

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

**SELECT EQUITY GROUP, INC.      March 31, 2011**  
**380 Lafayette Street**  
**New York, NY 10003**  
**(212) 475-8335**  
**(212) 475-1786**  
**[www.selectequity.com](http://www.selectequity.com)**

**This brochure provides information about the qualifications and business practices of Select Equity Group, Inc., (or “We” or “Our” or “Us” or “the Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 475-8335 or [clients@selectequity.com](mailto:clients@selectequity.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

Item 2 Material Changes

This is the first time that the Firm has provided the following information using this new Brochure format, so the disclosure reflects the differences between the new format and previous ADV Part II. Additionally, the Firm would also like to advise of the following material changes that have occurred since our last annual update of our brochure:

On April 30, 2010 Christopher Arndt, a portfolio manager and principal left the Firm to pursue a career in public policy.

On October 1, 2010, Jennifer Vinsonhaler became the Chief Compliance Officer of the Firm and David Conover became the Chief Financial Officer.

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## Item 4 Advisory Business

The Firm is a New York corporation founded in 1990. We provide investment management services to individual and private fund clients. The Firm is employee owned and George S. Loening is the controlling shareholder of the Firm. We have been registered with the U.S. Securities and Exchange Commission (the “SEC”) since 1992. You should note that the mere fact we are registered with the SEC does not imply any level of skill or training.

#### Types of Advisory Services

##### For Our Individual Clients in Our Small/Mid Cap Long Only Strategy

We offer a long only equity management program that utilizes fundamental analysis to select stocks that we believe will provide “better than market” returns over a complete market cycle. Money market reserves will range between 0% and 50% depending on market conditions. Clients may terminate an investment advisory contract at any time subject to any applicable notice provisions. Though client accounts are managed independently, we use a similar investment approach in substantially all of our individually managed accounts. In addition, we generally limit our portfolio of securities to fewer than forty stocks in each account. We believe this approach allows for the continuous and thorough evaluation of all accounts and all equities held.

As a general matter, we do not attempt to “time” the market or to predict overall macro-economic trends. Instead, we seek to make investments in good businesses with strong managements that we believe to be inefficiently valued by the markets. Typically, these companies are profitable, have growing sales and stable or expanding profit margins and healthy or rapidly improving balance sheets. When market conditions are such that companies cannot be found that meet the Firm’s standards, we will maintain cash positions in its accounts until such investment opportunities are uncovered. We may from time to time sell securities in client accounts to capture losses and seek to create tax efficiencies.

We offer the foregoing services in conjunction with several fee arrangements at the option of the client. One fee arrangement is based on a percentage of assets under management; another is based on performance. The performance-based fee arrangement is available only to clients who meet certain financial and/sophistication requirements, as hereinafter described.

The fees charged such Individual Clients are discussed in Item 5. below

We, from time to time, offer other strategies with different or negotiated fee schedules and other terms, including accounts that are similar in strategy to certain of the Private Funds, as defined below.

##### For Our “Private Fund” Clients

The Firm or an affiliate also serves as investment manager to certain private limited partnerships and offshore funds (each a “Private Fund”), each of which seeks to achieve maximum total return by investing generally in equity securities and utilizing various techniques, which in some cases may include leverage, in accordance with the methodology described in its confidential private offering memorandum (“Offering Memorandum”). An affiliate of the Firm serves as General Partner to each Private Fund organized as a limited partnership.

The Private Funds may, without notice to other investors, enter into “side letter” agreements with certain prospective or existing investors granting them, among other things, special liquidity rights, performance fee waivers or reductions, hurdle rate modifications, redemption fee waivers or reductions, and/or other more favorable investment terms than the terms that are described in the applicable Offering Memorandum. The granting of preferred terms to certain investors is solely at the discretion of the Firm or an affiliate that serves as general partner or investment manager to the Private Funds, and the Private Funds shall have no obligation to offer such differing or additional rights, terms or conditions to all investors.

We, from time to time, offer Private Fund strategies as separately managed accounts to individual clients who meet certain financial and/or sophistication requirements with different or negotiated fee schedules and other terms.

The fees charged such Private Funds are discussed in Item 5 below

Our individual clients may request restrictions on investing in certain securities or types of securities. The Firm may accept such restrictions provided that it believes the restrictions can be accommodated operationally and the portfolio managed consistent with those restrictions.

All individual client accounts (subject to any agreed upon client guidelines or restrictions) and Private Funds are managed on a discretionary basis. As of February 1, 2011 we manage \$3,268,807,334.00 on a discretionary basis and \$0.00 on a non-discretionary basis.

## Item 5 Fees and Compensation

We receive the following types of fees for our advisory services:

We, or one of our affiliates, receives a flat management fee and/or performance based fee, discussed below, for its advisory services. Please note, that we reserve the right to enter into alternative fee arrangements with institutional clients or other clients that meet specific minimum size or other characteristics.

The following is our fee schedule:

For Our Small/Mid Capitalization Individual Clients

We offer the foregoing services in conjunction with several fee arrangements at the option of the client. One fee arrangement is based on a percentage of assets under management; another is based on performance. The performance-based fee arrangement is available only to clients who meet certain financial and /or sophistication requirements, as hereinafter described.

As discussed in Item 4 above, we typically provides asset management for clients on an asset-based fee basis. We generally charge an annual management fee between 0% (for employees) and 2% of assets under management paid (on a prorated basis) at the end of every calendar quarter. Fees are based on the fair market value of the portfolio under management at the closing date of each calendar quarter (March 31, June 30, September 30, December 31) after all fees (other than the management fee) and commissions. In the event that the client terminates the managed account between quarterly billing cycles or adds or withdraws funds between quarterly billing cycles, the client is billed on the prorated annual fee rate applicable to its account based on the assets under management as of the termination date or addition or withdrawal date, as appropriate. We have in the past entered into agreements to reduce the annual management fee to a rate not less than 1.5% for clients that have been referred by certain third-party intermediaries.

We have agreed and may continue to agree, on a case by case basis, for accounts greater than \$5 million agree to provide asset management for clients on a performance fee basis. We may in our discretion allow performance fee arrangements for accounts with less than \$5 million provided such clients have a net worth in excess of \$1.5 million. The fees will be individually negotiated and will typically involve both a performance-based fee and an asset-based fee. All performance-based fees will comply with Section 205 of the Investment Advisers Act of 1940 and Rule 205-3 there under as applicable.

If a client's assets are invested in a money market mutual fund (which in some cases has been selected as a cash option by the client), such assets will be subject to management and other fees charged by such fund, as well as the advisory fee charged by the us. As a result, the client will in effect be paying two advisory fees with respect to the assets invested in the money market fund.

