requirements, the recent rate of growth of a client's assets, breadth and depth of services required by the client and other relevant factors. Clients may also negotiate flat fees for Threshold Group's services.

Certain clients of Threshold Group were previously clients of other investment advisory practices acquired by Threshold Group ("Acquired Clients"). Acquired Clients may be charged fees pursuant to individually negotiated fee schedules, which in some cases may be in excess of or less than the fees identified above. Acquired Clients are charged quarterly in advance based on the prior quarter end's value of assets managed by Threshold Group. Acquired Clients may have also negotiated flat fees for Threshold Group's services.

The fees charged by Threshold Group are separate and distinct from the fees charged by recommended Investment Managers. A description of these Investment Manager fees is available in each manager's mutual fund prospectus, private investment fund offering memorandum, or separate account management agreement. Similarly, Threshold Group's fees are separate and distinct from the fees and expenses charged by mutual funds and private investment funds which may be purchased by a recommended Investment Manager. These fees are also separate from any custodial fees. A description of these fees and expenses is available in each Investment Manager's disclosure document.

Clients will also incur brokerage and other transaction costs, as further described in Item 12 - *Brokerage Practices* below.

Threshold Group does not independently value any securities held in client accounts. Threshold reports custodian prices and values for assets held at a qualified custodian, and manager provided prices and values for assets held directly. Threshold's performance reports and fees are based on these values (where a client pays an asset-based fee).

In some instances, precise asset values are unavailable to Threshold Group on a timely basis. Billing in those situations is therefore based on the most current information available when fees are calculated.

While Threshold Group makes every effort to obtain account balances directly from custodians and Investment Managers, for reporting purposes it may request that clients regularly provide Threshold Group with copies of account statements.

Threshold Group may charge an additional fee for monitoring legacy Investment Managers that were not recommended by Threshold Group.

#### Termination

A client agreement may be canceled at any time, by either party, for any reason upon receipt of



30-60 days written notice (as specified in the Client's agreement). Acquired Clients' agreements may be canceled at any time, by either party, for any reason upon receipt of 60 days written notice. Upon termination, any prepaid, unearned fees will be promptly refunded.

## **Item 6. Performance Based Fees and Side-by-Side Management**

Threshold Group does not charge any performance based fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Threshold Group.

## **Item 7. Types of Clients**

Threshold Group provides investment advisory services to three types of clients: ultra high net worth families, especially large, complex, multigenerational families; large family foundations; and high net worth individuals and families. Ultra high net worth families typically include individuals, an array of trusts, estates, family LLC's and partnerships, private foundations, charitable organizations, family businesses and other family related enterprises.

Threshold Group has developed service offerings that are tailored to three specific client segments. The minimum fee for a client receiving Threshold Group's Family Office offering is \$300,000 annually; the Wealth Management offering is subject to a minimum fee of \$100,000 annually; and the Family Foundation offering is subject to a minimum fee of \$100,000 annually. Accounts below these fee minimums may be accepted at Threshold Group's discretion.

Over the years, Threshold Group has developed a list of characteristics that we believe to be indicators of a mutually beneficial relationship. Threshold Group evaluates each prospective new client relative to these characteristics to ensure alignment of goals, values, and expectations. We also implement an internal approval process before engaging with a prospective client to provide our services. We feel this discipline benefits all of our clients by ensuring that each new client is synergistic with our existing clients and services rather than diluting our focus and service levels.

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

### Methods of Analysis and Investment Strategy

Threshold Group recommends various investment strategies when providing asset allocation recommendations to clients. The recommended strategies are based upon a client's goals and objectives. Threshold Group will evaluate various investment alternatives to form a basis for the client in determining the strategies needed to achieve the client's investment goals and objectives.

Threshold Group uses a variety of sources to identify appropriate Investment Managers for clients. For example, Threshold Group will use published databases of mutual funds, ETFs, and investment manager performance. Threshold Group does not independently audit or verify the performance figures reported by the Investment Managers that appear in these databases.

### *Overlay Programs*

Threshold Group may recommend one or more separate account overlay programs to access Investment Managers it recommends to clients. In these overlay programs, the client enters into a discretionary investment advisory agreement with Threshold Group; Threshold Group has correspondingly entered into sub-advisory agreements with overlay managers to implement the underlying Investment Managers' strategies.

In an overlay program, the overlay manager contracts with one or more Investment Managers to provide their model portfolio holdings and daily trades. Depending on the overlay program Threshold Group recommends the underlying Investment Managers or bundle of managers available through the overlay program to the client, and upon approval instructs the overlay manager to implement the selected Investment Managers bundle in the overlay program. The overlay manager implements the investment strategy of the selected Investment Managers in a single custody account, thereby reducing custody and trading costs. The overlay manager often negotiates significantly lower Investment Manager minimums, which increase access and potential for manager diversification. The overlay manager may also offer a tax efficiency overlay which is intended to reduce the tax impacts of trading across all the Investment Managers in the account. When a tax efficiency overlay is selected for an account, the overlay manager exercises discretion in the trading of the models provided by the Investment Managers, and may delay or defer certain trades to reduce taxes. For this reason, overlay managers may take action for some client accounts and not others, even when such accounts are intended to be managed similarly. The overlay manager is responsible for periodic rebalancing to align the allocation among Investment Managers with the client's initial selection. The overlay manager is also responsible for seeking best execution on transactions in program accounts.

