

**Form ADV Part 2**

March 30, 2020

**GRP Royalty Holdings, LLC**

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Attention: Christopher Elliott

**This brochure (the “Brochure”) provides information about the qualifications and business practices of GRP Royalty Holdings, LLC. It also includes information about Kenneth Willey, Kevin Boscamp, and Christopher Elliott that supplements information regarding GRP Royalty Holdings. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“CCO”), Christopher Elliott, at (214) 378-3710. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**GRP Royalty Holdings, LLC is an investment adviser registering with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.**

**This Brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of deliver of offering, governing and/or account documents that contain the material terms relating to such investments, products or services.**

**Additional information about GRP Royalty Holdings, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Material Changes

GRP Royalty Holdings, LLC had no material changes during 2019 to report. However, we have updated our disclosures in this Brochure to provide certain clarifying changes and enhanced disclosures. We encourage all recipients to read this Brochure carefully and in its entirety.

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#### 4. **Advisory Business**

GRP Royalty Holdings, LLC (“**GRP**”, the “**Firm**”, “**we**”, “**our**”, or “**us**”) is an investment management services firm founded in 2017. GRP provides services to investors through its pooled investment vehicle clients, Royalty Asset Holdings, L.P. (“**RAH**”), Royalty Asset Holdings II, L.P. (“**RAHII**”), and Runner Royalties, L.P. (“**RR**”), each a private equity fund (the “**Funds**” or “**Clients**”).

The owners of GRP are Kenneth Willey and Kevin Boscamp.

GRP provides investment advisory services to limited types of private pooled investment vehicles, specifically in the oil and gas sector. We seek substantial long-term capital appreciation by making privately negotiated equity investments in oil and gas companies domestically, including upstream, midstream and services businesses.

For more information on the investment strategy of our Clients, please see Item 8: Method of Analysis, Investment Strategy and Risk of Loss.

The Firm tailors its advisory services in accordance with our Clients’ needs and investment strategy as disclosed in our Clients’ limited partnership agreements, private placement memoranda, and/or other governing documents (collectively, the “**Fund(s) Governing Documents**”).

We do not participate in any wrap fee programs.

The amount of Client assets that we manage on a discretionary basis, as of December 31, 2019, is \$625,521,152. We do not manage Client assets on a non-discretionary basis.

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

GRP’s compensation is generally negotiated on a Fund-by-Fund basis, but we receive a flat fee payable either monthly or quarterly in advance, from our current Clients.

We charge RAH a flat monthly management fee of \$135,000.00, paid monthly in advance. Additionally, the Firm charges a quarterly incentive payment, which is calculated by Royalty Asset Holdings, GP LLC (“**RAH GP**”), RAH’s general partner, as of the end of each calendar quarter an amount equal to 5% of net cash flows realized by RAH during the quarter, paid within 45 days after the end of each quarter.

We charge RAHII a flat monthly management fee of \$135,000.00, payable on or before the 10<sup>th</sup> calendar day of the month in which investment advisory services are provided. Additionally, the Firm charges a quarterly incentive payment, which is calculated by Warwick Royalty and Mineral Fund II GP, Ltd. (“**RAHII GP**”), RAHII’s general partner, as of the end of each calendar quarter an amount equal to 5% of net cash flows realized by RAHII during the quarter, paid within 45 days after the end of each quarter.

As of December 31, 2019, we charge RR a flat quarterly management fee of \$125,000.00, paid quarterly in advance.

We generally have discretion pursuant to the Fund Governing Documents to waive all or a portion of the management fees and/or the performance-based compensation as to certain investors. This discretion is typically only exercised for investors that are our affiliates or employees, which do

not pay asset-based or performance-based fees to GRP. Additionally, we may enter into negotiated side letter arrangements with certain investors, in which we grant them preferential terms that may include lesser management fees or different redemption rights.

Neither the Firm nor its personnel receive any compensation for the sale of securities or other investment products, or investment referrals.

