

Bares Capital Management, Inc.
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This Brochure provides information about the qualifications and business practices of Bares Capital Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 512-542-1083. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Bares Capital Management, Inc. is an Investment Adviser registered with the United States Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about Bares Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Bares Capital Management, Inc. (“BCM”) reports no material changes to this Brochure since our last annual update on March 30, 2017.

BCM will provide clients with a summary of any material changes to this Brochure since our last annual update within 120 days of the close of BCM’s fiscal year end. BCM may provide additional interim disclosure about material changes, if warranted. Additional information about BCM is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with BCM who are registered, or are required to be registered, as investment adviser representatives of BCM.

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Item 4 – Advisory Business

Bares Capital Management, Inc.

Bares Capital Management, Inc. (“BCM”) was founded in 2000 by Brian T. Bares. The firm, located in Austin Texas, was originally registered with the States of Texas and Nebraska due to the amount of assets under management. In 2005 as assets under management passed \$30 million we became a registered investment adviser with the SEC. BCM is entirely owned by the principals of the firm, of which Mr. Bares is the only owner of 25% or more of the firm.

BCM provides investment management services predominantly for institutional, pooled investment vehicle, and family office clients. We manage our client accounts in long-only concentrated Small-Cap and Mid/Large-Cap equity strategies. In these strategies we invest in the equity of publicly-traded companies predominantly domiciled in the United States. Our typical client in these strategies utilizes a number of other managers that specialize in different investment strategies from ours. This diversification at the manager level alleviates us from the need for a diversified portfolio in the traditional definition and allows us to remain invested in 8-12 of our best investment ideas in each Small-Cap and Mid/Large-Cap portfolio. We identify candidates for investment using fundamental research. We consider the financial condition of the candidate as well as qualitative factors relevant to the future performance of the candidate. Our qualitative research focuses on the competitive aspects of the business under consideration and an evaluation of management capability.

In performing its services BCM is not required to verify any information received from the client or from the client’s other professionals. The investment advice we offer is limited to the equity or debt of publicly traded companies, mutual funds, and exchange traded funds we invest in. We do not offer tax planning advice or financial planning services. Clients may impose restrictions on investing in certain securities or types of securities. This must be done in writing and be signed by the client and BCM. We will, no less than annually, send clients a market commentary that may include opinions and outlooks for specific investments or the market in general. This commentary will usually accompany one of the periodic quarterly portfolio statements.

BCM does not sponsor or participate as a manager in any wrap fee program. Assets under management of BCM are held by independent custodians, including Charles Schwab, State Street, or others, in the client’s name. We do not act as a custodian of client assets, although we may at times be considered by the SEC to technically have “custody” over certain accounts held at independent custodians. This occurs primarily because we are typically given authority to deduct management fees directly from client accounts. We will generally have discretionary authority over client accounts when implementing the investment

strategy. See Item 16 Investment Discretion for more information about BCM's discretionary authority.

Nine Ten Capital Management LLC

Nine Ten Capital Management LLC ("Nine Ten") was formed on May 21, 2014 by certain employees of BCM. Nine Ten is a limited liability company located in Austin, Texas and 100% owned and managed by the investment team of Brian T. Bares, James S. Bradshaw, and Russell C. Mollen. The Principals, owners, and employees of Nine Ten are also principals, owners, and/or employees of BCM. BCM and Nine Ten share office space as well as administrative and operational resources.

On July 1, 2014, Nine Ten launched Nine Ten Partners LP, a private fund, with assets converted from BCM's Micro-Cap Strategy separate accounts. As of this date, the Micro-Cap Strategy is no longer offered at BCM while legacy separate account owners invested in this strategy have either matriculated to Nine Ten Partners LP in a tax neutral transaction, or have liquidated their accounts.

Ripley Capital Management, LLC

In February, 2015 certain assets under BCM's management (part of the Town Lake Capital Management banner) were spun off into Ripley Capital Management, LLC, a state-registered investment adviser. Ripley Capital Management, LLC provides investment management services using a modern "endowment model" strategy marketed to foundations, endowments, family offices, and high net worth individual investors. Brian Bares and James Bradshaw, Principals of BCM, retain a minority ownership position in Ripley Capital Management, LLC however they are not involved in the day-to-day business operations of the adviser.

BCM provides proprietary research to Ripley Capital Management, LLC for a flat fee, paid quarterly. BCM has implemented contractual limitations and other walls (separate office space) designed to limit its potential control of and knowledge of Ripley Capital Management's operations.

As of December 31, 2017, BCM managed \$ 2,517,440,060 in regulatory assets under management, all on a discretionary basis.

Administration and Office Services Agreement

As noted above, certain employees of BCM are also Principals and owners of Nine Ten. Both firms have entered into an Administration and Office Services Agreement to govern Nine Ten's compensation to BCM for its share of overhead, as well as research, trading, operational, and administrative services and expenses. Under this Administration and

Office Services Agreement, Nine Ten compensates BCM for its share of such expenses according to a pre-determined schedule, which is subject to change over time as warranted. The employees of BCM devote such time and effort as deemed necessary to fulfill their investment advisory obligations and fiduciary duty to BCM clients. However, certain BCM employees engage in services on behalf of Nine Ten, and consequently do not devote full time to BCM's business. Please see *Item 10 - Other Financial Industry Activities and Affiliations* for more information about BCM's affiliate relationships.

Item 5 – Fees and Compensation

BCM fees are generally calculated as a percentage of the assets under management within each client account. BCM provides proprietary research to Ripley Capital Management, LLC for a flat fee, paid quarterly. All fees are subject to negotiation.