### *Russell Investment Management Company ("RIMCo")*

Threshold has entered into an Agreement with RIMCo whereby RIMCo serves as a consultant to Threshold Group and provides information and recommendations to Threshold on manager

selection, retention and termination. Under the Agreement, Russell provides assistance to Threshold in developing procedures, programs and training for Threshold personnel to use in reviewing current and anticipated assets available for investment and the financial requirements of, and other information concerning Threshold Client's relevant to setting objectives and allocating Client assets; reviewing Threshold's use of asset allocation techniques annually; assisting Threshold in the integration of Threshold's ability to utilize RIMCo's multi-style, multi-manager diversification technology into Threshold's marketing program for its Family Office, Family Foundation, Wealth Management and other services; providing Threshold with access to a client service team; providing access to Russell proprietary research and output on managers, providing information support associated with asset allocation.

### *Portfolio Advisors*

Threshold Group has formed a strategic relationship with Portfolio Advisors, LLC, an independent, full-service private equity firm. Threshold may recommend that clients invest in one or more of the private equity funds sponsored by Portfolio Advisors. Portfolio Advisors believes that top-quartile private equity assets are attractive for client portfolios as they have historically generated high rates of return while providing a low historical correlation to more traditional assets. Portfolio Advisors' investment strategy focuses on two fundamental tenets: managing risk through diversification and striving for superior returns by selecting top quartile managers.

### Risk of Loss - General

All investing involves a risk of loss and the investment strategy offered by Threshold Group could lose money over short or long periods. Performance could be negatively impacted by a number of different market risks including, but not limited to, that portfolio management techniques used by Threshold Group may not produce the desired results. This could cause accounts to decline in value. Threshold Group selects investments based, in part, on information provided by issuers to regulators or made directly available to Threshold Group by the issuers or other sources. Threshold Group is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Reliance on incorrect or incomplete information increases risk and may result in losses.

### Potential Risks of Investing in Securities Purchased by Investment Managers in Mutual Funds, ETFs, private investment funds and separately managed accounts:

Asset Allocation Risk - that is, dividing your investment among different asset classes such as equities, fixed income, real estate, commodities, and cash— is one of the most critical decisions an investor can make. The best mix for a given client will depend on their personal investment objectives, time horizon, and risk tolerance. Asset Allocation cannot assure a profit nor protect against a loss

Equity Market Risk - Stock market risk is the possibility that equity prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Equities of such companies may be subject to more volatility in price than larger company securities.

**Foreign Securities Risk** - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

**Interest Rate Risk** - Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

**Credit Risk** - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

**Liquidity Risk** - Liquidity risk exists when a particular security is difficult to trade. An investment manager's investment in illiquid securities may reduce the returns of the investment manager because the investment manager may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

**Call Risk** - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

**Objective/Style Risk** - All of the investment managers are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund or manager invests will trail the returns of the overall market.

**U.S. Government Agency Securities Risk** - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-

sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

### Potential Risks of Investing in Private Investment Funds:

#### *General*

Private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Investing in private investment funds is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity because of redemption terms and conditions and that there may not be a secondary market for the fund, volatility of returns, restrictions on transferring interests in the fund, a potential lack of diversification, higher fees than other investment vehicles, lack of information regarding valuations and pricing, and advisor risk. Each prospective client investor will be required to complete a subscription agreement with the private investment fund itself, pursuant to which the client investor shall establish that he/she/it is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment. Private investment funds have liquidity risk and investors may not be able to redeem their investment per the offering document's disclosures.

In certain situations, Threshold Group may select or recommend to a number of its clients investments in certain private funds that invest in illiquid assets, including interests in other private funds (i.e., funds of funds). As a result, to the extent that Threshold Group's clients collectively own a material interest in such private funds, a determination/recommendation by Threshold Group for clients to simultaneously liquidate their holdings in one or more of these private funds may cause the private funds' managers to be forced to liquidate underlying positions quickly and therefore reduce the opportunity to realize maximum value for certain illiquid positions held by the fund. Similarly, in order to protect their funds from perceived inopportune liquidations, the private fund managers may impose restrictions on redemptions, otherwise known as "gating" the private fund.

#### *Risks Associated with Investing in Private Equity and Private Real Estate Funds*

Long-term investment - Unlike mutual funds, which generally invest in publicly traded securities that are relatively liquid, private equity funds generally invest in large amounts of illiquid securities from private companies. Depending on the strategy used, private real estate funds will have illiquid underlying investments that may not be easily sold, and investors may have to wait for improvements or development before any redemption. Given the illiquid nature of the underlying purchases made by private equity and private real estate managers, private equity and private real estate funds are considered long-term investments. Private equity funds are generally set up as 10- to 15-year investments with little or no provision for investor redemptions. Private real estate funds are generally seven- to ten-year investments and also have limited provisions for

redemptions. With long-term investments, you should consider your financial ability to bear large fluctuations in value and hold these investments over a number of years.

**Difficult Valuation Assessment** - The portfolio holdings in private equity and private real estate funds may be difficult to value, because they are not usually quoted or traded on any financial market or exchange. As such, no easily available market prices for most of a fund's holdings are available. Additionally, it may be hard to quantify the impact a manager has had on underlying investments until those investments are sold.

**Lack of Liquidity** - Private equity and private real estate funds are not "liquid" (they cannot be sold or exchanged for cash quickly or easily), and the interests are typically nontransferable without the consent of a fund's general partner. As a result, private equity and private real estate funds are generally only suitable for sophisticated investors who have carefully considered their financial capability to hold these investments for the long term.

**Capital Call Default Consequences** - Answering capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could elicit significant adverse consequences, including, without limitation, the forfeiture of the defaulting investor's interest in the fund.