## **6. Performance-Based Fees and Side-By-Side Management**

In addition to the management fees described above, an affiliate of GRP (generally the general partner or managing partner of the subject Fund) is also entitled to receive a carried interest allocation from the Fund after certain performance hurdles have been met, as further described in the applicable Fund Governing Documents. Such carried interest is typically in the range of 5% to 22% of the Fund's net investment profits.

RAH GP receives a carried interest distribution, subject to an Exit Event as defined in the management service agreement between RAH and GRP, between 5% and 20%, the percentage of which is determined from the applicable return ratio of the Fund's assets as outlined in the Fund's Governing Documents

GRP Victoria Park Holdings GP, LLC ("**RR GP**"), the general partner of RR, receives a carried interest distribution of investment proceeds, with respect to the first tranche as defined in the Fund's LPA, of 22%, once the Fund has cleared certain established hurdles, as further evidenced in the Fund's Governing Documents.

## **7. Types of Clients**

We provide investment advice to our Clients. The underlying investors in our Clients are typically:

- High net worth individuals;
- Pension Funds;
- Trusts and estates;
- Corporations, partnerships or other business entities; and
- Other investment funds.

Our Clients rely on an exclusion from the definition of "investment company" in the Investment Company Act of 1940, as amended. Accordingly, our Clients are not registered as investment companies with the Securities and Exchange Commission.

Investments in our Clients, to the extent that our Clients are open to new investors, generally requires a minimum investment between \$10 million and \$100 million although we may waive this requirement from time to time.

We generally require that U.S. investors in our Clients qualify as qualified purchasers as defined in the Investment Company Act of 1940.

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

### **Investment Strategies and Methods of Analysis**

We typically invest in privately held businesses seeking growth capital for organic or acquisition initiatives within the domestic oil and gas sector. We have invested in upstream oil and gas acquisition and development, midstream infrastructure and related assets, and selectively in oilfield service companies. In some situations, we will use debt capital to enhance our equity returns.

We use a variety of quantitative and qualitative methods to analyze investment opportunities. Qualitatively, we seek investments with low cost structures, significant barriers to entry, high organic and bolt on growth projects, and strategic value to a number of different potential buyers at exit. Quantitatively, we use discounted cash flow and comparable company / transaction analysis to value investments and project returns.

Our investment professionals generally engage in a due diligence process that includes reviewing a company's business model, operations, markets, management, financial history and prospects as well as becoming closely acquainted with management and their goals, objectives and capabilities. In certain instances, we augment our due diligence with outside resources, including industry executives, consultants, lawyers, accountants, insurance and human resource experts.

## **Risk Factors**

Private equity investing involves significant risks that the Funds and their investors should be prepared to bear. Also, investing in our Funds involves significant risks relating both to the types of investments contemplated and our ability to achieve the investment objectives. The discussion below of risks associated with private equity investments does not purport to be an exhaustive list of all risks associated with an investment in our Funds.

***Risk of Loss of Capital.*** Investing in securities involves the risk of complete loss of capital. While we believe that our investment processes, strategy and research techniques mitigate the investment risks through a careful selection of investment opportunities, no guarantee or representation is made that we will achieve the Funds' investment objectives or that we will be successful.

***Nature of Investments.*** While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Investments by the Funds in highly leveraged companies may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If for any of these or other reasons a portfolio company is unable to generate enough cash flow to meet principal or interest payments on its indebtedness, meet financial or other covenants required by such indebtedness, or make regular dividend payments, the value of a Funds' investment could be significantly reduced or even eliminated.

***Investing in Growth Businesses.*** The Funds intend to invest in growth companies often characterized by short operating histories, evolving markets, intense competition and management teams that have limited experience working together. Such a company may need to implement appropriate sales and marketing, inventory, finance, personnel and other operational strategies and systems to become and remain successful. The Funds' returns will depend upon our ability to find and invest in companies that can successfully combine these strategies and systems where products and markets are constantly evolving. There can be no assurance that a Fund will find and invest in a sufficient number of these companies to meet investor return expectations.

**General Economic Conditions.** General economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of portfolio investments made by the Funds or considered for prospective investment. Portfolio investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of the Funds' portfolio investments. No assurances can be given as to the effect of these events on the Funds' investment objectives.

