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**PART 2A OF FORM ADV: FIRM BROCHURE**

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**LIBERTY PARTNERS, L.L.C.**

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**This brochure provides information about the qualifications and business practices of Liberty Partners, L.L.C. If you have any questions about the contents of this brochure, please contact us at (212) 541-7676 or [info@libertypartners.com](mailto:info@libertypartners.com).**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Liberty Partners, L.L.C. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

*\* Part 2A of Form ADV was subsequently amended in December 2013 to solely update Liberty Partners, L.L.C.’s business address and the amount of client assets under management.*

**Item 2. Material Changes\*\***

There were no material changes made to our brochure since its last annual update on February 14, 2012.

*\*\* Part 2A of Form ADV was subsequently amended in December 2013 to solely update Liberty Partners, L.L.C.'s business address and the amount of client assets under management.*

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**Item 4. Advisory Business**

Liberty Partners, L.L.C. (“Liberty”) was formed as a limited liability company under the laws of the State of Delaware in September of 2001. Liberty is an investment adviser and currently provides investment advice to Liberty Partners II, L.P. (the “Fund”), a private equity fund. Liberty’s sole office is located in New York City. Liberty’s manager is PEB Associates, Inc. (“PEB Associates”).

Liberty specializes in middle-market private equity investments in education, manufacturing and business services companies. As Liberty’s sole client, the services that Liberty provides to the Fund are based on and tailored to the Fund’s specific investment needs and goals. Liberty provides investment advisory and management services to the Fund pursuant to a management agreement entered into by Liberty and the Fund (the “Management Agreement”). Pursuant to the Management Agreement, the advisory services that Liberty provides to the Fund generally consist of identifying, evaluating, structuring and recommending investments, as well as monitoring the performance and providing advice and recommendations regarding dispositions of such investments once they are made. The Fund’s partnership agreement (the “Partnership Agreement”) sets forth certain investment limitations, including restrictions on investing in certain securities or types of securities.

As of December 31, 2012, Liberty had \$268,108,121 in assets under management, all of which were discretionary.

As of December 9, 2013, Liberty had \$216,104,143 in assets under management, all of which were discretionary.

**Item 5. Fees and Compensation**

The Fund is required to pay Liberty a management fee (the “Management Fee”). The Management Fee is payable quarterly in advance. Liberty deducts such Management Fee from the Fund’s assets. Such prepaid Management Fee is not refundable to the Fund in the event of the termination of the Management Agreement before the end of the billing period.

In addition, the Fund is required to allocate to Liberty Partners GP, LLC, the Fund’s general partner and an affiliate of Liberty (the “General Partner”), a performance-based special allocation in the form of a carried interest (the “Carried Interest”). Liberty distributes the Carried Interest to the General Partner, in accordance with the terms of the Partnership Agreement, from the proceeds, received by the Fund, attributable to the disposition of an investment in a portfolio company and any dividends and interest income with respect to such investment.

The Fund is also responsible for paying (i) all reasonable legal and other organizational and offering expenses incurred in the formation of the Fund and related entities, (ii) structuring fees payable to the placement agent (such fees to generally be payable by the limited partners of the Fund pro rata to their capital contribution) and (iii) to the extent not paid by a portfolio company, on-going operating expenses of the Fund. In addition, Liberty is entitled to a portion

of the customary transaction fees, advisory fees, directors' fees, investment banking fees, break-up fees or other similar fees attributed to investments or proposed investments made by the Fund.

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

The Carried Interest that the General Partner, a Liberty affiliate, is allocated by the Fund is performance-based.

**Item 7. Types of Clients**

Liberty provides investment advisory services to its sole client, a private equity fund. Liberty does not offer advisory services to the general public.

