

---

# Mill Road Capital Management LLC

---

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



382 Greenwich Avenue, Suite One  
Greenwich, CT 06830  
Tel: 203-987-3500  
Fax: 203-621-3280  
[www.millroadcapital.com](http://www.millroadcapital.com)

***March 31, 2015***

**Item 1 Cover Page**

This brochure, dated March 31, 2015 (the "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: [investorrelations@millroadcapital.com](mailto:investorrelations@millroadcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

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

## **Item 2 Material Changes**

There are no material changes to our previous Brochure. The Firm will update this Brochure no less than annually.

### Item 3 Table of Contents

Item 1 Cover Page .....	1
Item 2 Material Changes.....	2
Item 3 Table of Contents.....	3
Item 4 Advisory Business .....	4
Item 5 Fees and Compensation .....	5
Item 6 Performance-Based Fees and Side-By-Side Management .....	6
Item 7 Types of Clients.....	6
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9 Disciplinary Information .....	10
Item 10 Other Financial Industry Activities and Affiliations .....	10
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Item 12 Brokerage Practices .....	13
Item 13 Review of Accounts .....	15
Item 14 Client Referrals and Other Compensation.....	15
Item 15 Custody .....	15
Item 16 Investment Discretion .....	16
Item 17 Voting Client Securities.....	16
Item 18 Financial Information.....	16
Item 19 Requirements for State-Registered Advisers .....	16

\*\*\*\*\*

## Item 4 Advisory Business

### ***Firm Description***

Mill Road is a Delaware limited liability company 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. Thomas Lynch is a principal owner of the Firm.

### ***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. Currently, the Firm provides investment advisory services to 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 final closing in 2013 (each a "Fund," and collectively, the "Funds"). 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. 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 American Bar Association 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 and services.

### ***Tailored Relationships***

Mill Road provides its advisory services to the Funds in accordance with the investment objectives, investment guidelines and restrictions set forth in the relevant Fund's confidential private placement memorandum, limited partnership agreement, investment management agreement and other formation and operating documents pertaining to the Fund (collectively, the "Governing Documents"). Mill Road's advisory services for each Fund are detailed in the Fund's Governing Documents and are further described below under "Item 8. Methods of Analysis, Investment Strategies and Risk of Loss."

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, 2014, Mill Road had approximately \$766.4 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, 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 Fund I in proportion to their respective capital contributions and in Fund II in proportion to their respective capital commitments. Mill Road may agree with any investor in a Fund to waive or reduce these management fees at its discretion, and the allocation of the management fee expense of the Fund 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 II, 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 receive 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 incentive 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 incentive allocation with respect to any limited partner at its discretion.

Investors should be aware that a performance-based allocation 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 the Funds and third parties, an opportunity to co-invest alongside a Fund. The terms of any co-investment would be set by Mill Road at the time of such investment, and in accordance with Governing Documents.

## 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.

Within the limitations set forth in each Fund's limited partnership agreement, 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, with the possibility of partial or total loss of contributed capital. 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 a Fund 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 a Fund's 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 Nonpublic 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 nonpublic 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. Mill Road or the general partner of a Fund 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.

#### *Non-U.S. Investments*

The Fund may make investments outside of the United States. Foreign investments involve certain additional risks not typically associated with investing in domestic investments, including risks relating to: (i) currency fluctuations and associated conversion costs; (ii) differences between the U.S. and foreign securities markets, including volatility in and relative illiquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, and different government supervision and regulation; (iii) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability, and the possibility of expropriation or confiscatory taxation; and (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such investments.

## **Item 9 Disciplinary Information**

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

## **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 recommend and/or implement 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 adheres to a Code of Ethics (the “Code”) that sets forth standards of conduct for Mill Road’s employees and addresses conflicts that may arise. The Code subjects employees to appropriate restrictions on certain activities and securities trading, provides information on certain prohibited transactions, sets forth Mill Road’s internal review and compliance procedures, including quarterly and annual reporting requirements, and describes rules of business conduct, which are all intended to prevent or detect potential conflicts of interest. The Code also addresses conflicts related to political contributions, gifts or entertainment, and outside business activities.

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.

Mill Road has also adopted a Compliance Manual, which addresses, among other things, record retention, communication with the media, an information security program intended to protect the confidentiality of the information retained by Mill Road and other policies and procedures designed to ensure compliance with applicable laws and regulations.

Investors can request a copy of the Code by contacting the Chief Compliance Officer at 203-987-3500, or by email at: [investorrelation@millroadcapital.com](mailto:investorrelation@millroadcapital.com).