**Leverage** - Private equity and private real estate funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments.



## **Item 9. Disciplinary Information**

Threshold Group and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

### General

In addition to its investment advisory services, Threshold Group provides family office services, which include: estate transfer and income tax planning; private wealth education; advice on philanthropy; reporting, compliance and administrative services (including bill payment services); family governance services; and other services. Fees for these services are negotiated separately from the fees payable for investment advisory services.

Threshold Group is an independent fee only investment adviser. Neither Threshold Group nor any of its related persons receive any form of compensation from any of the Investment Managers, brokers, or other service providers that they recommend.

Indirect owners of Threshold Group may be investors and/or partners/members in private investment partnerships, limited liability companies, or corporations that invest in securities or private equity opportunities. Certain of the investors in the private investment partnerships, limited liability companies or corporations may also independently be clients of Threshold Group. Threshold Group does not act as an adviser, sponsor or placement agent for these private investment partnerships, limited liability companies or corporation.

### SMS Investment Company, LLC

Threshold Group's wholly owned subsidiary is SMS Investment Company, LLC ("SMSIC"), an SEC registered investment adviser. SMSIC does not provide continuous and regular investment management services and does not earn asset-based fees. Its sole basis for SEC registration is that it is controlled by and shares a principal place of business with Threshold Group.

Duncan Smith serves as Investment Consultant for SMSIC through his wholly owned corporation, LDS Consulting, Inc. It is expected that he will dedicate 50% of his time to these relationships. Information obtained and analysis of investments used in the management of Threshold Group client assets may also be used to provide investment advice to SMSIC clients.

Threshold Group's president, Mr. Edward Lazar, spends a de minimus amount of his time on activities related to SMSIC and its clients.

### Russell Investments

George Russell, Jr., an indirect owner of Threshold Group, was previously employed and was an owner of Russell Investments, formerly known as Frank Russell Company. He was a registered representative of Russell Implementation Services, a FINRA registered broker-dealer and division of Russell. Threshold Group will only recommend Russell Investments as a service provider to its advisory clients if such a recommendation is in the best interest of its clients and neither Threshold Group nor Mr. Russell receives compensation with respect to such recommendation.

Russell Investments also makes available to Threshold Group products and services that benefit Threshold Group and may or may not benefit its clients' accounts, including but not limited to, marketing and analytical support, training and/or use of facilities.

In addition, Russell Investments provides certain products, services and access to Russell Investments personnel to assist Threshold Group in managing and administering client accounts. These include the provision of research and other market data, and assistance with back-office support and specialized reporting. Many of these services generally may be used to service all or a substantial number of Threshold Group's accounts, including accounts utilizing the RSA program.

The availability to Threshold Group of the foregoing products and services is not contingent upon Threshold Group committing to Russell Investments any specific amount of business (assets in custody or trading).

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

To avoid any potential conflicts of interest involving personal trades, Threshold Group has adopted a Code of Ethics (“COE”), which includes personal trading reporting and review policies and procedures and insider trading policies and procedures. Threshold Group’s COE requires, among other controls, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Threshold Group above one’s own personal interests;
- Adhere to the fundamental standard that one should not take inappropriate advantage of his or her position;
- Avoid any actual or potential conflict of interest wherever possible;
- Conduct all personal securities transactions in a manner consistent with the COE;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect positively on oneself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve one’s professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

Threshold Group’s COE also requires Employees to: 1) report personal securities transactions on at least a quarterly basis, and 2) provide Threshold Group with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of Threshold Group’s COE is available to any client or prospective client by contacting Threshold Group’s Chief Compliance Officer at 253-851-4300.

Some of the owners of Threshold Group are investors and partners or members in several private investment partnerships, limited liability companies or corporations that invest in securities or private equity opportunities. It is not contemplated that these investments will be offered to new clients of Threshold Group, although legacy clients may have invested in these vehicles.

In the normal course of business, managers, members and/or associated persons of Threshold Group may provide gifts and gratuities to various clients and other persons. These gifts, gratuities and contributions are not premised upon any specific client referrals or any expectation of any other type of benefit to Threshold Group.

## Item 12. Brokerage Practices

### General

When Threshold Group acts pursuant to discretionary authority, it has the authority to make all investment decisions on the client's behalf, including selecting the broker-dealer(s) with whom securities transactions may be placed (when applicable). When acting without brokerage discretion over client accounts, at the client's request, Threshold Group may recommend broker-dealers to execute transactions for the client's account. In either case, Threshold Group may consider the quality and reliability of the brokerage services, as well as research and investment information and other services provided by the brokers or dealers. Commission rates, being a component of price, are one factor considered by Threshold Group together with other factors. In making broker-dealer selections/recommendations, Threshold Group is not obligated to seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction for the client's account or select/recommend any broker or dealer on the basis of its purported posted commission rate. Accordingly, brokers or dealers may charge commission rates in excess of the amounts another broker or dealer would have charged for effecting transactions when Threshold Group has determined in good faith that the broker's or dealer's commission rates generally are reasonable in relation to the value of the brokerage and/or services provided by the broker or dealer.

Threshold Group may recommend that clients establish accounts with custodians to maintain custody of clients' assets and, in some cases, to affect trades for their accounts. Although Threshold Group may recommend a custodian, it is the client's decision to choose a custodian. The custodians provide Threshold Group with access to institutional trading and custody services typically not available to retail investors. These services generally are available to independent investment advisors at no charge to them so long as clients maintain a designated minimum amount of assets at the custodians. The custodians' services include execution of securities transactions, research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. The custodians also make available to Threshold Group other products and services that benefit Threshold Group and may not benefit its clients' accounts. Some of these other products and services assist Threshold Group in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Threshold Group fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Threshold Group accounts, including accounts not maintained at the specific custodian providing the benefit. The custodians may also provide Threshold Group with information and consulting services intended to help Threshold Group manage and further develop its business enterprise. These services may include compliance, legal and business consulting, publications and conferences on practice management and business succession, and access to employee benefits providers, human capital consultants and insurance providers. The custodians may discount or

waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Threshold Group. The availability to Threshold Group of the foregoing products and services is not contingent upon Threshold Group committing to the custodians any specific amount of business (assets in custody or trading).

