

# Mill Road Capital Management LLC

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## *Part 2A of Form ADV: Firm Brochure*



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This brochure provides information about the qualifications and business practices of Mill Road Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at: 203-987-3500, or by email at: [asharma@millroadcapital.com](mailto:asharma@millroadcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

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

## Item 2 Material Changes

Because Mill Road Capital Management LLC (“Mill Road” or “MRC”) is a newly registered investment adviser with the Securities and Exchange Commission (“SEC”), there are no material changes to report at this time.

With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), private equity firms such as Mill Road will be required to register with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Previously, Mill Road was exempt from registration pursuant to Section 203(b)(3) of the Advisers Act.

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## Item 4 Advisory Business

### ***Firm Description***

Mill Road Capital Management LLC ("Mill Road" or the "Firm") was founded in 2004 by Thomas Lynch. All of the Firm's senior investment professionals have been with Mill Road since 2006, representing the entire investment period of the Firm's first investment fund, Mill Road Capital, L.P. ("Fund I"). Three out of the four senior investment professionals had previously worked at Blackstone, an asset management firm.

### ***Principal Owners***

None of the Firm's owners has a greater than 50% ownership interest in the Firm. The owners of Mill Road are set forth on Schedule A of Part 1A of the Firm's Form ADV.

### ***Types of Advisory Services***

Mill Road provides investment advice to closed-end private investment funds that are not registered under the Investment Company Act of 1940, as amended (each a "Fund"). Currently, the Firm has one fund, Mill Road Capital, L.P., which had its final closing in 2008. Fund I is structured as a Delaware limited partnership, and an affiliate of Mill Road, Mill Road Capital GP LLC ("Fund I GP"), serves as the fund's general partner.

Pursuant to an investment management agreement among the Firm, Fund I and Fund I GP, Mill Road assists Fund I GP with the management of the Fund's investments. Mill Road is responsible for, among other things developing, investigating and securing information with respect to prospective investments by Fund I and monitoring the Fund I's investments. Fund I GP is a special purpose vehicle ("SPV") of Mill Road, as defined in the Securities and Exchange Commission's Division of Investment Management no action letter dated as of January 18, 2012.

The Firm focuses on making private investments in publicly-traded micro-cap companies in the U.S. and Canada. The Firm's investment process is one which the Firm believes will enhance return and mitigate risk, with the goal of generating long-term value creation. The current portfolio consists of companies in a broad range of industries, including retail, manufacturing, business services, and consumer products.

### ***Tailored Relationships***

Mill Road's investment advisory services are tailored to the terms set forth in the offering documents of each Fund. Investors do not participate in the decision of whether or not to make any particular investment acquisition. Investments will only be implemented and recommended with respect to a Fund when consistent with the Fund's investment objectives. Each Fund's offering documents contain additional information about the Fund, including a discussion of certain significant risks of investing in the Fund.

Mill Road may give certain persons, including existing investors in Fund I and third parties, an opportunity to co-invest alongside a Fund. The terms of any such investment will be set by Mill Road at the time of such investment.

### ***Wrap Fee Programs***

Mill Road does not participate in wrap fee programs.

### ***Assets Under Discretionary and Non-Discretionary Management***

As of December 31, 2011, Mill Road had approximately \$250 million in discretionary assets under management, which amount includes uncalled capital commitments as of that date. Mill Road does not currently manage any assets in a non-discretionary manner.

## **Item 5 Fees and Compensation**

For services provided to Fund I, Mill Road charges a management fee, which is generally computed at a rate of (i) 2.0% per annum of the investors' aggregate commitments until the end of the investment period (as described in the Fund's operating documents) and (ii) thereafter, 2.0% per annum of the cost basis of all investments funded by capital contributions (other than investments written off by the Fund) then held by the Fund. Fees are payable by the Fund quarterly, in advance. If Mill Road ceases to provide services to the Fund, the unearned portion of the management fee (computed on the basis of the number of days elapsed) will be refunded to the Fund.

