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**Item 1. Cover Page: Edge Principal Advisors, LLC**

# **Edge Principal Advisors, LLC**

1700 Broadway, 38<sup>th</sup> Floor  
New York, New York 10019

212.547.4380

**Part 2A of Form ADV  
(the “Brochure”)**

March 2012

This Brochure provides information about the qualifications and business practices of Edge Principal Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 547-4380. 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 Edge Principal Advisors, LLC is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Edge Principal Advisors, LLC filed its initial application to register as an investment adviser with the Securities and Exchange Commission (“SEC”) in early 2012. Accordingly, pursuant to disclosure rules under the Advisers Act of 1940 (the “Advisers Act”), this is the first brochure compiled by Edge Principal Advisors, LLC to provide new and prospective clients and investors with information regarding its business practices and conflicts of interest. We encourage all recipients to read this brochure carefully in its entirety.

In the future, this section will identify and discuss material changes to our business since the last annual update to make clients and investors aware of information that has changed and that may be important to them.

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## **Item 4. Advisory Business**

Edge Principal Advisors, LLC (“Edge” or the “Company”) manages assets on a discretionary basis on behalf of private pooled investment vehicles. As of the date of this filing, Edge’s assets under management (“AUM”) were approximately \$344 million. Edge presently provides investment advisory services to Edge Principal Investments, L.P., Edge Principal Investments II, L.P., Edge Vista I, L.P., Edge Vista II, L.P., and Edge Park & Coast Coinvest, L.P. (the “Funds”). Edge was formed in 2008 and is principally owned by Tiber Capital Corp., which is owned by Village Drive 2012 Trust and Rustic 2011 Trust. Radion Segal is the trustee of both Village Drive 2012 Trust and Rustic 2011 Trust.

Please refer to the Funds' offering documents for more detailed information regarding the topics discussed in this Brochure.

## **Item 5. Fees and Compensation**

The Funds pay Edge a management fee up to 2% of the aggregate commitment of each investor. Management fees are generally directly deducted from the Funds' assets. Upon termination of any advisory agreement or mandatory withdrawal, management fees that have been paid in advance are returned on a prorated basis.

The organizational and offering documents for each Fund include a more detailed explanation of the amount and manner of calculation of the management fees for each such Fund. Edge has the discretion to waive or reduce management fees. Edge or an affiliate of Edge is also entitled to receive a distribution of the investment gains generated in the Funds ("Carried Interest"), generally subject to the return of capital to Fund investors in addition to a certain rate of return on invested capital.

The Funds are responsible for their initial and ongoing costs and expenses associated with their operations including, without limitation, organizational expenses, brokerage commissions, research expenses, quotation and valuation expenses, general legal expenses including legal fees associated with the negotiation of specific investor terms, accounting and auditing expenses, and investment-related consultants and other service provider expenses, investment related travel costs, expenses incurred with respect to the preparation, duplication and distribution of offering documents, annual reports and other financial information, other offering expenses, other operational expenses and extraordinary expenses. The Funds also are responsible for all transaction related expenses, whether or not the transaction is consummated, including fees and expenses of lenders, investment banks and other financing sources in connection with the arranging of financing for transactions, and any down-payments which are forfeited in connection with unconsummated transactions.

Edge is responsible for all of its overhead costs and expenses, including office expenses and compensation of employees.

## **Item 6. Performance Based Fees and Side-by-Side Management**

Net profits attributable to the disposition of portfolio investments, distribution of securities or interest income with respect to portfolio investments will be allocated among and distributed to investors and the general partner, which is an affiliate of Edge. Each general partner is entitled to receive a Carried Interest, up to 20%, of each distribution of net Fund profits, generally subject to the return of capital to Fund investors in addition to a certain rate of return on invested capital.

These fee arrangements may create an incentive for Edge to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

All fees charged by Edge will be in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended. Economic arrangements may vary and are subject to the terms of the Fund. Additional information regarding fees and other expenses attributable to the Funds are addressed in the applicable offering documents and partnership agreements.

The payment of Carried Interest by some but not all Funds or the payment of Carried Interest at varying rates may create an incentive for Edge to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate. Any subsequently formed fund may have the right to co-invest with existing Funds, but the existing Funds generally will be given the first opportunity to participate in an investment opportunity ahead of any subsequently formed fund. Nonetheless, Edge's affiliates, including LS Power Development, LLC, LS Power Equity Advisors, LLC, LSP Credit Advisors I, LLC, and Luminus Management, LLC, are not restricted from engaging in or managing projects in connection with ongoing development and asset management activities.