When negotiating fees on behalf of Threshold Group's clients, the custodians take into consideration the entire Threshold Group relationship and not individual clients. Aggregating Threshold Group clients' assets with fewer custodians should result in lower overall fees.

Each Investment Manager that Threshold Group selects/recommends to its clients generally will have investment discretion over that portion of the client's accounts managed by the particular Investment Manager. The client will have a direct contractual relationship with each such Investment Manager and should receive disclosures from each such Investment Manager of its internal practices, including allocation brokerage, aggregation of orders, and use by the Investment Manager of "soft dollars" to obtain research products and services from broker-dealers based on customer orders placed through the brokers. The designation by a client of a particular broker-dealer for execution of client account transactions (particularly if it differs from the brokers used by that Investment Manager for execution of most of the Investment Manager's other client accounts) may affect the commission rates and the method and pricing of execution of the client's account transactions for the portion of the client's portfolio managed by a particular Investment Manager. The client is urged to review each Investment Manager's disclosures on brokerage practices in deciding whether to direct the Investment Manager to use a particular broker-dealer for execution of the client's portfolio transactions.

### Order of Trading

Because Threshold Group provides investment advice to both discretionary and non-discretionary clients, there exists the potential for a difference between the timing of trades for discretionary clients and non-discretionary clients. As such, Threshold Group has adopted the following procedure that will apply when global trades/allocation changes occur:

1. After a decision is made regarding a global trade/allocation change, Threshold Group will implement the global trade/allocation for discretionary client accounts as soon as practical.
2. Threshold Group will make the recommendation to non-discretionary clients within a reasonable period of time, which is typically at the next quarterly review meeting but may vary depending on each clients' availability and communication preferences.
3. As Threshold Group receives approvals for the recommended transaction from non-discretionary clients, the transaction will be implemented within a reasonable time of receiving approval. Accordingly, it is expected that global trades/allocation changes in non-discretionary accounts will lag significantly the same transactions in discretionary accounts. There will be cases where the recommended transaction never receives client approval, therefore causing dispersion in holdings and performance among non-discretionary portfolios and between discretionary and non-discretionary portfolios.

### Trade Aggregation

Threshold Group generally does not aggregate orders for clients, which could potentially achieve a better average price on ETF transactions for clients.

#### Directed Brokerage

Clients may have a pre-established relationship with a broker and may instruct Threshold Group to execute all transactions through that broker. In directing the use of a particular broker or dealer, clients may lose out on certain benefits that may otherwise be obtained and it should be understood that Threshold Group will not have authority to obtain volume discounts. Consequently, if the client selects its own broker or dealer to execute transactions for the client's account, the client may forfeit more favorable commission rates and execution rates than would be the case if it utilized the broker or dealer recommended by Threshold Group.

## **Item 13. Review of Accounts**

Client accounts generally are reviewed quarterly by the Investment Advisors, whose biographies appear in the Supplement to this Form ADV. Triggering factors include material changes in a client's financial situation, as well as political and economic events.

The performance of the Investment Managers is generally reviewed on a quarterly basis. Investment Managers are typically reviewed by the Investment Analysts. Triggering factors include changes in an Investment Manager's management team or advisory fee, as well as political and economic events. The timeliness of these reviews is based upon the accessibility of information from Investment Managers.

All investment management clients are furnished with an quarterly investment report that includes holdings and performance. Additional reports may be provided on a client by client basis as needed or requested.



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

Threshold Group does not directly or indirectly compensate any third party for client referrals. Threshold employees may request referrals from current clients or outside advisors (eg accountants, attorneys, etc) and may be compensated under our overall employee compensation program for converting such referrals to clients. However, Threshold Group has not entered into any solicitation agreements whereby third parties are compensated for referring business.

## **Item 15. Custody**

Threshold Group can access many clients' accounts through its ability to debit advisory fees. Threshold Group also provides a service to certain clients where it will receive bills and invoices payable by clients (e.g., utility bills, invoices for personal and domestic services) and pay such bills using Threshold Group's access to the clients' bank accounts. This access may be through online banking tools or signature authority over client checking accounts. Finally, personnel of Threshold Group may serve as trustee for certain clients' trusts or hold a general power of attorney over their accounts.

Due to its engagement in each of the above activities, Threshold Group is considered to have "custody" of client assets. However, all clients' accounts are held in physical custody by unaffiliated broker-dealers or banks. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information and statements provided by Threshold Group.

## **Item 16. Investment Discretion**

Threshold Group offers clients investment management services as covered in the Investment Advisory Agreement where each client's investment portfolio is managed on a regular and continuous basis. Threshold Group may assist client in determining, among other things, suitability, investment objectives, goals, time horizons, and risk tolerances. Threshold Group will manage advisory accounts on either a discretionary or non-discretionary basis.

Each client is advised that it remains his/her/its responsibility to promptly notify Threshold Group if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Threshold Group's previous recommendations and/or services.

Clients must also execute a limited power of attorney to permit Threshold Group to trade their accounts.

When Threshold Group acts pursuant to discretionary authority, it has the authority to make all investment decisions on the client's behalf, including selecting the broker-dealer(s) with whom securities transactions may be placed (when applicable).

