

**Item 1: Cover Sheet**

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



**SOUTHFIELD CAPITAL, LLC**

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**June 20, 2018**

**This brochure provides information about the qualifications and business practices of Southfield Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (203) 813-4100 or via email at [jgoldstein@southfieldcapital.com](mailto:jgoldstein@southfieldcapital.com). 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.**

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

**Item 2:        Statement of Material Changes**

Southfield Capital, LLC is an investment adviser seeking registration with the United States Securities and Exchange Commission. This is the initial ADV Part 2 and therefore there are no material changes to report.

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## INFORMATIONAL BROCHURE

### SOUTHFIELD CAPITAL, LLC

#### **Item 4: Advisory Business**

Southfield Capital, LLC has been in business since 2012 and is organized as a Delaware Limited Liability Company principally owned by Andrew Levison. Southfield Mezzanine Associates, LLC was formed in 2010 and is also principally owned by Andrew Levison. Together, Southfield Capital, LLC and Southfield Mezzanine Associates, LLC (“Southfield”) are investment managers to various private investment offerings. Southfield is a private investment firm that pursues equity investments and subordinated debt investments in U.S. based companies. Southfield seeks to acquire lower middle market companies and then scale them through a combination of organic and acquisition growth strategies through its private equity business and to provide debt financing and minority equity to similar businesses through its private debt business.

As of the date of this brochure, Southfield is the investment advisor for three private funds offered to qualified investors, Southfield Partners II LP, Southfield Capital II LP, and Southfield Mezzanine Capital LP. Southfield Mezzanine Capital LP is licensed as an SBIC by the US Small Business Administration. The Funds pursue debt and control equity investments in growth-oriented lower middle-market companies with EBITDA typically between \$3 million and \$20 million in the North American private company universe.

Southfield’s mezzanine debt team aims to provide leverage enhanced returns to its investors by utilizing low cost debt through the US Small Business Administration’s Small Business Investment Company program. The debt team uses this low cost capital to provide financing for US based businesses across a broad base of industries.

Investors and potential investors in the Funds should consult the Funds’ offering documents, including the Limited Partnership Agreements and Private Placement Memorandums, for a complete discussion of the Funds and the risk factors associated with each Fund.

Southfield may also, from time to time (and when consistent with the Funds’ governing documents), establish, on a transaction-by-transaction basis, certain investment vehicles through which certain persons may invest alongside one or more Main Funds in a particular investment opportunity (each such vehicle, a “Co-Investment Vehicle”). Co-Investment Vehicles are typically, but not always, limited to investing in securities relating to the transaction with respect to which they were organized.

As of the date of this brochure, Southfield has \$447,897,315 in assets under management, all of which are managed on a discretionary basis.

*For additional discussion of the Funds, and their investment objectives and risks, please see response to Item 8.*

#### **Item 5: Fees and Compensation**

##### **A. Fees Charged**

The Southfield Partners II LP Fund has finished its investment period and is in the wind-down or monitoring stage. The Southfield Capital II, LP Fund and the Southfield Mezzanine Capital LP Funds have both had their final closings and are actively investing funds.

Generally, Southfield receives a management fee, and if applicable under the terms of the Fund's Private Placement Memorandum, a performance based fee known as a "carry".

#### Management Fee

During their respective investment periods, the Funds generally charge investors an annual Management Fee of 2% of capital (which includes available SBA leverage for the debt fund), payable quarterly. This fee is charged through the end of a fund's investment period. After the investment period, the Management Fee reduces to 2% of the lesser of the fair market value or the cost basis of the remaining investments in each funds' portfolio.

#### Performance Based Fee

Generally, the Funds pay a 20% performance based fee to Southfield according to terms described more specifically in their respective Partnership Agreements and Private Placement Memorandums. Terms generally require investors receive an 8% return on their invested capital before the Funds' General Partner is entitled to an allocation of 20% of the Funds profits.

