

Form ADV Part 2A: Firm Brochure

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This brochure provides information about the qualifications and business practices of PAR Capital Management, Inc. (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 617-526-8990. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Item 2 – Material Changes

Not applicable.

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Item 4 – Advisory Business

PAR Capital Management, Inc. (the “Adviser”) is a Delaware corporation that was organized in March 1992 to serve as the investment adviser to PAR Investment Partners, L.P., a Delaware limited partnership (the “Partnership”). The general partner of the Partnership is PAR Group, L.P. (“PAR Group”), and the Adviser is the general partner of PAR Group. The principal owners of the Adviser and PAR Group are Paul A. Reeder, III, Arthur G. Epker III, Frederick S. Downs Jr., and Edward L. Shapiro. For details of ownership of the Adviser, see Schedule A of our Form ADV Part 1. Employees of the Adviser may also invest in PAR Group.

The Adviser does not act as investment adviser to any person or entity other than the Partnership and PAR Group conducts no business other than acting as general partner to the Partnership.

As of December 31, 2011, the Adviser managed approximately \$2,219,200,000 of assets on behalf of the Partnership. This amount is the “net asset value” of the Partnership, which amount is used to calculate the Partnership’s performance and the management fees and incentive allocation, if any. All assets of the Partnership are managed on a discretionary basis.

Item 5 – Fees and Compensation

PAR Group, as the general partner of the Partnership, receives a management fee from the Partnership. The management fee is paid by deduction from the capital accounts of the limited partners of the Partnership, generally within five (5) days of the first business day of the start of each calendar quarter.

In addition to the management fee, PAR Group may be entitled to an incentive allocation at the end of each semi-annual measurement period commencing on January 1 and July 1 of any year. Incentive allocations are earned with respect to a limited partner of the Partnership if the book profit allocated to such limited partner during a measurement period exceeds a 5% annualized return. We refer to this 5% annualized amount as the “hurdle”. The incentive allocation is equal to 25% of the amount of the book profits in excess of the hurdle allocated to such limited partner’s capital account during the measurement period. If there is a performance shortfall for a limited partner relative to the hurdle in any given measurement period, this shortfall must be recouped and subsequent period hurdles must be surpassed before PAR Group can receive an incentive allocation with respect to such limited partner.

The Partnership is responsible for payment of all costs and expenses incurred in organizing and managing the Partnership. Those costs include items such as:

- brokerage commissions and other transaction costs associated with buying, selling, selling short and covering short,
- brokerage clearing and settlement charges,
- custodial fees and expenses,
- fees paid to the administrator of the Partnership,
- research-related expenses, including periodicals, subscriptions, conference fees and *ad hoc* analyses,
- news and data services,
- audit and tax fees,
- legal and other costs and expenses incurred in connection with actual and proposed investments by the Partnership, and
- any other fees and expenses of the Partnership.

Such costs and expenses are borne by the partners of the Partnership ratably on the basis of their respective capital accounts.

The capital account of PAR Group is not assessed management fees or incentive allocations. However, PAR Group is allocated its ratable share of other fees and expenses described above.

SS&C Fund Services, a division of SS&C Technologies, Inc., serves as administrator for the Partnership. In this capacity, SS&C performs daily transaction processing and reconciliation, fund accounting, report generation, net asset value and fee calculations and provides a broad range of tax and investor services to the Partnership. Although SS&C maintains the books and records of the Partnership, final responsibility for valuing the assets of the Partnership for purposes of calculating the management fee and incentive allocation rests with the Adviser.

For purposes of calculating the management fee and incentive allocation, securities and other investments held by the Partnership are “marked to market” by reference to the last generally available price quotation. However, market prices for certain assets held in the Partnership’s portfolio, such as private placements or other illiquid investments, may not be available. In these cases, the Adviser’s valuation committee will ascribe a “fair value” to such assets.

Item 12 below describes the factors the Adviser considers in selecting or recommending broker-dealers for transactions by the Partnership and determining the reasonableness of their compensation.

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

The Partnership may be entitled to performance-based incentive allocations from time to time, as noted in above in Item 5. As noted above, the Adviser does not provide investment advisory services to any person or entity other than the Partnership.

Item 7 – Types of Clients

The Adviser provides investment management services to the Partnership, its only client. The limited partners of the Partnership are high-net worth individuals, trust programs and private investment funds. To invest in the Partnership, a prospective limited partner must provide the Partnership, PAR Group and the Adviser with a reasonable basis to believe that such limited partner qualifies as an “accredited investor” (as defined in Regulation D under the Securities Act of 1933) and is a “qualified purchaser” (as that term is defined in Section 2(a)(51)A of the Investment Company Act of 1940). The minimum initial investment by a limited partner in the Partnership is \$1,000,000, provided that PAR Group may waive this limitation in its sole discretion.

