

INVESTMENT ADVISER BROCHURE

LIONSTONE PARTNERS, LTD.

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March 31, 2015

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Lionstone Partners, Ltd., a Texas limited partnership (“Lionstone Partners”). If you have any questions about the contents of this Brochure, please contact us at 713-533-5860 or dd@lionstonegroup.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

Lionstone Partners is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

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

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MATERIAL CHANGES

This Brochure has been revised since the version dated March 31, 2014 to reflect certain updates and clarifications relating to Lionstone Partners' advisory business and investment opportunities, fees and compensation, and conflicts of interest as well as changes to the amounts of assets under management.

ADVISORY BUSINESS

The Lionstone Group is a private investment management firm, including a registered investment advisory entity and other organizations affiliated with Lionstone Partners, Ltd., a Texas limited partnership ("**Lionstone Partners**" and, together with such affiliated organizations, collectively, "**Lionstone**"). Lionstone Partners (and its general partner, Lionstone GP, LLC, a Texas limited liability company) is owned and controlled by Thomas G. Bacon, Glenn L. Lowenstein and Daniel R. Dubrowski (the "**Managing Partners**").

Lionstone Partners is a registered investment adviser that commenced operations in October 2001. Lionstone Partners and its affiliated investment advisers, Cash Flow Asset Management, L.P. ("**CFAM**"), Lionstone CFRE II Real Estate Advisory, LLC ("**CFRE REA**"), Lionstone CFO One Limited Partnership ("**CFO One GP**"), Lionstone CFO Two Limited Partnership ("**CFO Two GP**"), Lionstone CFRE Partners One, L.P. ("**CFRE One GP**"), Lionstone CFRE II Real Estate Capital, L.P. ("**CFRE Two GP**"), Lionstone UC One, L.P. ("**LUI One GP**"), Lionstone UC Two, L.P. ("**LUI Two GP**"), Lionstone U.S. Land One GP, L.L.C. ("**USL One GP**"), and Lionstone U.S. Land Two GP, L.L.C. ("**USL Two GP**" and together with CFO One GP, CFO Two GP, CFRE One GP, CFRE Two GP, LUI One GP, LUI Two GP, and USL One GP, the "**General Partners**", and together with Lionstone Partners and CFAM and CFRE REA, collectively, the "**Advisers**") provide investment advisory services to private investment funds and a managed account. Each General Partner is registered under the Advisers Act pursuant to Lionstone Partners' registration in accordance with SEC guidance and operates as a single advisory business together with Lionstone Partners.

CFO One GP, a Texas limited partnership, is the general partner of Lionstone Cash Flow Office One, LP, a Texas limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, "**CFO One**").

CFO Two GP, a Texas limited partnership, is the manager of Lionstone Cash Flow Office Two, LLC, a Texas limited liability company (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, "**CFO Two**").

CFRE One GP, a Delaware limited partnership, is the general partner of Lionstone Cash Flow Real Estate Partners One, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, "**CFRE**").

CFRE Two GP, a Delaware limited partnership, is the general partner of Lionstone-Hermes Real Estate Venture, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, "**LHREV**").

LUI One GP, a Delaware limited partnership, is the general partner of Lionstone Urban Investments One, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**LUI One**”).

LUI Two GP, a Delaware limited partnership, is the general partner of Lionstone Urban Investments Two, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**LUI Two**”).

USL One GP, a Delaware limited partnership, is the general partner of Lionstone U.S. Land One, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**USL One**”).

USL Two GP, a Delaware limited partnership, is the general partner of Lionstone U.S. Land Two, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**USL Two**”).

The Managing Partners own 100% of the controlling interests (directly or indirectly) in each General Partner.

Lionstone Partners, through its shared control of each General Partner, manages the business and affairs of CFO One, CFO Two, CFRE, LHREV, LUI One, LUI Two, USL One and USL Two (each, a “**Fund**,” collectively, the “**Funds**” and together with any future private investment fund managed by Lionstone Partners, the “**Private Investment Funds**”). The investors of the Funds (other than the General Partners), as applicable, are referred to herein as “**Limited Partners**” and together with the General Partners, the “**Partners**”. Lionstone also manages the business and affairs of CFAM and CFRE REA.

The Funds invest through negotiated transactions in real estate assets, securities and operating entities (which, collectively, may be referred to herein as “portfolio companies”) in accordance with the investment criteria and limitations set forth in the each Fund’s limited partnership agreement (“**Limited Partnership Agreement**”) or limited liability company agreement (“**Limited Liability Company Agreement**”). Lionstone Partners’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. From time to time, where such investments consist of portfolio companies or other entities, the senior principals or other personnel of Lionstone may serve on such entities’ respective boards of directors (or other governing body) or otherwise act to influence control over management of entities in which the Funds have invested.

