

**INVESTMENT ADVISER BROCHURE
PART 2A OF FORM ADV**

MILL CITY CAPITAL, L.P.

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Mill City Capital, L.P. (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (612) 238-9500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

The Management Company is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding the Management Company is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

Mill City Capital, L.P. (the “**Management Company**”) is a newly registered investment adviser, and this is its initial Brochure. For future Brochures, this page will describe any material changes made since the previous Brochure.

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ADVISORY BUSINESS

Mill City Capital, L.P. (the “**Management Company**” and together with its affiliated entities, “**Mill City Capital**”), the registered investment adviser, is a Delaware limited partnership. The Management Company commenced operations in **April 2010**.

Washburn, L.P. (“**General Partner I**”), a Delaware limited partnership and the general partner of Fund I (defined below), Washburn II, L.P. (“**General Partner II**”), a Delaware limited partnership and the general partner of Fund II (defined below) and any other future general partner of a Fund (defined below) (each, a “**General Partner**” and together with the Management Company, the “**Advisers**”) are, or will be, registered under the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Management Company and each General Partner, which together operate as a single advisory business. No General Partner has personnel other than those persons associated with the Management Company.

The Advisers provide discretionary investment advisory services to their clients, which consist of private investment funds (each, a “**Fund**,” and together with any future private investment fund for which the Advisers provide investment advisory services, the “**Funds**”), including Mill City Fund L.P., a Delaware limited partnership (“**Fund I**”) and Mill City Fund II, L.P. (“**Fund II**”). The Funds invest through negotiated transactions in operating companies. The Advisers’ investment advisory services to Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. From time to time, the senior principals (the “**Principals**”) or other personnel of Mill City Capital may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

Mill City Capital’s advisory services for the Funds are detailed in the applicable private placement memorandum (each, a “**Memorandum**”) and limited partnership agreement (or similar governing document) (each, a “**Partnership Agreement**” and together with the Memorandum, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. Investors in the Funds participate in the overall investment program for the applicable Fund, but investors in certain Funds may be excused from a particular investment due to legal, regulatory or other applicable constraints or other agreed upon reasons. The Funds or the Advisers may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under or altering or supplementing a Fund’s Governing Documents, including provisions relating to fees and distributions.

As of the date hereof, the Advisers have \$198 million in assets under management. The Management Company is principally owned by Darren L. Acheson, Michael S. Israel and Lisa A. Kro.

FEES AND COMPENSATION

In general, the Advisers receive a management fee (the “**Management Fee**”) and a carried interest in connection with advisory services they provide to clients. Mill City Capital or persons affiliated with it may receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of the Funds and such additional compensation may offset in whole or in part the Management Fees otherwise payable to Mill City Capital. Investors in the Funds also bear certain fund expenses, as described below. The following is a general description of fees, compensation, and expenses of the Funds. Differences may exist among Funds, and certain Funds may not charge certain fees, compensation, or expenses that other Funds charge. For example, the Advisers may provide investment advisory services to certain Funds designed to co-invest alongside certain other Funds (each such Fund, a “**Co-Invest Fund**”), and investors in such Co-Invest Funds may not pay any fees or carried interest. Prospective and existing Fund investors should review the applicable Fund’s Governing Documents for details regarding its fees, compensation and expenses.

Management Fees

Each of Fund I and Fund II generally pays its respective General Partner an annual Management Fee equal to 2% of its aggregate commitments during its investment period. After the expiration of each Fund’s respective investment period or earlier upon the occurrence of certain events, as further specified in each Fund’s Governing Documents, a Fund generally pays its respective General Partner an annual Management Fee equal to 2% of aggregate funded commitments less investment write-offs and certain distributions constituting a return of capital, as further specified in each Fund’s Governing Documents. In addition, each of Fund I and Fund II’s Management Fee generally will be reduced by a specified percentage of each Fund’s share of: (i) any directors’ fees, consulting fees or advisory fees paid by portfolio companies; (ii) any transaction fees paid by portfolio companies to its respective General Partner; and (iii) any break-up fees from transactions not completed, in each case that are paid to Mill City Capital. However, as described more fully in the Governing Documents of each Fund, Mill City Capital and/or certain of its personnel may provide services to (or with respect to) certain portfolio companies in which one or more Funds may invest. In connection with such services, Mill City Capital and/or such personnel may receive fees and/or other compensation from such portfolio companies, and such compensation may not offset the Management Fee.

