

Lionstone Capital Management LLC

152 West 57th Street, 36th Floor
New York, NY 10019
(212) 207-8001

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This brochure provides information about the qualifications and business practices of Lionstone Capital Management LLC ("**Lionstone**"). If you have any questions about the contents of this brochure, please contact Lionstone's Chief Compliance Officer ("**CCO**"), Joshua Loria at (212) 207-3136 or jlوريا@lionstonecapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Additional information about Lionstone also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Because this is our first brochure prepared using the SEC's revised Form ADV Part 2A, we have no material changes to prior filings to report.

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Item 4: Advisory Business

Founded in 2004, Lionstone Capital Management LLC ("**Lionstone**", "**we**" or the "**Firm**"), provides investment management services to a range of privately pooled investment vehicles and to separately managed accounts.

We serve as investment adviser to both fund of funds vehicles (the "**Fund of Funds**"), as well as a traditional hedge fund (the "**Fund**", and together with the Fund of Funds the "**Hedge Funds**"). In addition to managing the Hedge Funds, we also provide discretionary investment advisory services and management services to separately managed accounts (the "**Managed Account**", and together with the Hedge Funds referred to as the "**Clients**" or "**Client Accounts**").

The Hedge Funds are managed in accordance with each Funds' investment objectives, strategies, restrictions and guidelines and are not tailored to any particular private investment vehicle investor (each an "**Investor**"). You should consider whether a particular Hedge Fund meets your investment objectives and risk tolerance prior to investing. You can find information about each Hedge Fund in its offering documents, including its private placement memorandum or confidential private offering memorandum (the "**PPM**"). Managed Accounts are tailored to the specific needs of the particular investor.

Lionstone specializes in investments in alternative assets and offers a range of other advisory related services to Clients. Additionally, the Firm has an affiliated research office based in London called Lionstone Capital (UK) Limited.

Lee Lowenstein is the Managing Member and 100% owner of Lionstone.

As of January 1, 2012 the Firm managed U.S. \$351,506,556 all on a discretionary basis.

Item 5: Fees and Compensation

Pursuant to the advisory agreement, as of the beginning of each fiscal quarter, the Clients are generally charged a management fee. Additionally, annual incentive compensation is charged, which is calculated based upon a percentage of the net capital appreciation of the Funds at the end of each fiscal year.

Lionstone's current compensation schedule for the Clients is generally as follows:

Fund	Management Fee	Incentive Compensation	Hurdle Rate	High Water Mark
Lionstone Fund, LP	1%	10%	Yes	Yes
Corona Insurance Fund, L.P.	1%	10%	Yes	Yes
Lionstone Fund, Ltd.	1%	10%	Yes	Yes
Lionstone Global Special Situations Fund, L.P.	1.5%	20%	Yes	Yes
Corona Capital Fund II, A Segregated Account of Corona Capital Ltd.	0.75%	15%	Yes	Yes

Compensation is calculated based on the net asset value of the Client Account. Net asset value includes net realized and unrealized profits and losses. The expense of the management fee is not charged to investors that are related persons of Lionstone, such as employees or spouses and children of employees. Managed accounts may be charged fees per agreement with the particular investor.

It should be noted that we have entered into side letter agreements with certain strategic investors that provide these investors with a different compensation arrangement.

In the event that an Investor is not invested in a Hedge Fund for the entire quarter, the management fee for such quarter will be prorated. Additionally, if an Investor withdraws from a Hedge Fund at any time other than at the end of a fiscal year, the incentive fee will generally be made with respect to such Investor as though the date of such Investor's withdrawal of capital was the last day of a fiscal year. Fees charged to managed accounts will also be prorated, as applicable.

Compensation to Portfolio Managers of Underlying Funds

The Fund of Funds will likely be subject to compensation charged by the underlying portfolio fund managers ("**Portfolio Managers**"). This compensation will likely include a fixed management fee, which will generally range from 1% - 2% on an annual basis, and in most cases a performance incentive arrangement, which will generally range from 10% - 20% of the capital appreciation in the underlying portfolio fund's investment for the year.