The specific manner in which fees are charged by BCM is established in a client's written agreement with BCM. BCM will generally bill its fees on a quarterly basis. In most cases we bill clients in arrears but in some cases we may bill clients in advance of the calendar quarter. BCM has in some cases the authority to directly debit fees from client accounts, but in most cases we bill clients directly for management fees. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable, based on the number of days in the period for which BCM acted as investment manager for the account.

BCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees, and commissions are exclusive of and in addition to BCM's fee, and BCM shall not receive any portion of these commissions, fees, and costs.

The concentrated Small-Cap strategy has a fee structure of 1.50% of assets under management per annum, with a minimum account size of \$5 million. The concentrated Mid/Large-Cap strategy has a fee structure of 0.50% of assets under management per annum, with a minimum account size of \$20 million. Fees are negotiable based on a range of factors, including relationship dynamics and the resources necessary for BCM to effectively serve client objectives and service requirements.

Neither BCM nor its employees accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 12 Brokerage Practices further describes the factors that BCM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

BCM does not currently charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). In some cases, we would be willing to enter into performance fee arrangements with qualified clients; such fees are subject to individualized negotiation with each such client. BCM will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (“Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring client assets for the calculation of performance-based fees, BCM shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for BCM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. BCM has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

BCM provides portfolio management services to charitable institutions, foundations, private funds, endowments and other institutional accounts. BCM manages a small subset of high net worth individual accounts and trust programs. BCM also provides research to an affiliated investment adviser.

The minimum initial investment in our concentrated Small-Cap strategy is \$5 million while the minimum investment of our concentrated Mid/Large-Cap strategy is \$20 million. BCM may waive account minimums at its discretion.

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

Methods of Analysis

In our concentrated strategies, BCM identifies candidates for investment using fundamental research. Our research style is most often considered bottom-up, in that we

focus on the individual company more than the general state of the economy or overall price to value ratio of the equity markets. We consider the financial condition of the candidate as well as qualitative factors relevant to the future performance of the candidate. Our qualitative research focuses on the competitive aspects of the business under consideration and an evaluation of management capability. Since we take a long-term view of financial performance, clients should note that we are not “market timers” and do not buy and sell securities because we think the markets in general are undervalued or overvalued. Our primary focus is on individual securities and their prospects over multi-year periods.

Investment Strategies

In our concentrated strategies we invest in the equity of publicly traded companies predominantly denominated in the United States. BCM has a preference for companies that: (1) are easy to understand; (2) are not overly reliant on financial leverage for their success; (3) sell products or services that are differentiated; (4) have limited or rational competitors; (5) have ample opportunity to reinvest within their existing business; and (6) allocate capital in the best interests of shareholders. We do not purchase derivatives, use leverage, or take short positions in publicly traded companies.

The BCM Small-Cap strategy is currently soft closed. On a case by case basis, we may consider accepting new client assets or additional assets from existing clients and/or their consultants. This case by case decision will be made by the Principals of BCM, based on small cap market conditions, relationship dynamics, and the resources deemed necessary for BCM to effectively serve the needs of existing clients and any prospective clients in congruence with our fiduciary duty.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. We outline below important risks associated with a relationship with BCM.

General Risks

It is important that clients understand that risk of loss must generally be assumed in order to achieve long-term investment objectives. We do not offer any guarantee that the strategies we recommend and/or employ within client portfolios will produce desired results or avoid loss. Investing money in the financial markets carries with it numerous risks.

Stock and bond markets fluctuate substantially over time with changes in the economy and demand for particular products or services. Equity investments in smaller companies involve added risks such as limited liquidity and greater fluctuation than that experienced

by larger companies, which may impact our ability to sell these investments at a fair and competitive price in a timely manner. Clients for whom we manage fixed-income securities may face interest rate risk, which is the risk that changes in interest rates will adversely affect the value of an investor's portfolio. For example, when interest rates rise, bond prices fall. When interest rates fall, bond prices generally rise, while reinvestment rates (the rates at which maturing bonds and interest payments are reinvested) fall.

Clients may face inflation risk, which means that increases in the prices of goods and services, and therefore the cost of living, reduce consumer purchasing power.

Clients may face currency risk, which is evident due to the free floating mechanism present in global foreign exchange markets. With a few notable exceptions, the value of most global currencies freely floats against one another. U.S. companies and portfolios with non-dollar exposure directly assume foreign exchange risk.

Clients face business risk which is the risk that the business plan of a publicly held company is poorly conceived or poorly executed by senior management, or that the company fraudulently misleads the investment community as to its financial condition, either historically or prospectively.

Clients face liquidity risk, which is evident when investors do not have full access to their funds and/or when assets cannot be converted into cash on a timely basis according to normal market settlement standards. Liquidity risk is generally higher for small capitalization stocks, alternative assets, and private placement securities.

Clients face volatility risk; financial markets and the value of investments fluctuate substantially over time, which may lead to losses in the value of client portfolios, especially in the short run.

Concentration of Holdings

Although BCM has adopted informal guidelines for portfolio diversification, those guidelines are subject to change. At any given time, it is therefore possible that BCM may select positions that are concentrated in a particular market or industry or in a limited number or type of securities. Limited diversity could expose client portfolios to losses disproportionate to general market movements if there are disproportionately greater adverse price movements in those positions. Since client portfolios will not necessarily be widely diversified, portfolios may be subject to more rapid changes in value than would be the case if client portfolios were required to maintain broad diversification among sectors, industries, companies, securities and types of securities.

