

Part 2A of Form ADV: Firm Brochure

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*This brochure provides information about the qualifications and business practices of Edge Natural Resources LLC (the "Company"). If you have any questions about the contents of this brochure, please contact us at (469) 331-0123. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.*

*Additional information about the Company is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*The Company is an investment adviser that is registered with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC as an investment adviser does not imply a certain level of skill or training.*

## Item 2:      **Material Changes**

Since the Company's last annual update to its Form ADV Part 2A (the "**Brochure**") was filed on March 21, 2017, the following material changes have been made to the Brochure:

- The Brochure has been revised to reflect the fact that the Company manages more than one Fund.
- Item 8 – The Company added additional disclosures regarding cybersecurity risks and the use of leverage.

Other changes have been made to the Brochure, but the Company does not consider these changes to be material.

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## Item 4: Advisory Business

Edge Natural Resources LLC (the “**Company**”) is an investment advisory firm based in Dallas, Texas, that was founded in 2015 to manage private equity funds focusing on investments in the energy sector. The Company’s principal owners are Roy Aneed, Jesse Bomer, Oscar Pate and Stacie Moore.

The Company manages various private funds that focus on investing in opportunities in the small-cap North American oil and gas sector (the “**Funds**”). Each Fund is exempt from registration under the Investment Company Act of 1940, and the offering of interests in each Fund is conducted through a “private offering” that is exempt from registration under the Securities Act of 1933. Responsibility for managing each Fund, including all day-to-day operations and investment activities, has been delegated to the Company by the Fund’s general partner (each, a “**General Partner**”).

As the investment adviser to each Fund, the Company identifies investment opportunities for the Fund, and manages the acquisition, monitoring and disposition of investments for the Fund. These services are conducted pursuant to an investment advisory agreement that each Fund has entered into with the Company (each, an “**Advisory Agreement**”) and in accordance with each Fund’s private placement memorandum, limited partnership agreement and other governing documents (the “**Fund Governing Documents**”). The Company tailors its investment advisory activities to comply with the investment objective, guidelines and restrictions set forth in each Fund’s Governing Documents, as the same may be amended from time to time. However, because each Fund is a pooled investment vehicle, the Company does not take the individual circumstances of the Fund’s investors into consideration when providing investment advice to the Fund.

The Company does not participate in any wrap fee programs.

As of December 31, 2017, the Company had approximately \$1,261,088,157 in regulatory assets under management, all of which are managed on a discretionary basis.

## Item 5: Fees and Compensation

The Company receives an asset-based management fee from each Fund that is payable quarterly in advance, as further described in the applicable Fund Governing Documents. To the extent an Advisory Agreement is terminated, management fees will be charged on a pro rata basis through to the date of termination, and any fees paid in advance but not earned will be refunded. The General Partner of each Fund will generally make capital calls on the Fund’s investors for the amount of the Company’s management fees and pay the amounts received to the Company. To the extent that the Company, the General Partner or any of their affiliates receive any director fees, monitoring fees, financing fees, commitment fees, closing fees or other similar fees, such fees will be applied against management fees otherwise payable by the applicable Fund pursuant to its limited partnership agreement.

An affiliate of the Company (the “**Special Limited Partner**”) is also entitled to receive a carried interest allocation from each Fund after certain performance hurdles are met, as further described in the Fund’s limited partnership agreement. Such carried interest represents a portion of each Fund’s net investment profit.

The management fees and carried interest are generally subject to waiver or reduction by the General Partner with respect to some or all of a Fund’s limited partners in the General Partner’s sole discretion.

Each Fund is responsible for all expenses relating to its own operations, including fees, costs and expenses directly related to the purchase and sale of investments, principal, interest, fees, expenses and other amounts payable in respect of financings, custody fees and costs of other third-party services, costs relating to data provider services (including management systems and software), legal, accounting, engineering and other professional costs, any insurance, indemnity or litigation expenses, all costs of the Fund's administration, including preparation of its financial statements and reports to limited partners (including arising in connection with the use or maintenance of any investor portals or related software), costs of meetings of partners, expenses relating to regulatory compliance (excluding expenses related to compliance with the Investment Advisers Act of 1940), expenses relating to the Limited Partner Advisory Committee, including out-of-pocket expenses of its members, and any taxes, fees or other governmental charges levied against the Fund. In addition, each Fund will be responsible for all out-of-pocket costs and expenses in connection with prospective Investments that are not consummated, without regard to the anticipated participation by any co-investors in such transaction. A discussion of the manner in which the Company will execute trades through brokers is provided in Item 12, below.

