

**Millie Capital Management LLC  
Form ADV Part 2A  
March 31, 2013**

Part 2A of Form ADV: Firm Brochure

**Item 1      Cover Page**

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This brochure provides information about the qualifications and business practices of Millie Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at the number shown above, or at [monica.v@milliecapital.com](mailto:monica.v@milliecapital.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

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

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**Item 2            Material Changes**

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This updated Form ADV part 2A contains the following material and non-material changes from the prior version:

- Routine revisions and updates to formatting.
- Non-material edits to the existing descriptions of prior disclosures at Item 5, Payment methods, Fund fee disclosures, Use of margin, Brokerage fee disclosures; Item 12, Basis for recommending custodians, Directed brokerage disclosures; Item 13, Periodic review of accounts; Item 18, Invoicing for three months means no custody of client assets.
- Material edits to the existing descriptions of prior disclosures at Item 5, Management fee breakpoints shown in detail; Item 10, No employee engaged in outside business activities; Item 11, Personal Trading requires pre-clearance; Item 18, Affirmative statement of no history of bankruptcy of Advisor firm or primary owner.

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**Item 4            Advisory Business**

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Millie Capital Management ("MCM") is an independent investment firm that was founded and began managing assets in 1991. The firm was incorporated under the same name and elected treatment as a limited liability company in April, 2000. MCM is a SEC-registered investment advisor under the Investment Advisors Act of 1940.

MCM is primarily engaged in the business of furnishing "investment supervisory services" to clients, which is defined as the giving of continuous advice to clients as to the investment of funds on the basis of individual needs of each client. Investment advice may be provided on a discretionary or non-discretionary basis. As of March 31, 2013, MCM managed approximately \$230 million of client assets on a discretionary basis.

In limited circumstances, MCM may provide advisory services for clients that do not involve direct investment supervision, without additional charge. MCM does not issue periodic publications relating to securities on a subscription basis, nor prepare or issue special reports or analyses relating to securities which are not part of its investment supervisory services, nor prepare or issue any charts, graphs, formulas, or other devices that a client may use to evaluate securities.

At the beginning of each new relationship, a client's overall objectives are explored at length. MCM investment procedures are then explained in detail. Clients are able to place reasonable restrictions on MCM's investment discretion, to include, limiting investments in certain securities and types of securities. Any such restrictions must be communicated to MCM in writing. The client's own Investment Policy Statement is used to identify where MCM's investment work could help clients achieve their overall investment objectives while taking into account any stated restrictions. This process helps to identify among other things: the client's investment time horizon, potential cash flow needs, and diversification through recommended asset allocation targets. Because market conditions and security valuations are constantly changing, the suitability of the investment process and policy is periodically re-assessed and any required changes to the original policies are made at that time.

**Item 5            Fees and Compensation**

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Fees will be computed, billed, and made payable quarterly in advance, based upon the valuation of all client assets under MCM's management as of the last business day of the prior calendar quarter, or pro-rated from the client's inception date when applicable.

All assets in any form are considered in the computation of fees. Money invested in cash balances, money market assets, and client-directed assets are included. Portfolio management fees are payable quarterly in advance, by invoices sent to the client and custodian. The custodian pays each invoice by a transfer from the client account. The annualized fee for portfolio management and reporting

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services, for portfolios meeting the minimum shown below, is 1.00% for the first \$1 million of assets under management, plus 0.75% on the next \$4 million, plus 0.60% on assets in excess of \$5 million. MCM may negotiate a different fee percentage, depending on the complexity of the client's engagement for financial counsel, and the size of the portfolio.

Asset market values for billing and reporting purposes are determined by third-party custodians as shown in quarter-end client statements, and by reports of client-approved independent alternative asset managers as of their most recent valuation report received by the end of the same quarter.

An advisory contract may be terminated by a client or MCM at any time upon written notice being delivered to the other party. Advisory fees paid in advance will be pro-rated to the date of termination stated in the notice of termination, and any unearned portion will be refunded to the client.

MCM does not participate or share in the following kinds of client charges. Client accounts may hold mutual funds, and such funds typically receive investment management fees from fund assets. The custodian receives brokerage fees for transactions, as reported to Client in confirmation statements, and may also receive interest that is computed on margin balances.