Non-Controlling Investments

BCM will typically make non-controlling investments and, therefore, may have a limited ability to protect its investments and may be adversely affected by actions taken by the majority equity holders of the portfolio companies in which it invests.

Affiliate Risks

As noted above in Item 4, certain employees of BCM are also employees of Nine Ten, an affiliated registered investment adviser. Nine Ten and BCM share office space, support staff, and other resources. Nine Ten and BCM may share certain clients. Additionally, because certain BCM employees are Principals of Nine Ten, the two advisers currently have, and may continue to have, similar investment strategies. While it is not expected that the clients of BCM and Nine Ten will compete for investments, situations may arise in which investment opportunities are limited. In such cases, BCM will follow its compliance policies and procedures, and its fiduciary duty, to place client interests first and foremost.

As noted above in Item 4, certain Principals of BCM retain a minority ownership position in Ripley Capital Management, LLC, a state-registered investment adviser. BCM Principals have no day-to-day responsibilities with regard to the operation of Ripley Capital Management, LLC. BCM provides proprietary research to Ripley Capital Management, LLC for a flat fee, paid quarterly. BCM has implemented contractual limitations and other walls (separate office space) designed to limit its potential control of and knowledge of Ripley Capital Management's operations. BCM and Ripley Capital Management, LLC do not share information about their investment strategies or portfolio holdings, so as to mitigate any potential conflicts of interest.

Information Technology Systems

BCM's operations depend on information technology systems of the firm and of third parties, including securities exchanges, market counterparties, broker-dealers, custodians and other service providers. BCM relies on such systems to trade, clear and settle securities and other transactions, assess investment opportunities, and monitor and control risks for the firm and conduct other operational functions. Defects, failures or interruptions of such systems could have a material adverse effect on client portfolios, including a failure or delay in trade execution or confirmation, inaccuracies in reporting, and inability to monitor the portfolio. Although BCM has adopted data protection and recovery policies, there can be no guarantee that such policies will adequately protect against losses in the event of a system malfunction.

Please note this list is intended to highlight primary risks of investing assets with BCM, but may not capture all such risks.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BCM or the integrity of BCM's management. BCM has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Neither BCM nor its management persons is registered as, and does not have an application pending as, a securities broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor.

As noted above in Item 4 – Advisory Business, certain employees of BCM are also Principals and owners of Nine Ten, an affiliated investment adviser which has been registered with the SEC since May, 2014. Although this affiliation could present a conflict of interest, BCM Principals and employees employ the necessary resources and devote such time and effort as they deem necessary for the management and administration of BCM's business and to fulfill its fiduciary duty. Certain employees of BCM are also Principals and owners of Nine Ten GP LP, which serves as General Partner to a private fund advised by Nine Ten.

Also as noted above in Item 4 – Advisory Business, BCM Principals retain a minority ownership stake in Ripley Capital Management, LLC, an investment adviser which has been state registered since December, 2014. BCM provides proprietary research to Ripley Capital Management, LLC for a flat fee, paid quarterly. BCM Principals are not involved in the day-to-day operations of Ripley Capital Management, LLC. BCM has implemented contractual limitations and other walls (separate office space) designed to limit its potential control and knowledge of Ripley Capital Management, LLC's operations.

BCM may, from time to time, pay marketing agents to promote BCM's investment strategies. The management fee we charge will not be higher because of the fees paid to solicitors. At the present time, BCM has no solicitation arrangements in place with third parties.

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

Code of Ethics and Fiduciary Duty

BCM has adopted a code of ethics ("Code of Ethics") that sets forth standards of conduct that are expected of employees and addresses conflicts that may arise from personal trading conducted by BCM's "access persons," as that term is defined in Rule 204A-1 under the Advisers Act. The Code of Ethics defines the expectation and requirement of professional and ethical conduct by all employees in accordance with BCM's fiduciary duty.

The Code of Ethics contains policies and procedures relating to: (a) standards of conduct including outside business activities; (b) personal trading; (c) insider trading prevention; and (d) gifts and entertainment. Employees must affirmatively agree to abide by the terms of the Code of Ethics. Employees who fail to honor the Code of Ethics will be in violation of SEC Rule 204A-1 and subject to disciplinary sanctions which may include termination from BCM's employ.

Standards of Conduct

BCM's standards of conduct are designed to ensure that its clients, investors, employees and BCM itself are protected from unethical and unprofessional conduct. BCM has policies to, among other things:

- ◆ Govern outside business activities of employees
- ◆ Govern employee service as an officer, director, or partner in any other entity
- ◆ Monitor employee ownership interests in any non-publicly traded company or other private investments
- ◆ Protect confidential information
- ◆ Facilitate compliance with federal and state securities statutes

Personal Trading

Employees are permitted to have personal securities accounts as long as personal investing practices are consistent with fiduciary standards and regulatory requirements, and do not conflict with their duty to BCM and its clients. BCM monitors and controls personal trading through:

- ◆ Pre-approval of all personal securities transactions
- ◆ Blackout periods imposed upon employees trading in the same securities as BCM
- ◆ Receipt and review of personal securities holdings and transactions reports

Insider Trading Prevention

BCM prohibits all employees from illegally acting on, misusing or disclosing any material nonpublic information, also known as "inside information".