#### Co-Investments

From time to time, when Southfield determines it is in the best interest of the respective Fund, a Fund investor or an outside party may be offered an opportunity to invest alongside the Fund. These co-investments can allow Southfield's Funds to make investments that might not otherwise be available or a good fit for the Fund's portfolio or they may afford the opportunity to include an investor that can enhance the value of an investment. Terms for these co-investors may be varied and are negotiated by the Fund's general partner.

#### B. Fee Payment

Management Fees are payable quarterly, in advance, and are invoiced to the Funds. Funds remit Management Fees to Southfield and Management Fee expenses are recorded on the books of the respective Fund.

#### C. Other Fees

The Funds bear all organizational and startup expenses, including legal, regulatory, accounting, filing, capital raising, marketing, executive recruitment, market research and other organizational expenses up to specific caps found in each Fund's Agreement.

Southfield will be responsible for all of its ordinary administrative and overhead expenses, including compensation for employees' salaries, rent and utilities. The Funds will be responsible for all costs and expenses relating to the operation of the Funds that are not reimbursed by third parties, as set forth in more detail in each Fund's Agreement.

*Please refer to the respective offering documents for each Fund for additional discussion of fees and expenses paid by investors in the Fund.*

D. *Pro-rata* Fees

Due to the nature of the Funds, investors will be committed to investing a specified amount into a Fund at designated times. Investors will not generally be permitted to withdraw from a Fund or become an investor in a Fund after a Fund closes. Accordingly, there should be no need to calculate *pro-rata* fees.

E. Compensation for the Sale of Securities.

None of the employees of Southfield is a registered representative of a broker-dealer. None of the employees of Southfield will receive any compensation for executing trades on behalf of the Fund aside from Southfield's receipt of fees described above.

**Item 6: Performance Based Fees**

*Please see response to Item 5.*

**Item 7: Types of Clients**

Southfield's only clients are Funds.

Investors in Southfield's funds and co-investors are of varied backgrounds. They may include endowments, retirement plans, and corporations, fund of funds, high net-worth individuals, investment partnerships and banks.

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

*For a more complete discussion of each Fund's investment program, please see the Fund's offering documents.*

Each of Southfield's Funds has an Investment Committee, which is comprised of senior firm professionals. Full biographies of each member are contained in each Fund's offering documents.

Southfield's private equity investments are operationally driven. The firm is focused on buying and building premier lower middle-market businesses in partnership with management. Southfield makes a concentrated number of investments in niche businesses where it can implement operating strategies and financial controls to help companies enhance their performance and achieve their full potential.

Southfield mezzanine debt investments support both PE-sponsored and select non-sponsored transactions and are structured to minimize risk with a focus on capital preservation. Southfield looks to achieve portfolio diversification by investing in 15-20 companies across different industries and US geographic regions.

**Direct Sourcing:**

Southfield will focus their efforts on proactively sourcing potential transactions through an extensive network of contacts. Southfield focuses its equity investments on companies in the following industry sectors: Outsourced Business Services, Specialty Finance and Value Added Distribution. Southfield believes companies in the target sectors present attractive investment characteristics, including profitable niche product and service offerings and fragmented industries, which present opportunities for organic and acquisition growth.

### **Execution:**

Given the nature of the transactions pursued by the Funds, Southfield spends a significant amount of time and resources undertaking thorough due diligence on each investment opportunity.

Each potential target's diligence is conducted by a team led by one of Southfield's partners. Significant time is spent determining whether or not a transaction would fulfill Southfield's quantitative expectations for a transaction as well as building relationships with management and assessing the target's cultural fit with Southfield prior to closing on a transaction. Southfield's Partners meet with prospective management teams as a condition of full investment committee review. All of Southfield's Partners sit on the Investment Committees for their respective Funds which utilize a rigorous process to analyze structure, document and approve potential transactions.