We will deduct compensation from the Client Accounts and additionally, you will incur all brokerage and transaction costs. Please see Item 12 for additional information on Brokerage Practices.

Item 6: Performance-Based Compensation and Side-By-Side Management

Performance-based compensation arrangements, such as an incentive fee or allocation, may create an inducement for Lionstone to make investments which may be riskier or more speculative than those which would be made under a different compensation arrangement. In addition, to the extent that Lionstone or its affiliates charge different performance-based compensation to different Client Accounts, Lionstone's principals will face conflicts when managing such accounts at the same time, including that such persons may have an incentive to favor accounts for which such persons receive higher performance compensation. Notwithstanding the above, Lionstone attempts to ensure that all Clients are treated fairly and equally, and that incentive fees or allocations do not influence its allocation of investment opportunities among Clients. We do this by monitoring the investments made for the Clients on an ongoing basis, and endeavoring to ensure that the investments made are appropriate without regard to the potential for performance compensation. In addition, Lionstone has adopted an allocation policy governing allocation of investments among the Funds in order to seek to mitigate any potential conflicts. Performance-based compensation arrangements comply with the requirements of Rule 205-3 promulgated under the Advisers Act or other applicable exemptions under Section 205(b) or (e) of such Act, and with applicable state laws, rules and regulations.

Item 7: Types of Clients

Investors in the Hedge Funds consist primarily of institutional investors, high net worth individuals, insurance company separate accounts and endowments. The criteria applicable to Investors in the Hedge Funds are described in the PPM for each Hedge Fund. In general, Investors must meet the requirements of an "accredited investor" under the Securities Act of 1933, as amended (the "**1933 Act**"), a "qualified client" under the Advisers Act, and/or a "qualified purchaser" under the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

The minimum initial investment per Investor for each Hedge Fund is U.S. \$2,000,000. The minimum initial investment amount may be waived or reduced at the Firm's discretion on a case by case basis. In certain circumstances, we may consider taking additional Managed Accounts with a minimum investment of at least U.S. \$50,000,000.

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

Methods of Analysis

For the Fund of Funds, we aim to invest with a select group of private investment managers who employ a diversified range of investment styles and strategies. Depending upon the Fund of Fund, the number of managers may vary. We do not follow a fixed or constrained diversification model.

Rather, we believe our strength lies in our ability to opportunistically overweight or underweight different managers and strategies.

The Fund will generally invest in companies which we believe are trading at discounts to their intrinsic value based on expected earnings and free cash flow. Our analysts perform fundamental analysis using internally generated models informed by public filings, investment reports and our network of investment professionals to arrive at our conclusions. The Fund does not intend to follow a fixed diversification model and its holdings may be concentrated within a particular sector, industry or geographic region.

Any separately managed account would be managed by agreement.

Investment Strategy

In managing the Client Accounts, we seek to generate consistent and attractive absolute returns with minimal market risk. The Fund of Funds primarily invests with various Portfolio Managers and Lionstone Global Special Situations Fund, L.P., focuses on direct investments in securities.

We may modify the investment objectives and strategies of our Clients at any time. Our right to modify strategies with respect to the Clients depends upon the terms of the agreements governing such accounts and vehicles.

Risk of Loss Factors

Investing in securities involves risk of loss that Investors should be prepared to bear and there can be no assurance that any of the Clients will achieve their investment objectives. Investors should consider the following factors before investing in the Hedge Funds or a separately managed account. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Lionstone. Prospective investors are urged to consult their professional advisers and review the legal documents for each particular Hedge Fund before deciding to make an investment.