The fee schedules described above relate to the our small/mid capitalization long-only strategy. We, from time to Time, offer other strategies with different or negotiated fee schedules, including accounts that are similar in strategy to certain of the Private Funds.

For Our Private Fund Clients

Certain Private Funds pay the General Partner or investment manager of the Fund a fee in an amount equal to 0.5% or 2.0% per annum of net asset value. Each Private Fund may have two or more classes of limited partnership interests ("Interests"). The classes may differ in terms of fees, liquidity rights or other features as described in the Offering Memorandum for the Private Fund. Each class of Interest of a Private Fund that is subject to an asset based fee of 0.0% to 1.0% per annum (depending on the strategy and/or class of Interest) is also subject to an incentive allocation or performance fee (collectively "Performance Fees") equal to 10% to 20% of net gains; in certain cases, the Performance Fee is subject to a 10% net performance hurdle. In most cases these Performance Fees only apply to net gains that bring the investor to a "new high water mark." In other cases, the Performance Fee is subject to the outperformance of a particular index. Because the Performance Fee is determined based on the outperformance of an

index, it is possible that an Performance Fee would apply or be paid even if such investor's capital account value, as applicable, had depreciated in value or that the Performance Fee could exceed the appreciation in the value of such investor's capital account.

Our employees and principals are generally not charged asset based fees or Performance Fees in connection with any investment they may make in the Private Funds.

Our fees generally not negotiable. However the Firm has the discretion to modify its fees on a case by case basis and has done so on occasion in the past.

For individual clients, generally, we will submit to that client's custodian a bill for management fees each quarter. The custodian will deduct our management fees from those individual clients' custodial account. Certain clients have requested that we send them a bill for management fees each billing cycle and they in turn, request that the custodian deduct our fee from their account. We typically charge an annual management fee between 0% (for our employees) and 2% of assets under management paid (on a prorated basis) in arrears at the end of every calendar quarter. Fees are based on the fair market value of the portfolio under management at the closing date of each calendar quarter (March 31, June 30, September 30, December 31) after all fees (other than the management fee) and commissions. In the event that a client terminates the managed account between quarterly billing cycles or adds or withdraws funds between quarterly billing cycles, that client is billed on the prorated annual fee rate applicable to its account based on the assets under management as of the termination date or addition or withdrawal date, as appropriate.

For individual clients with performance-based fee arrangements, the performance fee is generally assessed at the end of the calendar year based on the portfolio's fair market value as of December 31 of the applicable year, or the termination or withdrawal date, as appropriate. Typically, such performance fees are billed by invoice to client and are not automatically deducted from such client account.

For Private Funds, management and performance fees are deducted from the custodial account of the Private Fund. Generally, a Private Fund's management fee of is charged monthly in arrears and a performance fee is assessed at the end of the calendar year based on the portfolio's fair market value as of December 31 of the applicable year, or the termination or withdrawal date, as appropriate.

Other fees and expenses that the client may pay in connection with our advisory services:

With respect to our individual clients, in addition to the fees outlined above, and brokerage and other transactional costs discussed more fully in Item 12 below, our clients will incur custodial fees charged by their custodian, and, if a client's assets are invested in a money market mutual fund (which in some cases has been selected as a cash option by the client), such assets will be subject to management and other fees charged by such fund, as well as the advisory fee charged by us. As a result, those clients will in effect be paying two advisory fees with respect to the assets invested in the money market fund.

In addition to the fees outlined above and brokerage and other transactional costs discussed more fully in Item 12 below, the Private Funds, and not their General Partner or the Firm, will bear their own operational expenses, including custodial fees, administration expenses, insurance, legal and accounting expenses, taxes, brokerage fees, and research expenses.

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

As discussed above in Item 5, we charge management fees and/or performance fees for certain individual clients and Private Funds. You should be aware that a performance fee may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such arrangement. Additionally, other conflicts of interest may arise, including that we have an incentive to favor accounts or Private Funds or classes of interests in Private Funds that are subject to performance based fees. It is our policy, to the extent practicable, to allocate investment opportunities among our clients and investors, over a period of time on a fair and equitable basis. We have adopted a Trade Allocation Policy that we believe will realize that objective and mitigate the conflicts discussed above. Additionally, purchases or sales of investments for a particular Private Fund are generally made without regard to class of interest unless subject to regulatory or contractual investment limitations. The Firm has adopted policies and procedures that require its employees, and/or affiliates to perform a suitability analysis of each prospect's investment objectives, financial circumstances and sophistication, before recommending a sponsored investment strategy.

Item 7      Types of Clients

The clients of the Firm include individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations, other business organizations and Private Funds. Generally, there is a \$1,000,000 minimum for individually managed accounts and between \$500,000 and \$1,000,000 minimum for investments in our Private Funds (though we reserve the discretion to accept lesser amounts).

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

We use fundamental securities analysis to select investments for our clients' portfolios. Please note that investing in securities involves risk of loss that you should be prepared to bear.

We employ six principal investment strategies. Assets under management are predominantly (typically over 85%) U.S. and foreign equities, though this may vary from strategy to strategy. Our investment strategies are generally driven by a research-intensive, fundamental bottom-up process and draw upon a centralized research department. The following is brief description of each strategy:

**Small-Mid Cap Strategy/Long Only.** Our Small-Mid Cap strategy invests primarily in US-based small-mid cap companies (less than \$10 billion market cap at time of investment). The Small-Mid Cap portfolio generally has 25-40 long positions which are typically held for a multi-year time frame. We, or our affiliate Select Offshore Advisors, LLC, currently manage over 600 individually managed accounts using this strategy as well as two Private Funds.

**Multicap Strategy.** This is a long-only equity portfolio which can invest globally across the market capitalization spectrum. As with our other strategies, this investment strategy is driven by a research intensive, fundamental bottom-up selection of individual equities (typically between 40-60 positions) generally with a multi-year investment horizon. We currently manage an individually managed account using this strategy as well as a Private Fund.

**Concentrated Large Cap Strategy:** This is a long-only, concentrated, large cap (greater than \$10 billion market cap at time of investment) equity portfolio which can invest globally. The strategy targets having all the equity in ten to fifteen stocks. We, or our affiliate Select Offshore Advisors, LLC, currently manage two individually managed accounts using this strategy as well as two Private Funds.