Once the initial diligence is completed, all senior professionals review the findings and decide whether to proceed or withdraw from a transaction. If they elect to proceed, additional diligence is performed. Southfield's professionals assess material operational and financial elements of a business and utilize outside advisors and consultants, as appropriate, to facilitate the process.

The entire professional staff at Southfield is updated on the progress of each potential transaction by the deal team throughout due diligence. All investment professionals can provide input, express concerns and question assumptions throughout the process, but the ultimate investment decision rests with the Investment Committee. While a unanimous decision is preferred for the Funds to move forward with any investment, by rule, an investment cannot move forward with more than one member against it.

### **Value Creation**

Southfield's approach to private equity investment is to have an interactive, hands-on relationship with its portfolio company management teams, deploying a combination of operating and financial expertise in each of its portfolio companies. Southfield begins developing a portfolio company's investment thesis during due diligence. Southfield works closely with the incumbent management team to understand opportunities for value creation at the same time they are assessing typical diligence items around the company's operating model and risk profile.

Post-close, the focus is on building the foundation for longer-term strategic initiatives and implementing tactical initiatives that will generate results more quickly. Southfield believes the best investment strategy is simple and focused on a few fundamental themes that will have an exponential impact on exit value. Examples include professionalizing the management team, growing the business through add-on acquisitions, implementing new financial systems, strengthening the sales and marketing process, reducing customer concentration, and improving profitability/cash flow.

Southfield believes a Board of Directors and a Board of Advisors can add value if implemented properly. A portfolio company Board of Directors for our equity investments typically includes two

senior executives from the company and three Southfield representatives. Southfield also typically includes one to two individuals as Board Observers or forms a separate Board of Advisors. The typical profile of a Board Observer or Board Advisor is someone with deep industry knowledge and relevant customer and vendor networks that will help accelerate the value creation strategy.

Although there is less opportunity to drive success at a portfolio company from the debt funds, nonetheless, Southfield strives to add value to its companies through board observation rights and through access to an extensive network of business advisors. In addition, Southfield's loans have a number of financial covenants and reporting requirements to provide early warning of potential issues and to allow for appropriate remedies.

## **Exit**

The final element of the investment process is to exit investments in a value maximizing manner. Southfield considers macro factors such as the overall economy and the status of the mergers and acquisition market and the credit environment. Professionals also collaborate with portfolio company management teams to evaluate company specific issues such as growth capital spending cycles, the competitive landscape or management succession issues. When it deems the timing to be appropriate, Southfield helps identify the appropriate advisor based on its broad network of intermediaries as well as assisting in the drafting of marketing material and preparing the management team to most accurately tell the company's story.

For Southfield's debt investments, all loans have stated maturities, although often they are repaid as part of a refinancing or a sale of the portfolio company prior to maturity.

## **Risk Factors**

*Please see the Funds' offering documents with regard to risks associated with investing with the Funds.*

All investments risk the loss of capital. No guarantee or representation is made that a Fund will achieve its investment objective or that an investor will receive a return of its capital. In addition, there will be occasions when Southfield and its affiliates may encounter potential conflicts of interest in connection with a Fund. In evaluating whether to make an investment in a Fund, potential investors should consider all information contained in the offering documents. The following discussion is not a complete list of all potential risks. For a more complete discussion, investors should thoroughly review their respective Fund's offering documents.

### ***Private Equity Investments***

The Funds are subject to numerous risks generally related to investing in securities and the additional risks associated with investing in non-marketable securities and nonpublic companies. The securities or other interests acquired by the Funds will have restrictions on resale and, even in the absence of such restrictions, may not be marketable. The ability of the Funds to profit from investments will be highly dependent upon the ability of the portfolio companies to progress in their development to the point where they can become an attractive merger or acquisition candidate or affect a public offering. Numerous factors may impede or prevent a company from reaching this point, including inadequate capital, unfavorable competitive developments, inadequate management, loss of key persons,



technology obsolescence and lack of market acceptance. Companies may face significant capital shortfalls for a wide variety of reasons. Product development, modernization of technology or acquisition and integration of a new unit or subsidiary may prove more expensive or take more time than projected and the growth in revenues may be slower than expected. In any such event, the Fund invested with that portfolio company may be asked to provide additional capital. If the Fund is unable or refuses to provide the additional capital, the portfolio company may obtain the needed funds from another source, thereby diluting the earlier investment by the Fund. Alternatively, the inability of a portfolio company to obtain the needed financing may result in the failure of that portfolio company and a partial or total loss of the investment in such portfolio company.