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**Item 6                      Performance-Based Fees**

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MCM does not accept a performance-based investment advisory fee for managing client accounts.

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**Item 7                      Types of Clients**

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Generally, MCM's client base consists of certain high net worth individuals, including their taxable, IRA or similar tax-deferred accounts. While MCM's stated minimum account size is \$1,000,000, MCM may waive this minimum requirement in limited circumstances.

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

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Equity Investments

MCM's investment philosophy considers the relative risk versus return characteristics of each security selected. MCM selects companies that are relatively undervalued versus peers, with attractive growth expectations, and which we believe over time will produce superior returns relative to a client's stated benchmark. Minimizing downside performance risk while achieving a client's investment return goals is also an important component within MCM's security selection process. Risk control guidelines are an integral part of the strategy. One such measure deals with equally weighting new purchases within each benchmark sector. In this way, the added volatility and potential negative effects of predicting, over-weighting and rotating investments within and between various sectors is greatly reduced. Individual

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security selection within each sector then becomes the main decision criteria of MCM's security analysis.

In analyzing securities, MCM performs an array of fundamental analyses to filter down the benchmark universe of available investments, and relies to a large extent on third-party institutional research (for example, S&P, Credit Suisse, Zacks, Morningstar). Characteristics such as earnings growth, price/earnings ratios, and cash flow and debt ratios are but a few of the critical items that MCM utilizes. Next, MCM compares the future earnings growth prospects of each company against other companies within the same sector. Securities are then selected based upon an analysis of all relevant data. The resulting portfolio exhibits overall characteristics that MCM believes will produce above-average returns over a market cycle.

MCM also utilizes no-load mutual funds and exchange-traded funds, where justified by sector specialization, difficulty of access to a particular financial market, or unique strategy. Funds are also used to a larger extent for accounts of less than \$1.5 million in assets, to achieve targeted diversification.

#### Fixed Income Investments

The primary asset allocation decision is that of using taxable versus municipal bonds. Client goals and investment time horizon also play a large role in properly utilizing other income-oriented securities. Focusing on current income, credit quality, and limiting interest rate sensitivity are crucial components in all of MCM's decisions. Conventional types of fixed instruments are utilized that generally do not have ratings below investment grade.

#### **Common Investment Risks**

MCM Domestic and International Equity Strategies – Potential risks associated with equity investments:

*Investment Style Risk.* The Advisor's judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security in which a client invests may prove to be incorrect and there is a no guarantee that the Advisor's judgment will always produce the intended results.

*Market Risk.* Overall stock prices can decline due to changes in the economic outlook, interest rates, and political or social events in the U.S. or abroad. All stocks are subject to these risks.

*Sector Risks.* A client's portfolio may be over-weighted in certain sectors; therefore any negative development affecting those sectors will have a greater impact on the client's investments.

*Liquidity Risk.* Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

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*Mid-Cap and Small-Cap Risk.* Stocks of mid-cap and small-cap companies can exhibit greater risk than stocks of larger companies. Many of these companies are young and have a limited track record. Their securities may trade less frequently and in more limited volume than those of more mature companies. Mid-cap and small-cap companies also may lack the managerial, financial, or other resources necessary to implement their business plans or succeed in the face of competition or economic turmoil.

*Foreign Investing Risk.* Foreign investing involves risks not typically associated with U.S. investments. These risks include, among others, adverse fluctuations in foreign currency values as well as adverse political, social, and economic developments affecting a foreign country. In addition, foreign investing involves less publicly-available information, and more volatile or less-liquid securities markets. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws, and potential difficulties in enforcing contractual obligations. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulations may be inadequate or irregular. Owning foreign securities could cause the Fund's performance to fluctuate more than if it held only U.S. securities.

*Emerging Markets Risk.* Countries with emerging markets may have relatively unstable governments, social and legal systems that do not protect shareholders, economies based on only a few industries, and securities markets that trade a small number of issues. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions.

*Net Asset Value and Market Price Risk.* The market value of ETF shares may differ from their net asset value. This difference in price may be due to the fact that the supply and demand in the market for the ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF share trades at a premium or discount to its net asset value.

