
PART 2A OF FORM ADV: FIRM BROCHURE

LIBERTY PARTNERS, L.P.

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This brochure provides information about the qualifications and business practices of Liberty Partners, L.P. 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.P. 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 2017. Since our annual filing in 2016, a summary of material changes is as follows: Item 4 was amended to disclose that as of December 31, 2016, Liberty Partners, L.P. had \$10,832,277 in regulatory assets under management, all of which were discretionary.

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Item 4. Advisory Business

Liberty Partners, L.P. (“Liberty”) was formed as a limited partnership under the laws of the State of Delaware on July 8, 1992. Liberty is an investment adviser and currently provides investment advice to a state governmental entity responsible for administering the state’s retirement system trust fund (the “Client”). Liberty’s sole office is located in New York City.

Liberty’s general partner is PEB Associates, Inc. (“PEB Associates”). PEB, LLC is the only limited partner of Liberty which owns more than 25% of the ownership interests in Liberty. Peter E. Bennett is the sole member of PEB, LLC.

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 Client are based on and tailored to the Client’s specific investment needs and goals. Liberty provides investment advisory and management services to the Client pursuant to an investment management agreement entered into by Liberty and the Client (the “Advisory Agreement”). Pursuant to the Advisory Agreement, Liberty had broad authority to invest and manage certain of the Client’s assets. Liberty’s broad authority was subject, however, to certain investment guidelines set forth in the Advisory Agreement. The investment guidelines in the Advisory Agreement included restrictions on investing in certain securities or types of securities. Pursuant to the Advisory Agreement, Liberty’s authorization to make any additional investments on behalf of the Client ended on August 31, 2011.

As of December 31, 2016, Liberty had \$10,832,277 in regulatory assets under management, all of which were discretionary.

Item 5. Fees and Compensation

The Client is required to pay a quarterly management fee (the “Management Fee”).

In addition, Liberty receives an incentive fee (the “Incentive Fee”) from the Client’s share of return on investment attributable to the investments in the portfolio companies. Liberty deducts the Incentive Fee, in accordance with the terms of the Advisory Agreement, from amounts received by the Client upon the consummation of a capital event (such as the sale of a portfolio company).

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

The Incentive Fee that Liberty receives from the Client is a performance-based fee.

Item 7. Types of Clients

Liberty provides investment advisory services to its sole client, a state governmental entity responsible for administering the state’s retirement system trust fund. Liberty does not offer advisory services to the general public.

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

In general, Liberty has advised the Client in connection with buyout and growth private equity investments with, in certain circumstances, supporting debt. These investments were focused on middle-market education, manufacturing and business services companies. Liberty reviews and monitors each investment on a regular basis by, among other things, analyzing and evaluating the performance of the portfolio company underlying such investment. Currently, Liberty cannot make any additional investments on behalf of the Client.

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 Client's aggregate returns could be significantly affected by the performance of the industries in which the portfolio companies operate.
- The criteria utilized by Liberty for the selection and periodic assessment of the Client's investments may not prove effective in producing acceptable returns for the Client.
- 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 Client'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 Client 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 Client'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 Client 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 Client'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

Client'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 general partner and also the manager of Liberty Partners, L.L.C. Liberty Partners, L.L.C. is an investment adviser to Liberty Partners II, L.P. (the "Fund"), a private equity fund which has a similar investment strategy as the Client. Liberty Partners GP, LLC, an affiliate of Liberty, serves as the general partner of the Fund. Liberty believes that its affiliation with Liberty Partners, L.L.C., the Fund and Liberty Partners, GP, LLC does not result in a material conflict of interest because Liberty is no longer actively engaged in making 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.

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, partners, directors, or employees, or any other person who provides investment advice to the Client on Liberty's behalf and is subject to Liberty's supervision or control. 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

Pursuant to the Advisory Agreement, in connection with each investment, Liberty and its affiliates were permitted to co-invest in up to a pre-determined percentage of the equity securities to be purchased. This co-investment could present conflicts between Liberty's or its affiliates' personal investment interests and Liberty's obligations as an advisor. Any co-investments made by Liberty were subject to Liberty's fiduciary duty to the Client. In addition, when Liberty affiliates co-invested with the Client, they invested at the same time and on the same terms as the Client at the pre-determined percentages. See also response to Question 10 above.

The Client is a limited partner in the Fund. See response to Question 10 above.

Item 12. Brokerage Practices

Not applicable to Liberty's business.

Item 13. Review of Accounts

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

Liberty is required to keep accurate and detailed records of all transactions entered into pursuant to the Advisory Agreement, and to make such records open to inspection and audit at all reasonable times by representatives of the Client. Liberty sends the Client (i) a monthly activity report which contains a list of all portfolio company investments at cost and fair value, and (ii) quarterly and annual written reports which contain (a) a list of all portfolio company investments at cost and fair value, and (b) additional financial and operating information about each portfolio company. In addition, Liberty files written reports with the Client at such other times as Liberty and the Client mutually agree.

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 Client. 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

Liberty manages the Client's assets solely through pooled investment vehicles, of which Liberty's affiliates serve as manager or control the sole member of such vehicle, as applicable. Accordingly, Liberty has custody of the Client'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

Pursuant to the Advisory Agreement, Liberty had general discretionary authority to determine the investments that the Client made, and to manage and dispose of such investments once they were made. This general authority was subject to certain limitations set forth in the Advisory Agreement on, among other things, the types and amounts of investments that Liberty was able to make on the Client's behalf. Pursuant to the Advisory Agreement, Liberty's

authorization to make any additional investments on behalf of the Client ended on August 31, 2011. The Advisory Agreement contains a power of attorney pursuant to which the Client irrevocably appointed Liberty its attorney-in-fact with full power and authority in its name, place and stead to execute, acknowledge, deliver, swear to, file and record at the appropriate public offices such agreements, documents and instruments as may be necessary or appropriate to carry out the provisions of the Advisory Agreement, including, without limitation, contracts providing for the purchase of, and governing the disposition and voting of, securities in a manner consistent with the provisions of the Advisory Agreement.

Item 17. Voting Client Securities

Liberty has exclusive authority with respect to the voting of the securities received by the Client in connection with each investment, subject to the investment guidelines and any other limitations on such authority contained in the Advisory Agreement. Except in the case of a conflict of interest as described below, the Client does not direct Liberty on how to vote in a particular solicitation.

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

Prior to voting any securities, Liberty will identify any conflicts that exist between the interests of Liberty and the Client by reviewing the relationship of Liberty 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 Client, in order to give the Client 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.

The Client may obtain information about how Liberty voted the Client's securities by contacting Liberty's Chief Compliance Officer, Michael S. Levine, at (212) 541-7676.

The Client 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 Client.