

Form ADV Part 2A: Firm Brochure

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Pardus Capital Management L.P. is an investment adviser that is registered with the U.S. Securities and Exchange Commission. Registration with the U.S. Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Pardus Capital Management L.P. If you have any questions about the contents of this brochure, please contact us at (212) 381-7770. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority.

Additional information about Pardus Capital Management L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Because much of the information in this ADV Part 2 is additional information we are providing due to legislative changes and was not previously provided in our ADV Part 2, we recommend that you read this ADV Part 2 in its entirety.

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1. Advisory Business

- A. Pardus Capital Management L.P. (also referred to as Pardus), founded in 2005, is an investment services firm specializing in investment management for hedge funds. The principal owner of our firm is Karim Samii.
- B. Pardus specializes in offering investment management services to hedge funds. In providing our advisory services, we focus on equity and debt special situations, stressed and post-reorganized investments primarily in Western Europe, the United States and Latin America.
- C. Our firm tailors our advisory services to the individual needs and specified investment mandates of our clients. In the case of our hedge fund clients, our portfolio managers adhere to the investment strategy set forth in each client's Private Placement Memorandum and investment management agreement.
- D. We do not participate in wrap fee programs.
- E. The amount of client assets that we manage on a discretionary basis, as of March 1, 2011, is \$336,842,690.00. We do not manage any client assets on a non-discretionary basis.

2. Fees and Compensation

- A. Our firm, or an affiliate of our firm, typically receives compensation from each of our clients based on both the percentage of assets we manage and on performance achieved for each client's account. The governing documents of our clients permit us to negotiate the fees with investors in these clients in separate side letters and to waive the fees for Pardus-affiliated investors. Each of our clients is a "qualified purchaser", as defined under U.S. securities laws and regulations.

We generally structure our funds in a "master-feeder" structure. We calculate both the asset-based and performance-based fees at the master fund level.

B.

We deduct the asset-based fee described above from clients' accounts quarterly in advance.

Investors in our clients can only make withdrawals on a quarterly basis and have agreed to base the asset-based fees for the full quarter on the opening net asset value for the quarter. Because investors cannot make intra-quarter withdrawals, a withdrawing investor will not have paid asset-based fees in excess of what he or she owed.

- C. Pardus Special Opportunities Fund L.P., Pardus Special Opportunities Fund Ltd., Pardus Special Opportunities Fund II Ltd., and Pardus Special Opportunities Fund III Ltd. are responsible for the following expenses:

- expenses of the organization of the fund and the offering of interests or shares, as applicable, to investors,
- legal, audit, administration and accounting fees,
- fees related to regulatory filings,
- fees related to the custody of their assets,
- brokerage commissions,
- certain insurance premiums,
- research and due diligence fees,
- professional and consulting fees,
- fees related to voting proxies (if any)
- directors' fees,

- certain taxes,
- accounting, audit and legal expenses,
- costs of any litigation or investigation that may arise, and
- costs in connection with providing reports and information to clients and investors.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

3. Performance-Based Fees and Side-By-Side Management

Pardus (or one of our affiliates) charges performance-based fees to all of our clients.

4. Types of Clients

All of our clients are private investment funds and similar private investment entities. Investors in our funds include a broad range of U.S. and non-U.S. institutions. We require investors that are U.S. persons to be “accredited investors” and “qualified purchasers” (as defined in applicable federal securities laws and regulations).

This firm brochure is not an offer to invest in our hedge funds.

5. Method of Analysis, Investment Strategies and Risk of Loss

- A. In managing our hedge funds, our investment objective is to achieve significant capital appreciation across a range of market cycles through event driven strategies designed to be liquid and nature focused on equity and debt special situations, stressed and post-reorganized investments primarily in Western Europe, the U.S. and Latin America. Our fund primarily invests in equities along with small exposures to liquid credit-default swaps, stressed and distressed debt. Our funds invest opportunistically, employing a mix of event driven strategies, including, among others, investments in potential mergers and acquisition situations, post-restructured, activist investments intended to be liquid in nature, and other special situation equities, as well as distressed and stressed debt and special situation credit opportunities. We may, in certain circumstances, foster events through the use of limited activist techniques designed to drive value while preserving liquidity in the positions where possible. While our investments are expected to be liquid, they will be concentrated and we expect our funds' performance to be volatile. In addition, we may seek to generate gains, reduce market exposure and hedge other portfolio risks through short sales of securities (including securities within the foregoing investment classes) or investments in various derivatives.