For non-discretionary clients, Threshold Group may not make investment decisions, including buying or selling securities, for the client without prior consultation with and consent of client. The client understands that they may forego a particular transaction if Threshold Group cannot obtain that consent. Investment recommendations for non-discretionary clients are typically made at the next quarterly or semi-annual client meeting. It is understood that investment recommendations for non-discretionary clients will typically lag behind similar transactions implemented for discretionary clients by a calendar quarter, or more, due to the time required to prepare recommendations, schedule client meetings, discuss recommendations, and receive client consent. Notwithstanding the above, Threshold Group may act without specific client consent for non-discretionary clients in the following limited circumstances (as further clarified in the client's investment advisory agreement with Threshold Group):

- An extreme emergency situation that is likely to substantially affect client assets and where the client is unreachable
- Pursuant to a preauthorization to transfer cash among certain family members' accounts as is necessary to meet such family members' cash needs
- Pursuant to a preauthorization to sell assets (as necessary) to raise funds for client cash needs.
- Pursuant to a preauthorization to reinvest excess cash, subject to the client's defined investment objectives and constraints.

Clients can place reasonable restrictions on Threshold Group's investment management. For example, some clients have asked Threshold Group not to sell certain securities where the client has a particularly low tax basis.

Each Investment Manager that Threshold Group selects or recommends to its clients generally will have investment discretion over that portion of the client's accounts managed by the particular Investment Manager.

Threshold Group currently manages or advises numerous advisory accounts and these accounts may have or will have investment objectives that are identical or substantially similar to other accounts. It is not anticipated that accounts having identical or substantially similar investment objectives will have identical or substantially similar investment portfolios. Differing investment portfolios can be expected to result from several factors, including, without limitation, the following: different investment decisions made by the different advisory teams assigned to the clients; differences in the investment recommendations approved by each client, regulatory constraints that apply to certain accounts but not to others; investment constraints imposed by the client; and the amount of cash available for investment at certain times. As a result of factors such as these, accounts may have a different investment portfolio (and, as a result, different performance results) from other accounts even though the accounts have identical or substantially similar investment objectives. Advisory teams are authorized to invest the assets of accounts for which they have investment responsibility in a wide range of underlying investments. As a result, it is expected that the accounts will have different investment portfolios resulting from different investment decisions made by their respective advisory teams. In addition, there may be circumstances when one account will sell a security while another account may purchase the security on the same day.

In performing any of its services, Threshold Group shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. If requested by the client, Threshold Group may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Threshold Group.

Among the assets to which Threshold Group provides its continuous and regular investment management services are assets held by clients in their 401(k) and 529 Plan accounts with various mutual fund companies. Because Threshold Group will be responsible for effecting the transactions in these accounts, it will request the client's user name and password that permits online access to the account. Appropriate physical and procedural safeguards have been adopted by Threshold Group to control access to the user names and passwords obtained by Threshold Group.

## **Item 17. Voting Client Securities**

Threshold Group will not exercise proxy voting authority over client securities. The obligation to vote client proxies shall at all times rest with clients. Clients shall in no way be precluded from contacting Threshold Group for advice or information about a particular proxy vote. However, Threshold Group shall not be deemed to have proxy voting authority solely as a result of providing such advice to clients.

Should Threshold Group inadvertently receive proxy information for a security held in a client's account, then Threshold Group will forward such information on to the client, but will not take any further action with respect to the voting of such proxy. Upon termination of its Agreement with a client, Threshold Group shall make a good faith and reasonable attempt to forward proxy information inadvertently received by Threshold Group on behalf of the client to the forwarding address provided by the client to Threshold Group.

Overlay managers are responsible for voting proxies within overlay programs.

With regard to all matters (other than proxies) for which shareholder action is required or solicited with respect to securities beneficially held in clients' accounts, such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations, Threshold Group disclaims responsibility for electing/voting (by proxies or otherwise) on such matters and will not take any action with regard to such matters.

## **Item 18. Financial Information**

Threshold Group has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

# Threshold Group, LLC Part 2B of Form ADV The Brochure Supplement

3025 Harborview Drive NW  
Gig Harbor, WA 98335  
[www.thresholdgroup.com](http://www.thresholdgroup.com)

March 31, 2012

This brochure supplement provides information about Edward Lazar, Ron G. Albahary, Daniel W. Geary, Jennie R. Tyndall, Craig T. Muska, Tara A. Duffy, Len Duncan Smith, Kristen A. Chryssikos, Patrick Adrian, Brian A. Babbitt, and Mark P. deVries. It supplements Threshold Group's accompanying Form ADV brochure. Please contact Threshold Group's Chief Compliance Officer at 253-851-4300 if you have any questions about the Form ADV brochure or this supplement, or if you would like to request additional or updated copies of either document.

