
PART 2A OF FORM ADV: FIRM BROCHURE

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.

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.

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

Item 2. Material Changes

This brochure was reviewed and updated in connection with our required annual review of our ADV materials in March 2018. Since our annual filing in 2017, a summary of material changes is as follows: Item 4 was amended to disclose that as of December 31, 2017, Liberty Partners, L.L.C. had \$95,304,065 in regulatory assets under management, all of which were discretionary.

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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. Liberty’s authorization to make initial investments in new portfolio companies and add-on investments on behalf of the Fund has ended.

As of December 31, 2016, Liberty had \$95,304,065 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, 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. The

Fund was also responsible for paying (i) all reasonable legal and other organizational and offering expenses incurred in the formation of the Fund and related entities and (ii) structuring fees payable to the placement agent (such fees were generally payable by the limited partners of the Fund pro rata to their capital contribution).

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 consisted of identifying middle-market companies that operate in the education, manufacturing and business services industries. Liberty would learn about potential investment opportunities from various sources. Liberty would preliminarily review the opportunities and if interested in a particular opportunity would provide an initial indication of interest to the potential portfolio company on behalf of the Fund. Thereafter, Liberty would 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 have entered 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 periodically sought the advice of third party consultants, such as environmental experts, industry experts, accountants and lawyers. Once an investment was made, Liberty reviewed and monitored 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:

- Because Liberty's investment strategy generally consisted 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.

- The criteria selected by Liberty for the selection and periodic assessment of the Fund's investments may not prove effective in producing 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 uncovered 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 has invested may require add-on investments either to meet unanticipated needs or to fully realize their growth potential. In such event 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 is no longer actively engaged in making investments on the Fund'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 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 have been permitted to co-invest with the Fund in the securities 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 have co-invested with the Fund, they invested at the same time and on the same terms as the Fund. Additionally, Liberty did 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 could 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 was presented to the General Partner, Liberty or the principals of Liberty which was suitable for the Fund, then such investment had to 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) approved or disapproved of any co-investments by Liberty affiliates that were 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 invested 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 could make on the Fund's behalf. Liberty's authorization to make initial investments in new portfolio companies and add-on investments on behalf of the Fund has ended.

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.