We use intensive bottom-up research combined with proprietary sourcing capability in order to identify investment opportunities for maximum capital appreciation, while maintaining a macro or "top down" economic view for the purposes of gauging the investment risk of the long portfolio and incorporating effective hedging strategies.

Despite our investment approach and methodology, investing in any securities involves a risk of loss that any of our clients or any of the investors in our clients must be prepared to bear.

- B. Certain risks associated with an investment in any client we advise include:

- *Dependence on the occurrence of certain events.* The ability to realize a profit on some of the investments we make may depend upon the occurrence of certain events, including for example, the sale, merger or successful reorganization of a company. If the event that we are expecting to occur does not occur, our clients may sustain a significant loss. In some circumstances, we seek to influence the outcome of restructurings or other events, including by negotiating with management and other stakeholders or by taking activist positions, although we do not anticipate engaging in proxy contests or serving persons to boards of directors. There can be no assurance that our efforts to influence such events, including by the investment of substantial time and other resources, will be successful. The combination of dependence of the investment thesis on specific events, the activist approach and the focus on companies that

may require significant restructurings may result in a longer holding period for some of our investments to realize their full potential, if in fact they do. There can be no assurance that our clients will maintain the funds under management necessary to retain such investments through their intended holding period, and, as a result, investments may need to be sold at a loss.

- *Illiquidity.* We may make investments in securities or other assets that are not readily marketable or that cease to be readily marketable after we make our investment. This could make it difficult for us to realize the value that we ascribe to an investment if we are forced to dispose of it in an inactive market.
- *Valuation.* Investors in the client funds that we manage purchase and redeem interests in the funds based on a determination of the fair value of the assets and liabilities of the fund. In addition, our asset-based and performance-based fees are determined by reference to these valuations. We may make investments that are difficult to value due to the absence of quoted prices for identical assets or liabilities in an active market. Investors can be adversely affected if the valuations of any of our assets or liabilities are inaccurate.
- *Competition.* The success of our investments may depend on our ability to identify or exploit opportunities more efficiently than other market participants. Our ability to do so may be adversely affected by as a result of the highly competitive nature of the asset management industry.
- *Leverage.* We generally have the discretion to use borrowing and other forms of leverage in our strategies. While the use of leverage can amplify the profit on successful investments, it can also amplify the losses incurred on unsuccessful investments.
- *Fund structure: limited liquidity and transparency.* An investor's investment any fund that we manage is subject to the structure and terms of the fund. These include rights to liquidity and transparency that are much more restricted than would be the case for a separate account held by a custodian in the name and for the personal account of the investor in its own name.
- *Conflicts of interest.* As described elsewhere in this brochure, we are subject to various conflicts of interest as a result of our management of multiple accounts, the nature of our compensation arrangements and the use of our fund structure. The existence of these conflicts of interest may influence the independence of our judgment.

The private placement memorandum for each of our clients funds contains a discussion of various risk considerations that is more extensive in scope and depth than the foregoing summary.

6. Disciplinary Information

- A. This item is not applicable because neither our firm, nor any of our directors, officers or principals has been involved in any criminal or civil actions in a domestic, foreign or military court.
- B. This item is not applicable because neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the U.S. Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.
- C. This item is not applicable because neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

7. Other Financial Industry Activities and Affiliates

- A. Neither our firm, nor any of our directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or is an associated person of any of the above.
- C.

Relationships with Pardus and PCM Funds

We or PCM Partners IM L.P. manage the following client funds, which are our related persons:

- Pardus Special Opportunities Fund L.P.
- Pardus Special Opportunities Fund Ltd.
- Pardus Special Opportunities Fund II Ltd.
- Pardus Special Opportunities Fund III Ltd.
- Pardus Special Opportunities Master Fund L.P.
- PCM Special Opportunities Fund L.P.
- PCM Special Opportunities Fund Ltd.
- PCM Special Opportunities Master Fund L.P.

