

# PARABELLUM CAPITAL

## Form ADV 2A

### Brochure

March 28, 2024

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This brochure (“**Brochure**”) provides information about the qualifications and business practices of Parabellum Capital LLC (“**Parabellum Capital**” or the “**Firm**”). If you have any questions about the contents of this brochure, please contact us at 212-726-2640 or [info@parabellumcap.com](mailto:info@parabellumcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about Parabellum Capital LLC also is available on the SEC’s website at <https://adviserinfo.sec.gov/>.

Please note that registration as an investment adviser with the SEC does not imply any level of skill, training or ability with respect to the provision of investment advisory services.

## **ITEM 2 – MATERIAL CHANGES**

There have been no material changes since Parabellum's previous other-than-annual filing dated August 4, 2023.

Parabellum routinely makes changes throughout its Brochure in an effort to improve and clarify the description of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices.

We encourage all recipients to read this Brochure carefully in its entirety.

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#### **ITEM 4 – PARABELLUM CAPITAL LLC** **ADVISORY BUSINESS**

Parabellum Capital LLC (“**Parabellum Capital**” or the “**Firm**”), a Delaware limited liability company, is headquartered in New York, NY, and was founded in January 2012. Parabellum Capital is owned by Parabellum Founders Holding, LLC. Chief Executive Officer Howard Shams and Chief Investment Officer Aaron Z. Katz are the principals of Parabellum Capital (the “**Principals**”). Parabellum Capital seeks to generate long-term capital appreciation by primarily investing in a range of contracts, the underlying values of which are primarily derived from commercial litigation (the “**Litigation Finance Investments**”).

Parabellum Capital provides discretionary investment advisory services to Parabellum Partners II, LP (“**Fund II**”) and Parabellum Partners III, LP (“**Fund III**”), both of which are Delaware limited partnerships formed as a private equity pooled investment vehicles, and to several feeder funds, some of which are Cayman Islands exempted companies (*e.g.*, Parabellum Partners II Offshore, LTD and Parabellum Partners III Offshore, LTD) and some of which are Delaware Limited Partnerships (*e.g.*, Fund III FL Partners LP and Parabellum Partners III Leveraged Return, LP).

Fund II and Fund III are, collectively, “the **Master Funds**” while the Cayman and Delaware feeder funds are, collectively, “the **Feeder Funds**” which invest substantially all of their assets in the corresponding Master Funds.

The Master Funds together with the Feeder Funds will be referred to as the “**Funds**.” Parabellum Capital also provides discretionary investment advisory services to two co-investment fund vehicles (the “**Co-Investment Funds**”) to co-invest in certain selected Litigation Finance Investment opportunities alongside the Funds. The Co-Investment limited partner investment rights are outlined in the Co-Investment governing documents.

In addition, Parabellum Capital has transacted in certain prepaid forward purchase agreements and secondary offerings in order to generate partial realizations of certain litigation finance investments for the Client Funds. Parabellum retained investment advisory responsibilities for those specific litigation finance investments. Certain of the credit-oriented litigation finance investments, pre-paid forward purchase agreements and/or secondaries are managed via separately managed accounts (“**SMA Clients**”). The Client Funds and SMA Clients are each referred to as a (“**Client**”) and collectively Parabellum’s (“**Clients**”). The Master Funds, Feeder Funds, the Co-Investment Vehicles and the SMA Clients are collectively referred to as the “**Client Funds**”.

Parabellum provides discretionary investment management services to the Client Funds and SMA Clients in accordance with the applicable limited partnership agreements, investment management agreements, operating agreements, offering

memoranda, asset management and prepaid forward purchase agreements and other such agreements (the “**Offering Documents**”).

PBLM General Partner II, LLC and PBLM General Partner III, LLC, each a Delaware limited liability company, are the Client Funds’ General Partners, respectively (the “**General Partner**”). The Offering Documents of the Client Funds typically allow the general partner to control the business and affairs of the Client Funds. Parabellum is the manager of the SMA Clients.