**Concentrated Multi-Cap Long/Short Strategy:** This is a long/short (principally long), concentrated opportunistic portfolio, which primarily invests in equities, and can invest globally. The strategy targets having the majority of the equity in fewer than ten equity investments. The Concentrated Multi-Cap Long/Short Strategy generally has between 15-30 long and short positions. We, or our affiliate Select Offshore Advisors, LLC, currently manage two individually managed accounts using this strategy as well as three Private Funds.

**Multi-Cap Long/Short Strategy:** This is a long-biased long/short portfolio without geographic or market capitalization restrictions which primarily invests in equities (typically between 65-110 long and short positions) generally held for a multi-year time frame. We, or our affiliate Select Offshore Advisors, LLC, currently manage two individually managed accounts using this strategy as well as three Private Funds.

**Global Long/Short Strategy:** This is a long-biased long/short portfolio which primarily invests in international equities. We currently manage one Private Fund using this strategy.

It should be noted that we obtain exposure to particular issuers or securities for our Private Funds (and may for our individual clients) through various types of derivatives transactions, including, without limitation, swaps and contracts for differences. Additionally, We may hedge its exposure to currency fluctuations for foreign securities owned by its Private Funds by entering into currency forward or option transactions. Risks with respect to such transactions are more fully described in Item 8.C. below.

We may purchase, on behalf of the Private Funds and individually managed accounts, certain securities that are considered "new issues" under Rule 5130 (the "New Issue Rule") of the Financial Industry Regulatory Authority, Inc. "New issues" are securities sold in a initial public offering ("New Issues"). Under the New Issue Rule, certain types of investors, including affiliates of broker-dealers, are prohibited from purchasing New Issues. If any client or investor is prohibited from investing in any security by virtue of the New Issue Rule (a "Restricted Person") and the Firm on behalf of a Private Fund, chooses to invest in that security, the Restricted Person may not share in the profits or losses resulting from the Private Fund or strategy's investment in such securities. Specifically, any New Issue investment made by a Private Fund will be held in a separate account in which the Restricted Person will not have an interest. Notwithstanding the foregoing, the Firm or the Private Fund's general partner (as applicable) in its sole and absolute discretion, may allocate a de minimis portion (no more than 10%) of the returns associated with

New Issues to the Restricted Persons, as permitted by the New Issue Rule.

We have, and may continue to, provide advice with respect to entities organized as publicly traded limited partnerships.

This brochure and the material contained herein is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of any of the Private Funds described.

### Material Risks

There are a number of risks associated with an investment in our investment products. The following is a non-exhaustive list of some of the risks that a client should consider carefully before investing in any of our investment products. Clients should also review the offering materials, and other literature concerning the Firm or the Private Funds which have additional discussion or detail concerning applicable risks including, but not limited to those summarized herein. The first section discusses certain risks generally applicable to all our strategies. The subsequent sections discuss specific investment risks of investing in our Private Funds and for individual client accounts that may be managed using a strategy similar to that used by a Private Fund.

### General Risks Associated with All Our Investment Products

*Past Performance.* There can be no assurance that a strategy will achieve its investment objectives. The past investment performance of a strategy is not necessarily indicative of the future results of such or of an investment in any Private Fund. Our investment program should be evaluated on the basis that there can be no assurance that our assessments of the short-term or long-term prospects of investments will prove accurate.

*Overall Investment Risk.* All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by a client and the investment techniques and strategies to be employed by the Firm may increase such risk. The identification of investment opportunities is a difficult task, and there can be no assurance that such opportunities will be successfully recognized. While The Firm will devote its best efforts to the management of a client's portfolio, there can be no assurance that a client will not incur losses. Returns generated from a client's investments may not adequately compensate the client (or investor in a Private Fund) for the business and financial risks assumed. An investor in a Private Fund should be aware that it may lose all or part of its investment. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect a Private Fund's portfolio and performance.

### Additional Business and Investment Risks of Private Funds and Individual Client Accounts Managed to Private Fund Strategies

An investment in a Private Fund and/or an individual account managed pursuant to or in a manner similar to a Private Fund strategy followed by the Firm involves a high degree of risk. Accordingly, an investment in such products is suitable only for persons of adequate financial means who have no need for liquidity with respect to their investment and who can bear the economic risk, including the possible complete loss of their investment. Depending on the investment strategy of each Private Fund, the investment risks associated with such strategy may include some or all of the following risk factors. Additionally, individual clients managed to a Private Fund strategy will have similar investment risks associated with such strategy. When reading the following risks any reference to "Private Fund" should be interpreted as applying to individual clients who's accounts may be managed to a Private Fund strategy.

*Investment Concentration.* A Private Fund may have a high concentration of its assets in a single investment or the securities of a limited number of issuers. Such lack of diversification could magnify potential losses (or gains). Accordingly, the investment portfolio of a Private Fund may be subject to more rapid change in value than would be the case if a Private Fund were subject to more stringent requirements with respect to diversification among companies, securities and types of securities, as well other types of investments.

*Leverage.* A Private Fund at times may trade securities on a leveraged basis, *i.e.*, where the

security can be purchased by putting up only a portion of the instrument's value and borrowing the remainder. As a result, a relatively small downward price movement in a security may result in immediate and substantial losses to a Private Fund. In addition, trading on margin will result in interest charges to a Private Fund which may be substantial. Leveraged investments, including any purchase or sale of securities on margin, may result in losses in excess of the amount invested.

*Short Selling.* A Private Fund may engage in short selling. Selling securities short runs the risk of losing an amount greater than the amount invested. Short selling is subject to theoretically unlimited risk of loss because there is no limit on how much the price of the stock may appreciate before the short position is closed. A short sale may result in a sudden and substantial loss if, for example, an acquisition proposal is made for the subject company at a substantial premium over market price.

*Reverse Repurchase Agreements.* A Private Fund may enter into reverse repurchase agreements with brokers, dealers, domestic and foreign banks or other financial institutions that have been determined by Us to be creditworthy. In a reverse repurchase agreement, a Private Fund sells a security and agrees to repurchase it at a mutually agreed upon date and price, reflecting the interest rate effective for the term of the agreement. It may also be viewed as the borrowing of money by a Private Fund. A Private Fund's investment of the proceeds of a reverse repurchase agreement is the speculative factor known as leverage. Reverse repurchase agreements involve the risk that the market value of the investment of the proceeds may decline below the price of the securities a Private Fund has sold but is obligated to repurchase under the agreement. In the event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, a Private Fund's use of the proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver whether to enforce a Private Fund's obligation to repurchase the securities.