The advisory services provided to PCM Special Opportunities Fund L.P., PCM Special Opportunities Offshore Fund Ltd. and PCM Special Opportunities Master Fund L.P. are provided pursuant to an investment management agreement between those funds and PCM Partners IM L.P.

Pardus Capital Partners L.P. and PCM Partners GP LLC, each of which is under common ownership and control, act as the general partners of the Pardus funds and PCM funds named above, respectively. None of the compensation, liquidity or other terms of our client funds are negotiated at arm's-length. However, we disclose to prospective investors the terms of all of our fees and performance-based compensation, as well as the other terms of an investment, in detail in the Private Placement Memorandum relating to each client fund.

The potential to earn performance-based compensation could give us an incentive to invest client assets in an aggressive or speculative manner. We seek to minimize this conflict by taking a disciplined approach to portfolio risk management. Finally, performance allocations are based in part on unrealized gains and losses, so we may have an incentive to inflate the value of client assets through fair valuation determinations. Despite the presence of these conflicts of interest, we seek to act fairly when we allocate investment opportunities and value client assets. Our firm has adopted written policies and procedures that are designed to ensure fair allocations and valuations.

Affiliated Investment Adviser

We are affiliated with PCM IM Partners L.P. (discussed above), which is our related person.

Our investment professionals participate in managing the portfolios of more than one client and may work simultaneously for Pardus and PCM IM Partners L.P. As a result, they do not devote their exclusive attention to any single client.

C. We do not recommend or select other investment advisers for our clients.

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

- A. We have adopted a Code of Ethics in accordance with the U.S. Securities and Exchange Commission requirements. Our Code of Ethics works to better ensure that our employees' securities transactions are consistent with our firm's fiduciary duty to our clients and to ensure compliance with legal requirements and our firm's business conduct standards. It focuses on specific areas where employee conduct has the potential to affect clients' or investors' interests adversely.

Our Code of Ethics requires that each employee or control person must provide, shortly after the start of the individual's employment and annually thereafter, statements that represents each and any of the securities, commodities accounts, investments and private investments held (a) in such employee's name (individually or jointly with another person), and/or (b) in the name(s) of such employee's spouse, children, grandchildren, parents, or other relatives living in the same household as the employee, and/or (c) in the name of an organization which the employee controls. Each employee or control person must also submit to the firm and Joseph Thornton, the Chief Compliance Officer, monthly statements (or quarterly statements, if monthly statements are not provided) and trade confirmations for all trading activity no later than 30 days after the end of each calendar quarter. Each of our employees must make arrangements for Pardus to receive duplicate account statements by providing the brokerage firm with a copy of the letter requesting such duplicates.

Our employees may not engage in any personal securities transaction for inside accounts or affiliated accounts without obtaining *prior* approval from Karim Samii or Joseph Thornton. Employees must submit a completed, signed Investment Request Form. Requests and approvals are documented in writing.

Additionally, our Code of Ethics provides for a range of sanctions, both legal and those that our firm may impose as we deem, should anyone violate the Code of Ethics. Such sanctions include, but are not limited to, summary dismissal of the persons involved or suspected to be involved in such violations.

Each employee must annually execute a statement to the effect that he has read and understands, has complied with and will continue to comply with, the procedures set forth in this Code of Ethics.

The paragraphs above only represent a summary of certain provisions in our Code of Ethics. We provide a copy of our Code of Ethics to any client or any investor in our clients that requests one.

- B. Employees of our firm do not recommend to clients, nor do they buy or sell for client accounts, securities in which they have a material financial interest. Our firm, its employees, officers, partners, directors (and any persons performing

similar functions), and persons directly or indirectly controlling our firm, controlled by our firm or under common control with our firm, may not engage in a principal transaction with the firm's clients.