Lionstone’s advisory services are detailed in the applicable private placement memoranda and the supplements thereto (each, a “**Private Placement Memorandum**” and, collectively, the “**Private Placement Memoranda**”) and/or the Limited Partnership Agreement, Limited Liability Company Agreements or Investment Management Agreement of the Funds, as applicable, and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Private Investment Funds participate in the overall investment program for the applicable Private Investment Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the

relevant Limited Partnership Agreement. The Private Investment Funds or the Advisers may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Limited Partnership Agreement with respect to such investors.

Additionally, from time to time, the Advisers may provide (or agree to provide) certain investors or other persons, including Lionstone's personnel and/or certain other persons associated with Lionstone (to the extent not prohibited by the applicable Limited Partnership Agreement), co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain investments alongside a Private Investment Fund. Such co-investments, if any, typically involve investment and disposal of interests in the applicable investment at the same time and on the same terms as the Private Investment Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from a Private Investment Fund. Any such purchase from a Private Investment Fund by a co-investor or co-invest vehicle generally occurs shortly after the Private Investment Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase to compensate the relevant Private Investment Fund for the holding period, and generally will be required to reimburse the relevant Private Investment Fund for related costs.

As of December 31, 2014, Lionstone Partners managed \$1,754,223,682 in client assets on a discretionary basis. Lionstone currently provides to two clients, and may in the future provide to more clients, non-discretionary advice with respect to one or more specific investments as agreed between Lionstone and such clients. As of December 31, 2014, Lionstone Partners managed approximately \$386,582,191 on a non-discretionary basis.

FEES AND COMPENSATION

In general, Lionstone Partners receives a management fee ("**Management Fee**") paid by the Funds in connection with advisory services it provides. These Management Fees are different for each Fund and include fee structures based on a percentage of asset value, cash flow and/or invested or committed capital. In addition, Lionstone Partners or other Lionstone entities or affiliates receive additional compensation in connection with management and other services performed on behalf of the Funds, including fees in connection with the acquisition and disposition of certain investments. Although these fees are in addition to the Management Fees, such fees may offset in whole or in part the Management Fee otherwise payable to Lionstone Partners. In addition, Lionstone may receive compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds. Limited Partners in the Funds also bear certain fund expenses. Lionstone Partners does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

Fees and compensation related to the Funds are detailed in the Limited Partnership Agreement, Limited Liability Company Agreement, or Investment Management Agreement of the Funds, as the case may be, and/or the Private Placement Memorandum of the relevant Fund.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Lionstone Partners does not directly receive a carried interest allocation (“**Carried Interest**”) for its advisory services to the Funds. Rather, each of CFO One GP, CFO Two GP, CFRE One GP, CFRE Two GP, LUI One GP, LUI Two GP, USL One GP and USL Two GP receive a Carried Interest from each of CFO One, CFO Two, CFRE, LHREV, LUI One, LUI Two, USL One and USL Two, respectively, as more fully described in the Fund’s Limited Partnership Agreement, Limited Liability Company Agreement, or Investment Management Agreement of the Funds, as applicable. The Managing Partners are also investors in each of the foregoing Funds, indirectly through the General Partner of such Funds, and the Managing Partners and certain Lionstone employees may also participate in the Carried Interest of a Fund.

TYPES OF CLIENTS

Lionstone Partners provides investment advice to Private Investment Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates, endowments, charitable organizations, corporations or other business and investment entities and may include, directly or indirectly, employees of Lionstone Partners and its affiliates and members of their families.

Lionstone Partners, through affiliated entities, also provides discretionary or non-discretionary advice to one or more managed accounts (“**Accounts**”) through an investment management agreement or similar arrangement (“**Investment Management Agreement**”) with respect to ownership of certain real estate properties and assets, as well as provide management services with respect to certain of such properties.

Interests in each existing Fund were offered and sold solely to “accredited investors” as defined in Regulation D promulgated under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and other sophisticated and institutional investors. The Funds have only investors who are “qualified purchasers” as that term is defined under the U.S. Investment Company Act of 1940, as amended.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Lionstone is a privately owned real estate investment firm that specializes in researching, conceptualizing and executing national investment strategies based upon proprietary data and ideas. The primary emphasis of the firm is to seek to carefully identify and manage the risks inherent in real estate investing while producing attractive risk-adjusted returns through the Funds.

The Advisers provide investment advisory services to the applicable Funds. As described below and in the applicable Limited Partnership Agreement, Limited Liability Company

Agreement and Investment Management Agreement, each Fund has a unique investment methodology and strategy. There can be no assurance that the Advisers will achieve the investment objectives of each of the Funds and a loss of investment may be possible.

Investment and Operating Strategies

The Funds typically pursue their investment strategies by investing through one or more limited partnerships, limited liability companies or other entities that, in turn, invest in the properties described below. Moreover, certain Accounts may also follow one or more of the following investment strategies.

The Cash Flow Office Strategy

The Cash Flow Office Strategy, applicable to CFO One and CFO Two (the “**CFO Funds**”), invests in multi-tenanted office buildings in areas close to amenities with good demographics and strong infrastructure (the strategy also allows for a retail component as described in the applicable Limited Partnership Agreements). The CFO Funds invest only in the United States.