When the Funds are investing in publicly traded securities, Edge may aggregate orders of its affiliates and/or related parties with those of the Funds if, in Edge's opinion, aggregation is not expected to impact the price or availability of the security. Subsequent orders for the same security may be aggregated with any previously unfilled orders. Filled orders may be allocated separately from subsequent orders or, in instances where the market price of the security has not materially changed, subsequent orders may be aggregated with filled orders. Funds participating in an aggregated order shall receive the average price and pay a pro rata portion of commissions subject to any applicable broker dealer minimum ticket charges.

## **Item 7. Types of Clients**

Edge's clients are unregistered pooled investment vehicles. The Funds are structured as limited partnerships or similar legal entities which Edge and its related parties control. The Funds rely on rules promulgated under the United States federal securities laws that exempt privately offered partnerships from registering as investment companies.

In addition, investors in the Funds generally are (i) "accredited investors" within the meaning of Regulation D under the Securities Act of 1933, as amended, and/or (ii) "qualified purchasers" within the meaning of the Investment Company Act of 1940, as amended. Prospective investors may be required to meet additional suitability requirements. Investors considering investment in the Funds should consult with their own investment, tax and/or legal consultants prior to investing.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Strategy**

The Edge Funds' investment strategies generally focus on multi-strategy, opportunistic real estate investments. Edge seeks to identify both debt and equity opportunities with consistent cash flow, often in out-of-favor asset classes. Edge also seeks to identify favorable distressed and broken deal investment opportunities.

### **Risk Factors**

#### *Nature of Investment*

An investment in the Funds requires a long-term commitment, with no certainty of return. Portfolio investments may not generate income. Therefore, the return of capital and the realization of gains, if any, from a portfolio investment generally will occur upon the partial or complete realization or disposition of such portfolio investment. While a portfolio investment may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Funds' portfolio investments will not occur for a number of years after such portfolio investments are made.

Each of the Funds' portfolios is concentrated in the real estate sector. Adverse performance of this sector may negatively impact the performance of the Funds' portfolios.

Real estate investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate; (ii) local market supply and demand conditions; (iii) the quality and philosophy of management; (iv) competition based on rental rates; (v) attractiveness and location of the properties; (vi) financial condition of tenants, buyers and sellers of properties; (vii) quality of maintenance, insurance and management services; (viii) changes in operating costs; (ix) changes in interest rates and the availability of financing; (x) uninsured losses or delays from casualties or condemnation; (xi) government regulations (including those governing usage, improvements, zoning and taxes); (xii) potential liability under changing environmental and other laws; (xiii) structural or property-level latent defects; (xiv) acts of God; and (xv) other factors beyond the control of Edge.

Certain derivative instruments utilized in the investment strategy may increase leverage, returns, risk and possibilities of rapid gains or losses as well as expose the Funds to counterparty risk. As with any investment, an investment in the Funds has the possibility of loss, including the loss of principal.

The majority of the Funds' investments are considered illiquid. Illiquid investments are difficult to price and may be difficult to sell in an orderly manner at prices estimated to be fair market value.

### *Restrictions on Transfer and Withdrawal; Lack of Liquidity*

Investors' interests in the Funds are not registered under the Securities Act or any other applicable securities laws. There will be no public or private market for such interests and none is expected to develop. In addition, the interests are not transferable except with the consent of a Fund's general partner. Investors may not withdraw capital from the Funds. Consequently, investors may not be able to liquidate their investments prior to the end of the Fund's term.

### *Dependence on Key Personnel*

The success of the Funds depends in substantial part upon the skill and expertise of the members of the investment team and the other individuals employed to assist them. There can be no assurance that the members of the investment team will continue to be partners of or employed by Edge. The loss of service to the Fund of one or more members of the investment team could have a material adverse effect.

### *Limited Number of Investments*

The Funds may participate in a limited number of investments and, as a consequence, the aggregate return of the Funds may be substantially affected by the unfavorable performance of a single investment.

### *Valuation*

The NAV of the Funds as of a particular date may be materially greater than or less than the NAV of the Fund that would be determined if the Funds' assets were to be liquidated as of such date. For example, if the Funds were required to sell a certain asset or a substantial portion of its assets on a particular date, the actual price that the Funds would realize upon the disposition of such asset or assets could be materially less than the value of such asset or assets as reflected in the NAV of the Funds. Volatile market conditions could also cause reduced liquidity in the market for certain assets, which could result in liquidation values that are materially less than the values of such assets as reflected in the NAV of the Funds. Additionally, the Funds may invest in assets that lack a readily ascertainable market value, and the Funds' NAV will be affected by the valuations of any such assets.