“**Investors**” refer to investors or limited partners, and/or SMA entities invested in the Clients. Parabellum does not expect to tailor advisory services to any individual or particular needs of the Investors in the Client Funds. Parabellum Capital may accommodate Investor restrictions at the Firm’s discretion. Generally, Investors accept the terms of advisory services as set forth in each Offering Documents. The Firm expects to have broad investment authority with respect to the Client Funds and, as such, investors should consider whether the investment objectives of the Client Funds are in line with their individual objectives and risk tolerance prior to investment.

The Client Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), pursuant to Section 3(c)(7) of the Investment Company Act. Interests in the Client Funds are privately offered only to qualified investors. Generally, the Client Fund’s investors are high net worth individuals or institutions, such as endowments, foundations, pension funds, trusts, family offices, and other professional investors.

Parabellum has, and may in the future, enter into agreements, commonly known as “**Side Letters**,” with certain investors under which Parabellum waives or modifies the application of certain investment terms applicable to such investors, without obtaining the consent of any other investor in the Fund (other than an investor whose rights would be materially and adversely affected by the waiver or modification).

Parabellum Capital does not participate in wrap fee programs.

As of December 31, 2023, the Firm managed \$1,347,131,931 of discretionary regulatory assets under management and \$101,391,345 of non-discretionary regulatory assets under management.

## **ITEM 5 – FEES AND COMPENSATION**

Parabellum Capital generally charges the Master Funds and Feeder Funds a management fee, payable quarterly in advance, of up to 2% per annum of the capital commitment during the investment period of each limited partner, as further disclosed in each Funds’ Offering Documents. After the termination of the investment period, the management fee is charged on the sum of amounts committed to unrealized investments, as further disclosed in each Funds’ Offering Documents. The

Funds will also be responsible for payment of organizational expenses, subject to a cap, and operating expenses pursuant to the Offering Documents.

The Co-Investment Fund is not charged a management fee; however, it reimburses Parabellum Capital for any Co-Investment Fund expenses (“**Management Expenses**”) paid on the Co-Investment Fund’s behalf and all direct costs incurred by Parabellum Capital in managing the Co-Investment Fund as defined in the relevant Offering Documents and generally allocated pro-rata among the Investors in accordance with their respective capital commitments at the time of allocation. Certain of the Co-Investment Fund Investors were also responsible for due diligence costs in connection with the review of investments, in addition to their capital commitments, subject to an expense cap. Expenses reimbursed to Parabellum Capital will be due upon receipt of the drawdown notice.

In general, SMA Clients are allocated certain fees and expenses as agreed upon pursuant to each respective SMA Client’s asset management agreement.

Parabellum Capital’s fees and compensation arrangements may vary among the Investors in the Client Funds. The specific terms of such arrangements are established by Parabellum Capital, and as set forth in each Client Fund’s Offering Documents.

Parabellum Capital will bear the ordinary day-to-day expenses incidental to the operation of the Client Funds pursuant to the Offering Documents and Asset Management Agreement such as ordinary overhead expenses including rent, furniture & fixtures, equipment, office supplies, computer hardware, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, its support personnel.

The Funds will bear all organizational and offering costs and expenses. The Funds will also bear all costs and expenses relating to the activities, operations and maintenance (to the extent not reimbursed in connection with an investment), including, without limitation, all fees, costs and expenses associated (directly or indirectly) with the sourcing, acquiring, holding, monitoring and disposing of its investments or proposed investments (including, without limitation, consulting services, due diligence and investment-related travel and entertainment expenses, as well as all fees and expenses due to any legal, regulatory, financial, accounting, consulting or other advisors, or any finder, placement agent or investment bank in connection with the sourcing, acquiring, holding, monitoring and disposing of investments or proposed investments), brokerage commissions and securities transaction costs, custodial, transfer agent, all entity-level taxes, fees or other governmental charges (including any entity-level taxes, fees or other governmental charges levied against any AIV (as defined below) or SPV (as defined below)), the costs of any insurance (including, without limitation, directors and officers insurance, if any), expenses incurred in collecting monies owed to the Funds, extraordinary expenses (including, without limitation, litigation-related and indemnification expenses), legal, regulatory, auditing, consulting, research and accounting fees and expenses, the costs of any

reporting to investors and meetings of investors, the costs of any administrator, the maintenance of books and records, expenses incurred in connection with the dissolution, liquidation and termination of the Funds, and the reasonable out-of-pocket expenses incurred by members of the Investment Committee and/or by members of the Advisory Board in connection with their activities on behalf of the Funds. Please refer to the Offering Documents for additional expense information.