*Tracking Risk.* ETFs in which a client invests will not be able to replicate exactly the performance of the indices they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, the ETFs will incur expenses not incurred by their applicable indices. Certain securities comprising the indices tracked by the ETFs may, from time to time, temporarily be unavailable, which may further impede the ETF's ability to track their applicable indices.

**MCM Fixed Income Strategies** - Potential risks with fixed income (i.e. bond) investments:

*Interest Rate Risk.* Security price and total return will vary in response to changes in interest rates. If rates increase, the market value of bonds generally will decline, as will the value of your investment. Securities with longer maturities tend to produce higher yields, but are more sensitive to changes in interest rates and are subject to greater fluctuations in value.

*Credit Risk.* A bond issuer's credit rating may change, which can cause price volatility, and in the case of a credit rating downgrade, lower prices.

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***Inflation Risk.*** Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices. Inflation-indexed securities such as Treasury Protection Securities (TIPS) are structured to limit inflation risks.

***Market Risk.*** The risk that the bond market as a whole would decline, bringing the value of individual securities down with it regardless of their fundamental characteristics.

***Liquidity Risk.*** The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit ratings downgraded or bonds that sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume.

***Default Risk.*** The possibility that a bond issuer will be unable to make interest or principal payments when they are due. If these payments are not made according to the agreements in the bond documentation, the issuer can default.

***Reinvestment Risk.*** When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

***Call Risk.*** Some corporate, municipal and agency bonds have a "call provision" entitling their issuers to redeem them at a specified price on a date prior to maturity. Declining interest rates may accelerate the redemption of a callable bond, causing an investor's principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. (See also Reinvestment risk.) If the bond is called at or close to a par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

***Prepayment Risk.*** For mortgage-backed securities, the risk that declining interest rates or a strong housing market will cause mortgage holders to refinance or otherwise repay their loans sooner than expected and thereby create an early return of principal to holders of the loans.

***Government Risk.*** The U.S. government's guarantee of ultimate payment of principal and timely payment of interest on certain U.S. government securities does not imply that shares are guaranteed or that the price of the shares will not fluctuate. In addition, securities issued by Freddie Mac, Fannie Mae and Federal Home Loan Banks are not obligations of, or insured by, the U.S. government. If a U.S. government agency or instrumentality in which a client invests defaults and the U.S. government does not stand behind the obligation, the share price could fall.

***Legislative Risk.*** The risk that a change in the tax code could affect the value of the taxable or tax-exempt interest income.



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**Item 9                    Disciplinary Information**

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Neither MCM nor any supervised persons has any applicable disciplinary events to report.

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

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Other than shown in Item 12 below, MCM does not maintain relationships with other financial industry related entities such as: securities broker-dealer firms, futures contracts merchants, or commodity trading advisors. Further, it is independent of accounting, banking, and law firms. No employee is engaged in outside business activities within the securities industry, nor do any employees or their spouses sit on boards of directors of any publicly traded or private securities issuers.

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

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MCM has consistently maintained and adhered to a comprehensive Code of Ethics. The Code of Ethics covers many topics, including, but not limited to: the review and reporting of personal securities transactions, restrictions on investing in initial public offerings, prohibitions on the use of and trading on material non-public information, and the establishment of the position of the Chief Compliance Officer ("CCO"). MCM provides training to all access persons regarding the Firm's Code of Ethics. All access persons are required to sign an annual statement acknowledging receipt, compliance with, and understanding of MCM's Code of Ethics. A detailed copy of MCM's Code of Ethics is available to clients and prospective clients upon request.

MCM permits its access persons and the retirement plans that it maintains for MCM access persons to invest in securities that may also form a part of a client's portfolio. Because MCM permits its staff to invest in securities that clients may also invest in, all access persons are required to report their quarterly transactions to the CCO. The CCO reviews all transactions to ensure that access persons' positions and trades do not present a conflict of interest with our clients. Further, all access persons are restricted from engaging in any practices which would operate as fraud upon MCM or any of its clients.

It is MCM's policy to prohibit personal securities transactions by access persons in all "restricted securities." IPO offerings are considered "restricted securities." All other securities are considered non-restricted. Personal security transactions by access persons in non-restricted securities require pre-clearance, except for publicly-listed mutual funds. The CCO periodically reviews all personal securities transactions to ensure that the positions and trades of access persons do not present a conflict of interest with the position of MCM clients. Personal holdings statements for all access persons are also required to be given to the CCO for review, quarterly.