*Illiquid Securities.* A portion of a Private Fund's assets may from time to time be invested in securities and other financial instruments or obligations for which no market exists and/or which are restricted as to their transferability under federal or state securities laws. Because of the absence of any trading market for these investments, a Private Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by a Private Fund. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

*Fixed Income Securities.* The market values of fixed income securities tend to vary inversely with the level of interest rates--when interest rates rise, their values will tend to decline; when interest rates decline, their values generally will tend to rise. Long-term instruments are generally more sensitive to these changes than short-term instruments. The market value of fixed income securities and therefore their yield is also affected by the perceived ability of the issuer to make timely payments of principal and interest.

*Foreign Securities.* A Private Fund may invest in securities of companies domiciled or operating in one or more non-U.S. countries. Investing in non-U.S. securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of local tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in non-U.S. securities. Relatively higher expenses may also result from investment in non-U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and brokerage commissions that may be higher than in the United States. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Such investments could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

*Emerging Markets.* A Private Fund may invest in markets worldwide, including emerging markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may be

subject to the following risks: less publicly available information; more volatile markets; less liquidity or available credit; political or economic instability; less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; a greater likelihood of severe inflation; unstable currency; and war and expropriation of personal property.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. The quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported. The issuers of some non-U.S. securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and, therefore, potentially carry greater risk. In addition, a Private Fund's investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities or restrictions on the ability to convert currency or to take currencies out of certain countries.

*Illiquidity of Markets.* At various times, the markets for securities purchased or sold by a Private Fund, although organized and active, may nevertheless be "thin" or illiquid, making the purchase or sale of securities at desired prices or in desired quantities difficult or impossible.

*Derivatives.* A Private Fund may purchase derivatives or enter into derivative transactions ("Derivatives"). Derivatives are financial instruments which derive their performance, at least in part, from the performance of an underlying asset, index or interest rate. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular Derivative and the portfolio as a whole. Derivatives permit a Private Fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as a Private Fund can increase or decrease the level of risk, or change the character of the risk, of its portfolio by making investments in specific securities.

Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in Derivatives could have a large potential impact on a Private Fund's performance. If a Private Fund invests in Derivatives at inopportune times or we judge market conditions incorrectly, such investments may lower a Private Fund's return or result in a loss. A Private Fund also could experience losses if its Derivatives were poorly correlated with its other investments, or if a Private Fund were unable to liquidate its position because of an illiquid secondary market. The market for many Derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives.

*Swaps.* A Private Fund may utilize swaps. A swap is a contract under which two parties agree to make periodic payments to each other on the basis of the value of a security, specified interest rates, an index or the value of some other instrument, applied to a stated or "notional" amount. Engaging in swaps entails certain risks. A Private Fund will be subject to the risk of counterparty default on its swaps. Since swaps do not generally involve the delivery of underlying assets or principal, any loss would likely be limited to the net amount of payments required by the contract. However, in some swap transactions, the counterparty may require a Private Fund to deposit collateral to support its obligation under the swap agreement. If the counterparty to the swap defaults, a Private Fund would lose the net amount of payments that it is contractually entitled to receive, as well as any collateral deposits made with the counterparty. Swaps expose a Private Fund to the credit risk of the counterparties with which it deals, which exposure and risk at times may be substantial. Non-performance by counterparties of the obligations or contracts underlying the swaps could expose a Private Fund to losses, whether or not the transaction itself was profitable. Such "counterparty risk" is present in all swaps and is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Private Fund has concentrated its transactions with a single or small group of counterparties. Swaps may expose a Private Fund to additional liquidity risks as there may not be a liquid market within which to close or dispose of outstanding obligations or contracts. Swaps are not traded or cleared by an exchange or clearinghouse.

*CFDs.* A Private Fund may enter into contracts for differences (previously defined as “CFDs”). In CFD transactions, each party assumes price positions in reference to an underlying security or other financial instrument. The “difference” is determined by comparing each party’s original position with the market price of such securities or financial instruments at a pre-determined closing date. Each party will then either receive or pay the difference, depending on the success of its investment. CFDs are subject to certain risks. Financial markets for the securities or instruments which form the subject of a CFD can fluctuate significantly. Parties to a CFD assume the risk that the markets for the underlying securities will move in a direction unfavorable to their original positions. Parties to a CFD may require a deposit of 10% to 20% of the contract value as security. CFDs often involve considerable economic leverage due to the modest upfront investment relative to the overall contract value. As a result, such contracts can lead to disproportionately large losses as well as gains and relatively small market movements can have large impacts on the value of the investment. In addition, because CFDs involve contracting with a counterparty, a Private Fund will be subject to the risk that the counterparty will be unable to, or will refuse to, perform with respect to the underlying contract.

*Currency Exposure.* A portion of a Private Fund's assets may be invested in investments denominated in various currencies and in other financial instruments the prices of which are determined with reference to such currencies. A Private Fund will, however, value its investments and other assets in U.S. Dollars. Accordingly, the value of such investments and assets may be affected favorably or unfavorably by fluctuations in exchange rates. A Private Fund may seek to hedge its foreign currency exposure but will necessarily be subject to foreign exchange risks. To the extent unhedged, the value of a Private Fund’s net asset value will fluctuate with the U.S. Dollar exchange rate as well as with price changes of a Private Fund’s investments in the various local markets and currencies. Forward foreign exchange contracts and options may be utilized to hedge against currency fluctuations. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when a Private Fund wishes to use them or will be able to be liquidated when a Private Fund wishes to do so. Moreover, in most emerging market countries the markets for certain of these hedging instruments are not highly developed and in many emerging market countries no such markets currently exist. In addition, a Private Fund may choose not to enter into hedging transactions with respect to some or all of its positions. Currency exchange costs will be incurred when a Private Fund changes investments from one country to another.

*Options; Hedging;* A Private Fund may employ techniques whereby investments will be made in an effort to offset exposure to a particular source of risk (hedging) or to enhance returns. The various techniques may include, but are not limited to, the purchase and sale of stock options and options on stock market indices or market segments and writing stock options against existing holdings. To the extent that a Private Fund invests in foreign securities, it may elect to hedge fluctuations in currency exchange rates. Hedging is a means of offsetting, or neutralizing, the price movement of an investment by making another investment, the price of which should tend to move in the opposite direction from the original investment. The imperfect correlation in price movement between a security and an investment purchased as a hedge for that security may limit the effectiveness of the hedging strategy.

If an option purchased by a Private Fund were permitted to expire without being sold or exercised, its premium would be lost by a Private Fund. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security. If this occurred, the option could be exercised and the underlying security would then be sold to a Private Fund at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security. If this occurred, the option could be exercised and the underlying security would then be sold by a Private Fund at a lower price than its current market value. Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. We does not expect such investments to represent a significant part of its strategy.