### *Leverage*

The Funds may utilize leverage to attempt to enhance returns. The use of leverage may also magnify the possibility of loss and may cause Edge to sell positions collateralizing leveraged positions that it would not otherwise exit.

The Funds' investments are expected to include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the Funds' portfolio companies to adverse economic factors such as

downturns in the economy or deterioration in the condition of the portfolio companies or their industries. Additionally, the securities acquired by the Funds will generally be the most junior in what may be a complex capital structure and thus subject to the greatest risk of loss.

#### *Legal, Tax and Regulatory Risks*

The regulatory considerations affecting the ability of the Funds to achieve their investment objectives are complicated and subject to change.

#### *Lack of Diversification; Nature of Investments in the Real Estate Industry*

The Funds will concentrate their investments in the real estate industry, and will not be broadly diversified. These types of investments may be subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks, and may be more susceptible to risks resulting from changes imposed by regulatory initiatives than investments of a more broadly diversified fund.

#### *Catastrophic and Force Majeure Events*

The Funds' investments may be subject to catastrophic events and other *force majeure* events, such as fires, earthquakes, and adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors should read the offering document in their entirety and consult their own counsel and advisors before deciding to invest in the Funds.

### **Item 9. Disciplinary Information**

Edge and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of Edge or its personnel.

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

Edge is affiliated with Aterian Investment Advisors, LLC, LS Power Equity Advisors, LLC, LSP Credit Advisors I, LLC, and Luminus Management, LLC (collectively, "Affiliated Advisors"). In addition, Edge is affiliated with LS Power Development, LLC ("LS Power Development"), which is engaged in the development, acquisition and management of power generation and transmission infrastructure. Edge and its personnel periodically provide support for certain investment-related activities of Edge's affiliates.

The Affiliated Advisors are presently registered as investment advisers with the Securities and Exchange Commission ("SEC") or are considered "relying advisers" as described in the SEC's no

action letter to the American Bar Association dated January 18, 2012. Additional information about such Affiliated Advisers is or will be available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Conflicts of Interest**

Edge's affiliates and their respective officers and employees directly or indirectly manage the assets of other funds and have other clients and business activities that may in some respects compete with the Funds for certain investments. In addition, the Funds' investment flexibility may be constrained (e.g., the Funds may be forced to forgo certain potentially profitable investment opportunities or may be unable to dispose of an investment at an opportune time) as a result of certain material non-public information held by Edge or its affiliates or other reasons, including reasons arising from Edge's affiliates' management of other funds.

The Affiliated Advisers, LS Power Development and other affiliates of Edge engage in a broad spectrum of activities, including financial advisory activities. The Affiliated Advisers and other affiliates engage in investment activities for their own accounts or the accounts of others that are independent from and that can potentially conflict with those of the Funds. Edge's affiliates may provide services to, invest in, advise, sponsor and/or act as investment manager to investment vehicles and other persons or entities, including prospective investors in the Funds, which may have similar structures and investment objectives and policies to those of the Funds. These other entities may compete with the Funds for investment opportunities or, in certain cases, may invest alongside the Funds in certain transactions.

Edge's affiliates are not obligated to share investment ideas or opportunities with Edge or the Funds, regardless of whether such opportunities are of the same nature as investments generally recommended to the Funds. Edge's affiliates are not obligated to consider or include the Funds or any investor in the Funds in any profits or benefits earned or derived from any investment in which the Funds did not participate. Edge has implemented policies and procedures and a compliance oversight program to address these conflicts. Edge's senior management is responsible for ensuring that these policies and procedures are properly implemented and that all Funds are treated in a fair and equitable manner.

Edge or certain affiliates may also enter into side letters or other agreements with specific investors in the Funds. These agreements or side letters often establish, alter, or supplement the terms of the Funds' governing agreements with respect to only the investor to whom such side letter or agreement is addressed. Any rights established, or any terms altered or supplemented will govern only the investment of the specific investor and not the terms of a Fund as a whole. Such side letters provide benefits to certain investors in a Fund not provided to other investors in such Fund. Side letters or other agreements may include adjustments to fees or expenses, additional rights to access certain information, additional rights on the transfer of Fund interests or additional reporting to comply with specified laws or regulations. Neither Edge nor its affiliates will enter into a particular side letter or agreement if Edge determines that the provisions contained in such side letter or agreement would be disruptive to the applicable Fund or its investment program.

The private placement memoranda of the Funds contain more detailed descriptions of the applicable and respective potential conflicts of interests.

