

SQ Advisors, LLC

Part 2A of Form ADV

The Brochure

1400 Gulf Shore Boulevard North – Suite 184
Naples, FL 34102

Updated: July 2012

This brochure provides information about the qualifications and business practices of SQ Advisors, LLC (“SQ Advisors” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 239-213-9393. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about SQ Advisors is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Summary of Material Changes

The following material changes have been incorporated into this brochure since it was previously filed on May 9, 2011:

- SQ Advisors has revised and reorganized its Part 2A disclosures in an effort to provide clients and prospective clients with more readable, concise, and relevant information.

Table of Contents

Summary of Material Changes	2
Table of Contents	2
Advisory Business	2
Fees and Compensation	3
Performance Based Fees and Side-by-Side Management	3
Types of Clients.....	4
Investment Strategies, Methods of Analysis, and Risk of Loss	4
Investment Strategy and Methods of Analysis	4
Disciplinary Information	5
Other Financial Industry Activities and Affiliations	5
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	5
Brokerage Practices	6
Review of Accounts	8
Client Referrals and Other Compensation.....	9
Custody.....	9
Investment Discretion.....	9
Voting Client Securities	9
Financial Information	10

Advisory Business

SQ Advisors was founded in August 2010 and began operating on January 1, 2011. The Company is equally owned by Mr. Louis A. Simpson and Ms. Kimberly K. Querrey.

SQ Advisors is an investment advisory firm that provides discretionary portfolio management services to clients. SQ Advisors offers clients a concentrated investment strategy that focuses on investing in a limited number of long equity positions. SQ Advisors employs “bottom-up” analysis and fundamental research to identify investment opportunities for execution of the investment strategy. Please refer to the *Investment Strategies, Methods of Analysis, and Risk of Loss* section for a more detailed description of the SQ Advisors’ investment strategy.

Advisory services are generally not tailored to the individual needs of clients. An objective at SQ Advisors is to manage client accounts similarly according to the Company’s investment strategy. Clients, however, may impose reasonable mandates or restrictions in writing (e.g., an exhibit or schedule attached to the investment management agreement) to satisfy legal, regulatory, or other

special concerns. For example, certain clients have restrictions from investing in specific types of securities (e.g., insurance stocks), and certain other clients have a percentage threshold for individual investments.

As of April 30, 2012, SQ Advisors managed approximately \$1,079,962,079 in discretionary assets on behalf of approximately 159 client accounts.

Fees and Compensation

SQ Advisors charges clients an annual management fee of one percent of assets under management. Fees are not negotiable. However, fees are waived for employee accounts and certain family accounts.

Except for one client described below, clients pay management fees quarterly in arrears. Quarterly payments are based on the value of assets under management on the last business day of the previous quarter, and computed at one-fourth of the annual management fee. For a new client, the fee for the quarter will be pro-rated based upon the number of calendar days in the calendar quarter from the effective date of the executed agreement. For a terminating client, the fee for the quarter will be pro-rated over the period during which the contract was in effect in accordance with provisions in such client's agreement. For most clients, the custodian calculates quarterly fees and SQ Advisors reviews, approves, and the custodian deducts the fees directly from the client's custodial account(s), in accordance with client advisory and custodial agreement provisions. However, some clients (e.g., DVP accounts) are billed, and pay fees via a check or wire. Clients may select either method.

For one SQ Advisors client, one quarter of the annual one percent management fee is billed and payable quarterly in advance. Any prepaid but unearned fees will be refunded to this client upon termination in accordance with provisions in the client's agreement.

In addition to management fee charged by SQ Advisors, clients will incur trading costs and custodial fees (please refer to the *Brokerage Practices* section for more information). To the extent that clients' accounts are invested in mutual funds or exchange-traded funds, those funds pay a separate layer of management fees, trading, administrative, and other expenses which are described in each respective fund's offering documents (i.e., prospectus).

In response to adverse or unusual market, economic, political, or other conditions as determined by the Company, SQ Advisors may take temporary defensive positions (e.g., cash) for clients. At these times, clients must be aware that there are less expensive alternatives available for cash management.

Performance-Based Fees and Side-by-Side Management

SQ Advisors does not charge performance-based fees to clients.

Types of Clients

SQ Advisors provides investment advisory and portfolio management services primarily to high net worth individuals, individuals, trusts, estates, endowments, foundations, charitable organizations, pooled investment vehicles, and corporations or other businesses.

SQ Advisors generally requires a minimum of \$10 million in assets under management for the establishment and maintenance of an investment advisory account. At its discretion, SQ Advisors may waive the minimum amount required to establish an investment advisory account.