*Investment in Small Companies.* There is no limitation on the size or operating experience of the companies in which a Private Fund may invest. Some small companies in which a Private Fund may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries, may face intense

competition from larger companies and typically entail a greater risk than investment in larger companies.

*Speculative Investment Program and No Current Income.* A Private Fund's investment program should be considered speculative, as there can be no assurance that our assessments of the short-term or long-term prospects of various investment strategies or investments will generate a profit. In view of the fact that a Private Fund likely will not make distributions, an investment in a Private Fund is not suitable for investors seeking current income.

*Turnover.* A Private Fund's capital may be invested on the basis of short term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions and fees. These commissions and fees will, of course, reduce a Private Fund's net profits or increase a Private Fund's net loss.

*Risk Relating to Prime Brokers, Brokers, Custodians and Counterparty Insolvencies.* A Private Fund is subject to a number of risks relating to the insolvency, administration, liquidation or other formal protection from creditors of a prime broker, broker and custodian providing prime brokerage, brokerage or custodian services to a Private Fund and other counterparties that may have possession of assets of a Private Fund. These risks will vary based on the relevant jurisdiction and legal regime governing the prime broker, broker, custodian or relevant counterparty (each, a "custodian entity") and the specific contractual terms negotiated with each such custodian entity and may include, without limitation: the loss of all cash held with the relevant custodian entity which is not being treated as client money subject to the applicable customer protection laws or otherwise segregated or protected by the rules of the applicable jurisdiction; the loss of all cash which the relevant custodian entity has failed to treat as client money in accordance with applicable procedures; the loss of all securities in respect of which the relevant custodian entity has exercised its contractual rights to borrow, lend, take legal and beneficial ownership of or otherwise use for its own purposes whether exercised in compliance with or in breach of any agreed limits on such rights of use or applicable regulatory restrictions; the loss of some or all of any securities held on trust or client money held by or with the relevant custodian entity in connection with a reduction to pay for administrative costs of the insolvency of the custodian entity and/or the process of identifying and transferring the relevant trust assets and/or client money or for other reasons according to the particular circumstances of the custodian entity's insolvency; losses of some or all assets due to the incorrect operation of the brokerage, custody or other accounts by the relevant custodian entity; and losses caused by prolonged delays in receiving transfers of balances and regaining control over the relevant assets. In addition, where securities are held with a sub-custodian of a custodian entity or are held in the name of a sub-custodian, such securities may not be as well protected as they would be if they were held directly by the custodian entity.

An insolvency of a custodian entity or sub-custodian could cause severe disruption to the trading of a Private Fund. In some circumstances, this could cause a Private Fund to declare a suspension of net asset value calculations and/or suspend or limit withdrawals. While the General Partner monitors its counterparties and seeks to manage such insolvency risks, no assurance can be given that the risks and adverse events described above will not occur.

*Off-Balance Sheet Risk.* In the normal course of business, a Private Fund may invest in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any; or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities.

*Market Risks and Lack of Liquidity.* The success of a Private Fund's investment program depends to a great extent upon our ability to assess correctly the future course of price movements of the securities and other instruments in which a Private Fund invests. There can be no assurance that we will accurately predict such movements. In addition, certain of the investments in which a portion of a Private Fund's capital may be invested, from time to time, may have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect our ability to execute trade orders at desired prices. Moreover, because illiquid investments may be difficult to value, a Private Fund's net asset value may fluctuate widely from one period

to the next, and may not correspond to the proceeds ultimately received by a Private Fund upon the disposition of such investments.

*General Economic Conditions.* The success of a Private Fund's investment activity will be affected by general economic conditions which affect the level and volatility of prices as well as the liquidity of the markets. The prices of many securities and derivative instruments are highly volatile. The price movements of the instruments which a Private Fund holds or will acquire or sell short will be influenced by, among other things, interest rates, changing supply and demand relationships, the trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events. Governments from time to time intervene, directly and by regulation, in certain markets, thereby disrupting strategies focusing on these sectors. Unexpected changes (in either direction) in the volatility or liquidity of the markets in which a Private Fund will hold positions could cause significant losses.

*Current Market Conditions.* Beginning in September 2008, global financial markets have been experiencing a period of extreme volatility and financial stress, colloquially known as the "credit crunch," "liquidity crisis," and other such terms. These market events are widely believed to have originated from sub-prime related losses in U.S. investment banks, and have since broadened to encompass multiple asset classes and multiple aspects of the global financial system. The events have resulted in, among other things, increased costs of funding, inability to secure funding, illiquidity in many markets, large falls in asset prices, uncertainty concerning the valuations of assets, increased risk of, and actual observed, bank, counterparty, and issuer defaults, as well as significantly increased volatility in the markets. As of the date of this brochure, it is not possible to determine if events will improve or worsen, nor is it possible to determine how long this period will continue.

*Market Disruption and Geopolitical Risk.* The aftermath of the war with Iraq, the continuing U.S. presence in Iraq, instability in the Middle East and terrorist attacks in the United States and around the world have had a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the war and the occupation cannot be predicted with any certainty. Terrorist attacks closed some of the U.S. securities markets in 2001, and similar events could occur in the future. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks could also adversely affect individual issuers and securities markets, interest rates, secondary trading, rating, investor psychology, credit risk, inflation and other factors relating to the Interests and the investments made by a Private Fund.

*Limitations Due to Regulatory Restrictions.* A Private Fund may seek to acquire a significant stake in certain securities. In the event such stake exceeds certain percentage or value limits, a Private Fund may be required to file a notification with a governmental agency or comply with other regulatory requirements. Certain notice filings are subject to review that require a delay in the acquisition of the security. Compliance with such filing and other requirements may result in additional costs to a Private Fund, and may delay a Private Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

*Directorships on Boards of Portfolio Companies.* Our employees or affiliates of the Private Fund's General Partner and may serve, from time to time, as directors, or in a similar capacity, with respect to companies, the securities of which are purchased or sold on behalf of a Private Fund ("Portfolio Companies"). In the event that we, the General Partner, or their affiliates (i) obtain material non-public information with respect to any Portfolio Company on whose board of directors their members serve or (ii) are subject to trading restrictions pursuant to the internal trading policies of such a Portfolio Company, a Private Fund may be prohibited for a period of time from engaging in transactions with respect to the securities of such a Portfolio Company, which prohibition may have an adverse effect on a Private Fund.