## Edward Lazar's Biographical Information

### Educational Background and Business Experience

**Year of Birth:** 1961

**College education:** Valparaiso University, 1983, Bachelor of Science in Business Administration. Major in Accounting

**Certification:** Certified Public Accountant; Personal Financial Specialist

***Certified Public Accountant (CPA) Minimum Qualifications:** CPA is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. In most U.S. states, only CPAs who are licensed are able to provide to the public attestation (including auditing) opinions on financial statements. In order to become a CPA in the United States, a candidate must sit for and pass the Uniform Certified Public Accountant Examination (Uniform CPA Exam), which is set by the American Institute of Certified Public Accountants and administered by the National Association of State Boards of Accountancy. In addition to the CPA exam, most states also require the completion of a special examination on ethics and that specific education and work experience minimums are met. CPAs are also required to take continuing education courses in order to renew their license. Requirements vary by state but the majority of states require 120 hours of CPE every 3 years with a minimum of 20 hours per calendar year.*

***Personal Financial Specialist (PFS) Minimum Qualifications:** The PFS is a credential established by the American Institute of CPAs (AICPA) for CPAs who specialize in personal financial planning (PFP). The PFS credential is granted solely to CPAs with considerable PFP education and experience who want to demonstrate their knowledge, skill and experience. In order to obtain the PFS credential, a candidate must meet the following criteria: obtain a CPA license, join the AICPA and be a member in good standing, complete a minimum of 80 hours of personal financial planning education in 9 different practice areas, attain at least 2 years of full-time experience in personal financial planning, and successfully pass a PFP exam.*

### **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** February 2001 to Present

**Positions held:** President

**Name of employer:** SMS Investment Company, LLC

**Start and end date of employment:** April 2001 to Present

**Positions held:** Manager

**Name of employer:** Arthur Andersen, LLC

**Start and end date of employment:** January 1988 to February 2001

**Positions held:** Partner



### Disciplinary Information

Mr. Lazar has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Lazar or of Threshold Group.

### Other Business Activities

Mr. Lazar is the Manager of SMS Investment Company, LLC. He derives no compensation from his SMSIC activities. Mr. Lazar spends a de minimus amount of his time on activities related to SMSIC and its clients.

### Additional Compensation

Mr. Lazar does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

### Supervision

As Threshold Group's President, Mr. Lazar maintains ultimate responsibility for Threshold Group's operations and investment management activities. However, Mr. Lazar's investment recommendations are overseen by Threshold Group's investment team. Mr. Lazar's activities are also overseen by the Threshold Group Board of Directors and the Chief Compliance Officer, John Canning. Members of the investment team and the Board of Directors and the Chief Compliance Officer can be reached directly by calling the telephone number on the cover of this brochure supplement.

# Ron G. Albahary

## Educational Background and Business Experience

**Year of Birth:** 1968

**College education:** Wharton School of University of Pennsylvania, , Bachelor of Science in Economics

**Certification:** Chartered Financial Analyst

***Chartered Financial Analyst Minimum Qualifications:*** *The Chartered Financial Analyst (CFA) designation is an international professional certification issued by the CFA Institute (formerly AIMR) to qualified candidates who complete a series of three examinations. To become a candidate for a CFA charter, candidates must meet one of the following requirements: 1) Undergraduate degree and four years of professional experience involving investment decision-making, or; 2) Four years qualified work experience (full time, but not necessarily investment related). Candidates may become a CFA Charterholder if they successfully pass three course exams, Levels 1, 2, and 3. The CFA Institute has stated that the average candidate may need approximately 250 hours of study for each of the three levels. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.). CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. More information on the CFA charter is available at [www.cfainstitute.org](http://www.cfainstitute.org).*

## **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** August 2011 to Present

**Positions held:** Chief Investment Officer

**Name of employer:** Convergent Wealth Advisors

**Start and end date of employment:** October 2009 to July 2011

**Positions held:** Chief Investment Officer

**Name of employer:** Schroder Investment Management

**Start and end date of employment:** May 2008 to October 2009

**Positions held:** Head of Strategic Investment Solutions

**Name of employer:** SEI Investments

**Start and end date of employment:** April 2005 to May 2008

**Positions held:** Managing Director

#### Disciplinary Information

Mr. Albahary has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Albahary or of Threshold Group.

#### Other Business Activities

Mr. Albahary is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

#### Additional Compensation

Mr. Albahary does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

#### Supervision

Mr. Albahary's investment recommendations are supervised by Threshold Group's investment team. Mr. Albahary's activities are also overseen by the President, Edward Lazar, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Daniel W. Geary's Biographical Information**

### Educational Background and Business Experience

**Year of Birth:** 1957

**College education:** Siena College, 1979, Bachelor of Arts in Sociology  
Albany Law School, 1987, JD

### **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** April 2010 to Present

**Positions held:** Client Advisor

**Name of employer:** Convergent Wealth Advisors

**Start and end date of employment:** May 2007 to March 2010

**Positions held:** Managing Director

**Name of employer:** Lydian Wealth Management

**Start and end date of employment:** May 2004 to May 2007

**Positions held:** Managing Director

### Disciplinary Information

Mr. Geary has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Geary or of Threshold Group.

### Other Business Activities

Mr. Geary is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

### Additional Compensation

Mr. Geary receives fees for serving as a trustee to a limited number of Threshold Group clients. His services as a trustee are ministerial in nature and do not create a conflict between clients for which he serves as trustee and those for which he does not do so. He spends a non-material amount of time on his trustee duties.

### Supervision

Mr. Geary's investment recommendations are supervised by Threshold Group's investment team. Mr. Geary's activities are also overseen by the President, Edward Lazar, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Jennie R. Tyndall's Biographical Information**

### Educational Background and Business Experience

**Year of Birth:** 1959

**College education:** University of Washington, 1993, Bachelor of Arts in Business Administration

### **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** March 2009 to present

**Positions held:** Investment Advisor

**Name of employer:** New York-Presbyterian Hospital

**Start and end date of employment:** August 2008 to March 2009

**Positions held:** Independent Contractor

**Name of employer:** Russell Investment Group

**Start and end date of employment:** April 1993 to March 2008

**Positions held:** Client Portfolio Strategist and Senior Portfolio Analyst, January 2001 to March 2008

Portfolio Analyst, International Funds, January 1999 to January 2001

Consulting Analyst and Technical Analyst, April 1993 to January 1999

### Disciplinary Information

Ms. Tyndall has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Ms. Tyndall or of Threshold Group.