Each General Partner generally reserves the right to waive all or a portion of any future installment of the Management Fee. Any waived portion of a Management Fee installment shall reduce the amount of capital contributions a General Partner and its affiliates would otherwise be required to contribute after the date such waived amount would otherwise be due in return for a profits interest in the applicable Fund.

The Management Fee with respect to a Fund will commence as of the effective date of such Fund based on aggregate commitments, regardless of when a limited partner is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the respective General Partner’s discretion, from drawdowns that will reduce unfunded commitments. The Management Fee is payable semi-annually, partially in arrears and

partially in advance. Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on *pro rata* basis according to the actual number of days in such period.

Carried Interest

Each General Partner generally is entitled to receive a carried interest with respect to the applicable Fund equal to 20% of all realized profits subject to an 8% annually compounded preferred return and a related General Partner catch-up provision, as more fully described in the applicable Governing Documents. The carried interest distributed to each General Partner is subject to a potential giveback at the end of a Fund's life and as of any earlier dates set forth in the Governing Documents if the respective General Partner has received excess cumulative distributions.

It is expected that any future Funds will have a similar fee structure.

Other Information

Mill City Capital may exempt certain investors in the Funds, including any Mill City Capital person, from payment of all or a portion of Management Fees and/or carried interest. Any such exemption from fees and/or carried interest may be made by a direct exemption, through a Co-Invest Fund or as otherwise permitted by applicable Fund Governing Documents. Principals or other employees of Mill City Capital may receive a portion of the Management Fee, carried interest or other compensation received by the General Partner.

Each Fund generally invests on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Governing Documents, over the Fund's term, and investors generally are not permitted to withdraw or redeem interests in the Fund.

In addition to the Management Fee and carried interest payable to the General Partners, each Fund bears certain expenses, as set forth in its Governing Documents. Typically, each Fund bears all organizational expenses, subject to any applicable limitations in its Governing Documents, and costs, expenses, liabilities and obligations of the Fund's activities, investments and business to the extent not reimbursed by portfolio companies, including: all costs, expenses, liabilities and obligations attributable to acquiring, holding and disposing of Fund investments (including interest on money borrowed, registration expenses and brokerage, finders', financing, appraisal, custodial and other fees and alternative investment vehicle costs and expenses) or relating to investment and disposition opportunities for the Fund not consummated; legal, accounting, administration, auditing, insurance, travel, litigation and indemnification costs and expenses, judgments and settlements, consulting, finders', financing, appraisal, filing, reporting and other fees and expenses (including extraordinary expenses, expenses associated with the Fund's financial statements, tax returns and Schedule K-1s or any other Fund-related reporting or filing); advisory board expenses; out-of-pocket expenses incurred in connection with the annual limited partners' meeting and any other periodic meeting or conference with one or more limited partners; and any taxes, fees and other governmental charges levied against the Fund. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” each General Partner typically receives a carried interest allocation on certain realized profits in a Fund. A carried interest allocation represents an investment adviser’s compensation based on a percentage of net profits of the funds it manages. Mill City does not currently advise any clients not charged carried interest, but it could do so in the future. In the event Mill City has any such clients in the future, it will address any conflicts of interest created.

TYPES OF CLIENTS

The Advisers provide investment advice to the Funds. Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in the Funds may include high net worth individuals, institutional investors, such as banks or thrift institutions, insurance companies, corporations, pension and profit-sharing plans, trusts or estates, charitable organizations or other investment or business entities, or, directly or indirectly, Mill City Capital’s Principals or other employees.

The Funds typically have a minimum investment amount of \$5 million for third-party investors. Generally, investors are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) for certain Funds, either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act. Mill City Capital may waive such minimum investment amounts and qualification requirements.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment and Operating Strategy

The following is a summary of the investment strategies and methods of analysis generally employed by Mill City Capital on behalf of the Funds. More detailed descriptions of each Fund’s investment strategies and methods of analysis are included in its Memorandum.