Item 9      Disciplinary Information

We have no material legal or disciplinary events to disclose

## Item 10 Other Financial Industry Activities and Affiliations

Related persons to the Firm serve as general partner or investment manager of the Private Funds and other private funds in which clients may be solicited to invest. See response to Items 4 and 8 Select Offshore Advisors, LLC, which is controlled by an individual that controls the Firm, serves as the investment manager to certain Private Funds that are organized offshore. It uses certain of our personnel, resources and administrative services and compensates us accordingly. It is registered as an investment adviser under the Investment Advisers Act of 1940. Related persons of the Firm hold a 50% interest in SEG Latigo Advisors, LP, a Delaware limited partnership that utilizes fundamental, research-driven, credit-based investment strategies. SEG Latigo Advisors, LP, serves as the investment manager to certain private limited partnerships and offshore funds, (the “SEG Latigo Funds”). It is currently not registered under the Investment Advisers Act of 1940. It uses certain of our non-advisory personnel, resources and administrative services of ours and compensates us accordingly. The other 50% interest in SEG Latigo Advisors, LP is owned by Latigo Partners, LP, a registered investment adviser that is not affiliated with the Firm. Clients of the Firm may be solicited to invest in the SEG Latigo Funds. The Firm may also be the investment adviser to certain accounts or funds of other investment advisers.

The Firm and affiliates of Leeds Group Inc., a private investment banking firm which is not affiliated with the Firm, own Advance Capital Management, L.L.C. (“ACM”). ACM is a co-owner and managing general partner (the “General Partner”) of Advance Capital Associates, L.P., which is the general partner of each of Advance Capital Partners, L.P. and Advance Capital Offshore Associates, L.P., each a Delaware limited partnership. Advance Capital Offshore Associates, L.P. is the general partner of Advance Capital Offshore Partners, L.P., a Delaware limited partnership (Advance Capital Partners, L.P. and Advance Capital Offshore Partners, L.P., collectively the “Advance Funds”). The Advance Funds are an investment funds with as of December 31, 2010 approximately \$42,934,768 in limited partnership interests, approximately \$12,445,023 of which is through the offshore fund. The Advance Funds have invested primarily in equity securities in small capitalization companies, that is companies with market capitalization of less than \$1 billion. The Advance Funds have completed their investment programs and are no longer investing in new opportunities. We also have an indirect ownership interest, through ACM, in Advance Capital Advisors, L.P., which acts as the investment advisor of the Advance Funds pursuant to an investment advisory agreement. The Advance Fund’s partnership agreements do not preclude affiliates of its General Partner, including us, from engaging in investment or investment related activities for their own account or for the account of clients other than the Advance Funds.

At times, we may recommend that an individually managed account client consider investing in a Private Fund or an SEG Latigo Fund. As stated in response to Items 4 and 8 of this Brochure the Firm or an affiliate of the Firm serves as General Partner or investment manager to each Private Fund and a related person serves as the investment manager to each SEG Latigo Fund. The Firm or its affiliate will provide the client with a copy of the Offering Memorandum of the Private Fund(s) or SEG Latigo Fund, as applicable, in which the client is considering an investment. Each such Offering Memorandum discloses the respective fees and allocations to which an investor in the Private Funds or SEG Latigo Funds is subject, and describes such fund’s investment methodology and risks, the conflicts of interest that may arise out of the relationship between the Fund, the Firm and the Firm’s affiliates, as well as other pertinent information. We will not cause a client’s assets to be used to purchase Private Fund and/or SEG Latigo Fund interests unless it has received explicit written instructions signed by the client authorizing and directing the Firm to do so. The Firm and its related persons attempt to resolve any conflict of interest in a manner that they believe is fair to each party involved

You should also note that we manage or own (through our employees) certain proprietary accounts including a private foundation for donations to qualified charitable institutions and an employee owned venture capital vehicle. The Firm, its principals, affiliates or employees may from time to time have an ownership interest in one or more of the Private Funds and we may have positions or interests in securities which are purchased or sold for or recommended to clients. We may give advice and take action with respect to any of our other clients, or for the Firm’s or our principals’, affiliates’ or employees’ own accounts, which may differ from advice given or the timing or nature of action taken with respect to a client’s account. It is our policy, to the extent practicable, to allocate investment opportunities among clients and investors, over a period of time on a fair and equitable basis. We have adopted a Trade Allocation Policy that we believe will realize that objective and mitigate the conflicts discussed above. We do not have any obligation to purchase or sell or to recommend for purchase or sale for a client’s account any security which the Firm, its principals, affiliates or employees may purchase or sell for its or their own accounts

or for the account of any other client, if in our opinion such transaction or investment appears unsuitable, impractical or undesirable for a client's account. The Firm, our employees and a charitable foundation operated by us, from time to time, make donations to charitable organizations. Some of these donations may be given to organizations that are also clients of ours or investors in the Private Funds we manage.

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

We have adopted a Code of Ethics (the “Code”) setting forth a standard of business conduct expected of all our employees (including compliance with federal securities laws). The Code is predicated on the principle that we owe a fiduciary duty to our clients. Accordingly, under the Code, our employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of our clients.

The Code includes our Personal Investment Policy relating to personal securities transactions by employees, their spouses and everyone living in their household. All employees, their spouses and each member of their household must, with certain limited exceptions, receive prior written approval before engaging in securities transactions. We do not generally permit employees to participate in initial public offerings. Employees only purchase securities in private placement transactions with the prior consent of our Chief Compliance Officer or her designee. Our employees also generally are prohibited from trading in options and futures and from profiting from the purchase and sale or sale and purchase of the same security within 30 days. Employees must submit quarterly statements and annual holdings reports. The Code sets forth policies and procedures to prevent the misuse of material nonpublic information by employees. The Firm or related persons of the Firm may, from time to time, obtain or be deemed to have obtained, material non-public information about a portfolio company or other issuer that cannot be divulged or acted upon for another client of ours. This means that we may at times be precluded from buying or selling a particular security on behalf of a client.