The Cash Flow Real Estate Strategy

The Cash Flow Real Estate Strategy is the thematic precursor of the Cash Flow Office Strategy and is applicable to CFRE and LHREV. Each of CFRE and LHREV generally invests in multi-tenanted office buildings, multi-family complexes, industrial warehouse and retail centers in areas close to amenities with good demographics and strong infrastructure. Each of CFRE and LHREV invests only in the United States.

The Urban Core Strategy

The Urban Core Strategy, applicable to LUI One and LUI Two (the “**LUI Funds**”), invests in underdeveloped properties in geographically specific areas in select U.S. cities (such investments, “**LUI Projects**”). LUI Projects fall into one of two broad categories: (a) investments designed to increase the cash flow stream associated with the asset through improved management, strengthening market conditions or repositioning, or (b) investments that aim to reduce the risk profile of the assets by redeveloping the asset to a higher and better use, developing new product to meet current market needs, or remarketing the asset to meet current user/developer needs. The LUI Funds invest only in the United States.

The US Land Strategy

The US Land Strategy, applicable to USL One and USL Two, invests in larger land tracts and sell smaller, more liquid tracts with multiple uses and a much broader acceptance at premium prices.

Risks of Investment

Each Fund and its investors bear the risk of loss that the applicable Advisers’ investment strategy entails. Investors should review each Fund’s Private Placement Memoranda and each

Fund's Limited Partnership Agreement, Limited Liability Company Agreement or Investment Management Agreement, as applicable, for additional information regarding risks specific to each Fund. An investment in the Funds involves a high degree of risk and, therefore, should be undertaken only by qualified investors whose financial resources are sufficient to enable them to assume these risks and to bear the loss of all or part of their investment.

In general, the risks involved with the Adviser's investment strategy and an investment in the Funds include the risks discussed below. The following risk factors should be considered carefully, but are not meant to be an exhaustive listing of all potential risks associated with an investment in the Funds. Investors should consult with their own financial, legal and tax advisors prior to investing in the Funds.

General Real Estate Risks

An investment in the Funds is subject to risks inherent in real estate investments generally. These risks include adverse consequences resulting from the availability of capital, lease-up risks, tenant defaults, changes in tax laws and accounting principles, lending regulations and reserve requirements, national and international events, energy supplies, the federal government's economic and fiscal policies, interest rates, environmental, health and safety laws, handicapped and accessibility codes and requirements, trends towards corporate downsizing, job-sharing and telecommuting, competition with other properties, competition with non-real estate alternative investment opportunities in the capital markets, casualty and condemnation risks, acts of terrorism and acts of God. There is no assurance that the operations of the Funds will be profitable or that cash from operations will be available for distribution to Limited Partners. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the real estate investments of the Funds. The marketability and value of the investments depends on many factors beyond the control of the Funds, including, without limitation, those enumerated above. There is no assurance that there will be a ready market for the Funds' investments because investments in real estate generally are not liquid. General economic conditions in the United States and abroad, as well as conditions of domestic and international financial markets, may adversely affect operations of the Funds. Unemployment, inflation, local recessions or other economic events resulting in a reduction of income or the number of tenants of properties or the financial failure of one or more tenants of properties constituting investments of the Funds could have a material adverse effect on the value of such investments and consequently, the financial position of the Funds. Fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of investments held by the Funds and could significantly reduce the value of such investments.

Future Investments Unspecified

The business of identifying and structuring real estate transactions is highly competitive and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally is subject to market conditions. In particular, in light of changes in such conditions, certain types of investments may not be available to the Funds on terms as attractive as those available in the past. In addition, the Funds may face increasing competition for

attractive investments from existing and new real estate investors with similar investment objectives. Accordingly, the Funds may be unable to find a sufficient number of attractive opportunities that meet their investment objectives to invest fully their committed capital.

Lack of Current Distributions

It is uncertain as to when profits, if any, will be realized by the Funds. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Even if any of the Funds' investments prove successful, they may not produce a realized return to Limited Partners for a period of several years. The return of capital and the realization of gains, if any, generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time by the Funds, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there may be no current return on the Funds' investments. Furthermore, the expenses of operating the Funds (including any acquisition fees payable to the General Partner) may exceed their income, thereby requiring that the difference be paid from the Funds' capital.

Illiquidity

A Partner investing in the Funds bears the risks of such investment for an extended and indefinite period of time. A Partner may be unable to liquidate its investment in the Funds prior to the termination of the Funds. The amount and timing of distributions, if any, a Partner receives from the Funds is uncertain. In addition, cash flow available for distribution during the terms of the Funds cannot be predicted. The Funds' portfolio of assets are illiquid. Liquidity relates to the ability of the owner to dispose of assets readily and the price to be paid for them. Such illiquidity could prevent the sale by the Funds of assets at a time when it otherwise might be desirable to do so. These factors may have an adverse impact on the value of the Funds.

In addition, less marketable or illiquid assets may be more difficult to value due to the unavailability of reliable market quotations. The sale of less marketable assets may require more time and result in lower prices, due to higher brokerage charges and other selling expenses, than the sale of more marketable assets.