Mill City Capital intends to act primarily as the lead sponsor in making equity and equity-related control investments in lower middle market companies headquartered in the Midwestern United States and central and western Canada. More specifically, Mill City’s investment strategy generally includes seeking to:

- Source investment opportunities on competitively-advantaged terms by virtue of Mill City Capital’s headquarters being located in its region of geographic focus, the investment team’s strong sourcing relationships and the investment team’s experience in resolving complex acquisition problems with sophisticated transactional and/or financing solutions;
- Pursue geographic (Midwestern United States and central and western Canada) and industry (consumer sector, including non-discretionary segments such as food products, niche consumer brands, and personal and household products, and industrial sector,

including global energy/power generation, mining, mechanized agriculture, aerospace and medical equipment) specialization in order to more effectively partner with portfolio company management teams and create long-term portfolio company growth by consolidating regional- and sector-specific expertise in value-creation across Mill City Capital's investment platforms; and

- Support internal discipline and investment approval processes designed to minimize risk while also promoting the ongoing transparency of internal investment decision-making and encouraging the involvement and entrepreneurial energy of the investment team with regard Mill City Capital's investment decisions.

Risks of Investment

The Funds and their investors bear the risk of loss that Mill City Capital's investment strategy entails. There can be no assurance that the Advisers will meet a Fund's investment objectives or otherwise be able to successfully carry out its investment program or that there will be any return of capital. A prospective investor should only invest in a Fund as part of an overall investment strategy and only if such investor is able to withstand a total loss of its investment. Investors should not construe the performance of earlier investments by the Advisers or their affiliates as providing any assurances regarding the future performance of a Fund. The risks typically involved with the Advisers' investment strategy and an investment in each Fund are generally described below. However, investors should review the applicable Fund's Memorandum for information regarding risks specific to that Fund.

Business Risks. Each Fund's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The performance of the Principals' prior investments is not necessarily indicative of a Fund's future results. While the Advisers intend for each Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which a Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Fund's investment once made.

Concentration of Investments. Each Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to pay Management Fees during the investment period based on the entire amount of the limited partners' commitments.

Illiquidity; Lack of Current Distributions. An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the applicable General Partner) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including, without limitation, unfunded commitments.

Leveraged Investments. A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the borrowing Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to a Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be tight at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which each Fund will invest generally will not be rated by a credit rating agency.

Limited Transferability of Fund Interests. There will be no public market for the Funds' interests, and none is expected to develop. There are substantial restrictions upon the transferability of each Fund's interests under the applicable Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Fund investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners.

Reliance on the Advisers and Portfolio Company Management. Control over the operation of a Fund will be vested with the Advisers, and a Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on a Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend on the actions of the Advisers. In addition, certain changes in the Advisers or circumstances relating to the Advisers may have an adverse effect on a Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although the Advisers will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day to day basis. Although each Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the applicable Fund's objectives.

Projections. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Conflicting Investor Interests. Limited partners may have conflicting investment, tax, and other interests with respect to their investments in a Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the Advisers regarding an investment that may be more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Advisers generally will consider the investment and tax objectives of a Fund and its partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of a Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

Additionally, Congress has recently considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any

carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the Principals, employees or other individuals associated with a Fund, the Management Company or the General Partner who were or may in the future be granted direct or indirect interests in the General Partner entitling such persons to benefit from carried interest. This may reduce such persons' after-tax returns from a Fund and the General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Funds.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the "AIFMD") came into effect on July 22, 2013. The AIFMD regulates the activities of private fund managers undertaking fund management activities or marketing fund interests to investors within the European Union ("EU"). If a Fund is marketed to EU-based investors from July 22, 2013: (i) the Fund will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; and (ii) the AIFMD will also restrict certain activities of the Fund in relation to EU portfolio companies including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EU portfolio company within the first two years of ownership. In addition, it is possible that some EU jurisdictions will elect to restrict or prohibit the marketing of non-EU funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of commitments.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if a third party invests in such portfolio company.