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

Liberty's investment strategy with respect to the Fund's investments generally consists of identifying middle-market companies that operate in the education, manufacturing and business services industries. Liberty learns about potential investment opportunities from various sources. Liberty preliminarily reviews the opportunities and if interested in a particular opportunity will provide an initial indication of interest to the potential portfolio company on behalf of the Fund. Thereafter, Liberty will meet with the management team, perform research on the potential portfolio company and perform due diligence. Based on this review of a potential portfolio company, the Fund may enter into a letter of intent with such potential portfolio company and Liberty would continue its due diligence review of the potential investment. In evaluating potential investment opportunities, Liberty may periodically seek the advice of third party consultants, such as environmental experts, industry experts, accountants and lawyers. Once an investment has been made, Liberty reviews and monitors such investments on a regular basis by, among other things, analyzing and evaluating the performance of the portfolio company underlying such investment.

Investing in securities involves risk of loss that clients should be prepared to bear.

The material risks relating to (i) the significant methods of analysis and investment strategies described above and (ii) investment in securities of private companies, are set forth below:

- If Liberty is unable to identify suitable investments for the Fund, the Fund may ultimately invest in fewer portfolio companies than it otherwise would have had Liberty pursued a different investment strategy. As a result of fewer investments, the Fund's investments may be less diversified as a whole. In addition, because Liberty's investment strategy generally consists of concentrating on investments in companies operating in a small number of industries, the Fund's aggregate returns could be significantly affected by the performance of a small number of portfolio companies or the industries in which they operate.

- There can be no assurance that Liberty will be able to identify suitable investments for the Fund, whether as initial investments in companies or as additional investments in companies in which the Fund has previously invested (“add-on investments”). Moreover, the competition for suitable investment opportunities could adversely affect the pricing at which the Fund invests in portfolio companies, the timing of such investments and the timing of the disposition of such investments and distributions to the Fund, or otherwise lead to investments that are less attractive than Liberty or the Fund would prefer.
- The criteria selected by Liberty for the selection and periodic assessment of the Fund’s investments may not prove effective in identifying investments that will produce acceptable returns for the Fund.
- There is generally little or no publicly available investment information about privately-held companies. The financial and other data available may be more limited or less reliable than would typically be the case for a larger public company. There can be no assurance that Liberty’s diligence efforts will uncover all material information about a targeted privately-held business necessary to make a fully-informed investment decision. Such investments involve a high degree of business and financial risk that can result in substantial losses.
- The Fund’s investments consist of securities for which there is no public market and/or that are subject to restrictions on sale because they were acquired from the issuer of such securities in “private placement” transactions or because such restrictions are imposed as a condition of purchase. Limitations on the sale of such securities may prevent or delay a successful disposition of an investment or reduce the amount of proceeds that might otherwise be realizable from such a disposition.
- The portfolio companies in which the Fund invests may require add-on investments either to meet unanticipated needs or to fully realize their growth potential. If a portfolio company is in need of an add-on investment, the ability to provide such add-on investments will depend upon, among other things, the availability of capital from the Fund and the Fund’s investment guidelines and policies. In such event, if capital is not available from the Fund, a portfolio company may seek other sources of capital which could result in a dilution of the Fund’s investment or, if other sources of capital are not available, the portfolio company may experience financial difficulties or slower growth than had been anticipated. As a result, the Fund may fail to realize anticipated returns on its investments, or may actually lose some or all of such investments.
- There can be no assurance that any of the Fund’s investments will appreciate in value, ever be sold at a profit, or be operated at a profit. It is possible that some or

all of the Fund's investments may be sold at a net sales price which will be less than the acquisition costs paid on account of such investments.

**Item 9. Disciplinary Information**

Liberty does not have any legal or disciplinary information to disclose.

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

PEB Associates is Liberty's manager and also the general partner of Liberty Partners, L.P. Liberty Partners, L.P. is an investment adviser to a state governmental entity responsible for administering the state's retirement system trust fund (the "Client") which has a similar investment strategy as the Fund. Liberty believes that its affiliation with Liberty Partners, L.P. does not result in a material conflict of interest because Liberty Partners, L.P. can no longer make investments on the Client's behalf. In addition, to the extent that the Fund and the Client have investments in the same portfolio company and Liberty determines to sell such investment, the Fund and the Client will sell their interest in the portfolio company, pro rata, on the same terms and at the same time.