Valuations

Because there is no public market for real estate investments, such investments are difficult to value. Therefore, valuations of real estate investments are inherently subjective to a certain extent. In addition, a valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of an investment depends to a great extent on economic and other conditions beyond the control of the Funds and the General Partners. Further, valuations do not necessarily represent the price at which a real estate investment would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. If the Funds were to liquidate a particular investment, the realized value may be more than or less than the valuation of such investment.

Yield Assessment Risk

Before pursuing any investment, the General Partners consider the expected yield of the investment and the factors that may influence the yield actually obtained on such investment. These considerations affect the Funds' decision whether to pursue acquisition of such an investment and the price offered for such an investment. Despite management's experience in evaluating potential investments, no assurances can be given that the Funds can make an accurate assessment of the yield to be produced by an investment. Many factors beyond the control of the Funds are likely to influence the yield on the Funds' investments, including, but not limited to, competitive conditions in the local real estate market, and local and general economic conditions.

Leverage

The Funds leverage most of their investments and anticipate continuing to do so. There can be no assurance, however, as to the availability of leverage on acceptable terms. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. Depending on interest rates and the Funds' hedging strategies, such leverage could either favorably or negatively impact returns to Partners as well as increase the risk of the investment. The leveraged capital structure of the Funds' investments will increase the exposure of the Funds' investments to any deterioration in an investment's condition, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in a down market. In the event any investment cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the investment, which could adversely affect the returns of the Funds.

The Funds also expect to liquidate their investments in accordance with the respective Funds' strategy. The availability of debt and the prevailing interest rate climate at the time of such liquidation could materially affect the Funds' ability to liquidate their investments in a timely and profitable manner. In the event there are borrowings under a credit facility that is secured by, among other things, the Limited Partners' interests in the Funds and obligations to make capital contributions, any inability of the Funds to repay such borrowings could enable a lender to take action against any Limited Partner or its interest in the Funds. Although the Funds will take reasonable action to avoid unrelated business taxable income, certain tax-exempt investors may be subject to unrelated business taxable income because of the Funds' use of leverage.

Tax Considerations

Complex federal, state and local tax laws and regulations, all of which are subject to change, govern a Limited Partner's investment in the Funds. The Funds do not take into account any prospective investor's particular financial or tax situation and assumes an investor is sophisticated in tax matters or is able to retain and consult with a knowledgeable tax advisor. Investors are urged to consult their own tax advisors regarding the possible federal, state and local tax consequences of an investment in the Funds. All statements contained in a Fund's

Private Placement Memoranda concerning the federal income tax consequences of an investment in such Fund are based upon existing law, at the time of such Private Placement Memoranda, as contained in the United States Code, the related regulations and administrative and judicial interpretations thereof. Therefore, no assurance can be given that the income tax treatment of an investment in the Funds will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of the Partners.

Environmental Considerations

The Funds conduct customary due diligence to determine whether each prospective investment is impacted by environmental conditions and either do not purchase such property or take such conditions into account in their purchase price for such investment. It is possible, however, that undisclosed and unknown environmental conditions could arise that would materially impact the value of a given property and its suitability for financing, or that changes in environmental laws could give rise to additional liabilities for real estate owners that cannot be fully passed on to the tenants of a given investment.

Past Results Not Indicative of Future Results, Forward Looking Statements

The Funds do not own any interest in any other Fund or the investments made by any prior Funds, and therefore, the results of each Fund will differ from the results of such prior Funds. There can be no assurance that the Funds will achieve similar results to those achieved by the prior Funds. Past, targeted or projected performance is not necessarily indicative of future results, and there can be no assurance that targeted or projected returns will be achieved, that the Funds will achieve comparable results or that the Funds will be able to implement their investment strategies or achieve their investment objectives.

Certain fund documents, due diligence materials and other information prepared by or on behalf of the General Partners regarding the Funds' existing or contemplated future investments contain forward looking statements. While the General Partners believe the expectations reflected in any forward looking statements are reasonable, no assurance can be given that such expectations can be obtained. Factors that could cause actual results to differ materially from the General Partners' expectations include each of the various risk factors identified herein. The Limited Partners have each been given the opportunity to review such statements in detail, to discuss the same with the General Partners and to satisfy themselves as to the information contained therein. The General Partners and the Funds make no commitment to disclose any revisions to such statements, or any facts, events or circumstances after the date of the documents that may bear upon any such statements.

Lack of Diversification

The Funds may invest in a limited number of properties, and as a consequence, the aggregate returns realized by the Partners may be adversely affected by the unfavorable performance of a small number of investments. Most of the Funds have diversification criteria; however, some Funds may make investments that may not be diversified geographically, and poor conditions in a particular market where the Funds have multiple investments could significantly affect the total returns to the Partners.