The management fee, and any capital contributions called to pay such expense, are paid by Fund I and allocated to investors in Fund I in proportion to their respective capital contributions.

The management fee is reduced and offset by the full amount of any net advisory, monitoring, commitment, director's, financial consulting, transaction, break-up or similar fees Mill Road or its affiliates receive from existing or prospective portfolio companies, to the extent apportionable to the activities of the Fund.

In addition, Mill Road is entitled to be reimbursed for the expenses of organizing Fund I, including organizational expenses of Fund I GP and the Firm, and the costs of offering the interests in the Fund up to a maximum of \$1,000,000.

Mill Road is responsible for all of its own day-to-day operating expenses, including office overhead and compensation of employees.

In addition, Mill Road may agree with any investor in a Fund to waive or reduce management fees or performance fees at its discretion.

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

Mill Road does not receive performance-based fees. However, the general partner of a Fund (an affiliate of Mill Road) is entitled to an incentive allocation, which is tied to the performance of such Fund. Incentive allocations will be made in compliance with Rule 205-3 of the Advisers Act. The receipt by an affiliate of Mill Road of a performance based allocation raises certain conflicts of interest, which are described below.

The performance based allocation to Fund I GP is equal to 20% of profits in excess of capital contributions, provided that an 8% preferred return is achieved.

Investors should be aware that a performance-based fee arrangement may create an incentive for Mill Road or the general partner of the applicable Fund to make riskier or more speculative investments than would be the case in the absence of such arrangement.

## **Item 7 Types of Clients**

Mill Road provides advisory services to pooled investment vehicles which are exempt from registration under the Investment Company Act of 1940. Mill Road's only current client is Fund I. The minimum single investment commitment by an investor in Fund I is \$5 million, subject to reduction at the discretion of Fund I GP.

Mill Road may give certain persons, including existing investors in the Fund and third parties, an opportunity to co-invest alongside a Fund. The terms of any such investment will be set by Mill Road at the time of such investment.

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

### **Target Segment**

Mill Road focuses on value-based, North American publicly-traded micro-cap companies. Within the micro-cap sector, the Firm primarily targets market leaders in niche segments with strong cash flow.

### **Methods of Analysis and Investment Strategy**

Mill Road has developed and executes a distinctive "Progressive Private Equity" investment process that is structured to mitigate risk and enhance return. As a first step, Mill Road screens micro-cap companies to identify strong candidates for initial investment. The principal criteria are companies which Mill Road views as trading at an attractive valuation and having a strong competitive position within their markets.

Once a company meets the criteria set forth above is identified, Mill Road typically builds an initial, small toehold position. After completing diligence on the company, Mill Road identifies the most compelling toeholds and deploys further capital in the company, increasing its stake to a strategic block position.

Mill Road can deploy further capital by purchasing shares in the open market, buying large block positions from existing shareholders, providing capital for growth or acquisition opportunities, investing in debt or subordinated securities, or sponsoring going private transactions.

This investment process is designed to mitigate risk as the amount of capital invested is based on a more certain investment premise and the market value of the security: the greater the knowledge, the more capital Mill Road may invest. If any of the public positions materially appreciate, Mill Road can divest the security and realize a significant capital gain.

If the target company performs well operationally and its valuation does not appreciate, Mill Road will then work with management to create a plan with the goals of both share price appreciation and executing a private equity transaction.

Mill Road may alter its investment strategy as it deems appropriate throughout the life of the Fund.

## **Risk of Loss**

An investment in a Fund involves a significant degree of risk, including the risk that the entire amount of an investor's investment may be lost. For example, a Fund may experience a loss if one or more of the securities selected decreases in value. Additionally, because the securities in which a Fund invests are less liquid than other equity classes, it may be difficult to liquidate these positions. Listed below is a summary of the material risks associated with an investment in a Fund. This list is not meant to be exhaustive and a more detailed description of these and other risks is provided in the offering documents for the Fund.