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**Participation or Interest in Client Transactions**

MCM may not make investment decisions which result in the securities of one client being sold to another client.

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**Item 12                      Brokerage Practices**

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Selection of Brokers

MCM will generally seek “best execution” in light of the circumstances involved in transactions. In selecting brokers to effect portfolio transactions for clients, MCM will allocate such transactions to such brokers and/or dealers for execution on such markets, at such prices, and at such commission rates (which may be in excess of the prices or commission rates that might have been charged for execution on other markets or by other brokers or dealers) as in the good faith judgment of MCM are appropriate. MCM takes into consideration in the selection of such broker-dealers not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (without limitation): (a) the execution capabilities of the broker-dealers, (b) research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such broker-dealers that are expected to enhance MCM’s general portfolio management capabilities, (c) the size of the transaction, (d) the difficulty of execution, (e) the operational facilities of the broker-dealers involved, (f) the risk in positioning a block of securities, and (g) the quality of the overall brokerage and research services provided by the broker-dealer.

Currently, MCM executes all of its trades through either Schwab Institutional (“Schwab”) or the TD Ameritrade Institutional program (“TD Ameritrade”). It is MCM’s good faith belief that when using Schwab and Ameritrade, MCM is obtaining best execution, taking into account all of the factors listed above. MCM will monitor transaction results as orders are executed to evaluate the quality of execution provided by Schwab, TD Ameritrade and any other brokers and dealers it may use, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to Schwab, TD Ameritrade and any other brokers and dealers in light of all the factors described above. TD Ameritrade and Schwab are independent and unaffiliated SEC-registered broker-dealers.

Schwab is a division of Charles Schwab & Co., an NASD/SIPC member. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. member FINRA/SIPC/NFA. TD Ameritrade is an unaffiliated SEC-registered broker-dealer. Schwab and TD Ameritrade are referred to as “Brokers.” Brokers offer services to independent investment advisers which include custody of securities, trade execution, clearance, and settlement of transactions. MCM participates in Brokers’ programs, and receives some benefits from Brokers through its participation in their programs. (Please see the disclosure under Item 13 A below.)

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As disclosed under Item 12 B above, MCM participates in Brokers' institutional customer programs and MCM may recommend Brokers to clients for custody and brokerage services. There is no direct link between MCM's participation in a program and the investment advice it gives to its clients, although MCM receives economic benefits through its participation in the programs.

The basis for recommending custodians by MCM is to show a comparative table of custodian fees and services such as asset protection insurance, and allow the client to select one of these custodians.

These benefits (provided without cost or at a discount) include: receipt of duplicate client confirmations, access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); access to an ECN for order entry and account information; the ability to have advisory fees deducted directly from client accounts; access to mutual funds with no transaction fees and to certain institutional money managers; assistance with conferences and educational meetings from product sponsors; and discounts on compliance, marketing, technology, and practice management products or services provided to MCM by third party vendors. The benefits received by MCM or its related persons do not depend on the amount of brokerage transactions directed to Brokers. Some of the products and services made available by Brokers may benefit MCM but may not benefit its Client accounts. Broker may also have paid for business consulting and services received by MCM's related persons.

As part of its fiduciary duties to its clients, MCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by MCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence MCM's choice of Broker.

**Brokerage Direction**

In some instances, because of a prior relationship between a client and one or more brokers, or for other reasons, a client may instruct MCM to execute some or all securities transactions for its account with or through one or more brokers designated by the client. In such cases, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers. MCM will assume no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such client's account. The client must recognize that it may not obtain rates as low as it might otherwise obtain if MCM had discretion to select broker/dealers other than those chosen by the client. Any client providing instructions to MCM regarding direction of brokerage transactions must notify MCM in writing if the client desires MCM to cease executing transactions with or through any such broker/dealer.