Dependence upon Key Management

The success of the Funds is dependent upon the continued personal efforts of certain key personnel of Lionstone Partners, including Thomas Bacon, Glenn Lowenstein and Daniel Dubrowski. The Funds are managed exclusively by Lionstone Partners, and Limited Partners will not be able to make any investment or other decision on behalf of the Funds. Although Lionstone maintains key-man life insurance on each of Tom Bacon, Glenn Lowenstein and Dan Dubrowski, it may not be possible to replace these individuals, should one or more of them become incapacitated or in some other way cease to be involved with the Funds, and in such an event the Funds' performance could be materially adversely affected through a diminished capacity to obtain investment opportunities and to structure and execute the Funds' investments.

Reliance on Lionstone Partners

The Funds are managed exclusively by Lionstone Partners. The Funds' Limited Partners will not make decisions with respect to the acquisition, management, disposition or other realization of any investment, or other decisions regarding the Funds' business and affairs.

General Partner's Carried Interest

The General Partners' Carried Interest may create an incentive to make investments that are riskier or more speculative than would be the case if the General Partners were not receiving such performance-based compensation. In addition, the method of calculating the General Partners Carried Interest may result in conflicts of interest between the General Partners and the Limited Partners with respect to the management and disposition of investments and the determination of the timing and amount of distributions by the Funds.

Absence of Recourse to General Partner

The Limited Partnership Agreement, Limited Liability Company Agreement or Investment Management Agreement, as applicable, limit the circumstances under which the General Partners can be held liable to the Funds. As a result, investors may have a more limited right of action in certain cases than they would in the absence of this provision.

Uncertain Economic, Social and Political Environment

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used for acquisitions, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund to execute its strategies and to receive an attractive multiple of earnings on dispositions. This may slow the rate of future investments by such Fund and result in longer holding periods for investments.

Market Conditions

Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates, could have a negative impact on the performance and/or valuation of the Funds' investments. The Funds' performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007, which can impact the public market comparable earnings multiples used to value privately held investments. Following the onset of the credit crisis, the rate of future investment by funds slowed, and a re-occurrence could cause similar results as the pricing of new transactions adjusts to reflect the current economic uncertainty and the deficiency of credit in the markets. Under such situations, holding periods are also likely to be longer as the rate of realizations slows in light of the deterioration in various market conditions.

Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments

The deterioration of the global credit markets may make it more difficult for real estate funds to obtain favorable financing for investments. A widening of credit spreads, potentially coupled with a deterioration of sub-prime and other global debt markets and a rise in interest rates, may dramatically reduce investor demand for high yield debt and senior bank debt, which in turn may result in some investment banks and other lenders being unwilling to finance new real estate investments or to only offer committed financing for investments on unattractive terms. A Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

Hedging and Interest Rate Risks

Changes in interest rates may adversely affect the investments of the Funds. Changes in the general level of interest rates can affect the Funds' income by affecting the spread between the income on their assets and the expense of their interest-bearing liabilities, as well as, among other things, the value of their interest-earning assets, the capitalization rate at which their real estate assets are valued in the market and their ability to realize gains from the sale of assets. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Funds. Certain funds may finance their activities with both fixed and floating rate debt. With respect to their floating rate debt, the Funds' performance may be affected adversely if the Funds fail to limit the effects of changes in interest rates on their operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures. Should the Funds so elect (and they may be under no obligation to do so), the use of these instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the

Funds' earnings and funds available for distribution to investors and that such losses may exceed the amount invested in such instruments.

Conflicts of Interest

Lionstone and its related entities engage in a broad range of advisory and non-advisory activities. In the ordinary course of Lionstone conducting its activities, the interests of a Private Investment Fund may conflict with the interests of Lionstone, one or more other Private Investment Funds, Accounts, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

During the investment period of a Private Investment Fund, all appropriate investment opportunities will be pursued by Lionstone principals through such Private Investment Fund, subject to certain limited exceptions. Without limitation, Lionstone principals currently, and may in the future, manage several other investments similar to those in which a Private Investment Fund will be investing, including the Accounts, and may direct certain relevant investment opportunities to those investments. Lionstone's principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments that Lionstone principals may control or manage may potentially compete with investments made by a Private Investment Fund. Following the investment period of a Private Investment Fund, Lionstone principals may and likely will focus their investment activities on other opportunities and areas that may or may not be related to the Private Investment Fund's investments.

From time to time, Lionstone will be presented with investment opportunities that would be suitable not only for a given Private Investment Fund, but also for other Private Investment Funds, Accounts, or any other investment vehicles operated by Lionstone. In determining which investment vehicles or accounts should participate in such investment opportunities, Lionstone is subject to conflicts of interest among the investors in such investment vehicles or accounts. Because of the varying Management Fee structures and Carried Interests, the possibility could exist that the Managing Partners and Lionstone employees could favor one Fund over another, especially if one Fund was deemed more profitable to Lionstone, its Managing Partners or Lionstone employees on a fee or Carried Interest basis. Lionstone seeks to mitigate this risk by appropriately staffing the management of each Fund so as to achieve Lionstone's key man provisions contained in the applicable Fund's Limited Partnership Agreement, Limited Liability Company Agreement, or Investment Management Agreement of Funds, and Lionstone's objective of building long-term relationships with each of its investors by maintaining consistent and high fiduciary standards.