### *Competitive Market for Investment Opportunities*

The activity of identifying, completing, and realizing attractive investments is competitive and involves a high degree of uncertainty. A Fund will be competing for investments with other private and public equity investment vehicles, as well as individuals, institutions, and corporate buyers. There can be no assurance that a Fund or Mill Road will be able to locate and complete portfolio investments that satisfy a Fund's rate of return objectives or that it will be able to fully invest its committed capital.

### *Long-Term Investments; Lack of Portfolio Liquidity*

There will be no readily available market for many of a Fund's portfolio investments. These investments are subject to various risks, particularly the risk that a Fund will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. An investment in a Fund should be viewed as illiquid. The return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of a Fund investment and losses on unsuccessful investments may be realized before gains on successful investments are realized. Disposition of such Fund portfolio investments may require a lengthy time period or may result in distributions in-kind to the investors in a Fund. There may be a number of years when the only income from a Fund is dividend and interest income, if any, from its investments. Such income may not be significant and operating expenses may exceed income during those years.

### *Use of Leverage*

A Fund's investments are expected to include portfolio companies whose capital structures could include leverage. The leveraged capital structure of such portfolio companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the portfolio company or its industry. In the event that such a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of a Fund's equity investment in such portfolio company could be significantly reduced or even eliminated.

A Fund itself may also borrow funds in order to make investments or pay expenses. While the use of leverage can increase returns, it can also increase the loss exposure of a Fund. Interest payments and borrowing expenses incurred in connection with any such borrowing will reduce a Fund's return.

### *Risk of Limited Number of Investments; Potential Lack of Diversification*

A Fund may participate in a limited number of investments, and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of a single or small group of investments.

### *Non-Control Investments*

A Fund will hold non-controlling interests in certain portfolio investments and, therefore, may have limited ability to protect its positions in such portfolio investments.

### *Risks Associated with Publicly-Traded Investments*

A Fund may invest a material portion of its total commitments in publicly-traded securities. Such public investments may be sensitive to movements in the stock market and trends in the overall economy. In addition, investments in publicly-traded securities will make a Fund subject to federal and state securities laws which may, among other things, restrict or prohibit a Fund's ability to sell or dispose of a portfolio investment.

### *Limited Information*

In general, a Fund's public investments will be made based on information available to the public at large. By comparison, privately negotiated transactions are usually completed based on information gathered through contact with and access to the counter-party's records, facilities, and personnel. This disparate amount of information may negatively affect a Fund's certainty of achieving a particular outcome in connection with its public investments. In either case, a Fund may invest in portfolio companies without knowing at the time of its investment all information, whether available or not, that a reasonable investor might deem material with regard to such investment, including information that, if known to a Fund or Mill Road at the time of such investment, might have deterred a Fund from having made such investment.



### *Material Non-Public Information*

By reason of its investment in a portfolio investment or otherwise, a Fund, its general partner, and Mill Road may acquire confidential or material non-public information that they may be unable to act upon or that may cause them otherwise to be prevented from purchasing securities that they otherwise might have purchased or from selling a portfolio investment that they otherwise might have sold.

### *Risks Upon Disposition of Certain Investments*

In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business and may be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of such investment to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately need to be funded by the investors in such Fund.

### *Hedging Policies/Risks*

In connection with the financing of certain investments, a Fund may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange. While such transactions may reduce certain risks, they themselves may entail certain other risks that may result in a poorer overall performance for a Fund than if it had not entered into such hedging transactions.

