

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

March 31, 2023

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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](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply any level of skill or training.

## **Item 2 – Material Changes**

The only material changes to this Brochure since the last annual update on March 31, 2022 relate to the description of “Special Investments” in Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss”.

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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 II, L.P. (“PAR Group”), and the Adviser is the general partner of PAR Group. The principal owner of the Adviser is Paul A. Reeder, III. As of December 31, 2022, Arthur G. Epker, III, Steven M. Smith, and Marc Zimman are also shareholders of the Adviser. Certain 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.

The Partnership’s investment objectives are set forth in its offering documents. Investors in the Partnership do not have the ability to impose specific investment objectives or restrictions on the Partnership.

As of December 31, 2022, the Adviser managed approximately \$1,594,089,428 of assets on behalf of the Partnership, after taking into account year-end withdrawals. This amount represents the approximate “net asset value” of the Partnership, and not the “regulatory assets under management,” as of such date. 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 at an annual rate of 1.00% of the aggregate value of the capital accounts of the limited partners of the Partnership. The management fee is paid by deduction from the capital accounts of such partners, generally within five (5) days of the first business day of the start of each calendar quarter. PAR Group distributes the management fee to the Adviser.

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 calendar year. Incentive allocations are earned with respect to limited partners of the Partnership and fee-paying GP limited partners if the book profit allocated to such partners during a measurement period exceeds a 5% annualized return. This 5% annualized amount is referred to 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 partner’s capital account during the measurement period. If there is a performance shortfall for a 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 is entitled to receive an incentive allocation with respect to such partner.

Current and retired shareholders and employees of the Advisor (the “PAR Principals”), have made significant investments in the Partnership, directly or indirectly, including through PAR Group. PAR Group has entered into side letter agreements (the “Side Letters”) with the PAR Principals, which provide, among other things, that the limited partner capital accounts of the PAR Principals in the Partnership shall not be charged or assessed management or incentive fees or allocations by the Partnership. Rather, such fees or allocations are charged to, or assessed against, the PAR Principals by PAR Group; provided that the PAR Group may waive such fees or allocations for PAR Principals in accordance with its limited partnership agreement.

The management fee and incentive allocation percentages are not negotiable and the Adviser has not entered into side letters or other arrangements with any limited partners of the Partnership providing for different fee terms.

In addition to the management fee and incentive allocation, the Partnership is responsible for payment of all costs and expenses incurred in connection with the formation and organizing of the Partnership and PAR Group, as well as the ongoing management of the Partnership. Those costs include items such as:

- brokerage commissions and other transaction costs associated with buying, selling, selling short and covering shorts,
- clearing and settlement charges,
- custodial fees and expenses,
- fees and expenses of the Administrator,
- legal and other costs and expenses incurred in connection with actual and proposed investments by the Partnership,
- expenses associated with research and research and data services and subscriptions (including, without limitation, third party research services such as newspapers, magazines, exchange feeds, security master services, news feeds and real-time desktop news and data services) and associated software licenses,
- bank service fees and interest expense,
- other legal and accounting expenses, including without limitation those incurred in connection with the Partnership audit and the preparation of Partnership financial statements, tax returns and Schedule K-1s as well as tax analysis software and services,
- professional and consulting fees and expenses associated with Partnership investments or prospective Partnership investments,
- expenses incurred by the Adviser’s personnel in connection with attendance at industry conferences,
- fees, costs and expenses associated with federal, state and non-U.S. regulatory filings or inquiries on behalf of, or related to the activities of, the Partnership,
- fees and expenses incurred in connection with proxy vote execution services and commissions paid to class action claims filing services,
- portfolio accounting, portfolio management, execution management and portfolio analytics software and related services,

- expenses incurred in connection with the offering and sale of interests in the Partnership, and
- Any other fees and expenses of the Partnership, including extraordinary expenses.

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

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**

PAR Group may be entitled to performance-based incentive allocations from time to time as noted above in Item 5.

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, family offices, trust programs, endowments and foundations, and private investment funds, including fund of 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**

#### **Method of Analysis**

As noted above, the Adviser’s only client is the Partnership. 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.