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

Investment Strategy

The Partnership seeks to maximize after-tax capital appreciation by assuming high levels of risk in an aggressively managed portfolio of securities.

There are no restrictions on the type of instruments in which the Partnership may invest. However, the Partnership invests primarily in publicly traded equity securities, as well as options, warrants, and swaps related to equity securities. Such equity securities may be common or preferred, voting or non-voting, and may be of U.S. or non-U.S. issuers. In addition, the Partnership may invest in privately placed equity securities, including warrants and options, of issuers that may or may not have a class of securities that is publicly traded.

The Partnership may also invest in publicly traded or privately placed debt instruments, including bank loans and distressed, defaulted or non-performing loans, notes and bonds, high

yield or subordinated instruments. Such debt securities may have equity features or be convertible or exchangeable into equity securities.

The Adviser engages in short sales of equity securities. In addition, it may use options, total return swaps, credit default swaps, and other derivatives to gain exposure, hedge exposure or manage risk.

Method of Analysis

The Adviser makes investment decisions for the Partnership on the basis of fundamental security analysis. Such analysis is premised on research into the capital structure, financial statements and management of a company. Portfolio managers conduct such research by reference to, among other things, regulatory filings by issuers, data provided by regulatory agencies, discussions and meetings with executives and industry experts, periodicals and on-line news sources, third-party research and independent data providers. Through such research, portfolio managers form judgments about the financial strength, valuation and outlook of a company. Those judgments form the basis for investment decisions.

Risk of Loss

Investing in securities involves risk of loss that investors should be prepared to bear. Because the investment strategy of the Partnership involves high risk, limited partners of the Partnership must be prepared to bear the loss of their entire investment.

A brief discussion of some of the principal risks inherent in the Partnership's investment strategy is set forth below. A more detailed discussion of risks applicable to the Partnership is available to limited partners of the Partnership in the Partnership's confidential private placement memorandum in effect from time to time.

- Lack of Diversification. The Partnership's portfolio is often highly concentrated in a small number of securities and industries. Accordingly, the Partnership's portfolio is subject to greater volatility than would be the case if it were broadly diversified among companies, industries, securities and types of securities.
- Lack of Liquidity. Investments made by the Partnership may be illiquid. As a result, the Partnership may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments by the Partnership. Illiquidity may result from, among other things, the Partnership holding a large portion of the average daily trading volume of a security, the absence of an established market for the investments or legal, contractual or other restrictions on resale.
- Short Sales. Short sales are transactions that are profitable if the subject security loses value from the time the investment is made. If a security that is sold short appreciates in

value, the investment results in a loss. Because securities can, in theory, rise in value infinitely, short sales involve unlimited loss potential. The Adviser may limit such losses by repurchasing the securities sold short. However, under adverse market conditions, the Adviser could have difficulty repurchasing securities sold short and/or posting the necessary collateral to support the increasing liability represented by the short position. Under such conditions, the Adviser could be forced to sell other portfolio securities in order to raise the necessary capital to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

- Use of Leverage. Subject to applicable margin and other limitations imposed by the Partnership's prime brokers and otherwise, the Partnership may borrow funds in order to make investments, and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Partnership's portfolio could be amplified. Interest on borrowings by the Partnership is a portfolio expense and will affect the operating results of the Partnership. Also, the Partnership potentially could create leverage via the use of derivatives, as described below.
- Investments in Derivatives. Derivatives include options, swaps, futures, forwards, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. The Adviser may use derivatives extensively as part of its investment strategy. Using derivatives allows the Adviser to hedge or speculate upon price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are additional risks associated with derivatives. For example, many derivatives are "leveraged," meaning that they can provide notional exposure to an asset that is disproportionately large relative to the money paid or deposited upon entering into the transaction. As a result, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Partnership to the possibility of a loss exceeding the original amount invested. Derivatives may also expose the Partnership to liquidity risk because there may not be a liquid market in which to close or dispose of outstanding derivatives contracts, particularly in adverse market conditions. In addition, derivatives are generally contractual arrangements that expose the Partnership to the risk that the counterparty to the contract may default on its obligations. In the event of a derivative counterparty default, the Partnership will typically rank as an unsecured creditor and will risk the loss of all or a portion of the amounts it is contractually entitled to receive.