Under the Code, our employees are generally discouraged from serving as directors, officers or trustees of publicly traded companies and must receive approval from George S. Loening to do so. In addition, we seek to eliminate any potential conflict of interest by requesting that all employees not accept any personal gifts valued at over \$250 from vendors or business associates without reimbursement. Employees may accept gifts (e.g., holiday food baskets) on behalf of the Firm in an amount of \$250 or less from vendors, provided such gifts are shared with the other employees of the Firm. Gifts of less than \$250 accepted in such fashion will not require the Firm to reimburse the vendor. Clients, prospective clients, investors or prospective investors may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

At times, we may recommend that an individually managed account client consider investing in a Private Fund or an SEG Latigo Fund. As described in Items 4 and 10 of this Brochure, we, or one of our affiliates serves as General Partner or investment manager to each Private Fund and a related person serves as the investment manager to each SEG Latigo Fund. We or our affiliates may provide the client with a copy of the Offering Memorandum of the Private Fund(s) or SEG Latigo Fund, as applicable, in which the client is considering an investment. Each such Offering Memorandum discloses the respective management and performance fees to which an investor in the Private Funds or SEG Latigo Funds is subject, and describes such fund’s investment methodology and risks, as well as other pertinent information. We will not cause a client’s assets to be used to purchase Private Fund and/or SEG Latigo Fund interests unless we have received explicit written instructions signed by the client authorizing and directing us to do so.

You should also note that we either manage or own (through our employees) certain proprietary accounts including a private foundation for donations to qualified charitable institutions and an employee owned venture capital vehicle. The Firm, its principals, affiliates or employees may from time to time have an ownership interest in one or more of the Private Funds and may have positions or interests in securities which are purchased or sold for or recommended to clients. We may also give advice and take action with respect to any of our other clients, or for the Firm’s or our principals’, affiliates’ or employees’ own accounts, which may differ from advice given or the timing or nature of action taken with respect to a client’s account.

It is our policy, to the extent practicable, to allocate investment opportunities among our clients and investors, over a period of time on a fair and equitable basis. We have adopted a Trade Allocation Policy that we believe will realize that objective and mitigate the conflicts discussed above. We do not have any obligation to purchase or sell or to recommend for purchase or sale for a client’s account any security which we, our principals, affiliates or employees may purchase or sell for its or our/their own accounts or for the account of any other client, if in our opinion such transaction or investment appears unsuitable, impractical or undesirable for a client’s account.

The Firm has adopted policies and procedures that require its employees, and/or affiliates to perform a suitability

analysis of each prospects investment objectives, financial circumstances and sophistication, before recommending a sponsored investment strategy.

Employees of the Firm, the Firm and a charitable foundation operated by us, from time to time make donations to charitable organizations. Some of these donations may be given to organizations that are also clients of ours or investors in the Private Funds we manages.

## Item 12 Brokerage Practices

We are authorized to select brokers and dealers to execute securities transactions for our clients. Pursuant to such authority, as a general matter in executing portfolio transactions, we may employ or deal with such brokers or dealers as may, in our best judgment, provide prompt and reliable execution of the transaction at favorable security prices and reasonable commission rates. In selecting or recommending brokers or dealers, we will consider all relevant factors, including the price (including the applicable brokerage commission or dealer spread), size of the order, nature of the market for security, timing of the transaction, the reputation, experience and financial stability of the broker-dealer, the quality of service, difficulty of execution and operational facilities of the firm involved, the ability to effect the transaction where a large block or other complicating factors are involved, and the availability of the broker to stand ready to execute possible difficult transactions in the future. We have no obligation to deal with any broker or group of brokers in the execution of portfolio transactions.

We may allocate brokerage to broker-dealers that provide it with research and other services, even though such broker dealers may charge commissions which exceed those other broker-dealers may have charged for the same transactions. Such allocations may occur to the extent that we view the commissions as reasonable in relation to the value of the brokerage and/or research services provided by the broker-dealer, viewed in terms of either the particular transaction or our overall responsibilities with respect to the accounts as to which it exercises investment discretion, without any requirement to demonstrate that any such factor is of a direct benefit to a particular client. Research and other services furnished by brokers through which we effect securities transactions for a particular client may be used by us in advising other clients. We do not currently have in effect any third party soft dollar commitments pursuant to which we receive research or other services in exchange for commissions; however, we do receive certain trading analytics from broker-dealers and attends conferences and/or meetings with companies' management that have been sponsored or arranged by broker-dealers that receive brokerage commissions from the accounts managed by us, and in certain limited circumstances receive research reports and/or speak with analysts at broker-dealers that receive commissions. We understand that our receipt of the research and other services is part of our overall relationship with the broker-dealers and we do not believe that we are "paying up" for such research and other services. While we endeavor to use such additional benefits to service all of our clients' accounts equitably, you should note that such arrangements, provide an incentive for us to select or recommend a broker-dealer based on an interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution. Furthermore, such arrangements may nevertheless cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for such benefits (known as paying-up).

In addition, we are authorized to direct commissions of each Private Fund to certain brokers who may direct or refer investment opportunities or introduce investors to such Private Fund (although there is no obligation to do so). The Firm's prime broker(s) Credit Suisse Securities (USA) LLC, Goldman Sachs & Co., and Morgan Stanley & Co. Incorporated provide a variety of services to the clients of the Firm, which may include clearance and settlement of securities transactions, custody of the clients' securities and cash, extending margin credit to the client, arranging for stock loans to implement short sales, lending of the clients' portfolio securities to third parties, and capital introduction services whereby the Firm may be afforded the opportunity to make a presentation regarding its services to certain qualified investors by the prime broker. While the prime broker generally provides capital introduction services to the Firm at no additional cost to the Firm, the firm and not the client may be the principal or sole beneficiary of those services, thus presenting a potential conflict of interest between the client and the Firm, which is responsible for selecting the prime broker and negotiating such person's brokerage, margin and other fees.

Investment decisions are made for the Private Funds, other clients of the Firm and our affiliates, and proprietary accounts in light of relevant investment considerations. In certain instances, simultaneous transactions will occur. In the event that orders for the same security for more than one client are placed with the same broker, we may aggregate or "bunch" such orders. Purchases and sales are then allocated so that no account will be treated less favorably than another over time. While in some cases the aggregation of orders could have a detrimental effect upon the price or value of a security for a particular account, or upon its ability to complete an entire order, in other cases coordination and the ability to participate in volume transactions will be beneficial to the account. We will not be required or deemed to have the duty to obtain the lowest brokerage or commission rates or combine or arrange orders to obtain the lowest brokerage commission rates.

As a result of differences in investment strategies and the risk profiles associated with such strategies we may acquire or dispose of securities on behalf of certain clients at different times than transactions in the same securities are effected on behalf of other clients. Trades placed at different times may be executed at different prices. Securities traded on an exchange or over-the-counter are traded through brokers who generally charge a stated commission for their service; however, in certain cases we may effect transactions in securities for advisory clients through a broker on a principal basis, i.e. subject to an undisclosed dealer spread. Certain agency transactions may be subject to both commissions and an undisclosed dealer spread.