Each Fund also bears all costs and expenses incurred in connection with the organization of the Fund, including legal and accounting fees, printing costs, travel and out-of-pocket expenses, and all costs and expenses incurred in connection with the offering of Interests (but excluding any placement fees), up to a specified maximum. Organizational expenses in excess of this amount will be paid by the Fund but borne by the Company through a 100% offset against the Company's management fee.

Investors and prospective investors in a Fund should refer to the applicable Fund Governing Documents for more detailed information concerning the fees, carried interest and other expenses that the Fund will bear.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

As noted in Item 5 above, the Special Limited Partner for each Fund will be entitled to a carried interest allocation after certain performance hurdles are met. The carried interest may create conflicts of interest, including an incentive for the Company and the General Partner to take risks in managing the Fund that they might not otherwise take. Such possible conflicts of interest have been addressed as follows:

- Owners of the Special Limited Partner have committed a meaningful amount of their personal capital to each Fund and are subject to the same risk of loss as other limited partners.
- Each Fund has a Limited Partner Advisory Committee (the seats of which are filled by institutional limited partners that represent a significant percentage of the Fund's committed capital and that are not affiliates of the Company or the General Partner), which reviews transactions where a conflict of interest exists, pursuant to the applicable provisions of the Fund's limited partnership agreement.

## **Item 7: Types of Clients**

The Company's clients are the Funds. The investors in the Funds generally include endowments, foundations, public and private pension plans, financial institutions and high net worth individuals.

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

Each Fund's investment objective is to achieve long-term capital appreciation through equity and equity-related investments in energy-related companies located or doing business primarily in North America ("Investments"). Each Fund may also invest in debt securities that have the potential for equity-like returns or an equity component, or are related to its equity investments. Although each Fund will typically have majority equity positions, each Fund may also make minority investments.

The Company focuses on investments in small-cap North American upstream oil and gas companies (the "E&P Sector"). The Company believes that this sector provides compelling investment opportunities and is underserved by established private equity firms. To capitalize on this investment opportunity, the Company partners with top-tier management teams with region-specific expertise to identify proprietary ways to deploy capital. The Company seeks investments in which a management team can profitably grow cash flows by applying established technologies to known resources.

The Company's analysis of investment opportunities initially focuses on the "Building Blocks" – business plan, team, alignment, valuation and capital structure all have to be in sync. In addition, the Company will invest only when it believes there is an "edge" (e.g., favorable deal dynamics, superior operating capability, differentiated technical understanding).

Acquiring an interest in a Fund involves a number of significant risks. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. The Funds are designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in a Fund. Investment risks include, but are not limited to, the following:

- Risks Associated with the Funds' Investment Strategies.
  - The investment strategies pursued by each Fund will involve making illiquid private investments in a relatively small number of portfolio companies concentrated in a single industry. As a result, each Fund's portfolio will tend to be highly concentrated. Adverse market conditions in the E&P Sector and/or the failure of even one of a Fund's portfolio investments could have a materially adverse impact on the Fund's overall performance.
  - The competition for sourcing investments for the Funds is becoming increasingly intense. There can be no assurance that the Company will be able to source a sufficient number of suitable investments at reasonable valuations to achieve a Fund's investment objective.
  - The Funds' investment strategy will involve investing in portfolio companies whose businesses are subject to significant risks, including strategic, financial or other challenges. Some of these portfolio companies may be highly leveraged, and a Fund's exit strategies may be uncertain at the time the Fund makes an investment in the portfolio company. The success of the Funds' investments in these companies is highly dependent on the ability of the managers of these companies to successfully navigate these and other challenges.
- Risks Associated With Investing in Interests in a Fund.
  - Investments in a Fund are illiquid, and interests in the Fund may not be transferred without the prior consent of the General Partner and the satisfaction of certain other conditions.

Investors in a Fund should be able and prepared to maintain their investments in the Fund over the entire life of the Fund.