### Other Business Activities

Ms. Tyndall is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

### Additional Compensation

Ms. Tyndall does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

### Supervision

Ms. Tyndall's investment recommendations are supervised by Threshold Group's investment team. Ms. Tyndall's activities are also overseen by one of Threshold's Managing Directors, Ron Albahary, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Craig T. Muska's Biographical Information**

### Educational Background and Business Experience

**Year of Birth:** 1972

**College education:** Northern Illinois University, 1994, Bachelor of Science in Finance  
University of Illinois, Chicago, 2002, MBA in Public Affairs

### **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** April 2009 to present

**Positions held:** Investment Advisor

**Name of employer:** IW Financial

**Start and end date of employment:** June 2004 to April 2009

**Positions held:** Managing Director

### Disciplinary Information

Mr. Muska has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Muska or of Threshold Group.

### Other Business Activities

Mr. Muska is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

### Additional Compensation

Mr. Muska does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

### Supervision

Mr. Muska's investment recommendations are supervised by Threshold Group's investment team. Mr. Muska's activities are also overseen by one of Threshold's Managing Directors, Ron Albahary, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Tara A. Duffy's Biographical Information**

### Educational Background and Business Experience

**Year of Birth:** 1954

**College education:** Hood College, 1976, BA in History and Political Science

### **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** May 2010 to present

**Positions held:** Managing Director, March 2011 to present  
Investment Advisor, May 2010 to March 2011

**Name of employer:** Shelterwood Financial Services

**Start and end date of employment:** June 2008 to December 2009

**Positions held:** Managing Director

**Name of employer:** Citigroup

**Start and end date of employment:** November 2002 to December 2007

**Positions held:** Director & Portfolio Manager, Global Hedge Strategies, 2005 to 2007  
Vice President, Investment Counselor, Citigroup Private Bank, 2002 to 2005

### Disciplinary Information

Ms. Duffy has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Ms. Duffy or of Threshold Group.

### Other Business Activities

Ms. Duffy is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

### Additional Compensation

Ms. Duffy does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

### Supervision

Ms. Duffy's investment recommendations are supervised by Threshold Group's investment team. Ms. Duffy's activities are also overseen by the President, Edward Lazar, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Len Duncan Smith's Biographical Information**

### Educational Background and Business Experience

**Year of Birth:** 1933

**College education:** Purdue University, 1955 BS in Mechanical Engineering, work towards Masters in Mechanical Engineering

### **Business background last 5 years:**

**Name of employer:** LDS Consulting, Inc. (wholly owned by Duncan Smith)

**Start and end date of employment:** January 1998 to present

**Positions held:** President (Investment Consultant to Threshold Group from April 1999 to December 2003 and SMS Investment Company, LLC from April 2001 to present)

**Name of employer:** Threshold Group

**Start and end date of employment:** January 2004 to present

**Positions held:** Director – Client Portfolio Strategy

### Disciplinary Information

Mr. Smith has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Smith or of Threshold Group.

### Other Business Activities

Mr. Smith's wholly owned company, LDS Consulting, Inc., receives compensation for the services provided by Mr. Smith to SMS Investment Company, LLC clients. SMS Investment Company, LLC is a wholly owned subsidiary of Threshold Group. Mr. Smith spends approximately 50% of his time on activities related to SMS Investment Company, LLC and its clients.

### Additional Compensation

Mr. Smith does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

### Supervision

Mr. Smith's investment recommendations are supervised by Threshold Group's investment team. Mr. Smith's activities are also overseen by one of Threshold's Managing Directors, Ron Albahary, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.



# Kristen A. Chryssikos's Biographical Information

## Educational Background and Business Experience

**Year of Birth:** 1977

**College education:** University of Virginia, 1999 Bachelor of Arts in Economics

**Certification:** Chartered Financial Analyst

**Chartered Financial Analyst Minimum Qualifications:** *The Chartered Financial Analyst (CFA) designation is an international professional certification issued by the CFA Institute (formerly AIMR) to qualified candidates who complete a series of three examinations. To become a candidate for a CFA charter, candidates must meet one of the following requirements: 1) Undergraduate degree and four years of professional experience involving investment decision-making, or; 2) Four years qualified work experience (full time, but not necessarily investment related). Candidates may become a CFA Charterholder if they successfully pass three course exams, Levels 1, 2, and 3. The CFA Institute has stated that the average candidate may need approximately 250 hours of study for each of the three levels. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.). CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. More information on the CFA charter is available at [www.cfainstitute.org](http://www.cfainstitute.org).*

## **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** October 2010 to present

**Positions held:** Investment Advisor

**Name of employer:** SEI Investments Co.

**Start and end date of employment:** January 2005 to October 2010

**Positions held:** Global Equity Analyst, June 2008 to October 2010

Global Client Portfolio Manager, December 2006 to May 2008

Regional Director, January 2005 to November 2006

## Disciplinary Information

Ms. Boling has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Ms. Boling or of Threshold Group.

## Other Business Activities

Ms. Boling is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

#### Additional Compensation

Ms. Boling does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

#### Supervision

Ms. Boling's investment recommendations are supervised by Threshold Group's Investment team. Ms. Boling's activities are also overseen by one of Threshold's Managing Directors, Tara Duffy, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Patrick Adrian's Biographical Information**

### Educational Background and Business Experience

**Year of Birth:** 1986

**College education:** University of Puget Sound, 2008 Bachelor of Science in Economics

### **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** March 2008 to present

**Positions held:** Investment Analyst, February 2009 to present  
Junior Investment Analyst, March 2008 to February 2009

**Name of employer:** Russell Investment Group

**Start and end date of employment:** February 2007 to February 2008

**Positions held:** Intern, Alternative Investments

**No prior business background.**

### Disciplinary Information

Mr. Adrian has not been involved in any legal or disciplinary events that would be material to a client's evaluation Mr. Adrian or of Threshold Group.