As a result of the Funds' controlling interests in investments, Lionstone typically has the right to appoint portfolio company board members, managers or other representatives with respect to such investments or to influence their appointment, and to determine or influence a determination of their compensation. Such amounts will be in addition to any Management Fees or Carried Interest paid by a Fund to Lionstone.

Additionally, a portfolio company or other entity in which one or more Private Investment Funds may invest may reimburse Lionstone or service providers retained at Lionstone's discretion for expenses (including without limitation travel expenses) incurred by

Lionstone or such service providers in connection with its performance of services for such entity. This subjects Lionstone and its affiliates to conflicts of interest because the Private Investment Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. Lionstone determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Private Investment Fund, their effect is reflected in each Private Investment Fund's audited financial statements, and any fee paid or expense reimbursed to Lionstone or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Lionstone generally exercises its discretion to recommend to an Account, Private Investment Fund or to a portfolio company or other entity in which any of them invest that it contracts for services with (i) Lionstone or a related person of Lionstone (which may include a portfolio company or other entity in which any of them invest) or (ii) an entity with which Lionstone or its (current or former) personnel has a relationship or from which Lionstone or its personnel otherwise derives financial or other benefit. This subjects Lionstone to conflicts of interest, because although Lionstone selects service providers that it believes are aligned with its operational strategies and will enhance investment performance and, relatedly, returns of the relevant Account or Private Investment Fund, Lionstone may have an incentive to recommend the related or other person because of its financial or other business interest. Whether or not Lionstone has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Lionstone may also, from time to time, employ personnel or retain service providers with pre-existing ownership interests in investments owned by the Private Investment Funds or other Accounts or investment vehicles advised by Lionstone; conversely, former personnel or executives of Lionstone may serve in significant management roles with respect to investments or service providers recommended by Lionstone. Similarly, Lionstone and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services to, Lionstone and/or the Private Investment Funds or other Accounts or investment vehicles they advise. Lionstone may have a conflict of interest with a Private Investment Fund or Account in recommending the retention or continuation of a third-party service provider to a Private Investment Fund, Account or an investment if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Private Investment Funds or Accounts, will provide Lionstone information about markets and industries in which Lionstone operates (or is contemplating operations) or will provide other services that are beneficial to Lionstone. Lionstone may have a conflict of interest in making such recommendations, in that Lionstone has an incentive to maintain goodwill between it and the existing and prospective entities in which

and with which it invests, while the products or services recommended may not necessarily be the best available to the investment invested in by Lionstone entities.

Lionstone and its equityholders, officers, principals and employees may buy or sell investments that Lionstone has recommended to an Account or Private Investment Fund. In addition, officers, principals and employees may buy investments in transactions offered to but rejected by an Account or Private Investment Fund. Such transactions are subject to the policies and procedures set forth in Lionstone's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Account or Private Investment Fund.

Because certain expenses are paid for by an Account, Private Investment Fund and/or its portfolio companies or, if incurred by Lionstone, are reimbursed by an Account, Private Investment Fund and/or its portfolio companies, Lionstone may not necessarily seek out the lowest cost options when incurring (or causing an Account, Private Investment Fund or its portfolio companies to incur) such expenses.

Because a General Partner's Carried Interest is based on a percentage of net realized (and, in certain cases, unrealized) profits, it may create an incentive for Lionstone to cause a Private Investment Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there may be a fixed investment period after which capital from investors in a Fund may only be drawn down and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when Lionstone may not otherwise have done so. Since Lionstone is permitted to retain certain additional compensation in connection with Private Investment Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

The Limited Partners of the Funds include taxable and tax-exempt entities and include persons or entities organized in various jurisdictions. The Limited Partners of the Funds may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by the Funds, the structuring of the acquisition of Funds investments and the timing of disposition of investments. Such structuring of Fund investments may result in different returns being realized by different Limited Partners in any Fund. As a result, conflicts of interest may arise in connection with decisions made by Lionstone being more beneficial for one type of Limited Partner than for another type of Limited Partner. In selecting investments appropriate for the Funds and deciding upon the structure of Fund investments, Lionstone will consider the investment and tax objectives of the Fund as a whole in the event there are conflicts among the Limited Partners. Where such conflicts do not exist, Lionstone will consider the tax and other objectives of specific Limited Partners.

Lionstone may enter into side letter arrangements with certain investors in a Private Investment Fund, providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects Lionstone to potential conflicts of interest. Lionstone attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by Lionstone to investors in other investment vehicles and Accounts managed by them, and attempts to allocate investment opportunities among a Private Investment Fund, other Private Investment Funds and such investment vehicles or Accounts in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Lionstone will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Lionstone consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Private Investment Fund and such other investment vehicles.