### ***Projections are Only Estimates***

Southfield will generally determine the appropriate capital structure of each portfolio company in which the Funds invest based upon financial projections for that company. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. Also, general economic conditions, which are not predictable, can have a material adverse impact on the accuracy of projections.

### ***Operating and Financial Risks of Portfolio Companies***

Companies in which the Funds invest could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which were expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

### ***Financial Market Fluctuations***

General fluctuations in the interest rates and market prices of securities may adversely affect the value of the portfolio companies in which the Funds invest. Instability in interest rates and the securities markets may also increase the risks inherent in the Funds' investments. The ability of a particular portfolio company to refinance debt securities may depend on its ability to sell new securities in the debt and equity markets, to borrow from banks or otherwise.

### ***Illiquidity of Portfolio Investments***

The Funds' investments in portfolio companies generally will be illiquid and not readily marketable, and the transferability of such investments generally will be restricted under the terms of the documents governing such investments. There can be no assurance that the Funds will be able to liquidate a particular interest in any portfolio company at the time and upon the terms it desires. Less marketable or illiquid investment positions may be more difficult to value than more marketable assets, due to the unavailability of reliable market quotations and other factors. The ability of the Funds to successfully exit and achieve liquidity on its investments is dependent in large part on the condition of and valuations available in the public equity markets and valuations

available in private negotiated transactions at the time, neither of which can be projected with any certainty. The sale of less marketable securities or other assets may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable assets. The disposition of illiquid assets may involve distributions in kind to the investors.

### ***Use of Leverage***

Typically, the Funds will invest in portfolio companies that employ significant debt. While investments in leveraged companies offer the opportunity to improve equity rates of investment return and/or reduce the overall cost of capital for such companies, leverage generally magnifies both the opportunities for gain and the risks of loss from investments. The Funds' investments are expected to include portfolio companies whose capital structures may have a significant degree of leverage. Leverage often imposes restrictive financial and operating covenants on portfolio companies in addition to the burden of debt service, and may impair a portfolio company's ability to finance future operations and capital needs. As a result, recessions, operating problems, competitive pressures, or a general deterioration in business and industry conditions may have a more pronounced effect on the profitability or survival of such portfolio companies. Moreover, any rise in interest rates may significantly increase portfolio company interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Fund invested in that portfolio company may suffer a partial or total loss of capital invested in the portfolio company.

As an SBIC (Small Business Investment Company), the Debt funds are further able to enhance returns by borrowing up to two times LP's invested capital from the US Small Business Administration at lower than market interest rates.

## **RISKS RELATING TO AN INVESTMENT IN THE FUND**

### ***Past Performance; No Assurance of Investment Return***

The past investment performance of Southfield's prior investments is not necessarily indicative of future results for any Fund. While the Funds intend to make investments which have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted IRR for each Fund will be achieved. On any given investment, total loss of principal is possible. There is no assurance that the Funds will be able to generate returns for its investors or that returns will be commensurate with the risks of investing in the type of companies and transactions described herein. An investment in any of the Funds should only be considered by persons who can afford a loss of their entire investment. An investment in any of the Funds requires a long-term commitment, with no certainty that a Fund will realize its rate of return objectives or that capital loss will not occur. There can be no assurance that investment objectives will be achieved, or that an investor will receive a return of its capital.