- C. Principals and employees of our firm buy and sell for themselves securities that they also buy and sell for our clients. This could create a conflict of interest if our principals and employees receive more favorable execution prices than do our clients because our principals' and employees' trades might have driven up the market prices of target securities. However, we eliminate this conflict by mandating that principals and employees cannot buy or sell such securities at the same time such securities are being traded on behalf of our clients.
- D. We have a variety of procedures in place to ensure that we address any potential conflicts that may arise between our employees and our clients. For example, our Chief Compliance Officer considers a number of factors when deciding whether to approve an employee's Investment Request Form, and he may rescind any approval of a proposed transaction under certain circumstances. In addition, all of our employees are required to report regular information concerning their personal accounts and securities transactions, and must arrange for their brokerage firm to send Pardus duplicates of all account statements.

9. Brokerage Practices

A. We strive to obtain best overall execution of securities trades for our clients based on the circumstances of each transaction we place. In selecting broker or dealers and determining the reasonableness of their commissions for our clients' transactions, we take into account several factors, including, among others:

- the ability to achieve prompt and reliable executions at favorable prices;
- the operational efficiency with which transactions are effected;
- the financial strength, integrity and stability of the broker;
- the quality, comprehensiveness and frequency of available research and related services or other services or facilities provided by the broker or dealer that we consider to be of value; and
- the competitiveness of commission rates in comparison with other brokers satisfying our clients' overall selection criteria.

Subject to seeking best execution, the Investment Manager also may consider referrals of potential investors to our clients as a factor in the selection of brokers.

1. We May, but Do Not Currently Intend to, Utilize Research and Other Soft Dollar Benefits. Soft dollar benefits include research and related services furnished by brokers including written information and analyses (including specific market, financial and economic studies and forecasts), statistics and pricing services, discussions with research personnel and similar services used in the investment and trading process. The Investment Manager may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services, or other services or facilities provided by the broker. We do not currently intend to engage in soft dollar transactions. To the extent we determine to enter into soft dollar transactions, we will effect such transactions in compliance with the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Since commission rates in the U.S. as well as in certain other jurisdictions are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

The Use of Soft Dollars Can Create a Conflict of Interest. We do not currently use soft dollars. Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between

advisers and their clients. If we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services and to pay for other costs and expenses that our firm might otherwise incur creates a conflict of interest between our firm and our clients because our clients pay for products and services that are not exclusively for their benefit and that may be primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

2. We May Consider Referrals in Selection Brokers and Dealers. At times, we may have an incentive to select a broker based on our interest in receiving referrals, rather than on our clients' interest in receiving most favorable trade execution. Specifically, on behalf of our clients, we accept investments from full-service financial firms investing on their own behalf or on behalf of their clients. These financial firms may have related brokers and we may utilize their brokers only if, without taking into account the business they give us, we believe that they provide "best execution" for our clients, based on any of the factors enumerated at the beginning of this section.
 3. Our Clients Do Not Direct Brokerage. Our firm does not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer. We may, however, engage in soft dollar arrangements with a broker-dealer as described above.
- B. All of our clients within a particular master-feeder structure invest substantially in the same strategy. Our clients' administrator will be responsible for allocating the relative net assets from a master fund to its feeder funds, subject to Pardus's review and final approval.

10. Review of Accounts

A. Portfolio managers will conduct an investment review of our clients' portfolios (generally aggregated in the applicable master fund's portfolio) on an as-needed basis, depending on market circumstances. The purpose of these reviews is to consider whether the portfolios are appropriately designed to achieve the relevant client's goals and balance risk and reward of existing and prospective investments, while also taking the Funds' guidelines into consideration. The portfolio managers will also, as appropriate, review and address matters concerning allocation of securities, if any.

The portfolio managers review all of our client portfolios and analyze their performance, generally on each trading day. The administrator of our funds and Pardus staff also perform a daily review of fund accounts to reconcile trades with respect to our funds' investment positions. The portfolio managers and analysts evaluate our funds' investments based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and other considerations they deem appropriate. Investment professionals and compliance personnel also review each fund's trading parameters and investment strategies, generally on each trading day.

B. We provide investors in our hedge funds with written monthly valuation reports that contain information about the fund in which they have invested, including estimated return and relevant market commentary. We also provide them with written annual reports that contain audited financial statements and tax information. The administrator of our funds typically provides monthly capital account balances and account performance statements which it sends to investors in our clients.

11. Client Referrals and Other Compensation

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.

Our firm does not, nor do any principals or employees of our firm, receive any compensation for client referrals.