Parabellum Capital has adopted policies and procedures (the “**Expense Allocation Policy**”) for the allocation of costs and expenses among the Clients to which it currently and may in the future provide investment advisory services. Pursuant to the current Expense Allocation Policy, investment-related or strategy-related expenses shared by more than one Client will generally be allocated *pro rata* based on each such Client’s participation or anticipated participation in such investment or strategy. The Firm will seek to allocate non-investment-related expenses shared by more than one Client to such Clients in a manner that is fair and equitable taking into consideration all relevant factors, including, without limitation, the relevant benefit to each such client derived from such expenses.

Parabellum Capital reserves the right to modify its Expense Allocation Policy from time to time. A copy of the current Expense Allocation Policy can be made available upon request to Fund Investors.

#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Parabellum Capital and/or its affiliate(s) accept performance-based compensation from certain of the Clients.

The General Partner will generally receive a 20% performance-based carried interest fee pursuant to the Investors’ return of one-hundred percent of their respective capital contributions and payment of an 8% preferred return on capital invested in accordance with the Funds’ Offering Documents.

The General Partner will generally receive a 14.5% performance-based carried interest from the Co-Investment Fund pursuant to the Investors’ return of one-hundred percent of their respective capital contributions in accordance with the Co-Investment Fund’s Offering Documents.

The General Partners of the Client Funds are subject to a “claw back” of carried interest or incentive fee previously received to the extent that the General Partners have received cumulative distributions in excess of amounts otherwise distributable to such General Partner by the Client Funds as carried interest. In no event will the General Partner of the Client Funds be required to restore more than the cumulative distributions received by such General Partner as carried interest or the Firm as incentive fee, determined on an after-tax basis. The existence of a General Partner’s carried interest/incentive fee may create an incentive for the General Partner to make

investments that are riskier for the Client Funds than would be the case if the General Partner did not receive carried interest.

Because Parabellum Capital and its affiliates manages more than one Client Fund, the potential exists for one Client Fund to be favored over another Client Fund. In particular, Parabellum Capital, its affiliates, and their investment personnel have a greater incentive to favor Client Funds that pay Parabellum Capital or its affiliates higher performance-based compensation. In addition, principals and certain employees of Parabellum Capital may have personal investments in one or more of the Client Funds, and such investments will not be proportionate among the various Client Funds. Accordingly, Parabellum Capital has an incentive to favor Client Funds in which its principals or employees have a greater interest.

Parabellum Capital has adopted an **Investment Allocation Policy** intended to address conflicts of interest relating to the management of multiple Client Funds and Client Funds in which Parabellum Capital's principal or employees invest. In particular, Parabellum Capital has adopted investment allocation policies designed to achieve equitable allocation among Client Funds, a process overseen by the Allocation Committee as part of the Firm's governance.

Consistent with its fiduciary duty to its Client Funds, Parabellum Capital allocates litigation finance investment opportunities equitably among all Client Funds taking into account several factors, such as relative amounts of capital available for new investments, for which participation is appropriate.

Fund Investors should review the respective Client Fund's Offering Documents for detailed information with respect to performance-based fees.

SMA Client agreements are separately negotiated, and terms of such agreements are generally subject to Parabellum earning an incentive fee over a disclosed hurdle rate.

#### **ITEM 7 – TYPES OF CLIENTS**

Parabellum Capital's clients consist of the Client Funds and SMA Clients, which are intended for sophisticated investors. Investors in the Client Funds are not considered clients of Parabellum Capital. Such investors may include, but are not limited to, pension plans (corporate, state and foreign), charitable foundations, endowments, fund of funds, sovereign wealth funds, private funds, investment companies, trusts, family offices, private banks, high net worth individuals and other entities and institutions. Investors in the Client Funds must generally be "accredited investors" as that term is defined in Rule 501 of Regulation D of the Securities Act of 1933 and "qualified purchasers" within the meaning of Section 2(a)(51) and Rule 2a51-1 under the Investment Company Act of 1940.