Liberty Partners GP, LLC serves as the Fund's general partner and is an affiliate of Liberty. The General Partner of the Fund receives the Carried Interest. Because of Liberty's relationship with the General Partner, the Carried Interest may be considered performance based compensation that benefits Liberty. The Carried Interest may give Liberty or the General Partner an incentive to take more risk or make more speculative investments than would otherwise be the case. Liberty addresses this potential conflict of interest by (i) recognizing its fiduciary duty owed to the Fund, and (ii) reviewing the Fund's objectives, strategies and investment guidelines against its recommendations.

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

Liberty adopted a Code of Ethics that covers all of its supervised persons. Liberty's supervised persons include Liberty's officers, directors, or employees, or any other person who provides investment advice to the Fund on Liberty's behalf and is subject to Liberty's supervision or control. Supervised persons of the General Partner are also subject to this Code of Ethics. This Code of Ethics describes Liberty's standards of business conduct, compliance with federal securities laws, privacy policy with respect to clients' non-public information and Liberty's fiduciary duty to its clients. Liberty's Code of Ethics will be provided to its supervised persons annually, and each supervised person will be required to acknowledge receipt and compliance therewith in writing.

Copies of Liberty's Code of Ethics may be requested by clients and potential clients by contacting Liberty's Chief Compliance Officer, Michael S. Levine, at (212) 541-7676.

*Participation or Interest in Client Transactions and Personal Trading*

Certain Liberty affiliates are investors in the Fund and may be permitted to co-invest with the Fund in the securities to be purchased in connection with an investment. This may present conflicts between the Liberty affiliates' personal investment interests and Liberty's obligation as an advisor. Any investment in the Fund or co-investment made by Liberty are subject to Liberty's fiduciary duty to the Fund. In addition, when Liberty affiliates co-invest with the Fund, they invest at the same time and on the same terms as the Fund. Additionally, Liberty does not engage in "cherry-picking" of more desirable investment opportunities for itself and/or its affiliates. The Partnership Agreement provides that generally the General Partner, Liberty and the principals of Liberty may not participate in a co-investment opportunity without first offering such opportunity to the limited partners of the Fund who are not affiliated with the General Partner. The Partnership Agreement also provides that if an investment opportunity is presented to the General Partner, Liberty or the principals of Liberty which is suitable for the Fund, then such investment must be offered to the Fund, subject to certain exceptions contained in the Partnership Agreement. The Fund also has an Advisory Board comprised of representatives of the Fund's limited partners which, among other functions, (i) reviews and considers any transaction or matter involving a potential conflict of interest between Liberty affiliates, on the one hand, and the Fund or a portfolio company, on the other and (ii) approves or disapproves of any co-investments by Liberty affiliates that are not otherwise permitted pursuant to the Partnership Agreement.

Liberty and/or its affiliates may also have a financial interest in a company in which the Fund invests by virtue of Liberty's affiliates having invested in such company prior to the Fund's investment. Liberty and its affiliates' interests in any such portfolio companies have been disclosed to the Fund and its limited partners.

**Item 12. Brokerage Practices**

Not applicable to Liberty's business.

**Item 13. Review of Accounts**

The Fund's investments are reviewed and monitored by Liberty on a regular basis. The supervised persons who conduct such review include Liberty's Chief Compliance Officer and the Chairman, President and CEO, and the Managing Directors of Liberty's manager. The review and monitoring of the Fund's investments occurs on a continuous basis and includes analyzing the performance of the portfolio companies in which the Fund has invested.