### ***Insufficient Investment Opportunities***

A Fund may be unable to find a sufficient number of attractive opportunities at appropriate prices to meet its investment objectives. The business of identifying and structuring private equity and debt transactions is highly competitive and involves a high degree of uncertainty. However, investors

will be required to pay annual management fees during the Commitment Period based on the entire amount of their Capital Commitments.

### ***Conflicts of Interest***

*Performance Allocation.* The existence of Southfield's performance-based fee may create an incentive for Southfield to make more speculative investments on behalf of the Funds. The capital commitments of Southfield Capital and its professionals should tend to reduce this incentive.

### **Item 9: Disciplinary Information**

None to report.

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

There are no contractual relationships between Southfield and any other party within the financial industry.

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

- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable.
- C. Due to the nature of Southfield's business and investment strategy, it is unlikely, if not impossible, that an employee could place a trade in a recommended security before a client. However, Southfield requires that all self-managed employee securities holdings be reviewed by the Compliance Officer at least quarterly so that the Compliance Officer may ensure that each employee's trading activity does not present a conflict of interest.
- D. Due to the nature of Southfield's business and investment strategy, it is unlikely, if not impossible, that an employee could place a trade in a recommended security at the same time as a client. However, Southfield requires that all self-managed employee securities holdings be reviewed by the Compliance Officer at least quarterly so that the Compliance Officer may ensure that each employee's trading activity does not present a conflict of interest.

### **Item 12: Brokerage Practices**

Southfield's only clients are the Funds and the investors of the Funds. There are no day-to-day brokerage trades placed on behalf of clients.

**Item 13:      Review of Accounts**

The portfolio is reviewed by the Investment Committee at least quarterly.

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

Placement agents were engaged to assist in sourcing investors for the Funds. All investors receive disclosures regarding the use of the placement agents.

**Item 15:      Custody**

The General Partners of the Funds are related persons to Southfield. As the General Partners have access to the assets of the Funds, and indeed provide certain managerial services to the Funds, the General Partners, and through them, Southfield, have custody of client funds. The Funds are audited at least annually by a PCAOB registered accounting firm.

**Item 16:      Investment Discretion**

Please see Item 4 for a discussion of investment discretion.

**Item 17:      Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Southfield has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Southfield receives will be treated in accordance with these policies and procedures. A copy of Southfield's written proxy voting policies and procedures, as well as a record of how Southfield has voted in the past, will be maintained and available for review upon written request.

The Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies; therefore, the traditional concept of voting of proxies and participation in class actions is not currently applicable to Southfield. The investment opportunities that Southfield seeks allows the Funds to have influence on the management, operations and strategic direction of the portfolio companies in which it invests; through its majority interest and/or through its employees who sit as officers and directors on portfolio company boards. The exercise of control and/or significant influence over a portfolio company imposes additional risks of liability for product defects, environmental damage, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a portfolio company could also expose the assets of the Funds to claims by such portfolio company, its security holders and its creditors. While Southfield intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Southfield will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Funds on the other. However, as is typical with private equity investing, Southfield seeks and accepts the election of one or more of Adviser's representatives to serve on the board of directors on behalf of its Funds and will typically, but not always, vote in favor of board

recommendations. In situations where Southfield is required to vote the proxy for a company in which employees of Southfield serve on the board of directors, Southfield has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the Funds' investment in such portfolio company. Accordingly, while Southfield is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to proxy votes related to that issuer, it will review all proxies in accordance with its proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the interests of the Funds. In situations where Southfield perceives a material conflict of interest, Southfield may defer to the voting recommendation of a Fund's Advisory Board, where applicable, or take such other action in good faith which would protect the interests of such Fund.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: Attn: Chief Compliance Officer, Southfield Capital, LLC, 53 Greenwich Avenue, Greenwich, CT 06830.

#### **Item 18: Financial Information**

Southfield does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

Southfield has discretion over the Fund's investments. There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.