Pursuant to a 506(c) offering, Parabellum Capital also has special purpose vehicles as Investors in the Client Funds. All underlying investors meet accredited investor standards.



Fund Investors are required to commit or contribute certain minimum capital amounts to become limited partners of the limited partnership as disclosed in the confidential private offering memorandum of the Client Funds. Currently, the minimum required investment is \$5,000,000. This minimum amount is subject to change or waiver at the sole discretion of the Client Funds' General Partner.

Any initial and additional subscription minimums are disclosed in the Offering Documents for the Client Funds.

#### **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGY AND RISK OF LOSS**

Parabellum Capital seeks to provide investors with attractive returns, uncorrelated to broader markets, by investing in a range of Litigation Finance Investments. Direct litigation investments by the Client Funds typically take the form of equity-like, and occasionally fixed-income like, products. Special situation investments by the Client Funds may take the form of other instruments.<sup>1</sup> The Firm expects to invest in a full range of business disputes, including those based on antitrust, bankruptcy, contract, business torts, corporate control or governance, false claims, intellectual property, international arbitration, trade secrets, qui tam (whistleblower), and other types of commercial disputes.

The Firm believes that its sourcing, due diligence, and execution capabilities enable it to invest in attractive commercial litigation finance opportunities. The Firm optimizes the return profile of each investment further through customized structuring solutions, some of which may enhance each investment's risk/return profile by improving the security and priority of returns.

The Firm expects to utilize the following basic criteria when sourcing and reviewing potential Litigation Finance Investments, although the Firm may diverge from these criteria on an opportunistic basis:

- (i) the Firm generally expects to invest in claims brought by or against corporations or other business entities;
- (ii) the Firm's primary investment activity is expected to be investments in disputes based in the U.S. and other common-law jurisdictions, but it may also invest in international arbitrations or other cross-border/international law disputes and, in connection with patent enforcement matters, in key civil law jurisdictions such as France and Germany;
- (iii) the Firm may invest in instruments such as litigation trust certificates or debt or equity securities or instruments whose value is expected to

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<sup>1</sup> Although not currently a primary or active investment strategy, the Firm has the flexibility and capacity to identify legal claim-driven situations ("**Special Situations**") where it believes that the resolution of that legal claim will be the primary driver of material change in the value of a company's equity or debt securities over a defined time horizon.

- be materially impacted by litigation outcomes and where correlation to market events can be minimized;
- (iv) the Firm expects to invest in matters that can reasonably be expected to have a maximum duration of three (3) years from the initial capital drawdown with respect to such matter; and
  - (v) the Firm expects that the investment size per single-case matter will generally be in the range of Two Million Dollars (\$2,000,000) to Ten Million Dollars (\$10,000,000), and for portfolio structures comprised of multiple matters will generally be in the range of Seven Million Dollars (\$7,000,000) to Twenty-five Million Dollars (\$25,000,000) but may be smaller or larger in appropriate circumstances. This investment size range may produce a highly diversified portfolio of investments, but the Firm may choose to pursue larger and more concentrated investments if the General Partner deems such investments as attractive opportunities for the Firm.

Parabellum Capital takes an active, hands-on approach to commercial litigation finance investing, deal sourcing and portfolio management. The Firm's robust transaction origination is based on a combination of the Principals' extensive network of relationships, strong research efforts, and thorough due diligence and deal evaluation.

An investment in the Client Funds involves a high degree of risk. This following list of risk factors does not purport to be a complete disclosure of all risks that may be relevant to a decision to purchase an interest in the Client Funds. Prospective Investors in the Client Funds should carefully consider the following investment risks and considerations in evaluating the Client Funds and their business before making a decision to purchase an interest in an investment vehicle. As a result of these considerations, as well as other risks inherent in any investment, there can be no assurance that any of the Client Funds will meet their investment objectives or otherwise be able to successfully carry out its investment program, or that an Investor will receive a return of capital. A full identification of risks is disclosed in the Offering Documents or Asset Management Agreement. SMA Clients should consider the following risk factors as well.