BCM monitors risks associated with inside information by:

- ◆ Providing periodic employee education and training
- ◆ Authorizing and monitoring employee service on boards of public companies
- ◆ Monitoring and restricting personal trading of employees and certain household members
- ◆ Maintaining a compliance program to monitor employee activity and control information

Gifts and Entertainment

As a fiduciary, BCM strives to place client interests first and foremost. BCM's compliance policies and procedures are designed to ensure that the fiduciary standard of care is evident in all interactions with and on behalf of clients. BCM's compliance policies implement internal controls which address a number of business practices including the giving and receipt of gifts and entertainment. These controls include, among others:

- ◆ Requiring employees to report gifts and entertainment above certain thresholds
- ◆ Limiting the dollar value of gifts
- ◆ Monitoring entertainment activities

Participation or Interest in Client Transactions

BCM and/or the firm's employees may hold, purchase, and sell securities that are also held, purchased, or sold by our clients. Many of our clients prefer that we have some "skin in the game" and invest our personal accounts in the same securities that we purchase for their accounts. We may not own all of the securities that our clients own and we may own securities that we have not purchased for client accounts, but clients should be aware that the potential for conflict exists. In addition to our Code of Ethics requirement to prioritize the securities transactions of our clients before those of our own, we also have internal rules and policies that are designed to assure that the personal securities transactions, activities, and interests of the access persons of BCM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing access persons to invest for their own accounts.

Under our internal policies certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of BCM's clients. In addition, our internal policies require pre-clearance of all non-exempt transactions and restrict trading until the day following the completion of client trading activity in that particular security. Nonetheless, because our internal policies permit access persons to invest in the same securities as clients, there is a possibility that we might benefit from market activity by a client in a security held by an access person. Access person trading is continually monitored by our Chief Compliance Officer in an attempt to reasonably prevent conflicts of interest between BCM and our clients.

The Adviser will provide its Code of Ethics to any current or prospective client upon request. To obtain a copy, please contact James S. Bradshaw, Chief Compliance Officer, at (512) 772-2714 or jbradshaw@barescapital.com.

Agency Cross Transactions

BCM may engage in agency cross transactions for its advisory clients. An agency cross transaction is where a person acts as an investment adviser in relation to a transaction in

which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Pursuant to Rule 206(3)-2, BCM will not knowingly engage in such agency cross transactions without prior consent of the advisory clients involved in such transactions. BCM may initiate or maintain existing discretionary purchases for clients in the same securities as are being sold as a part of client directed cash raisings, tax sales, or liquidations. BCM may use different price limits or trading venues to mitigate the possibility of securities being inadvertently purchased and sold between BCM client accounts that trade at the same broker.

Financial institutions must comply with legislation governing the privacy of their clients' information. Except when required by law, it is BCM's policy to never share individual client information with any entity outside the firm without the client's permission, unless such sharing is required for BCM to meet its contractual obligations to its clients. The only time information is shared about accounts is when the client has made the information publicly available, the information is shared with authorized parties acting at BCM's direction to serve client interests, or we report or advertise performance numbers in aggregate groupings of similarly managed accounts without revealing the specifics of an individual account. Additionally, it is a firm policy that violation of the confidentiality of client account information by employees, third party marketers, interns, or any other access persons of BCM is grounds for termination.

From time to time BCM may make an error when submitting a trade on behalf of a client. Errors may include, but are not limited to, the purchase/sale of the incorrect number of shares, purchase/sale of wrong or unintended security, and the incorrect or lack of usage of a trade rotation.

If a trading error on behalf of BCM occurs we will first determine if the most prudent course of action is to have the custodian or broker-dealer correct or cancel the trade. If letting the trade stand does not negatively bias another client and is the best course of action for the client account in which the error occurred, we will allow the trade to stand. If the best course of action is to have the trade corrected or cancelled we will attempt to have the custodian or broker-dealer take that action. If the aforementioned actions are either not in the best interest of the client or are not possible, BCM will attempt to calculate the aggregate amount of the error, whether positive or negative to the client. If a trade error results in a gain for the client the gain will remain in the client account unless a legal reason prohibits that action. If a trade error results in a loss for the client, BCM will refund the client for the amount lost.

Item 12 – Brokerage Practices

Selection of Custodians and Broker-Dealers

All BCM client assets are maintained in a separate account at a qualified custodian. Most of our institutional clients inform us of their preference of custodian. BCM recommends discount brokerage firms to custody our individual client accounts. Currently all of our individual clients' assets are typically held at Charles Schwab & Co. We recommend custodians based on the proven integrity and financial responsibility of the firm, best execution of orders at reasonable commission rates, and the quality of client service. Custodians will hold your assets in a brokerage account and buy and sell securities when we instruct them to do so. BCM is independently owned and operated and is not affiliated with any custodian or broker-dealer. BCM does not receive fees or commissions from any of these arrangements, although we may receive soft dollar benefits such as electronic delivery of client information, electronic trading platforms, proprietary and/or third-party research, continuing education, practice management advice, and other services provided by custodians for the benefit of clients.

BCM clients are responsible for all brokerage transaction costs and fees. In some cases the custodian of your assets has a set schedule of transaction costs and fees that are non-negotiable. Some custodians offer lower transaction costs for larger accounts, but these discounts are determined by the custodians, not BCM.