Non-U.S. Investments. The Funds may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or the Partners with respect to a Fund's income, and possible non-U.S. tax return filing requirements for a Fund and/or the Partners. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting,

auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Significant Adverse Consequences for Default. Each Fund Partnership Agreement provides for significant adverse consequences in the event a limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting limited partner may be forced to transfer its interest in a Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

Dilution. Limited partners admitted to a Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of such Fund's existing investments at the time of such contributions.

General Partner's Carried Interest. The fact that a General Partner's carried interest is based on a percentage of net profits may create an incentive for a General Partner to cause a Fund to make riskier or more speculative investments than otherwise would be the case.

Public Company Holdings. A Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Non-controlling Investments. A Fund may hold meaningful minority stakes in privately held companies. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

Director Liability. The Funds will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes a Fund's representatives, and ultimately such Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of

additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a “self-reinforcing” economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which a Fund makes investments.

Market Conditions. Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund’s performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors’ risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund’s performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect a Fund’s ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments. The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A Fund’s ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

Conflicts of Interest

During the investment period of the most recently formed Fund, Mill City Capital will pursue all appropriate investment opportunities principally for the benefit of such Fund, as described and subject to any exceptions in the applicable Governing Documents. However, Mill City Capital may manage other Funds and investments similar to those in which such Fund invests, and may direct certain relevant investment opportunities to those Funds and investments. Mill City Capital’s investment staff will continue to manage and monitor such other Funds and

investments, although Mill City Capital believes that the time required to manage and monitor such other Funds will be less than the time spent on matters relating to Fund operations and investment decisions during a Fund's investment period. Mill City Capital believes that the significant investment of the Principals in a Fund, as well as their interest in the carried interest with respect to such Fund, operate to align, to some extent, the interest of Mill City Capital and its Principals with the interest of the partners of such Fund, although Mill City Capital and the Principals may have economic interests in other Funds and investments as well and may receive management fees and carried interests relating to these interests. Such other Funds and investments that Mill City Capital may control may compete with a Fund or companies acquired by a Fund. Following the investment period for a particular Fund, Mill City Capital and the Principals may, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Mill City Capital may be presented with investment opportunities that would be suitable for more than one of the Funds and/or other investment vehicles operated by advisory affiliates of Mill City Capital. In determining which investment vehicles should participate in such investment opportunities, Mill City Capital and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Mill City Capital attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Mill City Capital's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among such entities in a fair and equitable manner. Where necessary, Mill City Capital may consult and receive consent to conflicts from an advisory board consisting of limited partners of the applicable Fund(s) and such other investment vehicles, if any.

Mill City Capital may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more limited partners of a Fund and/or other persons. Co-Invest Funds may be established in order to invest alongside one or more other Funds, and Mill City Capital may have limited discretion to invest the assets of these Co-Invest Funds independent of the limitations set forth in the Governing Documents of such Co-Invest Funds and associated Fund. Participation in co-investment opportunities or Co-Invest Funds may be limited, including as may be set forth in a Fund's Governing Documents.

Because each General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for Mill City Capital to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Since Mill City Capital is permitted to retain certain supplemental fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions. Mill City Capital attempts to resolve such conflict by offsetting the Management Fee by a portion of such supplemental fees.

DISCIPLINARY INFORMATION

Mill City Capital and its management persons have not been subject to any legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As described under “Advisory Business” above, the Management Company is affiliated with General Partner I and General Partner II and, in the future, may be affiliated with additional General Partners. Each General Partner is, or will be deemed to be, registered with the SEC under the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. The Advisers operate as a single advisory business and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Mill City Capital has adopted a Code of Ethics and Securities Trading Policy (the “Code”), which sets forth standards of conduct that are expected of the Principals and Mill City Capital’s other employees and addresses conflicts that may arise from personal securities trading. The Code requires Mill City Capital personnel to:

- report their personal securities holdings and transactions;
- pre-clear any proposed purchase in an initial public offering or limited offering;
- pre-clear any securities transaction involving a security on the restricted list; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any client or prospective client upon request to Mill City Capital’s Chief Compliance Officer at (612) 238-9500. Personal securities transactions by Mill City Capital personnel are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

Mill City Capital and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, Mill City Capital and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Mill City Capital.