**Litigation Risk.** The Client Funds may be subject to investigations, proceedings or claims by governmental or regulatory entities and private parties. It is impossible to anticipate with certainty the consequences of such investigations, proceedings and claims, but it is possible that such events could result in a reduction of the net asset value of the assets in the Client Funds.

**Operating History.** The Client Funds have limited operating history. Consequently, there is no information as to the nature and terms of particular investments which the Client Funds will acquire or manage. Determinations by Investors to invest in the Client Funds must be made primarily on the basis of an Investor's appraisal of the

ability of Parabellum Capital to implement the proposed objectives and operations of the Client Funds.

**Recovery Risks and Timing Uncertainty.** Parties to a litigation, arbitration or settlement agreement must have the ability to pay a fee, judgment, award or the agreed upon amount if a case outcome or transaction is ultimately successful or completed. Part of the investment process involves Parabellum Capital's assessment of this ability to pay. However, if the party is unable to pay or further challenges the validity of a judgment or award, the Client Funds may have difficulties ultimately collecting its share of monetary judgments or awards. Further, given the nature of these recoveries, the Client Funds cannot always control the ultimate timing of an amount recovered, and there is no assurance that the Investment Manager will be able to predict the timing of any such payments.

**Concentration of Investments.** The Client Funds' investments are expected to be concentrated in a relatively small number of investments. This concentration of investments may expose the Client Funds to greater risk than if its investments were spread across a larger number of opportunities. In the event of a negative outcome of one or more of such investments, the Client Funds' overall returns may be impacted much more negatively than they would be if its investments were spread more broadly.

**Future Regulatory Developments.** This Brochure cannot address or anticipate every possible current or future regulation that may affect the Clients, the Investors, the Firm or their respective businesses and operations, including with respect to Litigation Finance Investments specifically. Such regulations may have a significant impact on the Client Funds, including, without limitation, restricting the types of investments the Client Funds may make or requiring the Client Funds to disclose certain confidential information regarding its terms, investments or Limited Partners. In addition, such regulatory scrutiny may increase the Client Funds exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the General Partner and/or the Firm, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the General Partner's and/or the Firm's time, attention and resources from the Firm's business and investment activities. The General Partner, in its sole and absolute discretion, may cause the Client Funds to be subject to certain regulations if it believes that an investment or business activity is in the Client Funds' interest, even if such regulations may have a detrimental effect on one or more Limited Partners. Prospective investors are encouraged to consult their own advisors regarding an investment in the Client Funds.

**Reliance on the Principals.** The General Partner has the ultimate responsibility for the Client Funds' management, operations and investment decisions. Accordingly, the success of the Client Funds' investing will, to a large degree, be dependent on the investment personnel of the Firm, who will make investing decisions with respect to

the assets of the Client Funds. Competition in the financial services industry for experienced and capable employees, such as the Firm's personnel, is intense. The loss of the services of any of such personnel could adversely affect the Client Funds.

**Evaluation and Disclosure of Cases and Case Performance.** Due to competitive and legal considerations and restrictions, the Client Funds, the General Partner and the Firm may not be able to provide to the Investors details of the underlying investment opportunity that they intend to pursue. The Investors in the Client Funds will not have an opportunity to evaluate any investment themselves and will be wholly dependent upon the Investment Manager's ability to assess and manage investments made by the Firm.

**Reliance on Outside Counsel and Experts.** As part of the due diligence process in which the Client Funds engage, the Client Funds might rely on the advice and opinion of outside counsel and other experts in assessing potential opportunities. Further, the Clients, the General Partner and the Firm will sometimes be dependent upon the skills and efforts of independent law firms to complete any settlement or underlying litigation or transactional matter. There is no guarantee that the ultimate outcome of any opportunities will be in line with a law firm's or expert's initial assessment.