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Aggregation of Orders

MCM performs investment management services for various clients. There may be occasions when portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by MCM, some of which accounts may have similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when MCM believes that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

Soft Dollars

MCM obtains proprietary research from the brokers that execute MCM's client transactions. Currently, MCM also receives subscriptions to various research publications from Ameritrade on a "soft dollars" basis. From time to time, MCM may enter into other "soft dollars" arrangements. The following policy will apply to MCM's "soft dollars" practices:

In addition to execution quality, MCM may consider the value of various products and services a broker-dealer may provide. Selecting a broker-dealer in recognition of services or products other than simply transaction execution is known as paying for those services and products with "soft dollars." Because many of those services could be considered to provide some benefit to MCM and because the "soft dollars" used to acquire them will be assets of MCM's clients, MCM could be considered to have a conflict of interest in allocating client brokerage business. In other words, MCM could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction commission charged by that broker or dealer might not be the lowest commission MCM might otherwise be able to negotiate. In addition, MCM could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage commission with which to acquire products and services.

"Research" products and services provided to MCM may include the following: research reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news, pricing and order-entry services; quotation equipment; and other products or services that may enhance MCM's investment decision making responsibilities. The receipt of investment information from any broker or dealer executing transactions for MCM will not result in a reduction in MCM's customary and normal research activities and the value of any such information received from outside services is, in the view of MCM, negligible. Any information obtained by MCM from brokers or dealers as a consequence of the placement of brokerage business for certain clients may be used by MCM for the benefit of all of its clients.

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MCM will make decisions involving “soft dollars” in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. That is, MCM will generally determine, considering all appropriate factors, whether the commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, MCM may not only consider the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in MCM’s performance of its overall investment responsibilities to all of its clients. In some cases, the commissions charged by a broker for a transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a client’s transaction may be executed by a broker in recognition of services or products that are not used in managing that client’s account.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a “research” application, but it is also useful to MCM for non-“research” purposes, MCM may allocate the cost of the product or service between its “research and non-“research” uses and pay only the “research” portion with soft dollars. MCM’s interest in making such an allocation may differ from clients’ interests in that MCM has an incentive to designate as great a portion of the cost as “research” as possible in order to permit payment with soft dollars.

MCM may in the future enter into “soft dollars” arrangements in which such clients’ brokerage commissions are used outside of the Section 28(e) safe harbor. Any such “soft dollars” arrangements will be fully disclosed to and authorized by MCM’s clients.

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**Item 13            Review of Accounts**

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**Periodic Review**

MCM staff periodically reviews client securities positions, and updates research by security once per week. The entire portfolio for each client is reviewed at least monthly, by the Wealth Manager responsible for the client relationship.

**Reports to Clients**

MCM provides clients with a written quarterly performance analysis, or more often depending upon client needs. MCM requires that each client, through its custodian or other agent, provide MCM with a monthly statement of portfolio holdings, activity, and other pertinent information.

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**Item 14            Client Referrals and Other Compensation**

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MCM may receive client referrals, but no compensation from MCM is expected or paid. MCM does not utilize solicitors.

**Item 15            Custody**

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MCM uses two custodians for all client assets. See "Selection of Brokers" beginning at Page 10. MCM does not take custody of any client assets.

**Item 16            Investment Discretion**

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Generally, MCM has discretionary authority to buy or sell securities in quantities that it deems fit without first obtaining consent from the client. Clients grant MCM discretionary authority by acknowledging this fact in the Investment Management Agreement. From time to time MCM may also retain, upon client's prior consent, the investment management services of one or more sub-advisors when it is deemed beneficial to achieving a client's overall investment goals and/or objectives. Any limitations or restrictions with respect to the exercise of this investment discretion will be those established by the client in writing at the commencement of the advisory relationship or thereafter.

**Item 17            Voting Client Securities**

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Upon client request, MCM will take appropriate action and/or render advice with respect to the voting of client proxy statements. MCM, including any third-party proxy voting agent, will vote all client proxy statements according to the Proxy Voting Guidelines adopted by MCM. Client shareholders may provide specific written instructions to vote their shares in a particular manner. Information regarding specific votes may be obtained by clients upon request. A written copy of MCM's Proxy Voting Policy and Disclosure is available to all clients upon request. MCM will assist clients who wish to apply for Class Action settlements offers relating to their securities.

**Item 18            Financial and Ownership Information**

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MCM does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The firm is not and has never been the subject of a bankruptcy filing. The founder and Managing Member of MCM is Ross Millie.