### *Economic and Market Risk*

Companies in which a Fund invests may be sensitive to general downward swings in the overall economy or in a particular industrial or economic sector. A recession or adverse development in the securities markets might have an adverse impact on some or all of a Fund's investments. In addition, factors specific to a portfolio company may have an adverse effect on a Fund's investment in such company. 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 investments made by a Fund or considered for prospective investment. The general partner of a Fund or Mill Road may rely upon its own or a portfolio company's projections concerning the portfolio company's future performance in making investment decisions. Such projections are inherently subject to uncertainty and factors beyond the control of the portfolio company, the general partner, and Mill Road.

## **Item 9 Disciplinary Information**

There is no disciplinary information to report for Mill Road or for any of persons associated with the Firm.

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

Fund I GP, the general partner of Fund I, is an affiliate of the Firm. As general partner, Fund I GP is entitled to special performance allocations based on the performance of the Fund I's investments. This performance allocation arrangement between Fund I and Fund I GP may create an incentive for the Firm, as an affiliate of Fund I GP, to make investments that are riskier or more speculative than would be the case in the absence of such performance allocations.

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

### ***Code of Ethics***

Mill Road maintains a Compliance Manual that incorporates a Code of Ethics ("Code") in accordance with Rule 204A-1 of the Advisers Act. The Chief Compliance Officer is designated as the person responsible to administer the policies and procedures of the Firm. The Code of Ethics is based on the principle that Mill Road is committed to the highest standards of ethical conduct and each of its employees owe a fiduciary duty to its clients and a duty to comply with federal and state securities laws and all other applicable laws.

A copy of such Code of Ethics will be provided to any client or prospective client upon request.

These duties include the obligation of employees or associated persons to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise to take unfair advantage of their relationship with clients.

### **Confidential Information**

As an investment adviser, the Firm has a fiduciary duty to its clients not to divulge or misuse information obtained in connection with its services as an adviser. Therefore, all information, whether of a personal or business nature, that an employee obtains about a client's affairs in the course of employment will be treated as confidential and used only to provide services to or otherwise to the benefit of the client. Such information may sometimes include information about non-clients, and that information will likewise be held in confidence. Even the fact that Mill Road advises a particular client should ordinarily be treated as confidential.

The Code sets forth steps that employees should take to help preserve confidential information.

## **Material Inside Information**

All of the Firm's employees (in any capacity) and all persons friends, relatives, business associates and others who receive nonpublic material inside information from employees concerning an issuer of securities (whether such issuer is a client or not) are subject to these rules. The Code sets forth an extensive list of subjects information about which is likely to be material inside information. The Code also explicitly forbids disclosing material inside information to another person ("tipping") who subsequently uses that information for his or her profit.

All personnel receiving material, nonpublic information have the same duty not to disclose or use information about persons or issuers who are not clients of the Firm in connection with securities transactions as they have with respect to client securities. In other words, employees may not purchase or sell any securities with respect to which they have inside information for their own, for the Firm's or for a client's account or cause clients to trade on such information until after such information becomes public. The foregoing prohibition applies whether or not the material inside information is the basis for the trade. Whenever employees come into possession of what they believe may be material nonpublic information about an issuer with which the firm does not have a confidentiality agreement, they must immediately notify the Chief Compliance Officer and Trading Supervisor. All information about an issuer with which the firm has a confidentiality agreement will be treated as material non-public information by the Firm.

The Chief Compliance Officer maintains a list of all issuers about which the Firm has inside information and shall circulate such list to the appropriate personnel at the Firm so as to prevent any trading in securities of such issuers.

## **Fiduciary Duty and Conflicts of Interest**

Both the Firm and its employees have a fiduciary duty to the Firm's clients to act for the benefit of the clients and to take action on the clients' behalf before taking action in the interest of any employees or the Firm. Both Mill Road and its employees must act for the clients' benefit and treat the clients fairly. The manner in which any employee discharges its fiduciary duty and addresses a conflict of interest depends on the circumstances. Sometimes general disclosure of common conflicts of interest may suffice. In other circumstances, explicit consent of the client to the particular transaction giving rise to a conflict of interest may be required or an employee may be prohibited from engaging in the transaction regardless of whether the client consents. The duty to disclose and obtain a client's consent to a conflict of interest must always be undertaken in a manner consistent with the employee's duty to deal fairly with the client. Therefore, even when taking action with a client's consent, each employee must always seek to assure that the action taken is fair to the client.