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

Edge makes a concerted effort to create and support a culture of compliance. Edge expects its directors, officers, and personnel to comply with all applicable laws and regulations and to act in accordance with high ethical standards in matters with competitors, counterparties, regulators, and those who do business with or seek to do business with Edge.

Edge has developed and implemented a Code of Ethics (the “Code”) in an effort to ensure proper oversight around Edge’s regulatory obligations, establish accountabilities for employees and outline certain of the Company’s key compliance policies and procedures. The Code requires that Edge and its personnel comply with their regulatory requirements, meet the fiduciary obligations to the Funds and adhere to certain business ethics and principles. Edge personnel must acknowledge their receipt of the Code, their understanding of the provisions contained in the Code, and their agreement to abide by the principles, policies and procedures set forth in the Code.

Edge’s Code addresses, among other things:

- Identification and handling of material non-public information;
- Prevention of insider trading; and
- Reporting and pre-clearance of:
  - personal securities transactions and holdings;
  - gifts and entertainment;
  - political contributions; and
  - outside business activities

Edge has adopted employee personal trade reporting and monitoring procedures. Edge’s Code and personal trading policies may prohibit personnel from buying or selling certain securities.

In addition, Edge’s Code requires, among other things, that employees:

- Act within an ethical manner with the public, investors, prospective clients and investors;
- Place the interests of the Funds above their own personal interests;
- Not take inappropriate advantage of their position;
- Attempt to avoid actual or potential material conflicts of interest;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

Edge personnel are required to disclose all outside business activities. In the event an outside business activity presents a material conflict of interest with the Funds, Edge reserves the right to restrict these outside business activities.

A copy of Edge's Code of Ethics is available upon request by contacting Edge's Chief Compliance Officer, Jeff Wade; (212) 615-3456; [jwade@lspower.com](mailto:jwade@lspower.com).

## **Item 12. Brokerage Practices**

### *General Brokerage Practices*

Edge does not generally utilize the services of broker-dealers for transaction related services. In the event an investment requires Edge to utilize a broker-dealer, Edge shall seek to obtain best execution. Edge has instituted policies and procedures to ensure that it will place Fund transactions with appropriate care and diligence, seek best execution and address any material conflicts of interest in accordance with the Company's applicable fiduciary responsibilities.

### *Research and Soft Dollar Arrangements*

Edge currently does not have any formal soft dollar arrangements or other arrangements that would commit the Company or the Funds to any specific or implied level of trading. As an institutional money manager, Edge may receive access to research made available through brokerage counterparties. Edge believes this research is available to all institutional money managers of similar size.

## **Item 13. Review of Accounts**

Edge's investment professionals review all Fund portfolio investments on a regular basis. In addition, Edge's investment professionals closely monitor and review the valuations of all Fund portfolio investments. The Funds' financial statements will be audited annually by independent certified public accountants registered with the Public Company Accounting Oversight Board. Edge will furnish audited financial statements for the Funds to all investors on an annual basis.

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

The general partner of each Fund may retain affiliated and non-affiliated marketing consultants and agents. As part of these agreements, and in accordance with applicable regulation, the consultants and/or agents may be paid a fee related to the amount of capital raised for each Fund. Fees paid by the Funds for marketing or fund raising are offset by a reduction of management fees due to Edge.

## **Item 15. Custody**

To the extent possible, Fund assets are held in custody by unaffiliated broker/dealers or banks. Edge is deemed to have custody of the Funds' assets because the Company is affiliated with the general partner of each Fund which has authority over the Funds' assets. Fund investors will not

receive statements from the custodian. Instead, the Funds will be subject to an annual audit by independent certified public accountants and the audited financial statements will be distributed to each investor. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles and distributed to Fund investors within 120 days of the Funds' fiscal year end.

## **Item 16. Investment Discretion**

Edge does not provide investment advice to individual investors in the Funds. Rather, Edge provides investment advice to the Funds. The Funds' advisory agreements provide Edge with discretionary investment authority.

The Funds' private placement and offering memoranda, partnership agreements and investment management agreements authorize Edge to use a broad range of investment vehicles and strategies with very few, if any, limitations. For a complete explanation of Edge's trading and portfolio management authority please request a copy of the Funds' private placement memoranda, partnership agreements and/or investment management agreements.

## **Item 17. Voting Client Securities**

Edge has the authority to vote the proxies received on securities held by the Funds as well as other votes solicited for corporate actions affecting portfolio holdings. Edge's objective is to vote proxies in the best interests of the Funds as mandated by the Funds' objectives described in the private placement memoranda.