- *Reliance on Lionstone* - The success of the Client Accounts depends on our ability to select Portfolio Managers and individual securities, to correctly interpret market data, predict future market movements and otherwise implement our investment strategy. No assurance can be given that the investment strategies to be used Lionstone will be successful under all or any market conditions.
- *Fund of Funds Structure* - Any fund of funds is subject to risk of the illiquidity of the underlying Portfolio Managers in which it invests, lack of control over, or even satisfactory knowledge of, the trading of the Portfolio Managers, the possibility of misvaluations, entrusting custody of the fund of funds assets to third parties and dependence on the Portfolio Managers for all relevant net asset value and trading information. In addition, as a strategy, the opportunity costs of the multi-manager approach might not merit its expected risk control

benefits, especially in an environment in which the returns on alternative strategies are generally expected to remain depressed for some period of time.

- *Portfolio Illiquidity* - We may invest (through the Portfolio Managers or directly) in non-public, restricted and illiquid securities, some of which may be considered special situation investments. At various times, the markets for these securities purchased or sold may be "thin" or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. Additionally, there may be no market for unlisted securities. In some cases, Lionstone or the Portfolio Managers may be contractually prohibited from disposing of such securities for a specified period of time. Further, the sale of any such investments may be possible only at substantial discounts and such investments may be extremely difficult to value.
- *Investment Risks in General* - The Client Accounts may engage in highly speculative investment strategies. A potential investor should note that the prices of securities and derivatives instruments may be volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

Item 9: Disciplinary Information

We have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to any such action.

Item 10: Other Financial Industry Activities and Affiliations

Lionstone Capital (UK) Limited is an affiliated research entity.

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

Participation or Interest in Client Transactions

We serve as the investment adviser to the Client Accounts. Employees, affiliates of the employees, and relatives of the employees may make investments in the Hedge Funds. We may or may not receive any compensation from such investments from employees.

We and our affiliates and employees have a financial interest in the Client Accounts through an incentive allocation, or in the case of the Hedge Funds, a direct investment interest. As such, we could be considered to have recommended to investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

Code of Ethics & Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics that establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

In general, Lionstone employees (and members of their immediate households) are not permitted to maintain personal brokerage accounts for the purpose of trading equity securities, options on equities, futures or commodities, except for the purpose of retaining holdings that were acquired prior to employment or the Firm's registration with the Securities and Exchange Commission ("**SEC**"). The Firm believes this policy will help limit conflicts of interest between employees and Investors in the Client Accounts.

All of our employees must direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

Our Code of Ethics and Employee Investment Policy are available to Clients upon request.

Item 12: Brokerage Practices

Aggregation

Aggregated trades may be used to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution, or reducing overall commission charges. Lionstone's policy is to aggregate Client transactions where possible and when advantageous to Clients. In these instances, Clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

Allocation

Lionstone's policy prohibits any allocation of trades in a manner that any proprietary accounts, affiliated accounts, or any particular Client or group of Clients receives more favorable treatment than other Client Accounts.

Best Execution

As a fiduciary, we have an obligation to seek best execution of Clients' investments under the circumstances of the particular transaction. To fulfill this duty, we must execute investments for Clients in such a manner that the Client's total cost or proceeds in each transaction is the most favorable under the circumstances.

Principal Trading

Our policy and practice is to not engage in any principal transactions.

The Manager may determine it to be in the best interests of a Fund of Funds client to purchase, at fair value, securities held by another Fund of Funds client in order to, among other purposes, reduce transaction costs and acquire securities not otherwise available in the marketplace; in particular, due to subscriptions and withdrawals, these trades may be necessary to re-align the securities holdings of the Fund of Funds clients so that they more accurately reflect the relative capital balances of all of the Funds of Funds.

Soft Dollars

In selecting brokers or dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not Lionstone's practice to negotiate "execution only" commission rates; thus the Client Accounts may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. Research services within Section 28(e) may include, but are not limited to, non-proprietary research reports (including market research), certain financial newsletters, trade journals and data services (including services providing market data, company financial data and economic data). We intend to keep any such arrangements, termed Soft Dollars, within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended.