Best Execution

In all transactions on behalf of clients we seek what is referred to as “best execution.” The SEC defines this as the execution of securities transactions for clients in such a manner that the client's total costs or proceeds in each transaction are the most favorable under the circumstances. The key phrase is “under the circumstances.” As discussed above, BCM does not always have discretion over the costs and fees charged by your custodian; therefore you will pay such charges according to the related schedules of such custodians. In some cases we may establish “Prime Broker” relationships with broker-dealers. In such a case the custodian will allow BCM to buy securities from other broker-dealers and have them delivered into client accounts. When buying or selling through such broker-dealers, clients will pay the related costs and fees charged by such entities, which often results in higher transaction costs and fees to the client. We do the majority of our trading using Electronic Crossing Networks (ECNs) and dark pools, which allow us to aggregate the trades for many accounts together into one trade and allocate the shares across the applicable accounts, with each client receiving the same price. We use such services for five primary reasons: access to blocks of stock (i.e., large quantities of stock that are generally not available in the open market on a day-to-day basis); accumulation or disposition of large quantities of stock in the open market; competitive pricing structure (we generally pay between \$.005 and

\$.03 per share); allocation of shares to multiple accounts at the average price executed; and anonymity while trading.

When utilizing ECNs, dark pools, and Prime Brokers we evaluate a wide range of criteria in seeking best execution for client accounts. Such criteria includes, but is not limited to, implicit trading costs, access to securities with limited liquidity, software functionality and flexibility, efficiency of execution, financial strength and stability, and prior experience in working with such networks, systems, and broker-dealers. Under such circumstances, clients should think of “best execution” as not necessarily the best “price,” although in some situations it is, but rather a confluence of factors that allow BCM to seek the best way of doing business on behalf of our clients.

Trade Aggregation and Rotation

When allocating trades, we strive to treat clients fairly and equitably. Trade allocations are calculated before trade execution. To achieve best execution, we attempt to block (aggregate) client orders and negotiate brokerage commissions for those clients that give us brokerage discretion. Portfolio Managers send block strategy trade orders to the Trader who determines the most appropriate execution. When the Trader receives notice from the broker that a block trade has been executed, we generally allocate securities to clients on a pro-rata basis in line with pre-allocation instructions, each account receiving the same average price and paying the same per share commission rate. If there is a partial order fill, the Trader generally allocates securities executed on a pro-rata basis. Some factors that may lead to an account receiving an allocation other than on a strict pro-rata basis include unique client objectives, restrictions, cash flows or tax status. Precise pro-rata allocations may not be achieved due to factors such as the rounding of quantities to achieve round lot positions in client accounts. Additionally, small execution quantities may result in some clients receiving different execution prices and allocations in the same security on subsequent days.

If we are either unable to aggregate the trades of multiple accounts or deem doing so to not be in the best interest of our clients, we utilize a rotation to ensure fairness of trade orders over time. In this case each client account would be responsible for the particular trade executed on their behalf. In all cases with respect to allocation of securities bought and sold it is BCM’s objective to distribute such transactions in a fair and equitable manner. Due to the number of specific client factors considered in each allocation (e.g., available cash, tax implications, risk tolerance, portfolio holdings, size of transaction, multiple account overlap, etc.) accounts with the same investment objectives may vary in terms of the quantity of securities purchased or sold, as well as the average price paid or derived for such transactions, respectively.

If BCM is unable to aggregate a particular transaction, clients may, on average, bear higher trade execution expenses. In cases where trading or investment restrictions are placed on

a client's account, BCM may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive a less favorable execution than clients who are able to participate in an aggregated order.

While it is not expected that BCM's Small-Cap and Mid/Large Cap strategies will compete for investments, situations may arise in which investment opportunities are suitable for both strategies. In such cases, BCM will generally aggregate client portfolio holdings across both strategies. If one BCM strategy is managing an open order for a security that becomes appropriate for the other strategy, BCM will generally complete the open order prior to initiating the transaction for the other strategy. In all such cases, BCM's trade allocation policies and procedures will govern investment team decisions. Any exceptions to trade allocation procedures must be documented and approved by the Chief Compliance Officer, who will ensure that BCM meets its fiduciary duty to all participating clients.

There may be times when different BCM investment strategies are buying, selling, or holding the same security at different times. For example, BCM may sell a Small-Cap portfolio holding as the holding nears the upper-end of the market capitalization range for the strategy. However, BCM may still have a favorable opinion of the future return potential for such holding, and may purchase the security in Mid/Large-Cap client portfolios. In order to minimize conflicts of interest associated with such scenarios, BCM follows a written trade allocation policy.

Client Directed Account Maintenance Requests

BCM will use its best efforts to handle client directed account maintenance requests. All instructions from a client for account maintenance activity including but not limited to withdrawals, deposits, full or partial liquidations, and tax harvesting must be communicated to BCM in writing in order for the firm to act upon such activity. Oral instructions may be validated in writing by BCM for audit trail purposes.

BCM will use its best efforts to initiate transactions, as appropriate, to implement client requested activities as soon as practically possible, but generally within 20 business days, based on the calendar of the New York Stock Exchange, of receiving written notice from the client. This guideline is subject to market conditions including, but not limited to, market volatility, trading volume, liquidity, etc. which may impact BCM's ability to execute the client's trade request. This guideline is further subject to BCM's trade management policies and overall client trading activity at the time any such request is received. The Portfolio Manager(s), Trader, and Chief Compliance Officer will collaborate as necessary to ensure fair treatment of all clients in handling of specific client trade-related directives. Though mindful of client needs, BCM retains discretion with regard to trade timing and volumes when implementing client direction so as to effectively mitigate market impact and reduce potential conflicts of interests with any current or contemplated orders in the same

securities for other BCM clients. The Chief Compliance Officer will document as necessary trade order handling in the event of client directed account maintenance requests.