## **Investment Strategy**

In managing the Partnership, the Adviser 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 or illiquid securities, including warrants and options, of issuers that may or may not have a class of securities that is publicly traded. These securities are referred to as “Special Investments”. Limited partners may decide whether or not they wish to participate in Special Investments. For limited partners who elect to participate in Special Investments, the following will apply:

- Special Investments will be segregated into a Special Investment account, or “side pocket”.
- No more than 25% of a limited partner’s interest in the Partnership will be allocated to Special Investments.
- Special Investments will be assessed a management fee on the same terms as non-Special Investments, except that they will be valued at the lesser of cost when designated or current value.
- Special Investments will not be subject to an incentive allocation to the general partner, and changes to the value of Special Investments will not affect the incentive allocation, unless and until they have been realized or are deemed to be realized. Further, for purposes of calculating any such incentive allocation, any pre-existing loss carryforward associated with a limited partner’s interest in the Partnership will be applied, together with other profits and losses in the relevant period, to Special Investments upon their realization or deemed realization.
- Capital allocated to Special Investments generally may not be withdrawn until such Special Investments have been realized or deemed realized.

The terms applicable to Special Investments are explained in greater detail in the Partnership’s limited partnership agreement and private placement memorandum. In addition, Special Investment present unique risks and potential conflicts of interest that limited partners should consider before deciding whether or not to participate in Special Investments. Those risks are described in the “Risk of Loss” section below under the headings “Special Investments, Generally,” “Portfolio Company Risks - Special Investments,” “Reliability of Valuations,” and “Conflicts of Interest – Special Investments”.

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.

### **Risk of Loss**

Investing in the Partnership involves many significant risks with no assurance of return. The following is a brief description of key risk factors which, along with additional risk factors that are discussed in the Partnership's offering documents, should be considered by prospective investors in the Partnership.

#### *Competition*

The securities industry and the varied strategies and techniques to be engaged in by the Adviser are extremely competitive and each involves a degree of risk. The Partnership competes with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

#### *Risk of Loss of Investment*

Investing in securities involves the 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 summary of some of the principal risks inherent in the Partnership's investment strategy is set forth below.

#### *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*

No market exists for interests in the Partnership and such a market cannot be expected to develop. Although the Partnership's investments are generally expected to be liquid, the Partnership has the authority to invest in illiquid or restricted securities or other instruments. There can be no assurance that the Partnership will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Illiquidity may result from the absence of an established market for investments as well as from legal or contractual restrictions on their resale by the Partnership. The absence of a trading market can make it difficult to ascertain a market value for illiquid investments, and to the extent such illiquid investments are other funds, the Partnership expects to rely on the

value reported by the administrator or manager of such fund. Disposing of certain illiquid investments may involve time-consuming negotiation and legal expenses, and it may be difficult or impossible for the Partnership to sell such investments promptly at an acceptable price. The Adviser may have access to non-public information regarding certain investments, the possession of which also could limit the Partnership's ability to sell such investments. There can be no assurance that the Partnership will be able to divest or otherwise dispose of all of its investments, which may require the Partnership to make in-kind distributions.

The Partnership Agreement authorizes the general partner to make distributions in-kind of securities in lieu of or in addition to cash. In the event PAR Group makes distributions of securities in-kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

### *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 Partnership may limit such losses by repurchasing the securities sold short. However, under adverse market conditions, the Partnership 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 Partnership 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 Partnership may use derivatives extensively as part of its investment strategy. Using derivatives allows the Partnership 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, each of which entails certain 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.

### *Hedging Transactions*

As noted above, the Partnership may use derivatives, to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Partnership to hedge against a fluctuation at a price sufficient to protect the Partnership’s assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

The Adviser is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedges are implemented, their success is dependent on the Adviser’s ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

### *Debt Obligations*

Debt obligations, such as bonds, notes, loans and debentures, are subject to credit and interest rate risks. “Credit risk” refers to the possibility that an issuer will default in the payment of principal and/or interest. Credit risk may change over the term of an instrument, and debt obligations that are rated by rating agencies are often reviewed and may be subject to downgrade. “Interest rate risk” refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed-rate debt securities) and directly (especially in the case of debt instruments whose rates are adjustable). Prices of debt securities fluctuate and are susceptible to general stock market fluctuations and to changes in market confidence and perceptions of their issuers.