Edge's investment professionals monitor and opine on proxy proposals. In consultation with senior management, investment professionals will consider whether Edge is subject to any material conflict of interest in connection with each proxy vote. Investment professionals must notify the CCO if they are aware of any material conflict of interest associated with a proxy vote. Potential conflicts will be assessed on a case-by-case basis.

Edge may abstain from voting if the Company deems that abstinence is in the Funds' best interests.

Current investors may request a copy of the Company's full proxy voting policies and procedures and the voting records as provided by Rule 206(4)-6. Please contact Edge's Chief Compliance Officer, Jeff Wade; (212) 615-3456; [jwade@lspower.com](mailto:jwade@lspower.com).

## **Item 18. Financial Information**

Edge has never filed for bankruptcy and is not aware of any financial condition that is reasonably expected to affect its ability to manage the Funds' accounts.

**Item 1. Cover Page: Aterian Investment Advisors, LLC**

**Aterian Investment Advisors, LLC**

1700 Broadway, 38<sup>th</sup> Floor  
New York, New York 10019

212.547.2930

**Part 2A of Form ADV  
(the “Brochure”)**

March 2012

This Brochure provides information about the qualifications and business practices of Aterian Investment Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 547-2930. 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 Aterian Investment Advisors, LLC is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Aterian Investment Advisors, LLC filed its initial application to register as an investment adviser with the Securities and Exchange Commission (“SEC”) in early 2012. Accordingly, pursuant to disclosure rules under the Advisers Act of 1940 (the “Advisers Act”), this is the first brochure compiled by Aterian Investment Advisors, LLC to provide new and prospective clients and investors with information regarding its business practices and conflicts of interest. We encourage all recipients to read this brochure carefully in its entirety.

In the future, this section will identify and discuss material changes to our business since the last annual update to make clients and investors aware of information that has changed and that may be important to them.

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## **Item 4. Advisory Business**

Aterian Investment Advisors (“Aterian” or the “Company”) manages assets on a discretionary basis on behalf of a private pooled investment vehicle. As of the date of this filing, Aterian’s assets under management (“AUM”) were approximately \$103 million. Aterian currently provides investment advisory services to Aterian Investment Partners Distressed Opportunities Fund, L.P. (the “Fund”). Aterian was formed in 2009 and is principally owned by Tiber Capital Corp., which is owned by Village Drive 2012 Trust and Rustic 2011 Trust. Radion Segal is the trustee of both trusts.

Please refer to the Fund's offering documents for more detailed information regarding the topics discussed in this Brochure.

## **Item 5. Fees and Compensation**

The Fund currently does not pay Aterian a management fee, but Aterian maintains the right, in its sole discretion, to call capital from the Fund's investors to cover operating costs of Aterian and the Fund.

The organizational and offering documents for the Fund include a more detailed explanation of the amount and manner of calculation of the management fees for the Fund.

Aterian or an affiliate of Aterian is also entitled to receive a distribution of the investment gains generated in the Fund ("Performance Fee"), generally subject to the return of capital to Fund investors in addition to a certain rate of return on invested capital.

The Fund is responsible for its initial and ongoing costs and expenses associated with its operations including, without limitation, organizational expenses, brokerage commissions, research expenses, quotation and valuation expenses, general legal expenses including legal fees associated with the negotiation of specific investor terms, accounting and auditing expenses, and investment-related consultants and other service provider expenses, investment related travel costs, expenses incurred with respect to the preparation, duplication and distribution of offering documents, annual reports and other financial information, other offering expenses, other operational expenses and extraordinary expenses. The Fund also is responsible for all transaction related expenses, whether or not the transaction is consummated, including fees and expenses of lenders, investment banks and other financing sources in connection with the arranging of financing for transactions, and any down-payments which are forfeited in connection with unconsummated transactions.

Aterian is responsible for all of its overhead costs and expenses, including office expenses and compensation of employees.

## **Item 6. Performance Based Fees and Side-by-Side Management**

Net proceeds of the Fund resulting from portfolio investments will be allocated among investors and the general partner. The general partner is entitled to receive a Performance Fee of each distribution of net Fund profits. The Performance Fee is up to 20% depending on the date of an investor's admission to the Fund and/or the date of acquisition of the Fund asset upon which such net profit is realized. These fee arrangements may create an incentive for Aterian to make investments on behalf of the Fund that are riskier or more speculative than would be the case in the absence of such compensation.

All fees charged by Aterian will be in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended. Economic arrangements may vary and are subject to the terms of the Fund. Additional information regarding fees and other expenses attributable to the Fund are addressed in the applicable offering documents and partnership agreements.