Investment Strategies, Methods of Analysis, and Risk of Loss

Investment Strategy and Methods of Analysis

As previously mentioned, SQ Advisors offers a concentrated investment strategy focused on holding a limited number of long equity positions. SQ Advisors employs a largely unconstrained approach that seeks to maximize long-term total returns for clients. For example, SQ Advisors is not constrained by geography, sector, industry, or market capitalization in seeking investment opportunities for clients. SQ Advisors invests primarily in common stock positions and depository receipts (e.g., ADRs), but is permitted to invest in preferred stock, convertible bonds, exchange-traded funds, mutual funds, and cash in order to execute its investment strategy for clients. SQ Advisors' investment strategy is generally long-term and intended to have relatively low portfolio turnover.

SQ Advisors' investment management strategy for clients is developed and implemented using the following Company principles as guidelines:

- Think independently
- Invest in high-return businesses run for the shareholders
- Pay only a reasonable price, even for an excellent business
- Invest for the long-term
- Do not diversify excessively

Generally, SQ Advisors believes that identifying a significant difference between the market value of a security and the intrinsic value of that security is what defines an investment opportunity.

SQ Advisors' primary method of analysis is fundamental research. Typically, this research involves scrutinizing corporate reports, press releases, financial statements, documents filed with the SEC or other regulatory entities, court filings, newspaper, magazine, internet articles, audio or transcripts of conference calls, presentations, conversations with the firm and/or competitors, and third-party research materials. Mr. Louis A. Simpson has final authority to make investment decisions on behalf of clients.

Risk of Loss

All investing involves a risk of loss that clients should be prepared to bear. The investment strategy offered by SQ Advisors could lose money over short or long periods of time. Identifying undervalued securities and other assets is difficult, and there are no assurances that SQ Advisors' investment strategy will succeed. Furthermore, clients may be forced to hold such investments for

a substantial period of time before realizing any anticipated value. SQ Advisors cannot give any guarantee that it will achieve a client's investment objectives or that clients will receive a return of its investment. Below is a summary of potentially material risks for each significant SQ Advisors' investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

- **Dependence on Key Individual** – The management of client portfolios is dependent on the continued service and active investment efforts of the Chairman and CIO, Mr. Louis A. Simpson.
- **Lack of Diversification** – The Company's investment strategy will generally hold less than 20 stocks, which means that it may invest a greater percentage of its assets in the securities of fewer issuers. Holding fewer securities may increase volatility of returns.
- **Stock Market Risk** – There is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- **Underlying Business Risks** – Investments in securities entails all the risks associated with the underlying businesses, including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitions and other factors. SQ Advisors will not have day-to-day control over any company in which it invests for clients.

Disciplinary Information

SQ Advisors and its employees have not been involved in any legal or disciplinary events that would be material to an evaluation of SQ Advisors or its personnel.

Other Financial Industry Activities and Affiliations

SQ Advisors and its employees do not have any relationships or arrangements with other related person companies that pose material conflicts of interest.

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

SQ Advisors has adopted a Code of Ethics (the "Code") that imposes on each employee a duty to place the interests of clients first. The Code requires officers, owners, and employees to, among other things, report to the Chief Compliance Officer any actual or potential conflict of interest relating to any Company clients. The Code also imposes restrictions and safeguards on the use of material, non-public information.

The Code requires all officers, owners, and employees of the Company to report quarterly and annually their own and immediate family members' securities holdings and transactions to the Chief Compliance Officer. In addition, each employee must pre-clear any trades in initial public offerings and private placements, as well as certain securities transactions in accounts that are not managed by SQ Advisors. The Code requires SQ Advisors to monitor employees' outside

business activities, and governs the giving and/or receipt of gifts and entertainment by SQ Advisors and its employees. Further, the Code restricts the political contribution activities of SQ Advisors, its employees and their spouses.