12. Custody

While it is our firm's practice not to accept or maintain physical possession of any of our clients' assets (and our clients' assets are in the custody of one or more prime brokers), we are deemed to have custody of their assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because, among other reasons, an affiliate of our firm serves as the general partner of fund entities that we advise.

Pardus Hedge Fund Clients

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our clients. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our clients at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our clients when practicable after the end of the fiscal year. We also receive from our custodian monthly account statements on behalf of our hedge fund clients, which we compare with our own records. While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to all of its clients whose funds the custodian holds at least quarterly, we are not subject to such requirement because all hedge funds managed by our firm are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

13. Investment Discretion

Scope of Authority

Our firm accepts discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell, the broker through which we effect trades, and the commission rates at which we effect trades. We generally adhere to the investment strategy and program set forth in each of our fund's Private Placement Memorandum and investment management agreement.

Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all investors in our clients with a Private Placement Memorandum and governing documents that set forth, in detail, our investment strategy and program and the terms of investment for investors. By completing our subscription documents to acquire an interest in one of our funds, investors give us complete authority to manage their investments in accordance with the Private Placement Memorandum and governing documents they each received.

14. Voting Client Securities

Proxy Voting Policies and Procedures

Our firm, in certain circumstances, has the authority to exercise voting discretion over securities or other financial instruments held in our client accounts. The portfolio managers, in consultation with the Chief Compliance Officer, will be responsible for voting proxies, either in writing or via the internet, for such clients. When voting client proxies, our firm is required to vote such proxies in the best interest of its clients. We determine how to vote after studying the proxy material and other materials that may be necessary or beneficial to voting. We vote in a manner that we believe reasonably furthers the best interests of the client and is consistent with the clients investment philosophy as set forth in the relevant investment management documents. However, we may abstain from proxy votes when, in our reasonable opinion, the outcome of the vote has been decided (regardless of how we may vote) or when the subject of the vote is immaterial to the investment or interest of our clients. The portfolio managers shall be responsible for maintaining records of the manner in which each proxy was voted.

The portfolio managers are responsible for monitoring corporate actions and receiving, processing and voting proxies. The portfolio managers and the Chief Compliance Officer will set this voting policy, and will review on a periodic basis new corporate governance issues as they arise and determine how our firm will respond to such issues. They also will take steps to ensure that those who assist in the administration of the voting of proxies perform their responsibilities consistent with these voting policies.

Proxies will be voted (i) on computerized proxy cards, where such cards are used by the security issuer, (ii) by returning the proxy voting card via mail per instructions provided by the security issuer, (iii) via e-mail or fax, or (iv) via the internet, in accordance with the specific procedures of such vote.

When a portfolio manager determines that voting a proxy is in a client's best interest, he or she generally considers relevant factors and information at his or her disposal to determine how to vote in a client's best interest.

Our portfolio managers do not vote on securities that our account custodian has loaned to a third party.

Clients cannot direct our portfolio managers' proxy votes.

Potential Conflicts of Interest

In certain circumstances, to address a conflict of interest in the context of proxy voting, we may establish policies for proxy voting with respect to certain issues on which we will vote consistently. In other circumstances, where appropriate, to resolve conflicts of interest, we may consult with counsel and/or appoint an independent third party to evaluate and recommend the voting of proxies.

Recordkeeping

Our firm maintains the following records relating to proxy voting, in an easily accessible place for five years, the first two years at its offices:

Copies of our proxy voting policies and procedures and any amendments.

Proxy statements received for client securities.

Records of proxy votes cast on behalf of our clients.

Records of requests from clients and investors in our funds for proxy voting information and our written responses to any such written or oral requests.

Communications received and internal documents created that were material to voting decisions.

Documentation of exceptions to our proxy voting policies.

Our firm may rely on the U.S. Securities and Exchange Commission's Edgar system for maintaining any proxy statements.

We shall provide a copy of our proxy voting policies and procedures and information regarding any proxies actually voted by a client to any investor in such client upon the request of such investor.

15. Financial Information

- A. We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. This item is not applicable because we are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.
- C. Pardus Capital Management L.P. has never been the subject of a bankruptcy petition.