The books and records of the Fund are audited as of the end of each fiscal year by independent certified public accountants. Within 90 days after the end of each fiscal year, the General Partner sends to each limited partner of the Fund a written report of such accountants, setting forth as of the end of such fiscal year: (i) a balance sheet of the Fund; (ii) a statement of the net income or net loss of the Fund for such year; (iii) a statement of changes in financial



position or a cash flow statement of the Fund; (iv) a supplemental statement of such limited partner's capital account; and (v) a report and update with respect to the portfolio companies. In addition, the General Partner delivers to each limited partner an unaudited supplemental written report which sets forth such limited partner's pro-forma capital account computed as if all undistributed and unrealized gains and losses reflected in the above financials had been realized (a "Pro Forma Capital Account Report").

Within 45 days after the end of each of the first three quarters of each fiscal year, the General Partner sends to each limited partner of the Fund: (i) a written statement of such limited partner's capital account and changes thereto for such quarter and (ii) unaudited financial statements of the Fund. In addition, the General Partner includes (i) a written Pro Forma Capital Account Report, with respect to each limited partner, based on the above financial statements and (ii) with every second quarterly report, a written report and update with respect to the portfolio companies.

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

No one who is not a client provides an economic benefit to Liberty for providing investment advice or other advisory services to the Fund. Liberty and its related persons do not directly or indirectly compensate persons who are not Liberty's supervised persons for client referrals.

#### **Item 15. Custody**

The General Partner has the authority to deposit, withdraw, invest, pay, retain and distribute the Fund's assets. Accordingly, Liberty has custody of the Fund's assets by virtue of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Advisers Act") which provides that an investment adviser is deemed to have custody of client funds or securities if a related person holds, directly or indirectly, client fund or securities, or has any authority to obtain possession of them, in connection with advisory services the adviser provides.

#### **Item 16. Investment Discretion**

Liberty's affiliate, the General Partner, maintains discretionary authority over the Fund's assets. Pursuant to the Partnership Agreement, the General Partner has the authority to make, own, manage, supervise and dispose of the Fund's investments and to execute and deliver in the Fund's name any and all instruments necessary to effectuate such transactions. This general authority is subject to certain limitations set forth in the Partnership Agreement on, among other things, the types and amounts of investments that the General Partner can make on the Fund's behalf.

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

The General Partner has exclusive authority with respect to the voting of the securities received by the Fund in connection with each investment, subject to any limitations contained in

the Partnership Agreement. Except in the case of a conflict of interest as described below, the Advisory Board of the Fund does not direct the General Partner or Liberty on how to vote in a particular solicitation.

Liberty's and the General Partner's policy is to vote Fund interests or other proxies in the best interests of the Fund. Because the securities held by the Fund typically are privately held equity interests, votes are usually cast directly at a meeting or by written consent and not by proxy. The General Partner will vote any securities or proxy in a manner consistent with the investment objectives of the Fund, usually to maximize investment returns, and subject to any investment restrictions and other constraints set forth in the Partnership Agreement.

Prior to voting any securities, Liberty and the General Partner will identify any conflicts that exist between the interests of Liberty, the General Partner and the Fund by reviewing the relationship of Liberty and the General Partner with the issuer of such security to determine if Liberty or any of its affiliates has any financial, business or personal relationship with the issuer. If a material conflict of interest exists, Liberty's Chief Compliance Officer will determine whether it is appropriate to disclose the conflict to the Advisory Board of the Fund, in order to give the Advisory Board of the Fund an opportunity to vote the securities or to address the voting issue through other objective means such as receiving an independent third-party voting recommendation.

Limited partners of the Fund may obtain information about how the General Partner voted the Fund's securities by contacting Liberty's Chief Compliance Officer, Michael S. Levine, at (212) 541-7676.

Limited partners of the Fund may obtain a copy of Liberty's proxy voting policies and procedures upon request.

#### **Item 18. Financial Information**

Liberty does not believe any financial conditions currently exist that are reasonably likely to impair Liberty's ability to meet its contractual commitments to the Fund.