- An investment in a Fund is a passive investment. As limited partners, investors in a Fund have no control over the day-to-day operations of the Fund and limited rights to protect themselves if they are dissatisfied with the manner in which the Fund is being operated. Limited partners are highly dependent on the investing skills and management abilities of the Company to achieve success.
- The valuation of a Fund's investments is a difficult task that will rely heavily on the Company's business judgment. Although the Company will maintain stringent policies, procedures and financial controls over the valuation process (including independent review by the Fund's auditors), there can be no assurance that a Fund will be able to realize its investments at a price that is commensurate with the value at which such investments have been carried on the Fund's books.
- The Company will manage each Fund in a manner that is consistent with the best interests of the Fund, which is not necessarily consistent with the best interests of each individual investor in the Fund. For example, the Company may structure investments so as to maximize tax efficiency for a Fund, but which may not be the most tax advantageous structuring possible for an individual investor, depending on that investor's own particular facts and circumstances.
- As the use of technology has grown, there are ongoing cybersecurity risks that make the Company and the Funds susceptible to operational and financial risks associated with cybersecurity. To the extent that the Company is subject to a cyber-attack or other unauthorized access is gained to its systems, the Company and the Funds may be subject to substantial losses in the form of theft, loss, misuse, improper release or unauthorized access to confidential or restricted data related to the Company or the Funds. Cyber-attacks affecting the Company's or the Funds' service providers holding financial or investor data may also result in financial losses to the Funds and their investors, despite efforts to prevent and mitigate such risks under the Company's policies. While the Company has developed measures that are designed to reduce the risks associated with cybersecurity, there are inherent limitations in such measures and there is no guarantee those measures will be effective, particularly because the Company or the Funds do not directly control the cybersecurity measures of service providers, financial intermediaries and portfolio companies.
- Certain Funds may use leverage in connection with making investments and payment of expenses, including management fees. Because the Special Limited Partner does not receive distributions of carried interest until certain performance hurdles are met, the Special Limited Partner's ability to use leverage could provide an incentive for the General Partner of a Fund to cause the Fund to use leverage in order to accelerate how quickly such performance hurdles are met, thereby potentially allowing the Special Limited Partner to receive its carried interest earlier than it would have absent the Fund's incurrence of such leverage.

No guarantee or representation can be made that the Fund will achieve its investment objective or that limited partners will receive a return of their capital. All investing involves a risk of loss that investors

should be prepared to bear. The investment strategies pursued by the Fund could lose money over short or even long periods.

Prospective and existing investors are advised to review the Fund Governing Documents for full details on the Fund's investment, operational and other actual and potential risks.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Company's advisory business or the integrity of its management.

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

Neither the Company nor any of its directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither the Company nor any of its directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or is an associated person of any of the above.

The Company's only financial industry affiliates are the General Partners of the Funds.

The Company does not recommend or select other investment advisers for clients.

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

The Company has established a code of ethics (the "**Code of Ethics**") that sets forth standards of ethical conduct for its professionals. The Code of Ethics addresses standards for treating the Fund and any other clients ethically, addressing potential conflicts of interest and monitoring and restricting personal trading by the Company and its employees. In addition, the Company has established policies and procedures that address, among other things, potential conflicts of interest that might arise in the management of the Fund.

The Company generally does not buy or sell securities of public companies. Consequently, except in special circumstances, no conflict typically arises when an employee of the Company buys, holds or sells a publicly-traded security of an energy company. However, from time to time, personnel at the Company may come into possession of material, non-public information related to public companies. In such circumstances, employees must comply with all applicable securities laws. The Company requires employees to pre-clear any personal trades in securities issued by publicly traded energy companies or securities issued pursuant to an initial public offering or private placement. In addition, to the extent Company employees are not already required to pre-clear their personal trades in an issuer's securities, the Company also maintains a list of additional securities of issuers that the Company is actively evaluating for purchase or sale in the Fund's account, in which the Fund owns a material interest, or about which the Company might have received material non-public information (the "**Restricted Securities List**") where pre-clearance of personal trades in such securities is required. The Chief Compliance Officer will update the Restricted Securities List as appropriate. Securities will be removed from the Restricted List when information is no longer material and an appropriate "cooling off period" has lapsed.



The Company's employees may not take for their own advantage an opportunity that rightfully belongs to the Company or the Funds, may not use Company or Fund property, information or position for personal gain, and may not compete directly or indirectly with the Company or the Funds.

The Company's employees must certify annually that they have read and agree to comply in all respects with the Code of Ethics and that they have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by the Code of Ethics.

Additionally, the Code of Ethics provides for a range of sanctions should anyone violate the Code of Ethics. These sanctions include, but are not limited to, a warning, fines, disgorgement, suspension or termination of employment.

The paragraphs above only represent a summary of key provisions in the Code of Ethics. The Company will provide a copy of the entire Code of Ethics to any client or prospective client (including any investor therein) upon request.