We use soft dollar benefits to service all of our Clients' accounts and not only those that generate the benefits. Because the brokerage and research benefit all accounts, soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. As a result, we may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on our Clients' interest in receiving most favorable execution.

Products and services Lionstone obtained through soft dollar arrangements in the past year include market data, from vendors such as Bloomberg, NYSE, Nasdaq, and Capital IQ. Lionstone directed order flow to an agency brokerage firm to generate soft dollar credits used to pay for services noted

above. In the past year, Lionstone executed investments for Clients in such a manner that the Client's total cost or proceeds in each transaction was the most favorable under the circumstances.

Investment and Trade Errors

As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of our Clients. In the event any error occurs in the handling of any Client transactions, due to our actions, or inaction, or actions of others, our policy is to assess each trade error on a case-by-case basis, documenting both the error and the resolution.

Due Diligence

Along with traditional brokerage issues, we also have a duty to perform due diligence on our underlying Portfolio Managers. Investment in any Portfolio Manager only occurs after multiple face-to-face meetings with the key members of their organizations (e.g., the portfolio manager, risk management and accounting). On the investment front, we will focus heavily on philosophy and methodology with a goal of coming to a complete understanding of each particular Portfolio Manager's edge in the implementation of its strategy. Further, each Portfolio Manager's specific investment positions will be reviewed and evaluated with a view towards understanding the respective portfolio's behavior in differing market environments. Outside of the investment arena, we will focus on trade processing and accounting to verify that a Portfolio Manager maintains appropriate procedures, controls and division of labor. Additionally, quantitative screening of any new Portfolio Manager will occur to evaluate its overall fit in the Fund of Fund's portfolio on a risk, return and market correlation basis using a wide variety of statistical analyses,

Item 13: Review of Accounts

The Client Accounts we manage are reviewed on a daily basis by the CCO to assure conformity with investment objectives and guidelines.

Annually, we will distribute an independently audited financial report for each Hedge Fund to Investors. In addition, each Hedge Fund will generally distribute net asset value updates and performance reports with attribution analysis on a monthly basis and each Hedge Fund administrator will provide quarterly Investor statements. The Managed Account will receive quarterly account statements directly from the qualified custodian, as well as performance reports from the Firm.

Item 14: Client Referrals and Other Compensation

We may place transactions with a broker or dealer that (i) provides the Firm (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Fund or

other products advised by the Firm (or an affiliate), if otherwise consistent with seeking best execution.

Item 15: Custody

We will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to custody of assets of the Hedge Funds and Managed Accounts ("**Custody Rule**").

Investors in the Hedge Funds will receive independently audited financial statements for the particular Fund(s) in which they are invested 120 days after year-end for the Fund and within 180 days for the Fund of Funds. The Managed Account will receive account statements directly from the qualified custodian on at least a quarterly basis. All Investors are encouraged to carefully review all statements.

Item 16: Investment Discretion

Pursuant to powers of attorney granted by our investment management agreements, we possess portfolio management authority over the Managed Accounts with respect to asset allocations and direct investments. The Hedge Funds grant the discretionary authority to Lionstone pursuant to the Limited Partnership Agreements and the Subscription Agreements (if for domestic Hedge Funds) and the Subscription Agreement and the Investment Management Agreements (if for offshore Hedge Funds). Notwithstanding its broad discretionary powers, Lionstone invests the assets of the Hedge Funds and the Managed Account in accordance with the investment policies and objectives, as they may change from time to time, described in a PPM or the managed account agreement.

Item 17: Voting Client Securities

As a general practice we do not vote proxies. If ever necessary, prior to voting a proxy, the relevant employees of Lionstone will make a determination, in their opinion, as to what vote if any, is in the best interest of the Fund. The CCO will maintain a written record of the proxy vote on each occasion a proxy is voted.

Upon request, we will provide an Investor with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast on behalf of the Client Accounts.

Item 18: Financial Information

We are not required to provide a balance sheet in response to this item and are not subject to any financial condition that is reasonably likely to impair our ability to meet our financial obligations to our Clients.