### *Direct Loans*

On occasion, the Partnership may provide financing to borrowers that have difficulty obtaining financing from other sources. While the Adviser believes that this may provide an attractive opportunity for the Partnership to generate profits, such borrowers may have difficulty repaying their loans to the Partnership upon maturity. A borrower’s ability to repay its loan may be adversely affected by numerous factors, including, without limitation, a failure to meet its business plan, a downturn in its industry or negative economic conditions.

### *Below Investment-Grade Securities*

There is no minimum credit standard that is a prerequisite to the Partnership’s investment in any instrument. A portion of the obligations and securities in which the Partnership invests from time to time may be in the form of fixed-income instruments which are or are deemed to be the equivalent in terms of quality to securities rated below investment grade by a nationally recognized statistical rating organization. These securities involve great risk.

### *Second Lien Loans*

The Partnership may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to inter-creditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries.

### *Bankruptcy Claims*

The Partnership may purchase creditor claims subsequent to the commencement of a bankruptcy case. Bankruptcy claims are usually illiquid and generally do not pay interest, and there is no guarantee that the debtor will ever be able to satisfy the obligation on the

bankruptcy claim. The markets in bankruptcy claims are not generally regulated under the federal securities laws.

#### *Access to Non-Public 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 non-public information regarding issuers of securities that are investments or potential investments of the Partnership. While such representation or access to such information may enhance the Partnership's ability to manage its investments, it may also have the effect of impairing its ability 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.

#### *Accuracy of Public Information.*

The Adviser may select investments for the Partnership in part on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when the Adviser considers it is appropriate and when it is reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

#### *Execution of Orders*

The Partnership's trading strategy depends on its ability to establish and maintain an overall market position in a combination of securities selected by the Adviser. Should the Partnership's trading orders not be executed in a timely and efficient manner, the Partnership might only be able to acquire some, but not all, of the components of such position, or if the overall position were to need adjustment, the Partnership might not be able to make such adjustment. In such an event, the Partnership would not be able to achieve the market position selected by the Adviser, and might incur a loss in liquidating its position, incur an opportunity cost relating to the value of the portfolio or deviate from the targeted level of portfolio risk.

#### *Special Investments, Generally*

Limited partners who elect to participate in Special Investments are referred to below as "Participating Partners".

Participating Investors may, because of their participation in Special Investments, be exposed to different or possibly greater risks than limited partners who elect not to participate in Special Investments and as a result, it is probable that Participating Investors' returns will differ, perhaps materially, from the returns experienced by non-Participating Investors. Although participation in Special Investments generally would be expected to increase both a limited partner's risk of loss and its possibility of return, it is not possible to predict whether participation or non-participation will be more beneficial to any limited partner. The Partnership may not be able to readily dispose of its interest in any Special Investment and, in some cases, may be contractually or otherwise prohibited from disposing of such securities for a specified period of time or indefinitely. Participating Investors will generally not be permitted to withdraw their interests in Special Investments and will only be permitted to withdraw such interests when the Special Investments are realized or deemed realized, in the sole discretion of the general partner. In addition, it is possible that an "incentive allocation" will be made to the general partner for a period during which the Partnership as a whole suffered a loss, if the loss occurred in the Partnership's Special Investment accounts.

Because (i) gains or losses in a Special Investment, or in hedge positions and liabilities that relate to, and are a part of, a Special Investment, may occur subsequent to the time of investment, and (ii) follow-on investments are not subject to the Participation Limit, it is possible for the actual exposure of a Participating Investor to Special Investments to exceed the Participation Limit. Any decision by the Partnership not to make follow-on investments with respect to a Special Investment or its inability to make such investments may have a substantial negative effect on a company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for the Partnership to increase its participation in a successful company or the dilution of the Partnership's ownership in a company if a third party instead invests in such company.