Common Legal Counsel for Funds and General Partners

Certain law firms acted as legal counsel to the Funds and the General Partners in connection with the private placement offerings of the Funds. In each such case, the applicable law firm did not act as legal counsel for any Limited Partner or potential investor and such persons are strongly advised to retain and consult with their own legal counsel. It is possible that in the future, the interests of the Funds and the General Partners may preclude such firms from representing both parties. In such a circumstance, additional legal counsel may need to be retained in order to assure all parties that their respective legal interests are adequately represented.

DISCIPLINARY INFORMATION

Lionstone Partners and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Lionstone Partners is affiliated with other Lionstone investment advisers registered with the SEC under the Advisers Act pursuant to Lionstone Partners' registration in accordance with SEC guidance. These advisers include the entities listed in Section 7.A of Schedule D of the Adviser's Form ADV Part 1A. These affiliated investment advisers operate as a single advisory business together with Lionstone Partners and serve as managers or general partners of Private Investments Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Advisers have adopted the Lionstone Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of Lionstone principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Lionstone personnel to report their personal securities transactions. The Code also requires pre-clearance for Lionstone personnel from directly or indirectly acquiring

beneficial ownership or disposing of securities in an initial public offering and a private placement offering, and prohibits Lionstone personnel from directly or indirectly acquiring beneficial ownership of these securities without first obtaining approval from the Lionstone Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any Limited Partner or prospective limited partner upon request to John Enerson, the Lionstone Chief Compliance Officer, at 713-533-5860. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds, including certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds. Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. The Private Investment Funds could, with investor consent, invest together with other funds advised by an affiliated adviser of Lionstone Partners in the manner set forth in their Limited Partnership Agreements, Limited Liability Company Agreement or Investment Management Agreement, as applicable. The Advisers will determine the allocation of investment opportunities in a manner that it believes is fair and equitable to its clients consistent with the Advisers' obligations and may take into consideration factors such as the following: the client's investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for the Funds even though their investment objectives may be the same or similar.

The operative documents and investment programs of certain vehicles sponsored by Lionstone (the “**Reference Funds**”) may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by Limited Partners (or their representatives) in such Reference Funds.

From time to time, the Advisers may borrow funds on behalf of the Private Investment Funds and contribute such borrowed amounts to the relevant Private Investment Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Private Investment Fund as a fund expense, consistent with the Limited Partnership Agreement (or other governing document) of such Fund. In borrowing on behalf of a Private Investment Fund, the Advisers are subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of such Private Investment Fund, as applicable. The Advisers will effect such borrowings in a manner they believe to be fair and equitable to such Private Investment Fund and consistent with the Adviser’s obligations under the Limited Partnership Agreement (or other governing document).

BROKERAGE PRACTICES

The Advisers focus on real estate and real estate related transactions. To date, none of these transactions have involved publicly traded securities or other securities in which the services of a broker-dealer has been retained. However, in the future, the Advisers may distribute securities to investors in a Fund or sell securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent they do so, they follow the brokerage practices described below.

If any Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers anticipate that they would, in the context of any public securities transactions, generally seek competitive commission rates, they also anticipate that they might not necessarily pay the lowest commission or commission equivalent. Such transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking best execution, any such brokerage commissions on client transactions might be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since their inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, it is expected that research provided by these brokers would be used to service all of the Advisers' Private Investment Funds. However, each and every research service might not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund might apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services might be shared among the Advisers and their affiliates.

The Advisers do not anticipate employing any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Advisers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Advisers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

To the extent brokers are used, the Advisers will periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Advisers' goal to seek best execution for the Funds, the Advisers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Adviser allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not anticipate engaging in public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales

made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

In any private company securities transactions engaged in by the Advisers on behalf of the Private Investment Funds or Accounts, the Advisers may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Account, Private Investment Fund and/or its portfolio companies. In determining to retain such parties, the Advisers may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Advisers generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Private Investment Funds may not pay the lowest commission or fee for such services.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of investments. However, Lionstone Partners closely monitors its investments, and the Lionstone Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each Fund will provide to each of its Limited Partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Limited Partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment. An Adviser may agree to different reporting for any investor in any Account.

CLIENT REFERRALS AND OTHER COMPENSATION

Lionstone Partners and/or its affiliates may provide certain business or consulting services to companies in each Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Funds' Limited Partnership Agreements, Limited Liability Company Agreements or Investment Management Agreement, as applicable, this compensation may, in many cases, offset a portion of the management fees paid by Funds. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to management fees.

The Advisers may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential Limited Partner becoming a Limited Partner in a Fund or other Private Investment Fund. Any such fees and expenses payable to any such placement agents will be borne by Lionstone Partners, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Private Investment Fund.

CUSTODY

Lionstone Partners maintains custody of the Funds' assets held in each Fund's name with the following qualified custodians:

CFO One – JPMorgan Chase Bank NA; Amegy Bank; Wells Fargo Bank; and Bank of America.

CFO Two – Wells Fargo Bank; Amegy Bank.

CFRE – Amegy Bank; Wells Fargo Bank NA; Frost Bank; Bank of America; UMB Bank.