### ***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***

The Firm reminds all of its employees (in any capacity) and consultants that purchasing or selling securities on the basis of, or while in possession of, material nonpublic information for their own, for a client's or for the Firm's account is a crime punishable by imprisonment as well as large fines. In addition, all of the Firm's employees (in any capacity) and consultants are made aware that such rules apply not only to the Firm's employees and consultants, but also apply to anyone (including friends, relatives, business associates and others) who may receive material, nonpublic information from the Firm's employees concerning an issuer of securities (whether such issuer is a client or not).

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. 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 restricted list which prohibits employees and the Funds from trading in securities of companies in which Mill Road may be in possession of material non-public information.

### ***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.

#### ***Personal Trading***

All employees are required to submit an initial, and thereafter annual, holdings report as well as quarterly transaction reports or equivalent brokerage statements, detailing securities (as defined in the Code) held, purchased or sold during the relevant period. Employees are prohibited from trading in securities that are held or may to be held in the Funds. No employee may buy, sell, or pledge for any accounts in which the employee has a "beneficial ownership interest" in any security which the Firm is currently researching or in which an account of the Firm is currently invested. In addition, all employees must pre-clear securities traded in an initial public offering or a private placement.

#### ***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.

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

With respect to the Funds, the Firm has established the following allocation policy.

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 investment 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 was obligated by its limited partnership agreement to purchase certain securities from Fund I upon the terms set forth in Fund II's limited partnership agreement. There have been two such acquisitions (each of which consisted of multiple positions): one in August 2012 and the other in March 2013. Each acquisition was approved by the limited partner advisory committee of Fund I and the investors in Fund II. Fund II is not obligated to purchase any further securities from Fund I and no additional sales from Fund I to Fund II are expected to occur.

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.

Furthermore, except as authorized by the Chief Compliance Officer or specifically noted on the restricted list, Mill Road and its employees may not, for any account, buy or sell or recommend the purchase or sale of a security or related instrument of an issuer that is on the Firm's restricted list.

## **Item 12 Brokerage Practices**

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

Mill Road will 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.

#### ***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. The Firm intends to comply with Section 28(e) of the Securities Exchange Act of 1934 in connection with its use of soft dollars "research" and "brokerage" services as permitted under safe harbor. 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.

### ***Trading Errors***

Any trading errors must be reported immediately to the Chief Compliance Officer, the Trading Supervisor and the finance team. The Chief Compliance Officer, in consultation with the Trading Supervisor and the finance team, will determine whether it is possible and appropriate for the trade to be unwound. If the trade cannot be unwound, the Chief Compliance Officer will review the error with the Trading Supervisor and they will determine if any corrective action can be taken. The Chief Compliance Officer, the finance team and Trading Supervisor will review any trading errors to determine if new policies and procedures should be adopted to prevent a similar error from occurring in the future.

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

Mill Road's investment committee supervises and monitors the investment activities of the Funds. Mill Road performs various daily, quarterly and other periodic reviews of the Clients' portfolios to determine whether investments are made in accordance with approved procedures and the investment objectives of the Funds. Such reviews are overseen by the Chief Compliance Officer, Trading Supervisor and/or the finance personnel of the Firm. Mill Road's investment professionals monitor and review the Funds' private positions by participating in board meetings, reviewing financial reporting packages and making on-site visits.

Mill Road provides a written report to each Fund's investors on a semi-annual basis describing the performance of the Funds and of the private investments. Mill Road also holds an annual investor meeting to report on the Funds' performance and investments.

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

Mill Road will generally, 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, N.A., Square 1 Bank, and ING Luxembourg S.A.

Financial statements are prepared and sent to each investor in client managed accounts on at least 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 American Bar Association no action letter dated as of January 18, 2012.

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

In accordance with SEC requirements, Mill Road has adopted Proxy Voting Policies and Procedures (the "Policy") to address how the Firm vote proxies, as applicable, for the securities held by the Funds. The Policy is designed with the goal that the Firm vote proxies (or similar instruments) in the best interest of the Fund, including when there may be material conflicts of interest in voting proxies.

The Policy will generally support proposals and director nominees of the management of the company. For proposals where the Firm does not agree with the management of the company, such votes have to be approved by the Chairman of the Management Committee.

Proxy materials that are received are logged in the proxy material spreadsheet with, among other things, the date received, company name and deal lead. The deal lead then reviews the proxy materials with the investment team member(s) and, if no further action is required, the proxy is then submitted. Once proxies have been voted, the date is recorded and information is updated in the Firm's proxy database, and the relevant proxy materials are retained. Investors may contact the Chief Compliance Officer to obtain information regarding how the Firm voted proxies. Investors will receive a copy of Mill Road's proxy voting policies and procedures upon request.

A Fund 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 Fund 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.