Because the General Partners are affiliates of the Company, the Company has a material interest that could create conflicts that must be managed. Each Fund has a Limited Partner Advisory Committee (the seats of which are filled by institutional limited partners that represent a significant percentage of the Fund's committed capital and that are not affiliates of the Company or the General Partner) that reviews transactions where a conflict of interest exists, pursuant to the applicable provisions of the Fund's limited partnership agreement.

## **Item 12: Brokerage Practices**

The Company's advisory business generally involves privately negotiated transactions in which best execution obligations do not arise in the same context as transactions in publicly-traded securities. However, the Company may from time to time purchase or sell publicly-traded securities. The Company has a duty to place trades for the Funds in a manner designed to seek "best execution" over time.

The factors considered in determining which broker is most likely to deliver best execution include, but are not limited to, the Company's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker selected and other brokers considered; the Company's knowledge of actual or apparent operational problems of any broker; the broker or dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

When executing a transaction in any investment for a Fund, the Company must take reasonable steps to ensure that the counterparty is reliable and that the terms and circumstances of the transaction are the best available on the relevant market at the time of execution for transactions of the same size and nature.

The Company does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

### **Item 13: Review of Accounts**

The investment portfolio of each Fund will generally be private, illiquid and long-term in nature; accordingly, the Company's review of each Fund's portfolio is not directed toward a short-term decision to dispose of securities. However, the Company closely monitors the portfolio companies of each Fund and generally maintains an ongoing oversight position in such portfolio companies.

On a quarterly basis, investors in each Fund will receive written financial reports, including a balance sheet, a statement of net income or net loss, a statement of changes in financial position or a cash flow statement, and a supplemental statement of such investor's capital account. On an annual basis, Investors in each Fund also will receive audited financial statements of the Fund, valuations of all of the Fund's investments and tax information necessary for the completion of U.S. tax returns.

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

The Company may, from time to time, determine to engage a third party placement agent to introduce potential investors to the Company. Depending on the specific arrangement, the Company may pay a placement fee, which may be calculated as a percentage of the commitment amount of the investor. If the Company compensates a placement agent for referring an investor, such arrangements will be disclosed in writing to the investor. In all cases, placement fees will be borne entirely by the Company.

To the extent that the Company, the General Partner or any of their affiliates receive any director fees, monitoring fees, financing fees, commitment fees, closing fees or other similar fees, such fees will be applied against management fees otherwise payable by the applicable Fund pursuant to its limited partnership agreement.

### **Item 15: Custody**

The Company will conduct all business operations in such a way that each Fund's cash and securities, other than privately offered, non-certificated securities, will be preserved in the safekeeping of independent qualified custodians. An independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board audits each Fund annually in accordance with generally accepted accounting principles, and the Company distributes the audited financial statements to all investors within 120 days of the Fund's fiscal year end.

### **Item 16: Investment Discretion**

Advice to the Fund is provided on a discretionary basis. Pursuant to the Company's management agreement with the Fund, the Company provides the Fund with certain investment advisory and management services on the terms set forth in the management agreement.

### **Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, the Company has adopted and implemented written policies and procedures governing the voting of client securities. Each Fund is primarily invested in privately-held portfolio company investments that typically do not issue proxies. However, in the event proxies have to be voted, the Company shall be responsible for voting proxies on behalf of the applicable Fund. The Company shall vote client proxies in a way that it believes

will maximize value for the applicable Fund. The Company's investment professionals are generally responsible for making voting decisions with respect to proxies received. In exercising its voting discretion, the Company and its employees will seek to avoid any direct or indirect conflict of interest raised by such voting decision. All conflicts of interest will be resolved in the interests of the Funds.

Certain investment professionals of the Company may serve as board members for the Funds' portfolio companies. In situations where the Company votes the proxy for a company in which an employee of the Company serves on the board of directors, the Company has determined that this does not inherently present a conflict of interest, as the purpose for serving on the board is to maximize the return on the Fund's investment and to ensure that the Fund's interests are protected.

A copy of the Company's written proxy voting policies and procedures, as well as a record of how the Company has voted in the past, will be maintained and available for investor review upon written request.

## **Item 18: Financial Information**

No management fees are payable to the Company by the Fund more than six months in advance. As such, under relevant SEC rules, the Company is not required to include its balance sheet for the most recent fiscal year or disclose information about its financial position. Nonetheless, the Company is not aware of any financial conditions that are reasonably likely to impair its ability to meet its contractual obligations to the Fund. The Company has never been the subject of a bankruptcy petition.

[End of Brochure]