LUI One – JPMorgan Chase Bank NA; Amegy Bank; Wells Fargo Bank; Bank of America.

LUI Two – JPMorgan Chase Bank NA; Wells Fargo Bank; NexBank.

US Land One – Amegy Bank; Vectra Bank; Cardinal Bank; JPMorgan Chase Bank NA.

US Land Two – Amegy Bank; Key Bank; United Bank; US Bank.

LHREV – Amegy Bank; Bank of America.

Additionally, Lionstone Partners maintains custody of certain assets in connection with which it, through CFAM, provides non-discretionary advice to two clients and such assets are held in such client's name (or the name of an affiliate of such client) with the following qualified custodians: JPMorgan Chase Bank NA and First Tennessee Bank.

Each Fund (other than any Account) will provide to each of its Limited Partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Limited Partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment. An Adviser may agree to different reporting for any investor in any Account.

INVESTMENT DISCRETION

Lionstone Partners has discretionary authority to manage the investments on behalf of each Fund pursuant to the Limited Partnership Agreement, Limited Liability Company

Agreement or Investment Management Agreement, as applicable, described under “Advisory Business.” As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to the terms of the Limited Partnership Agreements, Limited Liability Company Agreements or Investment Management Agreement, as applicable, the Advisers may enter into “side letter” arrangements with certain Limited Partners whereby the terms applicable to such Limited Partners’ investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

VOTING CLIENT SECURITIES

Although the Advisers have no investments that require proxy voting, in the event they do so in the future, the Advisers have adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for each Fund’s (and any Private Investment Fund’s) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of the Funds’ Limited Partners, for example, through the principals’ beneficial ownership interests in the Funds and therefore will not seek Limited Partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund’s advisory board may approve the Adviser’s vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by Lionstone personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Adviser’s complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact John Enerson, the Lionstone Chief Compliance Officer, at 713-553-5860 and it will be provided to you at no charge.

FINANCIAL INFORMATION

Lionstone Partners does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF LIONSTONE PARTNERS

Thomas G. Bacon

Educational Background and Business Experience

Thomas G. Bacon, born 1955, is a founding partner of Lionstone. Mr. Bacon is a member of Lionstone's investment committee and is responsible for Lionstone's US Land investment programs and certain other high level relationships. Prior to forming Lionstone, Mr. Bacon was a senior officer with Hines. Mr. Bacon is a graduate of the University of Texas School of Architecture and received his MBA from Rice University in 1984.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Bacon.

Other Business Activities

Mr. Bacon is not engaged in any investment-related business outside of his roles with Lionstone Partners and its affiliates.

Additional Compensation

Mr. Bacon does not receive any additional compensation that is required to be disclosed.

Supervision

As a partner of Lionstone, Mr. Bacon is responsible for implementing and overseeing the investment strategy of its clients. Mr. Bacon is not subject to the supervision of any other individual other than Glenn Lowenstein and Daniel Dubrowski and, with respect to compliance matters, the Lionstone Chief Compliance Officer.

Glenn L. Lowenstein

Educational Background and Business Experience

Glenn L. Lowenstein, born 1959, is a founding partner of Lionstone. Mr. Lowenstein is a member of Lionstone's investment committee and is its Chief Investment Officer. Prior to forming Lionstone, Mr. Lowenstein was a senior officer at Hines. Mr. Lowenstein is a graduate of Georgetown University and received an MBA from New York University.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Lowenstein.

Other Business Activities

Mr. Lowenstein is not engaged in any investment-related business outside of his roles with Lionstone Partners and its affiliates.

Additional Compensation

Mr. Lowenstein does not receive any additional compensation that is required to be disclosed.

Supervision

As a partner of Lionstone, Mr. Lowenstein is responsible for implementing and overseeing the investment strategy of its clients. Mr. Lowenstein is not subject to the supervision of any other individual other than Thomas Bacon and Daniel Dubrowski and, with respect to compliance matters, the Lionstone Chief Compliance Officer.

Daniel R. Dubrowski

Educational Background and Business Experience

Daniel R. Dubrowski, born 1963, is a founding partner of Lionstone. Mr. Dubrowski is a member of Lionstone's investment committee and is responsible for Lionstone's national Cash Flow Office and certain other high level relationships. Prior to forming Lionstone, Mr. Dubrowski was a senior officer with Hines. Mr. Dubrowski is a graduate of Georgetown University and received his MBA from Harvard Business School.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Dubrowski.

Other Business Activities

Mr. Dubrowski is not engaged in any investment-related business outside of his roles with Lionstone Partners and its affiliates.

Additional Compensation

Mr. Dubrowski does not receive any additional compensation that is required to be disclosed.

Supervision

As a partner of Lionstone, Mr. Dubrowski is responsible for implementing and overseeing the investment strategy of its clients. Mr. Dubrowski is not subject to the supervision of any other individual other than Thomas Bacon and Glenn Lowenstein and, with respect to compliance matters, the Lionstone Chief Compliance Officer.