The Code sets forth several common examples of conflicts of interest and how such conflicts can be avoided.

### **Scalping or Front-Running**

As a general rule, if any employee knows of a pending "buy" recommendation or is aware of a pending "sell" recommendation, then that employee (or family member residing in that employee's household or person or entity over which the employee has control) may not engage in the practice of purchasing or selling stock before the Firm takes action for its clients.

### **Unfair Treatment of Certain Clients vis-a-vis Others**

An employee who handles one or more client accounts may be faced with situations in which it is possible to give preference to certain clients over others. Employees must be careful not to give preference to one client over another even if the preferential treatment would benefit the Firm or the employee. For example, an employee should not (i) recommend certain purchases (including with respect to securities of a limited supply and higher potential return) with respect to one client account as opposed to another because the account generates larger fees for the Firm or (ii) act for one client account ahead of another.

### **Dealing with Clients as Agent and Principal**

In accordance with Section 206(3) of the Advisers Act, the Code requires that employees involved in situations where the Firm is buying or selling securities from a client or where the Firm acts as a broker-dealer for a non-client in a transaction with an advisory client disclose to the client in writing the capacity in which the Firm acts, its profits (if it acts as principal) and its commissions (if it acts as agent for another) and obtain the client's consent. These types of transactions must not be entered into without prior consultation with the Chief Compliance Officer.

### **Personal Trading**

No employee may buy, sell, or pledge for any accounts in which the employee has a "beneficial ownership interest" any security in any asset class which the Firm is currently researching or in which an account of the Firm is currently invested. In addition, employees may not purchase, for any account in which the employee has a "beneficial ownership interest", equity securities issued in an initial public offering or any securities offered in a "private placement" without the prior written approval of the Chief Compliance Officer.

Each current employee will, by March 1, 2012, submit an initial holdings report disclosing to the Chief Compliance Officer the identities, amounts, and locations of all securities owned

in all accounts in which he or she has a "beneficial ownership interest." Each new employee must submit such a report within 10 days of commencement of employment. In addition, starting in 2012, each employee must disclose similar information within 30 days after the end of each calendar year while employed by the Firm. Such reports must be current as of a date not more than 45 days prior to the employee joining the company (for the initial report) or the date the report is submitted (for the annual report).

Each employee must instruct each broker, bank, or other financial institution in which the employee has a relevant securities account to provide the Firm all monthly or other periodic activity statements.

### ***Participation or Interest in Client Transactions and Personal Trading***

As previously mentioned, Fund I GP is the general partner of Fund I and an affiliate of the Firm. Fund I is currently the only client account managed by the Firm currently manages. The Firm anticipates launching its second client account ("Fund II") during 2012. It is expected that the general partner for Fund II will be a separate entity, which will also be an affiliate of the Firm.

In anticipation of the launch of Fund II, the Firm has established the following allocation policy as between Fund I and Fund II.

Except as otherwise provided in the partnership agreement for Fund II, Fund II shall not make an investment in any portfolio company in which another fund established or maintained by the Firm already holds an investment without the approval of Fund II advisory committee, provided that such restriction shall not apply to subsequent investments by Fund II in a portfolio company in which an initial investment by Fund II was made in accordance with this policy.