### Other Business Activities

Mr. Adrian is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

### Additional Compensation

Mr. Adrian does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

### Supervision

Mr. Adrian's investment recommendations are supervised by Threshold Group's Investment team. Mr. Adrian's activities are also overseen by one of Threshold's Managing Directors, Ron Albahary, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

# Brian A. Babbitt's Biographical Information

## Educational Background and Business Experience

**Year of Birth:** 1969

**College education:** Pacific Lutheran University, 1992 BBA, Finance Concentration

**Certification:** Chartered Financial Analyst, Chartered Alternative Investment Analyst

***Chartered Financial Analyst Minimum Qualifications:*** The Chartered Financial Analyst (CFA) designation is an international professional certification issued by the CFA Institute (formerly AIMR) to qualified candidates who complete a series of three examinations. To become a candidate for a CFA charter, candidates must meet one of the following requirements: 1) Undergraduate degree and four years of professional experience involving investment decision-making, or; 2) Four years qualified work experience (full time, but not necessarily investment related). Candidates may become a CFA Charterholder if they successfully pass three course exams, Levels 1, 2, and 3. The CFA Institute has stated that the average candidate may need approximately 250 hours of study for each of the three levels. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.). CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. More information on the CFA charter is available at [www.cfainstitute.org](http://www.cfainstitute.org).

***Chartered Alternative Investment Analyst Minimum Qualifications:*** The Chartered Alternative Investment Analyst ("CAIA") is an international professional certification issued by the CAIA Association. The CAIA program comprises a two-tier exam process through which one may earn the CAIA charter, a designation for professionals in alternative investments. The right to use the CAIA designation is earned by (1) successfully completing the CAIA program (passing both the Level I and Level II exams) and (2) becoming a member of the CAIA Association. To qualify for membership in the Association, you must fulfill all the following requirements: 1) Pass the Level II exam within three years of passing the Level I exam; 2) Hold a U.S. bachelor's degree or the equivalent, and have more than one year of professional experience, or alternatively have at least four years of professional experience; 3) Submit payment for the annual CAIA Association membership fee, and; 4) Agree on an annual basis to abide by the Member Agreement. The curriculum is regularly revised; it does not remain static from exam cycle to exam cycle. More information on the CAIA designation is available at [www.caia.org](http://www.caia.org).

## **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** September 2008 to present

**Positions held:** Senior Investment Analyst, January 2010 to present  
Investment Analyst, September 2008 to January 2010

**Name of employer:** Russell Investments

**Start and end date of employment:** January 2006 to September 2008

**Positions held:** Research Analyst, April 2007 to September 2008  
Portfolio Analyst, January 2006 to March 2007

Disciplinary Information

Mr. Babbitt has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Babbitt or of Threshold Group.

Other Business Activities

Mr. Babbitt is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

Additional Compensation

Mr. Babbitt does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

Supervision

Mr. Babbitt's investment recommendations are supervised by Threshold Group's Investment team. Mr. Babbitt's activities are also overseen one of Threshold's Managing Directors, Ron Albahary, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## Mark P. deVries' Biographical Information

### Educational Background and Business Experience

**Year of Birth:** 1979

**College education:** Bucknell University, 2001 Bachelor of Science in Business Administration

**Certification:** Chartered Alternative Investment Analyst

***Chartered Alternative Investment Analyst Minimum Qualifications:** The Chartered Alternative Investment Analyst ("CAIA") is an international professional certification issued by the CAIA Association. The CAIA program comprises a two-tier exam process through which one may earn the CAIA charter, a designation for professionals in alternative investments. The right to use the CAIA designation is earned by (1) successfully completing the CAIA program (passing both the Level I and Level II exams) and (2) becoming a member of the CAIA Association. To qualify for membership in the Association, you must fulfill all the following requirements: 1) Pass the Level II exam within three years of passing the Level I exam; 2) Hold a U.S. bachelor's degree or the equivalent, and have more than one year of professional experience, or alternatively have at least four years of professional experience; 3) Submit payment for the annual CAIA Association membership fee, and; 4) Agree on an annual basis to abide by the Member Agreement. The curriculum is regularly revised; it does not remain static from exam cycle to exam cycle. More information on the CAIA designation is available at [www.caia.org](http://www.caia.org).*

### **Business background last 5 years:**

**Name of employer:** Threshold Group

**Start and end date of employment:** March 2010 to present

**Positions held:** Senior Investment Analyst, February 2011 to present  
Investment Analyst, March 2010 to February 2011

**Name of employer:** Ashbridge Investment Management

**Start and end date of employment:** October 2005 to March 2010

**Positions held:** Senior Research Analyst

### Disciplinary Information

Mr. deVries has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. deVries or of Threshold Group.

### Other Business Activities

Mr. deVries is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Threshold Group.

### Additional Compensation

Mr. deVries does not receive economic benefits from any person or entity other than Threshold Group in connection with the provision of investment advice to clients.

### Supervision

Mr. deVries' investment recommendations are supervised by Threshold Group's Investment team. Mr. deVries' activities are also overseen by one of Threshold's Managing Directors, Tara Duffy, and the Chief Compliance Officer, John Canning. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.