- Options Trading. The Partnership may purchase and sell call and put options on securities and other investments. Both the purchase and the sale (“writing”) of call and put options entail risks. Although an option buyer’s risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying instruments. In theory, an uncovered call writer’s loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying instrument may fall below the exercise price.
- Access to Nonpublic Information. From time to time, the Partnership, through the principals, employees or agents of the Adviser, may be represented on the boards of directors or creditors’ committees, or serve as observers to the boards of directors, of certain companies in which the Partnership makes investments. In addition, the Adviser may have access to nonpublic information regarding issuers of securities that are investments or potential investments of the Partnership. While such representation or access to nonpublic information is important to the Partnership’s investment strategy and may enhance its ability to manage the Partnership’s investments, it may also have the effect of impairing the ability of the Partnership to purchase or sell the related investments when, and upon the terms, it might otherwise desire, including as a result of applicable securities laws or standstill provisions in nondisclosure agreements entered into by the Partnership or the Adviser in connection with obtaining such representation or access.
- Private Equity Investments. The Partnership may make private equity investments from time to time, including investments in early-stage companies, companies undergoing debt restructurings and recapitalized companies. These investments involve a high degree of risk. Such companies may have highly leveraged capital structures, require substantial additional capital to support expansion or to achieve or maintain a competitive position, produce substantial variations in operating results from period to period or operate at a loss. In the event that any such company cannot generate adequate cash flow to meet debt service or other obligations, the Partnership may suffer a partial or total loss of capital invested. Although the Adviser may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Partnership takes minority positions in companies in which it invests, the Adviser may not be in a position to exercise control over the management of such companies and, accordingly, may have a limited ability to protect its position in such companies. Private equity investments may have extended holding periods of several years during which no distributions are made to the Partnership on its investment, and there can be no assurance that a viable exit mechanism will be available at the end of the anticipated holding period.

- Custodian and Counterparty Risks. The Partnership will be subject to the risk of the inability of its prime brokers, broker dealers and other counterparties to safeguard assets or to perform with respect to transactions, whether due to bankruptcy, insolvency or other causes. There is a risk that any of such institutions could become bankrupt or insolvent. The bankruptcy or insolvency of such institutions may result in the Partnership losing all or a portion of its assets held with such institutions or the termination of any outstanding transactions. The Partnership may engage in transactions with counterparties located in various jurisdictions outside the United States. Such counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Partnership's assets are subject to substantial limitations and uncertainties. The insolvency of any non-U.S. counterparty may result in a loss to the Partnership, which could be material. In an effort to mitigate these risks, the Partnership will attempt to limit transactions and entrust assets to counterparties, both within and outside the United States, which it believes are established, well-capitalized and creditworthy. However, as the events of 2008 and 2009 have shown, even the capitalization of a long-established institution may deteriorate rapidly when it has substantial risk exposure to one or more asset classes that become distressed, its counterparties and customers lose confidence in its ability to perform its transactions and safeguard assets, or it encounters other severe difficulties. There can be no guarantee that the Partnership could unwind transactions and withdraw assets from a once-creditworthy institution if the institution's capital begins to deteriorate rapidly.
- Valuation of Securities. As described above, the Adviser is occasionally required to ascribe a "fair value" to securities for which market quotations are not available. This causes the potential for a conflict of interest due to the fact that a higher fair value assigned to such security will result in greater management fees paid, and possibly in higher incentive allocations. Valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by the Partnership on the sale of those securities and other investments. In addition, there is a risk that the valuations of securities established by the Adviser's valuation committee may differ from the price at which such securities may actually be sold.

Item 9 – Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to the Partnership's evaluation of the Adviser's business or the integrity of its management. We do not have any such events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

From time to time, senior management of the Adviser may be offered investment opportunities personally, principally in private placements and other private equity transactions. The Adviser's principal owners who are not interested in such transactions are required to review such opportunities and determine whether they are appropriate investments for the Partnership based upon such criteria as the size of the transaction, the business of the company in which the investment is being made, the expected length of the investment and similar factors. Such investments are permitted only if approved by the disinterested principal owners of the Adviser. The Adviser's senior management may organize investment vehicles, such as limited partnerships or limited liability companies or charitable foundations, for purposes of making such permitted investments.

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

The Adviser has adopted a Code of Ethics (the "Code") for all supervised persons. The Code describes the Adviser's standards of business conduct and fiduciary duty to its client. The Code includes provisions relating to handling of confidential information, treatment of material non-public information, personal trading and reporting of securities transactions and holdings by access persons, participation in outside business activities, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items, among other things.

Under the Code, the Adviser's employees must seek pre-approval from the Chief Compliance Officer or General Counsel prior to trading in many types of securities for accounts they, or their immediate family members with whom they share a household, beneficially own or control. If

there is a possibility that the Partnership may trade in such securities at or around the time the employee seeks pre-approval or if the Partnership or any employee is in possession of material non-public information with regard to an issuer, approval will not be granted. The Code prohibits short-term trading of securities, whether such securities required pre-approval for trading, as well as the participation by employees in initial public offerings.

The Adviser has provided its Code to its client, the Partnership, and will provide it with updates or amendments as they occur.