When the Fund is investing in publicly traded securities, Aterian may aggregate orders of its affiliates and/or related parties with those of the Fund if, in Aterian's opinion, aggregation is in the best interest of all participating accounts. Subsequent orders for the same security may be aggregated with any previously unfilled orders. Filled orders may be allocated separately from subsequent orders or, in instances where the market price of the security has not materially changed, subsequent orders may be aggregated with filled orders. Those investment vehicles participating in an aggregated order shall receive the average price and pay a pro rata portion of commissions subject to any applicable broker dealer minimum ticket charges.

## **Item 7. Types of Clients**

Aterian's clients are unregistered pooled investment vehicles. The Fund is structured as a limited partnership, which Aterian and its related parties control. The Fund relies on rules promulgated under the United States federal securities laws that exempt privately offered partnerships from registering as investment companies.

In addition, investors in the Fund generally are (i) "accredited investors" within the meaning of Regulation D under the Securities Act of 1933, as amended, and/or (ii) "qualified purchasers" within the meaning of the Investment Company Act of 1940, as amended. Prospective investors may be required to meet additional suitability requirements. Investors considering investment in the Funds should consult with their own investment, tax and/or legal consultants prior to investing.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Strategy**

The Fund's investment strategies generally focus on investments in small to middle market companies that are financially or operationally constrained, i.e., distressed, or are otherwise unique situations. Aterian seeks both controlling and non-controlling investment opportunities across all asset classes of distressed companies. Aterian actively partners with management of acquired companies and provides management support.

### **Risk Factors**

#### *Nature of Investment*

An investment in the Fund requires a long-term commitment, with no certainty of return. Portfolio investments may not generate income. Therefore, the return of capital and the realization of gains, if any, from a portfolio investment generally will occur upon the partial or complete realization or disposition of such portfolio investment. While a portfolio investment may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Fund's portfolio investments will not occur for a number of years after such portfolio investments are made.

Certain derivative instruments utilized in the investment strategy may increase leverage, returns, risk and possibilities of rapid gains or losses as well as expose the Fund to counterparty risk. As with any investment, an investment in the Fund has the possibility of loss, including the loss of principal.

The majority of the Fund's investments are considered illiquid. Illiquid investments are difficult to price and may be difficult to sell in an orderly manner at prices estimated to be fair market value.

#### *Restrictions on Transfer and Withdrawal; Lack of Liquidity*

Investors' interests in the Fund are not registered under the Securities Act or any other applicable securities laws. There will be no public or private market for such interests and none is expected to develop. In addition, the interests are not transferable except with the consent of the Fund's general partner. Investors may not withdraw capital from the Fund. Consequently, investors may not be able to liquidate their investments prior to the end of the Fund's term.

#### *Dependence on Key Personnel*

The success of the Fund depends in substantial part upon the skill and expertise of the members of the investment team and the other individuals employed to assist them. There can be no assurance that the members of the investment team will continue to be partners of or employed by Aterian. The loss of service to the Fund of one or more members of the investment team could have a material adverse effect.

#### *Limited Number of Investments*

The Fund may participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be substantially affected by the unfavorable performance of a single investment.

#### *Valuation*

The NAV of the Fund as of a particular date may be materially greater than or less than the NAV of the Fund that would be determined if the Fund's assets were to be liquidated as of such date. For example, if the Fund were required to sell a certain asset or a substantial portion of its assets on a particular date, the actual price that the Fund would realize upon the disposition of such asset or assets could be materially less than the value of such asset or assets as reflected in the NAV of the Fund. Volatile market conditions could also cause reduced liquidity in the market for certain assets, which could result in liquidation values that are materially less than the values of such assets as reflected in the NAV of the Fund. Additionally, the Fund may invest in assets that lack a readily ascertainable market value, and the Fund's NAV will be affected by the valuations of any such assets.

### *Leverage*

The Fund may utilize leverage to attempt to enhance returns. The use of leverage may also magnify the possibility of loss and may cause Aterian to sell positions collateralizing leveraged positions that it would not otherwise exit.

The Fund's investments are expected to include companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the Fund's portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio companies or their industries. Additionally, the securities acquired by the Fund will generally be the most junior in what may be a complex capital structure and thus subject to the greatest risk of loss.

### *Legal, Tax and Regulatory Risks*

The regulatory considerations affecting the ability of the Fund to achieve its investment objectives are complicated and subject to change.

### *Lack of Diversification; Nature of Investments*

The Fund may concentrate its investments in one particular industry, and therefore may not be broadly diversified. These types of investments may be subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks, and may be more susceptible to risks resulting from changes imposed by regulatory initiatives than investments of a more broadly diversified fund.