Special Investments are anticipated to be subject to legal or other restrictions on transfer or no liquid market. Transfer restrictions or illiquidity increases risk and volatility and may make it impossible to close out positions when the general partner seeks to do so or to realize such positions' value at the time of sale. Accordingly, the general partner is unable to predict with confidence what the exit strategy will ultimately be for any given Special Investment, or that one will definitely be available at an attractive price, or at all. Exit strategies which appear to be viable or profitable when an investment is initiated may be precluded or unprofitable by the time the investment is ready to be realized due to market, economic, legal, political, or other factors. Investment analyses and decisions by the general partner may be undertaken on an expedited basis in order for the Partnership to take advantage of Special Investment opportunities. In such cases, information available to the general partner at the time of an investment decision may be limited, and the general partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

Because the Partnership is a single legal entity, notwithstanding the segregation of Special Investments from the rest of the Partnership's investments through the use of Special Investment accounts, limited partners may be compelled to bear the liabilities incurred with

respect to Special Investments even if they elected not to participate in Special Investments to the extent there are insufficient assets in the relevant Special Investment accounts to satisfy those liabilities. Accordingly, there is a risk that the liabilities of Special Investments are not limited to the corresponding Special Investment accounts and spill over to the rest of the Partnership's portfolio, adversely affecting the returns of all Partners.

#### *Portfolio Company Risks - Special Investments*

*Special Investments.* Among other risks, the general partner is authorized to designate certain investments of the Partnership, typically those that lack a readily assessable value or are illiquid, as "Special Investments" (often called "side pocket" or "designated" investments) with additional limitations on withdrawal and alternative economic arrangements.

*Take-Private Risks.* Special Investments may relate to opportunistic "take-private" transactions, whereby upon the transaction completion, the target company will become a private company controlled by the general partner and its affiliates. While operation as a private company reduces or eliminates certain risks inherent in public company operation, including hostile takeover threats, shareholder lawsuits and public disclosure of competitive information such as technology, research and development plans and growth and acquisition strategies, it could potentially engender certain risks, including the loss of public company prestige and advantages, including a secondary resale market, credit/financing flexibility, a public market basis for valuation of share price and attractive public company option plans, which could make it more difficult for the target company to execute its business strategy and successfully compete in the market.

*Pre-IPO Company Risks.* Special Investments may relate to passive, minority ownership positions in late-stage private investments prior to an initial public offering. As operating results for these companies in a specified period are difficult to predict, such investments involve a high degree of business and financial risk that can result in substantial losses.

*Time Devotion.* The Adviser's investment professionals will devote necessary time to carry out the investment operations of Special Investments and such time they deem necessary to carry out the operations of the Partnership. Given the nature of Special Investments, the general partner expects that the Adviser's investment personnel will spend a disproportionate amount of their time dedicated to the Partnership on managing any Special Investments.

*Control Position Liability.* The Partnership may look to assume a control position in any Special Investments, providing the Partnership with the opportunity to meet its investing objectives and implementing changes that may be needed at the Special Investments level to achieve this. The exercise of control over a company imposes additional risks of liability, of which the limited liability general characteristic of business operations may be ignored. If any such liabilities were to arise, the Partnership

might suffer significant losses. While the Special Investments are intended to be managed in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Partnership and/or its affiliates cannot be precluded.

*Investment in Private Companies.* Investing in private companies normally involves a greater involvement on the part of the Partnership than is the case with investments in public companies. It is typical of such investors to have one or more seats on the board of directors of a private company, which would enhance the investors' ability to manage investments efficiently. Although representatives of the Partnership may serve on a Special Investment's board of directors, the company will be managed by its own officers (who generally will not be affiliated with the Partnership). A Special Investment may have substantial variations in operating results from period-to-period, face intense competition, and experience failures or substantial declines in value at any stage. Membership on the board of directors of a private company can result in personal actions in litigation. Typically, private companies will have insurance to protect directors and officers (including those affiliated with the Partnership), but this may be inadequate. As the Partnership Agreement will contain a comprehensive indemnity for the benefit of, amongst others, such directors and officers, any legal action resulting in damages being payable by such directors and officers may result in the Partnership being liable for such indemnity payments in the event that the insurance coverage of a portfolio company is inadequate.