Client Directed Brokerage

At the present time, BCM does not permit the direction of client transactions to a specific broker or dealer by a client. BCM will not accept any future directed brokerage arrangement without the approval of the Chief Compliance Officer and implementation of policies and procedures to meet requirements of the Advisers Act, including Form ADV disclosure. For purposes of clarity, the client's selection of a custodian and BCM's subsequent trade direction through such custodian is not deemed to fit the definition of directed brokerage.

Soft Dollars

BCM uses soft dollars in full compliance with the Section 28(e) safe harbor and only when it has determined in good faith that they are warranted in meeting its fiduciary duty. By policy, BCM pays soft dollar commissions directly to the broker-dealer providing the soft dollar benefit(s). That is to say, BCM does not engage in third party soft dollar arrangements. BCM maintains a list of approved broker-dealers who provide trade execution and other services. BCM executes trades with these firms in line with its obligation to seek best execution for portfolio transactions. BCM will not agree to any arrangements, oral or written, obligating the firm to generate a specific amount of brokerage commissions. Currently the large majority of BCM's trading is conducted via brokers that do not offer research.

Examples of eligible soft dollar research and services include, but are not limited to:

- ◆ Investment research reports
- ◆ Access to research analysts
- ◆ Execution systems and trading analytics
- ◆ Economic research such as publications, chart services and economic advice
- ◆ Conference attendance

Soft dollar benefits are not limited to those clients who may have generated a particular benefit or in proportion to the soft dollars generated by each client, although certain soft dollar allocations are connected to particular clients or groups of clients. Furthermore, it is possible that BCM soft dollar payments may benefit the clients of BCM's affiliate Nine Ten, to the extent that research secured through soft dollars is relevant to securities across the equity capitalization spectrum, such as those more commonly purchased by affiliate Nine Ten on behalf of its clients. As stated above, BCM provides proprietary research to Ripley Capital Management, LLC for a flat fee, paid quarterly. To this end, it is possible that BCM soft dollar payments may benefit the clients of Ripley Capital Management, LLC.

We have adopted strict compliance policies to ensure that our use of soft dollars is consistent with our duty to obtain the best available execution and that research and other services represent fair and measurable value for our clients. Research and other services are obtained from brokers that we believe add value to a broad range of accounts, although perhaps not useful to every account in every case. BCM may use brokers that provide useful research and other services even though a lower commission may be charged by another broker who does not offer research services.

Our use of soft dollar commissions represents a conflict of interest because we would otherwise pay for such research services out of pocket with fee revenues rather than with client commissions. To minimize this conflict of interest, the Chief Compliance Officer regularly reviews commission rates to affirm their reasonableness. We do not execute securities transactions as a principal, so no soft dollars are paid in conjunction with principal transactions.

Trade Errors

From time to time, BCM may make an error when executing a trade on behalf of one or more clients. Errors may include, but are not limited to, the purchase/sale of the incorrect number of shares, or the purchase/sale of an unintended security. BCM maintains written trade error policies which are overseen by the Chief Compliance Officer. BCM will endeavor to place client interests first and foremost in the timely identification and correction of trade errors. Generally speaking if a trade error results in a gain for a client portfolio, the gain will remain in the client portfolio unless a legal reason prohibits such action. If a trade error results in a loss for a client, BCM will compensate the client for the amount lost.

Item 13 – Review of Accounts

BCM client portfolios are monitored on a continuous basis by the BCM research team. All client reviews are conducted by a member of the BCM research team at least annually with each client, except as noted below. If a client's financial situation changes in some material way, reviews may be performed more often. Reviews may be triggered by client request, changes in market condition, new information about an investment, changes in tax laws, or other important changes.

No IP statements or reviews are completed for clients that hire BCM specifically to manage accounts in the concentrated Small-Cap or Mid/Large-Cap strategies. The clients for whom these strategies are appropriate typically use the BCM portfolio as part of an overall investment strategy. BCM will meet with clients for whom an IP statement is prepared at least annually.

Written reports are sent to clients quarterly and may consist of account positions, transactions, investment commentary, and performance computations.

Item 14 – *Client Referrals and Other Compensation*

BCM has been fortunate to receive many client referrals over the years. The referrals have come from current clients, employees, personal friends of employees, and other sources. Other than as discussed in Item 10 above, BCM does not pay for referrals.

BCM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Item 15 – *Custody*

Clients can choose to have assets held at any qualified custodian. BCM does not have physical custody of any assets held for clients, but some clients permit us to deduct advisory fees directly from the account, request checks to be issued to the account holder and sent to the address of record, and in some instances transfer funds between like-titled accounts at the same custodian. In addition to these services, clients authorize us to give the custodian instructions for the purchase, sale, conversion, redemption, exchange, or retention of any security, cash or cash equivalent, or other investments for the client's account.

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. BCM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – *Investment Discretion*

Since BCM is a discretionary investment manager, clients provide written authority (e.g., limited power of attorney) for us to conduct account management services as defined in our investment management contract and your independent custodian agreement/contract. Any limitations of such authority are included in these written and signed agreements/contracts. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Item 17 – *Voting Client Securities*

Clients may delegate proxy voting authority over their account to BCM. Such delegation may be made by the client through notice to the account custodian. In the event a client delegates proxy voting authority to us, it remains the client's obligation to direct their account custodian to forward applicable proxy materials to BCM so their account shares

can be voted. BCM will not vote shares unless we receive the proxy materials on a timely basis from the custodian. Clients may revoke our voting authority without notice to BCM.