Other than follow-on investments in entities in which Fund I had an investment as of the first drawdown date for Fund II, or as otherwise provided in the Fund II partnership agreement, until the earliest of (i) the last day of the investment period for Fund II; (ii) the date on which at least seventy-five percent of the aggregate commitments to Fund II have been invested, committed in writing to be invested, reserved for making future investments in existing portfolio companies or expended or reserved for reasonably anticipated expenses, liabilities or other obligations of Fund II and (iii) the formation of any new Firm-managed private equity fund not existing as of the first closing date for Fund II, which the Firm or its principals control, and which is not a successor fund, parallel fund, feeder fund, employee fund or alternative investment vehicle for Fund II, the Firm and the general partner of Fund II shall, and shall use their best efforts to cause their respective affiliates to, present to Fund II any investment opportunity that is not prohibited by the terms of Fund II's partnership agreement and that the Firm and the general partner of Fund II reasonably believe is suitable for Fund II in its targeted market.

Subject to the foregoing and without obligating Fund II to do so, Fund II may invest contemporaneously with, and on substantially the same terms as, one or more other Firm-managed client accounts in an entity in which no such other fund managed by the Firm has an existing investment.

Fund II may also acquire directly from the general partner of Fund II, the Firm or any member or affiliate thereof, securities consistent with Fund II's investment objectives that were acquired prior to the initial closing of Fund II. In addition, Fund II may acquire from Fund I certain securities upon the terms set forth in the partnership agreement.

In addition to the specific guidelines set forth above, as a general rule, allocations among accounts with the same or similar investment objective are made pro rata based on the total assets under management in the accounts. Allocation decisions are made and documented before an order is placed.

## **Item 12 Brokerage Practices**

### **Selection of Broker-Dealers**

Mill Road, as a fiduciary to its advisory clients, will endeavor to seek best execution when placing trades for clients. While a primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors may be considered when arranging for the purchase and sale of clients' portfolio securities. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below. In determining the abilities of the broker-dealer to obtain best execution of a particular transaction, the Firm will consider all relevant factors including the execution capabilities required by the transaction(s), the ability and willingness of the broker-dealer to facilitate the account's portfolio transactions promptly and at reasonable expense, the importance to the account of speed, efficiency or confidentiality, the broker-dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold, the broker-dealer's ability to supplement the Firm's management capabilities with research, quotation and consulting services and computer hardware and software materials, as well as any other matters the Firm deems relevant to the selection of a broker-dealer for a particular portfolio transaction of the account.

On an annual basis, the Chief Compliance Officer will review the list of brokers with whom the Firm does business, the commissions paid to such brokers and any soft dollar products and services provided by such brokers to the Firm and assess whether the Firm is achieving best execution and is complying with its brokerage policy. The Chief Compliance Officer will provide a written report of such assessment to the Chairman of the Firm's Management Committee, along with any recommendations for changes.

### ***Research and Other Soft Dollar Benefits***

The Firm may use broker-provided research and brokerage services and products which assist it in carrying out its investment decision making responsibilities. These services may include (but are not limited to): systems consulting (trading and portfolio management), systems hardware (including storage disks/volatile RAM, CPU's, monitors, keyboards, CD roms, and other hardware) and software, research consulting, research services (data, periodicals and seminars), data services, trading consulting, telephone equipment, telephone lines (trading and data feeds), proxy research, and trading communication services. The Firm intends to comply with Section 28(e) of the Securities Exchange Act of 1934 in connection with its use of soft dollars. In some cases the Firm may acquire a research product or service with soft dollars which also has nonresearch uses. In these cases the Firm will make a reasonable allocation of the cost of the product or service according to its use. That portion of the product or service which provides administrative or other nonresearch services will be paid for by the Firm in hard dollars.

All research and brokerage products and services received from broker-dealers to whom commissions are paid are used collectively. There is no direct relationship between commissions received by a broker-dealer from a particular client's transactions and the use of any or all of that broker-dealer's products and services in relation to that client's account. The Firm may pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for the same transaction in recognition of research and brokerage related services provided by the broker-dealer. Research obtained with soft dollars may be used by to service accounts other than the Fund paying such commissions.

### ***Brokerage for Client Referrals***

Mill Road does not consider whether it receives client referrals from a broker in selecting or recommending broker-dealers.