SQ Advisors does not buy or sell securities for client accounts in which SQ Advisors or a related person has a material financial interest (e.g., SQ Advisors does not engage in principal transactions). However, employees of the Company and their family members may have accounts (collectively, “employee accounts”) managed by SQ Advisors and so invest in the same securities that are recommended to clients. This practice presents inherent conflicts of interests, such as employees, and/or certain of their family members: 1) trading before clients (i.e., front-running), and/or; 2) receiving a better allocation or price than clients. To address and mitigate (potential) conflicts of interest associated with personal trading, SQ Advisors has developed written policies and procedures to help ensure that employee accounts are not favored over client accounts. It is anticipated that employee accounts and client accounts will have a substantially similar percentage of assets in each security (though account composition may vary to some extent based upon a number of factors, including investment restrictions, and the timing of actual or anticipated capital additions or withdrawals). Employee accounts will generally transact in securities alongside client accounts, receive the average price that clients pay for securities transactions, and pay their share of transaction costs. In the event that an aggregated order including both employee and client accounts is only partially filled, the participating accounts will receive a pro-rata allocation. In certain instances (e.g., new accounts, terminating accounts, add-on capital, partial withdrawals), SQ Advisors may purchase or sell securities for employee accounts when other client accounts are not purchasing or selling the same security. Under no circumstances should employee accounts receive a more advantageous price than client accounts for a particular security purchased or sold on the same trading day. Further, Employees should not purchase or sell individual securities held in the SQ Advisors’ investment strategy unless it is through an employee account managed by SQ Advisors, or in limited circumstances, the transaction is pre-cleared by the Chief Compliance Officer. The Chief Compliance Officer monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the Chief Compliance Officer might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In SQ Advisors’ experience, it is rare for an employee’s personal trading to limit clients’ investment opportunities, but such a situation may arise from time to time.

Clients or prospective clients may request a copy of the Code by contacting Kimberly Querrey, President, at (239) 213-9393 or by emailing her at kquerrey@sqadv.com.

Brokerage Practices

SQ Advisors recommends that clients establish a brokerage account(s) with the Schwab Advisor Services division of Charles Schwab & Co. Inc. (“Schwab”) for custody and brokerage services. Although SQ Advisors recommends that clients establish accounts at Schwab, it is the client’s decision to custody assets at Schwab. SQ Advisors has a limited number of clients that custody

their assets at a custodian(s) other than Schwab. SQ Advisors is independently-owned and operated and not affiliated with Schwab.

SQ Advisors places trades for client accounts subject to its fiduciary duties, including the duty to seek best execution for clients' securities transactions. SQ Advisors has authority to use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients; therefore, SQ Advisors is more likely to place trades through Schwab rather than other broker-dealers. Schwab's fee schedules may be higher, but not significantly so, than those available from other brokers for similar services.

For SQ Advisors' client accounts maintained in custody at Schwab, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Clients that custody assets outside of Schwab may pay higher fees and charges for transactions, and may not get the most favorable execution of their transactions.

SQ Advisors does not maintain a formal soft dollar arrangement with Schwab or other brokers. Schwab provides SQ Advisors with access to its institutional trading and operations services not typically available to Schwab's retail customers. These services are generally available to SQ Advisors according to a special pricing schedule based upon SQ Advisors' commitment that clients will place or maintain a specified dollar amount of assets in accounts at Schwab within a specified period of time. Access to these services is not based on client commissions paid to Schwab.

Schwab makes available to SQ Advisors' other products and services that benefit SQ Advisors and many, but not necessarily all, of its clients. Some of these other products and services assist SQ Advisors in managing and administering client 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 SQ Advisors' fees from 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 clients' accounts, including client accounts not maintained at Schwab. SQ Advisors does not believe that clients whose accounts are held at Schwab bear any additional costs in connection with SQ Advisors' receipt of the products and services. However, SQ Advisors may not receive each of the products and services from Schwab if client accounts were not held in custody by Schwab. SQ Advisors' receipt of products and services creates a conflict of interest in connection with SQ Advisors' recommendation of Schwab because SQ Advisors receives the benefit of the above ancillary services when a specified amount of client assets is custodied at Schwab. Further, SQ Advisors has an incentive to select or recommend Schwab based on its interest in receiving products or services at a lower cost. Since many of SQ Advisors' clients are individuals, SQ Advisors believes that such clients will benefit from access to institutional trading and operations services provided by Schwab. To mitigate potential conflicts and as part of its fiduciary duty, SQ Advisors conducts a periodic best execution review that includes an assessment of the pricing and services received from Schwab.

SQ Advisors' policy is to treat all clients fairly and equitably with respect to the aggregation and allocation of orders. SQ Advisors generally aggregates orders for client accounts for trade execution with the same broker. When orders are aggregated, each participating account will be allocated securities on an average price basis and pay their share of transaction costs. As described above in the *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* section, it is anticipated that all accounts managed by SQ Advisors will have a substantially similar percentage of assets in each security. Instances in which client account orders may not be aggregated include, but are not limited to, the following:

- Client imposed investment objectives or restrictions do not allow for participation in an order;
- The timing of actual or anticipated capital additions or withdrawals by clients; and
- The CIO determines not to aggregate an order(s) because of tax, legal, regulatory, market conditions, or administrative reasons.