**Terminated or Rejected Settlements.** Some Litigation Finance Investments pertain to litigation in which a settlement agreement or some form of agreement in principle between the parties exists. However, in some circumstances, these settlements, whether finalized or under a memorandum of understanding, require court approval or procedural steps beyond the Client Funds' control. If parties to an agreement or agreement in principle, or the relevant judicial authorities, terminate or reject a settlement, the Client Funds could suffer losses in its Litigation Finance Investments.

**Legal Professional Duties.** For most investments made by the Client Funds, the Client Funds will not be the client of the law firm representing the party to the litigation or transaction and will not have the ability to control decisions made by the parties or the law firm. Lawyers are generally required to act pursuant to their clients' directives and are fiduciaries to their clients, not to the Client Funds. The law firms involved also will be subject to an overriding duty to the courts and not the Client Funds.

**Equity Securities.** The Firm may acquire common stocks. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts.

**Side Letters.** As noted in Item 4 above, in connection with or as a condition to an investor's agreement to invest in a Fund, the Fund or its general partner may from time to time enter into a "side letter" or similar agreement with an institutional or other investor pursuant to which the Fund or its general partner grants the investor

specific rights, benefits or privileges that are not generally made available to all investors. Such rights, benefits or privileges include waivers or discounts on management fees and/or carried interest, “most favored nation” clauses, preferential access to co-investment opportunities, the right to be excused from participating in certain investments made by a Fund, notice rights upon the occurrence of certain events, seats on a Fund’s limited partner advisory committee, specialized or additional reporting rights, rights related to tax treatment, rights related to regulatory matters, rights related to immunities or indemnification, rights related to the ability of the investor to transfer its interest in the Fund, additional representations and warranties from the Fund, its general partner and/or the Firm, modifications to the subscription agreement and other benefits. While the ability of a Fund or its general partner to enter into a side letter or similar agreement affording preferential rights to certain investors is generally disclosed to other investors in the Fund, the terms of such “side letters” or similar agreements are generally not disclosed to other investors in the Fund, except to investors that have separately negotiated for the right to review such agreements.

**Exposure to Material, Non-Public Information.** From time to time, the Firm’s employees receive material, non-public information with respect to an issuer of publicly traded securities resulting from professional and/or personal channels. In such circumstances, Clients may be prohibited, by law, and policies and procedures for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

**Operational Risks.** Operational risks arising from mistakes made with respect to the Client Funds’ investment activities and/or from other similar disruptions in the Client Funds’ operations may cause the Client Funds to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention and reputational damage. The Client Funds rely heavily on the Investment Manager’s financial, accounting and other data-processing systems. However, no guarantees can be made that such systems will be successful. The failure of one or more of such systems may have an adverse effect on the Client Funds.

**Valuation.** The Clients’ assets may be invested in securities which are illiquid or very thinly traded. These investments may be extremely difficult to ascribe a market value, at specific points of time. Third party pricing information may not be available for certain positions held by the Clients.

**Cybersecurity Risk.** Parabellum Capital, the Clients and the service providers may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting Parabellum Capital, the Client Funds or its service providers may adversely impact the Clients. For instance, cyber-attacks may

interfere with the processing or execution of Client Fund transactions, cause the release of confidential information, including private information about investors, subject the Clients and Parabellum to regulatory fines or financial losses, or cause reputational damage.

**Business Continuity and Disaster Recovery Risks.** The Firm and its Clients' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolong power outages. Although the Firm has implemented, or expects to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on the Firm and investments therein.

**Public Health.** Countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, most recently, COVID-19. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy and business activity in any of the countries in which the Clients may invest and thereby adversely affect the performance of the of the Clients and the investments.

**Uncertain Economic, Social and Political Environment.** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn.

**Social Media and Publicity Risk.** The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding the Firm, the Funds or one or more portfolio companies could have a material and adverse effect on the value of the Funds.

**Please refer to the offering documents of the Client Funds for a detailed description of the material risks related in an investment in the Client Funds.**

#### **ITEM 9 – DISCIPLINARY INFORMATION**

Neither Parabellum Capital nor any of its officers or employees have been sanctioned or disciplined by any federal securities or commodities regulatory agency, self-regulatory organization or state for any violation of their statutes, regulations or rules nor have they ever been involved in any civil or criminal action relating to any violation of the federal or state securities or commodities laws.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Client Funds, as defined in Item 4, are affiliates of Parabellum Capital, as is PBLM General Partner II, LLC and PBLM General Partner III, LLC, the Client Funds' General Partners. The General Partners are principally owned by Parabellum Founders Holding LLC.