**Illiquid and Long-Term Investments.** Although portfolio investments may generate current income, the return of capital and the realization of gains, if any, from a portfolio investment generally will most likely occur only upon the partial or complete disposition of such portfolio investment. While a portfolio investment may be sold at any time, it is generally expected that the dispositions of most of the Funds' portfolio investments will not occur for a number of years after such portfolio investments are made. It is unlikely that there will be a public market for the securities held by the Funds at the time of acquisition. The Funds generally will not be able to sell its securities publicly unless the sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases, the Funds may be prohibited or limited by contract from selling certain securities for a period and, as a result, may not be permitted to sell a portfolio investment at a time it might otherwise desire to do so.

**Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing on attractive portfolio investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to identify and complete portfolio investments that satisfy its investment objectives, realize the value of such portfolio investments, or fully invest its commitments. Nevertheless, as more fully described in each Funds' limited partnership agreement, each Fund may be required to pay management fees based on aggregate commitments during such Fund's investment period.

**Portfolio Company Management Risks.** With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. Although we expect to monitor each portfolio company's management team, each portfolio company's management team will have day-to-day responsibility for the business of such portfolio company.

**Concentration of Investments.** The Funds will participate in a limited number of portfolio investments and, consequently, the aggregate return of the Funds may be affected by the performance of a single portfolio investment. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

**Passive Investments.** Investments in the Funds will generally be passive investments. Investors in the Funds will generally have no control over the day-to-day operations of the Funds and limited rights to protect themselves if they become dissatisfied with the manner in which the Funds are being operated. Investors in the Funds will be highly dependent on the investing skills and management abilities of GRP to achieve success.

***Collective Investment Vehicle.*** The Funds will be managed in a manner that is consistent with the best interests of the Funds as a whole, which is not necessarily consistent with the best interests of each individual investor in the Funds. For example, GRP may structure investments so as to maximize tax efficiency for the Funds, 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.

***Competition for Investment Opportunities.*** The competition for acquisition and investment opportunities is becoming increasingly intense. There can be no assurance that GRP will be able to source a sufficient number of suitable investments at reasonable valuations to achieve its investment objective.

***Lack of Diversification.*** The Funds intend to focus solely on the oil and gas industry, which has historically been volatile and will likely continue to be volatile. Accordingly, volatility in the oil and gas industry will have a greater adverse effect on the Funds than if its portfolio included a more diversified set of investments. Should the oil and gas industry experience a downturn due to any number of factors outside of GRP's control, there can be no assurance that the Funds' projected results will be obtained.

***Volatility of Oil and Gas Prices.*** The profitability of the Funds' investments will depend substantially on prevailing prices for oil and gas in particular markets for particular asset profiles. The cash flow and values obtainable therefor will be affected by market factors beyond the Funds' control and have been, and will continue to be, volatile and subject to significant fluctuation. Any decline in the price of oil and/or gas or the cash flow generated from oil and gas assets underlying the Funds' investments may have a material adverse effect on the value of such investments. Crude oil and natural gas prices are volatile and fluctuate in response to a number of factors. Lower prices could reduce the net proceeds available for Fund distributions. The Funds' distributions are highly dependent upon the prices realized from the sale of crude oil and natural gas and a material decrease in such prices could reduce the amount of cash distributions paid to the limited partners. Crude oil and natural gas prices can fluctuate widely on a quarter-to-quarter basis in response to a variety of factors that are beyond the control of the general partners and GRP. Factors that contribute to price fluctuation include, among others:

- political conditions in major oil producing regions, especially in the Middle East;
- worldwide economic conditions;
- weather conditions;
- the supply and price of domestic and foreign crude oil or natural gas;
- the ability of members of the Organization of the Petroleum Exporting Countries ("OPEC") to agree upon and maintain oil prices and production levels;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the proximity to, and capacity of, transportation facilities;
- the effect of worldwide energy conservation measures; and
- the nature and extent of governmental regulation and taxation.