Certain orders placed for some clients that have accounts at Charles Schwab & Co., Inc. ("Schwab") will be aggregated by Schwab through a master account in our name. We must inform Schwab of which clients are participating in each order and their respective interests in such order. Schwab will withdraw or deposit funds from or into each such client's brokerage account at Schwab and allocate the securities purchased or sold to such accounts in accordance with instructions delivered by the Firm after the order is placed. Schwab has advised us that no client funds or securities are moved, transferred or delivered to our master account with Schwab. In addition, only advisory clients' transactions will be aggregated through the master account; individual investment advice and treatment will be accorded to each advisory client's account; and client funds and securities will at all times be maintained in brokerage accounts at Schwab in the name of their respective owners.

On occasion, when it is in the best interest of one or more clients to buy the same security that one or more other clients are selling, we may place concurrent buy and sell orders with the same broker so that neither the buyers nor the sellers will be disadvantaged by our actions. Additionally we may, in limited circumstances, engage in concurrent buy/sell transactions between individually managed accounts and/or the Private Funds we manage provided that such transactions are executed through an unaffiliated broker-dealer and printed to an exchange. Accounts that are subject to ERISA's "prohibited transactions" rules and any principal accounts of Registrant are excluded from such transactions.

## Item 13      Review of Accounts

Accounts are reviewed on several different levels. Every transaction for a client account is reconciled through an electronic system that is monitored by a number of full-time systems analysts in the our Portfolio Administration group. The reconciliation generally takes place on either a daily (for the majority of our client accounts) or weekly basis, depending on the custodian chosen by the client. Investment and trading personnel will review the Firm's discretionary client accounts daily, specifically looking for irregularities and for unusual positions. Any issues will be resolved by the investment personnel or trading staff, as appropriate. In addition, performance of individual securities is compared to expectations regarding the security on a daily basis by the senior investment staff.

Individually managed clients receive a statement (no less frequently than quarterly) from the custodians they elect to use showing the securities held, cash balance, total value, and a description of all transactions during the month. We furnish to clients with individual accounts a quarterly report showing opening and closing balances and performance comparisons with the S&P 500, the S&P 400 MidCap, the Russel Midcap and/or the Russell 2000 (in each case, index performance is total return with dividends included). After the end of each calendar year, investors in the Private Funds to which the Firm or an affiliate serves as investment adviser will be sent financial statements audited by the Private Funds' independent accountants. Each Private Fund investor will, in addition, be furnished information necessary for the preparation of its respective tax returns (if applicable). Each investor will also receive a monthly report setting forth the value of its capital account or shareholdings, as the case may be, from a third party administrator. Each Private Fund investor will also receive such periodic performance reports as the general partner or investment manager may deem appropriate.

Item 14 Client Referrals and Other Compensation

The General Partner of each Private Fund may compensate the Firm for serving as investment adviser to the Private Fund. SEG Latigo Advisors, L.P. and Select Offshore Advisors, LLC may compensate the Firm for certain operational and business management services.

We have, and may continue to enter into, arrangements whereby the Firm (or an affiliate) will pay through cash referral fees an individual or firm for referring advisory clients. You should be aware that this practice may lead to a potential conflict of interest for the referring party who may have an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

Please see also the disclosures with respect to certain brokers discussed in Item 12 above.

## Item 15 Custody

The Firm arranges for each Private Fund's financial statements to be prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and audited at least annually by an independent public accountant that is registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules. The Firm makes those audited financial statements available to all Investors in the Private Funds within 120 days of the end of the Private Funds' fiscal year. Investors should carefully review those financial statements. Upon liquidation of a Private Fund, the Firm will distribute its audited financial statements prepared in accordance with GAAP to all Investors in the Private Fund promptly after the completion of such audit.

For any separately managed accounts that are not registered investment companies, for which the Firm is deemed to have custody pursuant to Rule 206(4)-2 under the Advisers Act, the Firm will arrange for a surprise examination of such accounts, and such clients will receive quarterly account statements from the Qualified Custodians for their accounts. Clients should carefully review such account statements. If clients should also receive account statements from the Firm, clients should compare those statements with those they receive from Qualified Custodians.

For those client accounts where we submit to the client's custodian a bill for management fees (discussed above), we have a reasonable belief, after due inquiry, that the qualified custodians of those accounts send account statements to such clients no less frequently than on a quarterly basis.

Item 16 Investment Discretion

We have full discretionary authority pursuant to an investment management agreement to manage each Private Fund and, pursuant to an investment advisory agreement (subject to any agreed upon client guidelines or restrictions) to manage individual client accounts. The Firm's investment management agreement will provide for the discretionary authority, and limits, if any, on such authority that the Firm will have over the account.

## Item 17 Voting Client Securities

As a general matter, we require that clients grant us the authority to vote the client securities that we manage. We have, on limited occasions, permitted certain clients to retain this authority.

We have adopted general proxy voting policies with respect to the election of directors, appointment of auditors, changes in the capital structure of an issuer, restructurings, mergers and acquisitions, corporate governance, anti-takeover measures, and executive compensation. Our policy is to vote clients' proxies in the interest of maximizing shareholder value - voting proxies in such a manner as to cause the issue to increase the most or decline the least - considering both the short and long term implications of the proposal to be voted.

If our Proxy Administrator determines that he or the Firm is facing a material conflict of interest in voting a client's proxy, and the proposed vote is in conflict with our stated policies on a particular issue, our procedures provide for a Proxy Voting Committee to determine the appropriate vote. Decisions of the Committee must be unanimous. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged at our expense, and the third party's recommendation will be binding.

Our written proxy voting policy and procedures are available for clients' review. In addition, our complete proxy voting record is available exclusively to its clients. A copy of the Policies and the proxy voting record relating to the respective client may be obtained by contacting us at Select Equity Group, Inc. 380 Lafayette Street, New York, NY 10003 (212) 475-8335.

We are not authorized to provide advice with respect to, or participate on behalf of its individually managed account clients in, legal matters, including class action settlement and bankruptcies. We may, however, where we deem appropriate in its discretion, elect to participate in a class action settlement or other litigation on behalf of its Private Funds where it has the requisite authority to take such action.

All references to us in response to this item shall be deemed to include references to the our affiliate which serves as investment manager to certain Private Funds.

Certain of our clients have requested that they retain the authority to vote proxies . Those clients receive proxy voting materials directly from their custodian.

Item 18 Financial Information

The Firm has no financial conditions that are likely to impair its ability to meet contractual commitments to clients.