## **ITEM 11 – CODE OF ETHICS**

Parabellum Capital has adopted a code of ethics (the "**Code of Ethics**") designed to address and mitigate potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code of Ethics describes the Investment Adviser's high standard of business conduct and fiduciary duty to the Clients. The Code of Ethics requires the Firm's employees and individuals deemed to be Access Persons to act in the best interests of the Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. Parabellum Capital employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by Parabellum Capital or its employees. Initially, upon hire, and on an annual basis thereafter, Parabellum Capital will require that all employees certify to their receipt, review, understanding and compliance with the provisions of the Firm's Code of Ethics.

In addition, the Code of Ethics sets forth formal policies and procedures with respect to the personal securities trading activities of the Firm's employees. The Code of Ethics prohibits personal securities transactions of issuers who have been placed on the Firm's restricted list and requires written pre-approval for all initial-public offerings and private placements. The Code of Ethics requires employees to report all securities transactions and provide a summary of securities holdings initially upon hire and on an annual basis thereafter. The Code of Ethics also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions.

Among other requirements, the Code of Ethics requires employees to:

- Submit to the CCO an initial and an annual report listing their securities holdings and a quarterly report of transactions;
- Pre-clear personal securities transactions, other than those specifically exempted by the Code of Ethics, by the CCO;
- Provide account activity to the CCO for review (unless a specific exemption applies);
- Obtain approval from the CCO prior to investing in Private Placements (limited offerings) and IPOs;

- Comply with the federal securities laws, certifying that they have read and understand the Code of Ethics and that they will report any violations of the Code of Ethics to the CCO;
- Not trade either in their personal accounts or on behalf of the Client Funds on the basis of material non-public information; and
- Not inappropriately use their position for a personal benefit.

Supervised persons who violate the Code of Ethics and the Investment Adviser's compliance policies and procedures are subject to disciplinary action including, but not limited to, written warnings, fines and termination of employment.

From time to time, consistent with a Client's investment objectives and subject to satisfaction of the policies and procedures set forth in the Code of Ethics, the Firm's compliance manual (the "**Compliance Manual**"), the Client Fund's and SMA Client governing documents and applicable law, Parabellum Capital has recommended, and may in the future recommend, that a Client acquire or sell securities in which a Parabellum Capital related person has a pre-existing direct or indirect interest, and an affiliate of Parabellum Capital has caused, and may in the future cause, the Client to effect the recommended transaction. A potential conflict of interest could arise in that the interested Parabellum Capital related person could benefit from such a purchase or sale of the applicable security by a Client. However, the Firm has policies and procedures designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions. Certain terms of the Client Funds' or SMA Client governing documents and the equity participation of Parabellum Capital related persons in the Client Funds further mitigate such conflicts.

### **Participation or Interest in Client Transactions**

Parabellum Capital investigates and structures potential investments of the Client Funds, as described in Item 16 below. The Principals and employees of Parabellum Capital may have a material financial interest in these investments by virtue of their relationship to the General Partner of the Client Funds, as described in Item 6 above. The Code of Ethics and Compliance Manual are designed to ensure compliance with the provisions of each Partnership Agreement addressing potential conflicts of interest involving the Parabellum Capital and its related persons.

Parabellum Capital will provide a complete copy of the Code of Ethics to any Investor and/or Client or prospective Investor and/or Client upon request sent to the CCO.

### **ITEM 12 – BROKERAGE PRACTICES**

Due to the nature of its business, Parabellum Capital does not use soft dollars, receive client referrals from broker-dealers or permit its clients to direct brokerage.

Parabellum Capital's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution



on transactions effected for accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors will be considered as they are deemed relevant. Parabellum Capital periodically reviews all approved brokers and commissions paid to evaluate best execution.

