

Mill Road Capital Management LLC

Part 2A of Form ADV: Firm Brochure



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April 1, 2013

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. 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

Item 2 Material Changes

Mill Road Capital Management LLC ("Mill Road" or "MRC") was registered as an investment adviser with the Securities and Exchange Commission ("SEC") in March 2012. In June 2012, MRC completed the first closing of its second private fund, Mill Road Capital II, L.P.

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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. Three 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 two Funds, Mill Road Capital, L.P. (“Fund I”), which had its final closing in 2008, and Mill Road Capital II, L.P. (“Fund II”), which had its first closing in June 2012. Both Funds are structured as Delaware limited partnerships. Mill Road Capital GP LLC (“Fund I GP”) serves as Fund I’s general partner, and Mill Road Capital II GP LLC (“Fund II GP”) serves as Fund II’s general partner. Each of Fund I GP and Fund II GP is an affiliate of Mill Road.

Pursuant to an investment management agreement among the Firm, Fund I and Fund I GP and an investment management agreement among the Firm, Fund II and Fund II GP, Mill Road assists Fund I GP and Fund II GP with the management of the Funds’ investments. Mill Road is responsible for, among other things, developing, investigating and securing information with respect to prospective investments by the Funds and monitoring the Funds’ investments. Fund I GP and Fund II GP are special purpose vehicles 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 North America. The Firm believes that its investment process enhances return and mitigates 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. Investments are implemented and recommended with respect to a Fund when consistent with the Fund’s investment objectives. Each Fund’s offering documents contains 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 the Funds and third parties, an opportunity to co-invest alongside a Fund. The terms of any such investment would 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, 2012 Mill Road had approximately \$517.1 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 each Fund, Mill Road charges a management fee to each Fund, which is generally computed at a rate of 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, thereafter, 2.0% per annum of the cost basis of all investments then held by the Fund which were funded by limited partner capital contributions, provided that the cost basis would be reduced by investments written off or permanently written down, as applicable, by such 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 fees paid by each Fund, and any capital contributions called to pay such expenses, are allocated to the limited partners in such Fund in proportion to their respective capital contributions. Mill Road may agree with any investor in Fund II to waive or reduce these management fees at its discretion, and the allocation of the management fee expense in Fund II reflects any such reductions or waivers.

The management fee for each Fund 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 such Fund. In Fund II, the management fee is also reduced by any placement agent fees paid by the Fund.

Although Fund II is responsible for paying the expenses of organizing the Fund, including Fund II GP, the aggregate amount of these expenses in excess of \$1,000,000 reduces and offsets Fund II's management fee. Fund I was responsible for paying or reimbursing the first \$1,000,000 in aggregate expenses of organizing Fund I, including Fund I GP, and the remainder of these expenses were borne by the Firm.

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

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

Mill Road does not receive performance-based fees. However, the general partner of each Fund (each of which is 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 the general partner of each Fund is equal to 20% of profits in excess of capital contributions to such Fund, provided that an 8% preferred return is achieved. Fund II GP may waive or reduce this performance-based allocation with respect to any limited partner at its discretion.

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, as amended. Mill Road currently has two clients: Fund I and Fund II. The minimum single investment commitment by an investor in each Fund is \$5 million, subject to reduction at the discretion of the Fund's general partner.

Mill Road may give certain persons, including existing investors in a Fund and third parties, an opportunity to co-invest alongside a Fund. The terms of any such investment would 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 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, which 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 that Mill Road views as trading at an attractive valuation and having a strong competitive position within their markets.

Mill Road typically builds initial, small toehold positions in companies meeting the criteria set forth above. After completing diligence on these companies, Mill Road identifies the most compelling toeholds and deploys further capital in the corresponding companies, increasing its stake to a strategic block position.

Mill Road can then 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 the certainty of the 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 seek to work with management to create a plan with the goals of share price appreciation and/or executing a private equity transaction.

Mill Road may alter a Fund's investment strategy as it deems appropriate throughout the life of such 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 certain 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 each 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, Fund I GP or Fund II GP.

Item 10 Other Financial Industry Activities and Affiliations

Each of Fund I GP and Fund II GP is an affiliate of the Firm. As described above, each of Fund I GP and Fund II GP is entitled to special allocations based on the performance of the Fund for which it serves as general partner. This performance allocation arrangement between each Fund and its general partner may create an incentive for the Firm, as an affiliate of each general partner, 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 of the Firm 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 material, nonpublic information from the Firm's 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 material nonpublic 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 nonpublic 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 nonpublic information by the Firm.

The Chief Compliance Officer maintains a list of all issuers about which the Firm has inside information and makes such list available 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 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 has submitted 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, 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. In addition, Fund II GP is the general partner of Fund II and also an affiliate of the Firm. Fund I and Fund II are currently the only client accounts managed by the Firm.

With respect to its two clients, the Firm has established the following allocation policy as between Fund I and Fund II.

Fund I may not make an investment in any portfolio company in which Fund II has already made an investment. Except as otherwise provided in the limited partnership agreement of Fund II, Fund II shall not make an investment in any portfolio company in which another fund established or maintained by the Firm (including Fund I) already holds or is contemporaneously making an investment without the approval of Fund II's limited partner advisory committee. This 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. In addition, Fund II may make a private equity investment in a portfolio company in which Fund I has already made an investment if Fund I does not in the determination of Fund I GP have sufficient access to capital to consummate such investment by itself.

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 Fund II's limited partnership agreement, until the earliest of (i) the last day of the investment period of Fund II, (ii) the date on which at least 75% of the aggregate capital 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 Fund II GP 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 limited partnership agreement and that the Firm and Fund II GP reasonably believe is suitable for Fund II in its targeted market. The foregoing notwithstanding, while Fund I has capital to make new investments, the Firm may allocate to Fund I investment opportunities in securities of a companies with total enterprise values less than a threshold amount specified in Fund II's limited partnership agreement.

Fund II may not invest contemporaneously with any Firm-managed client accounts in an entity in which another fund managed by the Firm has an existing investment.

Fund II is obligated by its limited partnership agreement to acquire certain securities from Fund I upon the terms set forth in Fund II's limited partnership agreement. The first such acquisitions took place in August 2012 and March 2013, each of which was approved by the limited partner advisory committee of Fund I. Further such acquisitions, which must be consummated by the end of Fund II's investment period, are possible.

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 matter 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 does not benefit from any soft dollar arrangements and has no current plans to implement any such arrangements. However, should the needs of the business change, the Firm could use broker-provided research and brokerage services and products which assist it in carrying out its investment decision making responsibilities. These services could 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 could acquire a research product or service with soft dollars which also has non-research uses. In such cases the Firm would 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 non-research services would 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 would be used collectively. There would be 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 could 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 could be used 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 two client accounts: Fund I and Fund II. The Firm is not permitted to aggregate orders for the purchase or sale of securities on behalf of Fund I with orders on behalf of Fund II.

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 the Funds are Goldman Sachs, Interactive Brokers, U.S. Bank, JP Morgan Chase Bank, N.A., Square 1 Bank, and ING Luxembourg S.A.

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

The Firm has entered into a separate investment management agreement with respect to each Fund. Pursuant to such investment management agreements, Mill Road assists the general partner of each Fund 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.

Each of Fund I GP and Fund II GP is a special purpose vehicle 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 and location of the annual meeting. 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 date is recorded, the specific year of the vote 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.