*Information Flow.* Privately held companies generally maintain less comprehensive financial information than listed companies. Therefore, the Partnership may make investment decisions, and monitor such investments, after reviewing information which is less comprehensive than that available to an investor in a listed public company.

*Minority Investments.* Minority investments in private companies may deprive the Partnership from any right to exert control or significant influence over such companies, and in some cases the Partnership may only have limited or no minority protection rights. These companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, liquidity needs, tax strategies, fiduciary duties, or other considerations that differ from or are inconsistent with those of the Partnership or the limited partners. Such third parties may be in a position to take action contrary to the Partnership's business, tax, or other interests, and the Partnership may not be in a position to limit such contrary actions, take other affirmative action, or otherwise protect the value of its investment.

*Material Non-Public Information.* If any representative of the Partnership receives material non-public information about a public company in connection with serving on a Special Investment's board of directors or being otherwise involved with the management of the company, the Partnership may be precluded from trading the securities of such public company unless and until such information becomes public.



### *Reliability of Valuations*

To the extent that the Partnership holds investments in securities that are illiquid, not traded on an exchange or in an established market or for which no value can be readily determined, such instruments generally will be assigned value based on dealer quotes or independent appraisals, or such other factors as the Adviser and the general partner may reasonably determine, and are subject to the valuation discretion of such dealers, appraisers and/or the Adviser and the general partner. Such valuations may not be indicative of what actual fair market value would be in an active, liquid or established market.

To the extent that the Partnership trades or invests in securities or other instruments for which market quotations are not readily available, the valuation of such securities and instruments will be determined in good faith by the Adviser and the general partner, whose determination is final and conclusive as to all parties. The actual value of the security or other instrument, however, may prove significantly different, which may adversely affect the Net Asset Value (as defined in the limited partnership agreement) of the Partnership. The valuation of certain illiquid assets is inherently subjective and subject to increased risk that the information utilized to value the asset or to create the price models may be inaccurate or subject to other error. Inaccurate valuations may, among other things, prevent the Partnership from effectively managing its investment portfolio and risks, affect the diversification and risk management of the Partnership's portfolio, affect the Net Asset Values at which interests are issued and withdrawn, and affect the determination of management fees and the incentive allocation and may, therefore, create conflicts of interest.

### *Conflicts of Interest – Special Investments*

The general partner faces conflicts of interest in relation to exercising its discretion on designating investments as Special Investments, deciding on whether (and the timing of which) to realize a Special Investment or determine a Special Investment is deemed realized, and deciding to what extent to hold back the withdrawal proceeds of a fully withdrawn investor for future follow-on investments of then-existing Special Investments. The general partner, in its sole discretion, is authorized to determine when a Special Investment is deemed realized, and it may choose to not do so if the Special Investment is no longer illiquid but instead would have been realized at a loss. The general partner has the incentive to not deem the Special Investment realized in such circumstances and retain the Special Investment status of the investment in anticipation of a rebound in valuations to the detriment to the limited partners receiving liquidity from the Special Investment. The continued designation of such Special Investment would also increase the management fees accruing to the general partner on account of the inability of limited partners to withdraw attributable capital. Similarly, the holdback of withdrawal proceeds of a fully withdrawn limited partner for follow-on investments would increase the management fees accruing to the general partner on account of the inability of the limited partners to withdraw attributable capital.

### *Systems Risks*

The Partnership relies extensively on computer systems to trade, clear and settle securities transactions, to evaluate certain securities based on real-time trading information, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of the Partnership's activities. In addition, certain of the Partnership's operations interface with or depend on systems operated by third parties, including its prime brokers and market counterparties. A defect or failure in any of these systems could have a material adverse effect on the Partnership.

### *Interest Rate Risk*

Interest rate risk is the risk that fixed-income or preferred securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. Investments in debt securities with long-term maturities may experience particularly significant price declines if long-term interest rates increase. Although the Adviser may seek to mitigate interest rate risk using derivative instruments and other methods, there can be no assurance that such methods will be effective.