### *Catastrophic and Force Majeure Events*

The Fund's investments may be subject to catastrophic events and other *force majeure* events, such as fires, earthquakes, and adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors should read the offering document in their entirety and consult their own counsel and advisors before deciding to invest in the Funds.

## **Item 9. Disciplinary Information**

Aterian and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of Aterian or its personnel.

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

Aterian is affiliated with Edge Principal Advisors, LLC, LS Power Equity Advisors, LLC, LSP Credit Advisors I, LLC, and Luminus Management, LLC (collectively, “Affiliated Advisers”). In addition, Aterian is affiliated with LS Power Development, LLC (“LS Power Development”), which is engaged in the development, acquisition and management of power generation and transmission infrastructure. Aterian and its personnel provide support for certain investment-related activities of Aterian’s affiliates.

The Affiliated Advisers are presently registered as investment advisers with the Securities and Exchange Commission (“SEC”) or are considered “relying advisers” as described in the SEC’s no action letter to the American Bar Association dated January 18, 2012. Additional information about such Affiliated Advisers is or will be available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

### **Conflicts of Interest**

Aterian’s affiliates and their respective officers and employees directly or indirectly manage the assets of other funds and have other clients and business activities that may in some respects compete with the Fund for certain investments. In addition, the Fund’s investment flexibility may be constrained (e.g., the Fund may be forced to forgo certain potentially profitable investment opportunities or may be unable to dispose of an investment at an opportune time) as a result of certain material non-public information held by Aterian or its affiliates or other reasons, including reasons arising from Aterian’s affiliates’ management of other funds.

The Affiliated Advisers, LS Power Development and other affiliates of Aterian engage in a broad spectrum of activities, including financial advisory activities. The Affiliated Advisers and other affiliates engage in investment activities for their own accounts or the accounts of others that are independent from and that may from can potentially conflict with those of the Fund. Aterian’s affiliates may provide services to, invest in, advise, sponsor and/or act as investment manager to investment vehicles and other persons or entities, including prospective investors in the Fund, which may have similar structures and investment objectives and policies to those of the Fund. These other entities may compete with the Fund for investment opportunities or, in certain cases, may invest alongside the Fund in certain transactions.

Aterian’s affiliates are not obligated to share investment ideas or opportunities with Aterian or the Fund, regardless of whether such opportunities are of the same nature as investments generally recommended to the Fund. Aterian’s affiliates are not obligated to consider the Fund or any investor in the Fund any profits or benefits earned or derived from any investment in which the Fund did not participate. Aterian has implemented policies and procedures and a compliance oversight program to address these conflicts. Aterian’s senior management is responsible for ensuring that these policies and procedures are properly implemented and that the Fund is treated in a fair and equitable manner.

Aterian or certain affiliates may also enter into side letters or other agreements with specific investors in the Fund. These agreements or side letters often establish, alter, or supplement the

terms of the Fund's governing agreements with respect to only the investor to whom such side letter or agreement is addressed. Any rights established, or any terms altered or supplemented will govern only the investment of the specific investor and not the terms of the Fund as a whole. Such side letters provide benefits to certain investors in the Fund not provided to other investors in the Fund. Side letters or other agreements may include adjustments to fees or expenses, additional rights to access certain information, additional rights on the transfer of Fund interests or additional reporting to comply with specified laws or regulations. Neither Aterian nor its affiliates will enter into a particular side letter or agreement if Aterian determines that the provisions contained in such side letter or agreement would be disruptive to the Fund or its investment program.

The offering and subscription documents of the Fund contain more detailed descriptions of the applicable and respective potential conflicts of interests.

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

Aterian makes a concerted effort to create and support a culture of compliance. Aterian expects its directors, officers, and personnel to comply with all applicable laws and regulations and to act in accordance with high ethical standards in matters with competitors, counterparties, regulators, and those who do business with or seek to do business with Aterian.

Aterian has developed and implemented a Code of Ethics (the "Code") in an effort to ensure proper oversight around Aterian's regulatory obligations, establish accountabilities for employees and outline certain of the Company's key compliance policies and procedures. The Code requires that Aterian and its personnel comply with their regulatory requirements, meet the fiduciary obligations to the Funds and adhere to certain business ethics and principles. Aterian personnel must acknowledge their receipt of the Code, their understanding of the provisions contained in the Code, and their agreement to abide by the principles, policies and procedures set forth in the Code.