On occasion if an order is partially filled participating accounts will receive a pro rata average priced allocation of the order, and SQ Advisors will seek to complete any unfilled orders on the next trading day. A partial fill order that is fully filled over multiple days may result in multiple transaction charges; SQ Advisors, however, expects partial fill orders to occur from time to time, and such orders should not have a material effect on clients' account performance. In certain instances (e.g., new accounts, terminating accounts, add-on capital, partial withdrawals), SQ Advisors may purchase or sell securities for client accounts when other client accounts are not purchasing or selling the same security.

For one SQ Advisors client, the investment management agreement does not provide SQ Advisors with trading or execution authority over the client's assets; the client has retained authority and responsibility for trade executions. SQ Advisors transmits investment recommendations to the client, and the client is responsible for executing SQ Advisors' investment recommendations. The client is notified of investment recommendations for SQ Advisors' investment strategy immediately after SQ Advisors has finished trading the investment strategy recommendation(s) for all other accounts. As a result of the agreement that is in place, this client's orders are not aggregated with all other SQ Advisors clients, and may cause performance of the client account(s) to materially differ from other SQ Advisors' clients.

Review of Accounts

Investment personnel monitor and review client portfolios on a continuous basis. In addition, the Company reviews all transactions on a daily basis to ensure such transactions have been executed properly and correctly recorded into client accounts. At least once a month, SQ Advisors reviews all client accounts to assess position sizes, the level of cash holdings, portfolio composition in light of market events, and client specific developments. Client capital contributions, withdrawals, and company or stock specific events may trigger additional reviews of client accounts.

Schwab provides written custodian statements on at least a quarterly basis, which report investment activity and holdings of their account(s). Additionally, SQ Advisors sends separate investment reports, generated by Schwab, to Clients on at least a quarterly basis. As required by investment agreement provisions, certain clients receive an annual written report of the proxy

voting activity related to their account(s). SQ Advisors' President is available to clients for consultation, and at least annually will be responsible for contacting each client to discuss whether their financial situation or investment objectives have changed, and whether the client wishes to impose, modify, or eliminate any investment restrictions.

Client Referrals and Other Compensation

Please refer to the *Brokerage Practices* section above for disclosure about benefits made available to SQ Advisors by Schwab. SQ Advisors does not directly or indirectly compensate any person that is not a supervised person for client referrals.

Custody

SQ Advisors does not maintain physical custody of clients' assets, and does not have custody of client assets, as defined by Rule 206(4)-2 under the Advisers Act. All client assets are held in custody by unaffiliated broker/dealers or banks. Clients that have fees deducted have instructed their custodian(s) to debit the account(s) for advisory fees each quarter, and the custodian(s) makes all fee calculations, which are reviewed by SQ Advisors, based on the advisory contract. Schwab sends custodian statements directly to the account owners on a monthly basis. Additionally, SQ Advisors sends separate investment reports, generated by Schwab, to Clients on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by SQ Advisors.

Investment Discretion

SQ Advisors accepts discretionary authority to manage securities accounts on behalf of clients. Clients grant SQ Advisors investment discretion through the execution of a limited power of attorney included in a written advisory agreement. SQ Advisors is not limited in its discretionary authority except to the extent an investment management agreement has established specific mandates, guidelines and/or restrictions with respect to SQ Advisors' management of the account(s).

SQ Advisors does not anticipate entering into client agreements that allow a client to materially mandate or restrict the advisory decisions of SQ Advisors. Clients, however, may request mandates, guidelines, or restrictions for their account(s) due to legal, tax, regulatory, conflict of interest, or other special concerns of the client. Should SQ Advisors agree, contractually or informally, to a client-requested mandate, guideline, or restriction of an account(s), SQ Advisors will manage the account(s) accordingly.

Voting Client Securities

SQ Advisors accepts authority to vote proxies for clients' securities holdings. In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, SQ Advisors has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that SQ Advisors receives will be treated in accordance with these policies and procedures. SQ Advisors utilizes a third-party proxy voting service to carry out the majority of the Company's proxy vote submissions and recordkeeping. Clients may not direct proxy voting for particular solicitations.

SQ Advisors' policy is to vote proxies in the best interests of its clients. SQ Advisors' written proxy policies and procedures require the Company to identify and address material conflicts of interest between SQ Advisors and its clients. If a material conflict of interest exists, SQ Advisors will determine whether voting in accordance with the guidelines set forth in written policies and procedures is in the best interests of the client(s), or take some other appropriate action (e.g., retain an independent third party to vote the proxy). SQ Advisors may abstain or affirmatively decide not to vote a proxy where SQ Advisors believes it is in the best interest of clients.

Clients may request and obtain a copy of SQ Advisors' proxy voting policies and procedures, and information regarding how client securities have been voted, by contacting Kimberly Querrey at (239) 213-9393 or at kquerrey@squadv.com.

Financial Information

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