The Funds' revenues, operating results and financial condition will depend substantially on prevailing prices for oil and natural gas. Lower oil or natural gas prices also may reduce the amount of oil or natural gas that can be produced, and as a result, decrease the revenue generated by any given oil and gas interest. Historically, oil and natural gas prices and markets have been volatile, with prices fluctuating widely, and they are likely to continue to be volatile. It is impossible to predict

future crude oil and natural gas price movements, and this reduces the predictability of future cash distributions to the Funds limited partners

***Title Risks.*** The assets in which the Funds invest are may include real property interests, and the Funds' rights with respect to such interests may be subject to encumbrances under the title systems of the jurisdictions in which the Funds invests. Any defect in the Funds' title to investments would result in losses to the Funds. Additionally, investments in certain real estate may be subject to ad valorem taxes and could be foreclosed upon by a governmental authority in the event of any default in payment of such taxes, which would result in losses to the Funds.

***Board Participation.*** The Funds may be represented on the boards of directors of certain of its portfolio investments. Although such positions may be important to our investment strategy and may enhance our ability to manage the investment, they may also impair our ability to sell the investment when, and upon the terms, we may otherwise want. It may also subject us and the Funds to claims we would not otherwise be subject to, including claims of breach of duty of loyalty, securities claims and other director-related claims. In addition, it is possible there may be a conflict of interest with our duty of care to the portfolio company as a board member and our duty of care to the Funds.

***Dodd-Frank Act.*** The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was enacted in July 2010. The Dodd-Frank Act has resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry. The Dodd-Frank Act created new recordkeeping and reporting requirements for investment advisers, which add costs to the legal, operational and compliance obligations of our Funds, and increase the amount of time that our management team spends on non-investment-related activities.

***Cyber Security Breaches and Identity Theft.*** Information and technology systems of the GRP and our Funds' portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, the Firm, the Funds and/or a portfolio companies may have to make a significant investment to fix or replace them. The failure of these systems and/or disaster recovery plans for any reason could cause significant interruptions in the Firm's, the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Firm, the Funds' or the portfolio companies' reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

***Epidemics, Pandemics, and Public Health Issues.*** A serious pandemic or a natural disaster could severely disrupt global, national and/or regional economies. As of February 2020, there is an outbreak of a novel and highly contagious form of coronavirus. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, including office buildings, retail stores and other commercial venues and could also result in a general economic decline. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular portfolio companies, negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could



have an adverse effect on the Fund's returns and the Fund's ability to source new investments. No assurance can be given as to the effect of these events on the value of the Fund's investments.

**9. Disciplinary Information**

Neither our Firm nor any office personnel has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our Firm nor any office personnel has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our Firm nor any management person has been subject to a proceeding before any self-regulatory organization.

**10. Other Financial Industry Activities and Affiliates**

Neither our Firm nor any of our office personnel is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither our Firm nor any of our office personnel is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or is an associated person of any of the above.

RR GP, an affiliate of our Firm, serves as the general partner to our Client, RR, and is under indirect control by the owners of GRP.

We do not recommend or select unaffiliated investment advisers for our Clients, receive compensation directly or indirectly from unaffiliated advisers that create a material conflict of interest, or have other business relationships with them that create a material conflict of interest.

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

We have adopted a code of ethics (the "**Code of Ethics**") in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics is designed to ensure that our employees' securities transactions are consistent with our Firm's fiduciary duty to our Clients. In brief, it prohibits all Firm employees from personally trading in individual common stocks and options on securities that the Funds hold (excluding exchange-traded funds). It also prohibits our employees from trading in a security while in possession of material, nonpublic information regarding that security, and requires employees to pre-clear trades in IPOs and investments in private placements. Our Code of Ethics is available to our Clients or any investor or potential investor in our Clients upon request.

Employees of our Firm do not recommend to our Clients, nor do they buy or sell for our Clients' account, securities in which they have a material financial interest.

Employees of the Firm may not trade any security which the Funds may trade or hold material non-public information.

As mentioned above, not only must personal securities trades be pre-approved, personal transaction may be reversed or modified. If we determine that a personal transaction would breach our policies, we will deny approval of the trade.