Aterian's Code addresses, among other things:

- Identification and handling of material non-public information;
- Prevention of insider trading; and
- Reporting and pre-clearance of:
  - personal securities transactions and holdings;
  - gifts and entertainment;
  - political contributions; and
  - outside business activities

Aterian has adopted employee personal trade reporting and monitoring procedures. Aterian's Code and personal trading policies may prohibit personnel from buying or selling certain securities for their own account which are owned by the Fund.

In addition, Aterian's Code requires, among other things, that employees:

- Act within an ethical manner with the public, investors, prospective clients and investors;
- Place the interests of the Fund above their own personal interests;
- Not take inappropriate advantage of their position;
- Attempt to avoid actual or potential material conflicts of interest;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

Aterian personnel are required to disclose to the Chief Compliance Officer all outside business activities. In the event an outside business activity presents a material conflict of interest with the Fund, Aterian reserves the right to restrict these outside business activities.

A copy of Aterian's Code of Ethics is available upon request by contacting Aterian's Chief Compliance Officer, Jeff Wade; (212) 615-3456; [jwade@lspower.com](mailto:jwade@lspower.com).

## **Item 12. Brokerage Practices**

### *General Brokerage Practices*

Aterian does not generally utilize the services of broker-dealers for transaction related services. In the event an investment requires Aterian to utilize a broker-dealer, Aterian shall seek to obtain best execution. Aterian has instituted policies and procedures to ensure that it will place Fund transactions with appropriate care and diligence, seek best execution and address any material conflicts of interest in accordance with the Company's applicable fiduciary responsibilities.

### *Research and Soft Dollar Arrangements*

Aterian currently does not have any formal soft dollar arrangements or other arrangements that would commit the Company or the Funds to any specific or implied level of trading. As an institutional money manager, Aterian may receive access to research made available through brokerage counterparties. Aterian believes this research is available to all institutional money managers of similar size.

## **Item 13. Review of Accounts**

Aterian's investment professionals review all Fund portfolio investments on a regular basis. In addition, Aterian's investment professionals closely monitor and review the valuations of all Fund portfolio investments. The Fund's financial statements will be audited annually by independent certified public accountants registered with the Public Company Accounting Oversight Board. Aterian will furnish audited financial statements for the Funds to all investors on an annual basis.

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

The general partner of the Fund may retain affiliated and non-affiliated marketing consultants and agents. As part of these agreements, and in accordance with applicable regulation, the consultants and/or agents may be paid a fee related to the amount of capital raised for the Fund. Fees paid by the Fund for marketing or fund raising are offset by a reduction of management fees due to Aterian.

## **Item 15. Custody**

To the extent possible, Fund assets are held in custody by unaffiliated broker/dealers or banks. Aterian is deemed to have custody of the Fund's assets because the Company is affiliated with the general partner of the Fund which has authority over the Fund's assets. Fund investors will not receive statements from the custodian. Instead, the Fund will be subject to an annual audit by independent certified public accountants and the audited financial statements will be distributed to each investor. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles and distributed to Fund investors within 120 days of the Fund's fiscal year end.

## **Item 16. Investment Discretion**

Aterian does not provide investment advice to individual investors in the Fund. Rather, Aterian provides investment advice to the Fund. The Fund's advisory agreements provide Aterian with discretionary investment authority.

The Fund's private placement and offering memoranda, partnership agreements and investment management agreements authorize Aterian to use a broad range of investment vehicles and strategies with very few, if any, limitations. For a complete explanation of Aterian's trading and portfolio management authority please request a copy of the Fund's private placement memoranda, partnership agreements and/or investment management agreements.

## **Item 17. Voting Client Securities**

Aterian has the authority to vote the proxies received on securities held by the Fund as well as other votes solicited for corporate actions affecting portfolio holdings. Aterian's objective is to vote proxies in the best interests of the Fund as mandated by the Fund's objectives described in the private placement memoranda.

Aterian's investment professionals monitor and opine on proxy proposals. In consultation with senior management, investment professionals will consider whether Aterian is subject to any material conflict of interest in connection with each proxy vote. Investment professionals must notify the CCO if they are aware of any material conflict of interest associated with a proxy vote. Potential conflicts will be assessed on a case-by-case basis.

Aterian may abstain from voting if the Company deems that abstinence is in the Fund's best interests.

Current investors may request a copy of the Company's full proxy voting policies and procedures and the voting records as provided by Rule 206(4)-6. Please contact Aterian's Chief Compliance Officer, Jeff Wade; (212) 615-3456; [jwade@lspower.com](mailto:jwade@lspower.com).

## **Item 18. Financial Information**

Aterian has never filed for bankruptcy and is not aware of any financial condition that is reasonably expected to affect its ability to manage the Fund's accounts.