BCM will vote all proxies received by the firm in the best interest of the beneficiaries of client accounts. All proxies will be voted by firm Research Analysts. The objective in the voting is to support proposals and director nominees that maximize the value of our clients' investments over the long term. Each proposal will be evaluated on its merits, based on the particular facts and circumstances as presented. The responsibility of ensuring that all properly received proxies are voted in a timely manner will fall to the Chief Compliance Officer.

Should a conflict of interest exist between BCM and client(s) regarding the outcome of certain proxy votes, BCM is committed to resolving the conflict in the best interest of clients before it votes the proxy in question. We may take the following courses of action to resolve the conflict: (i) disclose the conflict to clients and obtain consent before voting; or (ii) suggest that client(s) engage another party to determine how the proxy should be voted.

Most of the time, we vote client proxies the same way across all accounts. However, if you ask us in writing to vote your proxies differently, we will do so. Clients may obtain a copy of BCM's proxy policy on request by contacting James Bradshaw, Chief Compliance Officer at (512) 772-2714 or jbradshaw@barescapital.com. Clients may also obtain information from BCM about how we voted any proxies on behalf of their account(s). James Bradshaw, Chief Compliance Officer is responsible for tracking and delivery of the proxy policy or specifics on how proxies were voted upon the client's request.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about BCM's financial condition. BCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. A balance sheet is not required to be provided because BCM does not serve as a custodian for client funds or securities, other than as described above, and does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.

Bares Capital Management, Inc.
Part 2B of Form ADV
Brochure Supplements

12600 Hill Country Blvd
Suite R-230
Austin, TX 78738

www.barescapitalcapital.com
(512) 542-1083

March 30, 2018

Brochure Supplements provide information about certain advisory personnel of Bares Capital Management, Inc. (“BCM”). This information supplements BCM’s Brochure. Please contact James S. Bradshaw, Chief Compliance Officer, at (512) 772-2714 if you did not receive the Brochure or if you have any questions about the contents of these Supplements.

Brian T. Bares, CFA

President

Bares Capital Management, Inc.

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bbares@barescapital.com

This Brochure Supplement provides information about Brian T. Bares that supplements the Bares Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact James S. Bradshaw at (512) 772-2714 if you did not receive the Brochure or if you have any questions about the contents of this Supplement. Additional information about Bares Capital Management, Inc. and Brian Bares is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

- ◆ Year of Birth -- 1973
- ◆ University of Nebraska -- B.S. Mathematics, 1995
- ◆ Bares Capital Management, Inc., President -- 2000 to Present
- ◆ Nine Ten Capital Management LLC, President -- 2014 to Present

Mr. Bares holds the Chartered Financial Analyst ("CFA") designation. The CFA designation is issued by the CFA Institute. CFA candidates must meet one of the following requirements: (1) undergraduate degree and four years of professional experience involving investment decision-making, or (2) four years qualified work experience (full time, but not necessarily investment- related). To receive the CFA designation, candidates must complete the CFA Program which is organized into three levels, each requiring 250 hours of self-study and each culminating in a six-hour exam. There are no ongoing continuing education or experience thresholds necessary to maintain the CFA designation. More information about the CFA is available at www.cfainstitute.org.

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Bares has no information applicable to this Item.

Other Business Activities

Mr. Bares is a director at Rave Restaurant Group. He is also currently a member of the University of Texas MBA Investment Fund Advisory Committee. Mr. Bares is the Chairman and President of the Bares Family Foundation since 2013. Mr. Bares maintains a minority ownership stake in Ripley Capital Management, LLC, a state registered investment adviser formed in late 2014. Mr. Bares is the author of the book *The Small-Cap Advantage* (Wiley 2011).

Additional Compensation

As an owner, Mr. Bares receives profit distributions from Bares Capital Management, Inc., Ripley Capital Management, LLC and Nine Ten Capital Management LLC.

Supervision

From a compliance perspective, Mr. Bares is supervised by James S. Bradshaw, Chief Compliance Officer. Mr. Bradshaw reviews Mr. Bares' work through frequent office interactions and may be contacted at (512) 542-1083 or by email at jbradshaw@barescapital.com.

Joshua K. Braden

Research Analyst

Bares Capital Management, Inc.

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This Brochure Supplement provides information about Joshua K. Braden that supplements the Bares Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact James S. Bradshaw at (512) 772-2714 if you did not receive the Brochure or if you have any questions about the contents of this Supplement. Additional information about Bares Capital Management, Inc. and Joshua Braden is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

- ◆ Year of Birth -- 1982
- ◆ Florida State University -- B.S. Finance, 2004
- ◆ University of Texas -- MBA, 2011
- ◆ U.S. Army, Military Intelligence branch -- 2004 to 2009
- ◆ Bares Capital Management, Inc., Intern -- 2010 to 2011
- ◆ Bares Capital Management, Inc., Research Analyst -- 2012 to Present

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Braden has no information applicable to this Item.

Other Business Activities

Mr. Braden is not engaged in any investment-related business outside of his role with BCM and its affiliated entities.

Additional Compensation

Mr. Braden has no information applicable to this Item.

Supervision

Mr. Braden is supervised by Brian Bares, President and James Bradshaw, Chief Compliance Officer. Mr. Bares and Mr. Bradshaw review Mr. Braden's work through frequent office interactions. Mr. Bares' contact information: 512-542-1083 or bbares@barescapital.com. Mr. Bradshaw's contact information: 512-542-1083 or jbradshaw@barescapital.com.