### **ITEM 13 – REVIEW OF ACCOUNTS**

Parabellum Capital provides ongoing portfolio management and administrative services to the Client Funds and SMA Clients, including reviewing and monitoring developments in investment portfolios. The Principals and other professional staff at the Director level have primary responsibility for such reviews and advising on disposition opportunities. Investors in the Client Funds are provided with audited annual financial reports and quarterly unaudited summary financial information in accordance with the terms of the Client Funds' limited partnership agreements. This information may be provided electronically. Investors in the Client Funds are also provided with annual tax information and quarterly investor letters and capital account statements.

Parabellum Capital welcomes inquiries from clients in the event any client desires information not contained in Parabellum Capital's Form ADV Part 1, Form ADV Part 2 or other relevant offering/organizational material or client reports. Parabellum Capital will endeavor to answer all reasonable and appropriate questions in a timely fashion, while maintaining the confidentiality of sensitive nonpublic and proprietary information related to the operations and investments of Parabellum Capital and the clients. Parabellum Capital does not publish client questions and answers and generally does not otherwise disseminate such answers to all clients (subject to applicable law and Parabellum Capital's fiduciary duty to its clients).

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Parabellum Capital maintains agreements with third-party placement agents whereby Parabellum Capital pays the placement agent a portion of the management fee it receives with respect to solicited investors. These solicitation arrangements are and will be fully disclosed to the applicable Investors and/or Client Funds and will comply with the endorsement provisions of Rule 206(4)-1 under the Advisors Act of 1940, as amended, (the "**Marketing Rule**"), and the CCO will verify compliance with the Marketing Rule. The third-party placement agent is required to provide prospective investors with a current copy of Parabellum Capital's Part 2 of Form ADV.

Any marketing fee or commission in connection with any investor referral activities, including ongoing payments, will be borne solely by Parabellum Capital and not by the Client Funds or the referred investor.

### **ITEM 15 – CUSTODY**

Parabellum Capital complies with the requirements of Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”) with regards to Parabellum Capital’s custody of the assets of the Client Funds managed by Parabellum Capital by meeting the conditions of the pooled vehicle annual audit provision.

Annually, upon completion of the annual audit of the Client Funds managed by Parabellum Capital, Parabellum Capital shall seek to ensure that the audited financials are delivered to Investors within 120 days of the fiscal year end. The audited financial statements will be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles. Investors should carefully review the audited financial statements.

Parabellum does not maintain custody of the SMA Clients.

### **ITEM 16 – INVESTMENT DISCRETION**

Parabellum Capital has complete investment discretion in managing the investments of the Client Funds and certain SMA Clients. The terms of these investments, the Firm’s investment strategy and guidelines around the use of the Firm’s discretion are described in detail in the Client Funds’ Private Placement Memorandum and SMA Client Asset Management Agreements. Through the use of this discretion, Parabellum Capital seeks to generate long-term capital appreciation by investing in Commercial Litigation Finance Investments including those based on antitrust, bankruptcy, contract, corporate control or governance, False Claims Act, intellectual property, international arbitration, trade secrets and other types of commercial disputes. The Firm may also invest in the securities of firms where the resolution of a legal claim will be the primary driver of material change in the value of that company’s equity or debt securities over a defined time horizon.

### **ITEM 17 – VOTING CLIENT SECURITIES**

Parabellum Capital invests primarily in Commercial Litigation Finance Investments and therefore generally is not in a position to vote public company proxies. However, the Firm has established written policies and procedures setting forth the principles and procedures by which Parabellum Capital votes or gives consent with respect to securities owned by the Client Funds. A copy of Parabellum Capital’s proxy voting procedures is contained within the Firm’s compliance manual and available to Investors upon request.

#### **ITEM 18 – FINANCIAL INFORMATION**

Parabellum Capital does not have any financial condition reasonably likely to impair its ability to meet contractual commitments to the Client Funds and has not been the subject of a bankruptcy proceeding at any time. Parabellum Capital does not require or solicit prepayment of more than \$1,200 in fees per Client Fund six months or so in advance and therefore has not included a balance sheet.

#### **ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISERS**

Not Applicable.