### *Non-U.S. Investments*

The Partnership may invest in securities issued by non-U.S. companies. Such investments have risks associated with political and economic developments, higher operating expenses, exchange controls, currency fluctuations, foreign withholding and other taxes which may reduce investment return, reduced availability of public information concerning issuers and the fact that foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to those applicable to U.S. chartered issuers. Transaction costs for non-U.S. securities are generally higher than for comparable securities issued in the U.S.

### *Currency Risk*

The value of the Partnership's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when the Partnership changes investments from one currency to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

### *Cybersecurity Risk*

The computer systems, networks and devices used by the Adviser and its service providers employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite such protections, systems, networks, or devices potentially can be breached. The Partnership could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses; impediments to trading; inability to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which the Partnership invests; counterparties of the Adviser or the Partnership; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

### *Past Performance*

Past performance of the Partnership, the Adviser, the general partner or their affiliates, employees or representatives or any other person is not indicative of future results of the Partnership and no assurance can be given that the investment objectives of the Partnership will be achieved or that investors in the Partnership will receive a return of any of their investment.

***Investors should refer to the Partnership's offering documents for further details with respect to methods of analyses, investment strategies, conflicts of interest, and risks of loss.***

### **Item 9 – Disciplinary Information**

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

## **Item 10 – Other Financial Industry Activities and Affiliations**

PAR Group is the general partner of the Partnership and the Adviser is the general partner of PAR Group. Other than this relationship, neither the Adviser nor any of its management personnel has any relationships or arrangements with other financial services companies that are material to its advisory business or that create material conflicts of interest with its clients.

Neither the Adviser nor its management personnel are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer. Neither the Adviser nor its management personnel are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

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

The Adviser has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 of the Investment Advisers Act of 1940 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 identification and handling of conflicts of interest, personal trading and reporting of securities transactions and holdings by access persons, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items, among other things. All supervised persons of the Adviser must acknowledge the terms of the Code annually, or as amended.

Under the Code, the Adviser’s employees must seek pre-approval from the Adviser’s compliance staff 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 or not such securities require 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 sole and absolute 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. Such research services 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.

To the extent brokerage commissions are used to purchase items other than trade execution services, such items could be considered "soft dollars". The Adviser intends that the use of soft dollars, if any, will be in compliance with the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

At least twice each year, portfolio managers make recommendations to the Adviser's traders to allocate a certain portion of such of the Partnership's commissions to various broker-dealers in return for research or other products and services.

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 either

through so called “commission sharing arrangements” or in cash and treated as Partnership expenses in accordance with the limited partnership agreement.

The Partnership has engaged UBS Securities LLC, Fidelity Prime Services, Morgan Stanley & Co. Inc., and JP Morgan Securities, LLC to serve as prime brokers. The responsibilities of the prime brokers fall into two categories: financial and operational. The financial services component includes securities lending and margin activities. The operational services component pertains to the clearing of securities trades, maintaining custody of Partnership securities, the provision of various accounting reports and other ancillary services. The prime brokers also generally act as custodians of the Partnership’s securities. The Partnership may terminate its arrangements with its prime brokers at any time and it may add other prime brokers in the Adviser’s sole and absolute discretion, in each case without notice to limited partners.

### **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 and Vice President of Finance. 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 monthly account statements.

### **Item 14 – Client Referrals and Other Compensation**

Neither the Adviser, PAR Group nor the Partnership receives any economic benefit from anyone who is not a client nor compensates any person who is not a supervised person for client referrals.

### **Item 15 – Custody**

The Partnership’s assets generally are held in custody by third party qualified custodians, including the Partnership’s prime brokers and other unaffiliated broker/dealers or banks.

The Adviser, however, also 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 PAR Group has the ability to debit management fees directly from the capital accounts of limited partners of the Partnership. To comply with Rule 206(4)-2 under the Advisers Act, the Partnership distributes annual audited financial statements prepared by an independent public accountant to limited partners within 120 days of the Partnership’s fiscal year-end.

### **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. If a proxy vote creates a material conflict between the interests of the Adviser and a client, it will be resolved before voting.

Neither the Partnership nor the limited partners of the Partnership may direct proxy voting by the Partnership. Information on the proxy voting record and policies and procedures of the Adviser are available to the Partnership and investors upon request.

### **Item 18 – Financial Information**

Not applicable.