Accordingly, should Mill City Capital or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, Mill City Capital would be prohibited from communicating such information to clients, and Mill City Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Mill City Capital personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and other employees of Mill City Capital and its affiliates may directly or indirectly own an interest in the Funds or Co-Invest Funds. To the extent that Co-Invest Funds exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

The Funds may invest together with other private investment funds advised by an affiliated adviser of Mill City Capital in the manner set forth in the applicable Governing Documents. Mill City Capital will allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with its fiduciary obligations, the underlying documents for the relevant Fund and its investment allocation policy.

Mill City Capital and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles or other persons that may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

BROKERAGE PRACTICES

Mill City Capital focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Mill City Capital may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Mill City Capital does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If Mill City Capital sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Mill City Capital. In such event, Mill City Capital will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Mill City Capital may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) gross compensation paid to the broker; and (v) the financial strength of the broker.

Mill City Capital has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although Mill City Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Mill City Capital seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Mill City Capital generally does not make use of such services at

the current time and has not made use of such services since its inception. As a general matter, research provided by these brokers would be used to service all of Mill City Capital's Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by Mill City Capital, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund.

To the extent that Mill City Capital allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds' interest in receiving most favorable execution.

Mill City Capital does not anticipate engaging in significant public securities transactions; however, to the extent that Mill City Capital engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for any Funds are completed independently, Mill City Capital may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Mill City Capital may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund is favored over any other Fund.

When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Fund. Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to the Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Mill City Capital closely monitors companies in which the Funds invest, and the Chief Compliance Officer periodically checks to confirm that each Fund is managed in accordance with its stated objectives.

Mill City Capital generally will provide to Fund limited partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company quarterly.

CLIENT REFERRALS AND OTHER COMPENSATION

Mill City Capital and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive fees from these companies in connection

with such services. As described in the applicable Fund's Governing Documents, while certain compensation may, in many circumstances, offset a portion of the Management Fees paid by a Fund, amounts received by Mill City Capital or Mill City Capital personnel from a portfolio company as reimbursement for expenses, as payment for services provided in the ordinary course of business to such portfolio company or as compensation for services provided by such person as an employee of or in a similar capacity for such portfolio company or any of its subsidiaries generally do not offset a Fund's Management Fee.

From time to time, Mill City Capital may enter into solicitation arrangements pursuant to which the Advisers compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees and expenses payable to any such placement agents will generally be borne by the Advisers directly or indirectly through an offset against the applicable Fund's Management Fee. In connection with Fund II, the Advisers have retained Sixpoint Partners LLC ("**Sixpoint**"), a U.S. registered broker-dealer, to solicit investors for Fund II. As compensation for its efforts, Sixpoint is entitled to a retainer and fee based on a percentage of Fund II's commitments.

CUSTODY

As required by the Advisers Act, Mill City Capital maintains accounts, either in the Fund's name or in an Adviser's name for the benefit of a Fund, with one or more qualified custodians to hold funds and/or securities on behalf of each Fund. Wells Fargo is currently the qualified custodian for the Funds.

INVESTMENT DISCRETION

Mill City Capital has discretionary authority to manage investments on behalf of the Funds. As a general policy, Mill City Capital does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, Mill City Capital generally may enter into side letter arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other agreed upon reasons. Mill City Capital assumes this discretionary authority pursuant to the terms of the Governing Documents.

VOTING CLIENT SECURITIES

Mill City Capital has adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for a Fund's portfolio investments. The Proxy Policy seeks to ensure that Mill City Capital votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Mill City Capital generally believes its interests are aligned with those of a Fund's investors through the Principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Mill City Capital may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in

the Proxy Policy. Additionally, a Fund's advisory board may approve Mill City Capital's vote in a particular solicitation. Mill City Capital does not consider service on portfolio company boards by Mill City Capital personnel or Mill City Capital's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Mill City Capital when voting proxies on behalf of a Fund. A client or prospective client that would like a copy of Mill City Capital's complete Proxy Policy or information regarding how Mill City Capital voted proxies for particular portfolio companies should contact Mill City Capital's Chief Compliance Officer at (612) 238-9500, and it will be provided at no charge.

FINANCIAL INFORMATION

Mill City Capital does not require prepayment of Management Fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.