Item 12 – Brokerage Practices

The Adviser manages the Partnership on a fully discretionary basis and has authority to determine the securities to be bought or sold, the amount of securities to be bought or sold, and the broker dealers to be used and related commission rates. In selecting brokers, the Adviser seeks to achieve the best overall combination of price and execution of its purchase and sale orders based on empirical as well as subjective considerations. In particular, weight may be given to factors such as:

- the reputation, perceived soundness, and performance of various firms,
- demonstrated execution capability, both generally and in regard to particular securities transactions,
- proposed commission charges, taking into account the securities or instrument being traded, the size and type of the transaction, the nature and character of the markets for the security or instrument to be purchased or sold, the desired timing of the trade, the activity existing and expected in the market for the particular security or instrument,
- confidentiality, and
- clearance and settlement capabilities.

In selecting brokers to execute purchase and sale orders, the Adviser also has the discretion to give consideration to proprietary research services that brokers have provided in the past or may provide in the future that the Adviser believes will be useful in managing the Partnership, its sole client. Such research services and products may include:

- supplemental investment research such as information pertaining to particular securities, individual companies or industries,
- market, financial and economic data or analysis,

- facilitating meetings with corporate executives to obtain oral reports pertaining to company or industry performance, and
- extending invitations to seminars and conferences focused on issuers, securities or industries.

Accordingly, the Adviser's consideration of these research services in the broker selection process may cause the Partnership to, at times, pay higher brokerage commissions in connection with trades than otherwise would be the case. In addition, the Adviser receives a benefit when receiving research services using brokerage commissions paid by the Partnership because the Adviser does not have to pay for or produce such research itself. The Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than the Partnership's interest in receiving the lowest execution price.

In addition to utilizing research services produced by brokers, the Partnership also acquires research produced by third party research vendors. Payment for all third party research as well as other services provided in connection with the management of the Partnership are paid in cash, or "hard dollars," and treated as Partnership expenses in accordance with its limited partnership agreement.

At least twice each year, portfolio managers make recommendations to the Adviser's trader to allocate a certain portion of the Partnership's commissions to various broker-dealers in return for research or other products and services. The Partnership does not engage in directed brokerage arrangements.

The Partnership currently utilizes three prime brokers: UBS Securities LLC, Morgan Stanley and Fidelity Prime Services. The responsibilities of these entities as prime brokers to the Partnership fall into two categories: financial and operational. The financial services include securities lending and margin activities. The operational services pertain to the clearing of securities trades, the provision of various accounting reports and other ancillary services. In addition, the Adviser currently licenses office space from and pays an annual license fee for other ancillary services to UBS Securities LLC, including but not limited to, for the use of office furniture, phone equipment, and IT support staff.

The Partnership's prime brokers receive income from the Partnership in addition to brokerage trading commissions. The Partnership pays interest income to the prime brokers on margin borrowings. The prime brokers also earn income on collateral deposited by the Partnership in conjunction with securities loans and short sales. In return for the use of this collateral, the prime brokers pay interest to the Partnership.

Item 13 – Review of Accounts

Each day, a comprehensive report on the holdings, transactions and market value of the Partnership is distributed to all investment personnel, as well as to the Chief Operating Officer, Vice President of Finance and Chief Compliance Officer. This report is regularly reviewed by all such personnel.

Limited partners of the Partnership receive written monthly summaries of aggregate Partnership performance as well as quarterly and annual account statements.

Item 14 – Client Referrals and Other Compensation

Neither the Adviser nor the Partnership compensates any person who is not a supervised person for client referrals.

Item 15 – Custody

The Adviser may be deemed to have constructive custody of Partnership assets because it is the general partner of PAR Group, which is the general partner of the Partnership, and because it has the ability to debit management fees directly from the capital accounts of limited partners of the Partnership. However, the Partnership's assets are held in custody by its prime brokers: UBS Securities LLC, Morgan Stanley or Fidelity Prime Services. The Adviser may change prime brokers for the Partnership from time to time at its discretion and without notice to limited partners of the Partnership.

Item 16 – Investment Discretion

The Adviser exercises investment discretion over the assets of the Partnership. This authority is established through the limited partnership agreements of the Partnership and PAR Group.

Item 17 – Voting Client Securities

With regard to each proxy vote, the portfolio manager responsible for the applicable investment independently reviews the relevant issues and provides voting instructions in accordance with the

best interests of the Partnership. Proxy votes are executed by the Adviser's personnel through the use of an on-line proxy execution service.

Neither the Partnership nor the limited partners of the Partnership may direct proxy voting by the Partnership. Information on the proxy voting record of the Adviser is available to the Partnership upon request.

Item 18 – Financial Information

Not applicable.