James S. Bradshaw, CFA

Chief Operating Officer/Chief Compliance Officer

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This Brochure Supplement provides information about James S. Bradshaw that supplements the Bares Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact James S. Bradshaw at (512) 772-2714 if you did not receive the Brochure or if you have any questions about the contents of this Supplement. Additional information about Bares Capital Management, Inc. and James Bradshaw is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

- ◆ Year of Birth -- 1972
- ◆ University of Alabama -- B.S. Finance, 1994
- ◆ Bares Capital Management, Inc., Research Analyst -- 2001 to 2014; Chief Compliance Officer -- 2002 to Present; Chief Operating Officer -- 2014 to Present
- ◆ Nine Ten Capital Management LLC, Chief Operating Officer and Chief Compliance Officer -- 2014 to Present

Mr. Bradshaw holds the Chartered Financial Analyst ("CFA") designation. The CFA designation is issued by the CFA Institute. CFA candidates must meet one of the following requirements: (1) undergraduate degree and four years of professional experience involving investment decision-making, or (2) four years qualified work experience (full time, but not necessarily investment-related). To receive the CFA designation, candidates must complete the CFA Program which is organized into three levels, each requiring 250 hours of self-study and each culminating in a six-hour exam. There are no ongoing continuing education or experience thresholds necessary to maintain the CFA designation. More information about the CFA is available at www.cfainstitute.org.

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Bradshaw has no information applicable to this Item.

Other Business Activities

Mr. Bradshaw is not engaged in any investment-related business outside of his role with BCM and its affiliated entities.

Additional Compensation

As an owner, Mr. Bradshaw receives profit distributions from Bares Capital Management, Inc., Ripley Capital Management, LLC and Nine Ten Capital Management LLC.

Supervision

Mr. Bradshaw is supervised by Brian Bares, President. Mr. Bares reviews Mr. Bradshaw's work through frequent office interactions and may be contacted at (512) 542-1083 or by email at bbares@barescapital.com.

James J. Creel, Jr.

Research Analyst

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This Brochure Supplement provides information about James J. Creel, Jr. that supplements the Bares Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact James S. Bradshaw at (512) 772-2714 if you did not receive the Brochure or if you have any questions about the contents of this Supplement. Additional information about Bares Capital Management, Inc. and James Creel is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

- ◆ Year of Birth -- 1979
- ◆ Princeton University -- AB History, Cum Laude, 2002
- ◆ Deutsche Bank Securities, Analyst -- 2002 to 2004
- ◆ Molecular Securities, Associate -- 2004 to 2007
- ◆ Treaty Oak Capital Management, Partner and Research Analyst -- 2007 to 2012
- ◆ Bares Capital Management, Inc., Research Analyst -- 2012 to Present

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Creel has no information applicable to this Item.

Other Business Activities

Mr. Creel is currently the Treasurer of The Princeton Club of Austin.

Additional Compensation

As an owner, Mr. Creel receives profit distributions from Bares Capital Management, Inc.

Supervision

Mr. Creel is supervised by Brian Bares, President and James Bradshaw, Chief Compliance Officer. Mr. Bares and Mr. Bradshaw review Mr. Creel's work through frequent office interactions. Mr. Bares' contact information: 512-542-1083 or bbares@barescapital.com. Mr. Bradshaw's contact information: 512-542-1083 or jbradshaw@barescapital.com.

Russell C. Mollen, CFA

Analyst and Portfolio Manager

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This Brochure Supplement provides information about Russell C. Mollen that supplements the Bares Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact James S. Bradshaw at (512) 772-2714 if you did not receive the Brochure or if you have any questions about the contents of this Supplement. Additional information about Bares Capital Management, Inc. and Russell Mollen is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience

- ◆ Year of Birth -- 1982
- ◆ University of Texas -- B.B.A. Finance, 2005
- ◆ University of Texas Investment Management Company (UTIMCO), Analyst -- 2005 to 2007
- ◆ Hotchkis & Wiley Capital Management, Research Associate -- 2007 to 2010
- ◆ Bares Capital Management, Inc., Research Analyst -- 2010 to Present
- ◆ Nine Ten Capital Management LLC, Analyst and Portfolio Manager -- 2014 to Present

Mr. Mollen holds the Chartered Financial Analyst ("CFA") designation. The CFA designation is issued by the CFA Institute. CFA candidates must meet one of the following requirements: (1) undergraduate degree and four years of professional experience involving investment decision-making, or (2) four years qualified work experience (full time, but not necessarily investment- related). To receive the CFA designation, candidates must complete the CFA Program which is organized into three levels, each requiring 250 hours of self-study and each culminating in a six-hour exam. There are no ongoing

continuing education or experience thresholds necessary to maintain the CFA designation. More information about the CFA is available at www.cfainstitute.org.

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Mollen has no information applicable to this Item.

Other Business Activities

Mr. Mollen is not engaged in any investment-related business outside of his role with the Adviser and its affiliated entities.

Additional Compensation

Mr. Mollen has no information applicable to this Item.

Supervision

Mr. Mollen is supervised by Brian T. Bares, President, and James S. Bradshaw, Chief Compliance Officer. These Principals review Mr. Mollen's work through frequent office interactions. Mr. Bares' may be contacted at (512) 542-1083 or bbares@barescapital.com, while Mr. Bradshaw may be contacted at (512) 542-1083 or jbradshaw@barescapital.com.