The Code of Ethics provides for a range of sanctions should anyone violate it. These sanctions include, but are not limited to, censure, restriction on activities, and suspension or termination of employment. The paragraphs above only represent a summary of key provisions in the Code of Ethics. GRP will provide a copy of the entire Code of Ethics to any Client (including any investor therein) upon request.

From time to time, GRP may cause a Fund to buy or sell assets in which one of the principals or their affiliates has a material financial interest. The existence of such relationships may create a conflict of interest between the Fund and the relevant principal or affiliate. Such transactions must be approved by the CCO after a thorough review of potential conflicts of interest and, as needed, disclosure to relevant Fund investors.

## **12. Brokerage Practices**

We do not make regular use of brokers for the purposes of purchasing or selling securities on behalf of our Clients because the investments are generally acquired and/or disposed of in privately negotiated transactions.

To the extent that a broker is used for a transaction, GRP considers various factors in determining which broker is most likely to deliver best execution including, but not limited to, the Firm's knowledge of negotiated commission rates currently available; the nature of the security or asset being transacted in; the size and type of the transaction; the nature and character of the markets for the security or asset to be purchased or sold; the desired timing of the transaction; the activity existing and expected in the market for the particular security or asset; confidentiality; the execution, clearance, and settlement capabilities, as well as the reputation and perceived financial soundness of the broker selected and other brokers considered; GRP'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 commissions. GRP does not maintain relationships with broker-dealers that feature soft-dollar benefits or referral arrangements.

## **13. Review of Accounts**

GRP monitors and oversees the investments of our Clients on an ongoing and continual basis.

The Funds' administrators are responsible for distributing reports and statements to investors. SS&C Technologies is the fund administrator for RAH and RAHII, and Strait Capital Company, Ltd. is the fund administrator for RR. Investors in RAH and RAHII receive reports and financial statements as RAH GP determines from time to time. Investors in RAHII receive reports and financial statements as RAHII GP determines from time to time. Investors in RR receive, on a quarterly basis, an unaudited net asset value of RR, unaudited quarterly account statements for such quarter, and other financial reports and statements RR GP may deem appropriate. Investors in RR receive on an annual basis audited financial statements of the fiscal year which the statement relates, and necessary federal tax information regarding RR.

**14. Client Referrals and Other Compensation**

GRP does not traditionally engage third-party placement agents. Should we choose to engage third-party placement agents to introduce potential investors to our Clients, any referral or placement fees associated with the placement agent will be born either directly or indirectly by GRP.

**15. Custody**

GRP is deemed to have limited custody over RR due to its affiliation with RR's general partner, RR GP. Additionally, the Funds are subject to a year-end audit by a major accounting firm that is a member of, and examined by, the PCAOB. The audited financial statements are provided to the underlying investors of the Funds within 120 days of the end of the fiscal year or earlier in accordance with the respective limited partnership agreements.

**16. Investment Discretion**

We have entered into investment management agreements with the Funds and provide investment advice to the Funds on a discretionary basis. The management agreements and /or the management authority granted to the Funds' general partners pursuant to the Funds' limited partnership agreements, provide us directly, or through the general partners, with full discretion to determine investments to be purchased and sold on behalf of the Funds. Any limitations on our investment discretion are set forth in the investment management and limited partnership agreements of the Funds.

**17. Voting Client Securities**

In accordance with Rule 206(4)-6 of the Advisers Act, GRP has adopted and implemented written policies and procedures governing the voting of client securities. Though rare given the asset class in which GRP transacts, in the event that proxies have to be voted, GRP will generally be responsible for voting proxies on behalf of its clients. GRP will vote client proxies in a way that it believes will be in the best interests of its clients. In exercising its voting discretion, GRP and its employees will evaluate whether any direct or indirect conflict of interest is raised by such voting decision. If it is determined that a material conflict exists, GRP will take steps to ensure that its voting decision is based on the best interests of its clients (and is not a product of such conflict).

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

**18. Financial Information**

We do not require prepayment of fees more than six months in advance nor do we have any other events requiring disclosure under this item of this Brochure. We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our Clients, and we have never been the subject of any bankruptcy petition.