### ***Directed Brokerage***

Mill Road does not recommend, request or require that a client direct Mill Road to execute transactions through a specified broker-dealer.

### ***Aggregation of Client Accounts***

The Firm currently manages Fund I and anticipates launching Fund II during 2012. It is possible that the Firm will aggregate orders for the purchase or sale of securities on behalf of Fund I with orders on behalf of Fund II, or with orders for the Firm's account or that of its employees. Securities purchased or proceeds of securities sold through aggregated orders are allocated to the account of each portfolio that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, purchased securities or proceeds will generally be allocated pro rata among the participating portfolios in proportion to their planned participation in the aggregated orders.

### **Item 13 Review of Accounts**

On a semi-annual basis, the Chief Compliance Officer and the Portfolio Manager will review trading and investment activity to ensure compliance with the investment objectives of the Fund(s). All trades and investments are allocated to accounts in the Funds based on their proportional participation in the relevant Fund.

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

Mill Road may from time to time make payments to third parties in connection with referrals of potential investors for funds managed by the Firm. To the extent any such arrangements relate to client referrals, such arrangements will comply with Rule 206(4)-3.

### **Item 15 Custody**

The custodians for Fund I are Goldman Sachs, Interactive Brokers, U.S. Bank, JP Morgan Chase Bank, N.A. and Square 1 Bank.

Financial statements are prepared and sent to each investor in client managed accounts on a semi-annual basis. In addition, audited financial statements are sent to each investor within 120 days after the end of each fiscal year and following liquidation of such account.

### **Item 16 Investment Discretion**

Pursuant to an Investment Management Agreement with Fund I, Mill Road assists Fund I GP with the management of the Fund's investments. Mill Road is responsible for, among other things, developing, investigating and securing information with respect to prospective investments by the Fund and monitoring the Fund's investments.

Fund I GP is a special purpose vehicle ("SPV") of Mill Road, as defined in the Securities and Exchange Commission's Division of Investment Management no action letter dated as of January 18, 2012.

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

Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. The Firm has adopted the following proxy voting policies and procedures.

For each proxy, the Firm will generally support proposals and director nominees that, in the Firm's view, enhance the value of a Fund's investments over the long term. Each proposal is evaluated on its merits and based on particular facts and circumstances by the specific deal



team created by the Firm to monitor the relevant security. For major proposals, and especially those where the Firm may not agree with company management, input from all of the Firm's Management Committee Directors of the Firm will be considered. The decisions are reached on a consensus basis. In evaluating proxy proposals, the Firm considers information from many sources, including but not limited to the management or shareholders of a company presenting a proposal and independent research. While it is unlikely that the interests of the Firm and its clients would be different, any such conflicts would be resolved by consulting with the investor advisory boards of each Fund involved. Investors may contact the Chief Compliance Officer or any of the Management Committee Directors to obtain information regarding how the Firm voted the proxies.

All proxy materials that are received are logged in the Firm's Proxy Material Spreadsheet with the date received, company name, deal lead, date and location of the annual meeting and handed off to the deal lead. The deal lead then reviews the proxy materials with the investment team member(s) and, if required, the Management Committee Directors, and the proxy is then submitted. Once proxies have been voted, the information is updated in the Firm's Customer Relationship Management database system and the relevant proxy materials are filed.

A Firm-managed client account may also enter into a separate voting agreement with an issuer or other security holders of the issuer which provides for how the account will vote its securities with respect to certain matters, including with respect to the appointment of directors of such issuer. To the extent any client account has entered into such an agreement relating to the voting of securities, the Firm will vote such securities in accordance with the terms of such agreement.

## **Item 18 Financial Information**

The Firm is not required to provide a balance sheet pursuant to Item 18A. Mill Road does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

## **Item 19 Requirements for State-Registered Advisers**

This item is not required as Mill Road is a federally registered investment adviser.