

## Item 1: Cover Page

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

October 15, 2019

#### **Park Capital Management, LLC**

CRD No. 158965

##### Main Office

700 Regent Street  
Madison, WI 53715

##### Branch Offices

1815 Greenway Cross  
Madison, WI 53713

33 E. Main St.  
Madison, WI 53703

8001 Excelsior Drive  
Madison, WI 53717

phone: 608-535-3850  
email: [cbauch@parkcapitalmgt.com](mailto:cbauch@parkcapitalmgt.com)  
website: [www.parkcapitalmgt.com](http://www.parkcapitalmgt.com)

This brochure provides information about the qualifications and business practices of Park Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 608-535-3850. 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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. We will provide you with interim disclosures about material changes as necessary.

Effective October 1, 2019, the firm moved its main office from 700 Regent Street, Madison, WI to 740 Regent Street, #400, Madison, WI.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	5
A. Park Capital Management, LLC.....	5
B. Description of Advisory Services Offered.....	5
C. Client-Tailored Services and Client-Imposed Restrictions.....	7
D. Wrap Fee Programs.....	7
E. Client Assets Under Management.....	7
Item 5: Fees and Compensation.....	8
A. Methods of Compensation and Fee Schedule.....	8
B. Client Payment of Fees.....	10
C. Additional Client Fees Charged.....	11
D. Prepayment of Client Fees.....	11
E. External Compensation for the Sale of Securities to Clients.....	11
Item 6: Performance-Based Fees and Side-by-Side Management.....	13
Item 7: Types of Clients.....	14
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss.....	15
A. Methods of Analysis and Investment Strategies.....	15
B. Investment Strategy and Method of Analysis Material Risks.....	20
C. Security-Specific Material Risks.....	21
Item 9: Disciplinary Information.....	22
A. Criminal or Civil Actions.....	22
B. Administrative Enforcement Proceedings.....	22
C. Self-Regulatory Organization Enforcement Proceedings.....	22
Item 10: Other Financial Industry Activities and Affiliations.....	23
A. Broker-Dealer or Representative Registration.....	23
B. Futures or Commodity Registration.....	23
C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest.....	23

D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest.....	24
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	25
A. Code of Ethics Description.....	25
B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest .....	25
C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest .....	25
D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest.....	26
Item 12: Brokerage Practices .....	27
A. Factors Used to Select Broker-Dealers for Client Transactions.....	27
B. Aggregating Securities Transactions for Client Accounts.....	31
Item 13: Review of Accounts .....	34
A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved.....	34
B. Review of Client Accounts on Non-Periodic Basis.....	34
C. Content of Client-Provided Reports and Frequency.....	34
Item 14: Client Referrals and Other Compensation.....	35
A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest .....	35
B. Advisory Firm Payments for Client Referrals.....	35
Item 15: Custody .....	36
Item 16: Investment Discretion.....	37
Item 17: Voting Client Securities.....	38
Item 18: Financial Information.....	39
A. Balance Sheet.....	39
B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients.....	39
C. Bankruptcy Petitions During the Past Ten Years .....	39

## Item 4: Advisory Business

### A. Park Capital Management, LLC

Park Capital Management, LLC ("Park Capital" and or "the firm") is a Wisconsin limited liability company and an SEC-registered investment adviser which began its business in July 2012. Park Capital makes investment consulting and investment management services available to a wide variety of clients. Park Capital is owned 33.3% by Clint Bauch, 33.3% by Hausmann-Johnson Insurance, Inc., and 33.3% by The Park Bank, Inc.

### B. Description of Advisory Services Offered

Park Capital offers investment consulting and investment management services to a wide variety of clients including, but not limited to, individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

#### B.1. Consulting Services

In completing a financial plan or other consulting project, regardless of the complexity, Representatives will:

- Interview the client, analyze the client's financial needs and assist the client in developing realistic goals and objectives based on information provided by the client. The Representative may also clarify planning problems and outline strategies designed to meet the client's goals. A client may retain Park Capital to perform a single nonrecurring project, such as investment research or specific investment advice, retirement planning or insurance analysis, or a comprehensive plan covering these and other subjects. A client may also engage a Representative for projects that may require annual or more frequent reviews if more complex long-term planning is needed.
- Prepare an initial written project or comprehensive plan in the scope requested by a client based on the information gathered during the client interview and needs evaluation. This plan may include establishing a clear set of objectives, an outline of resources, a written investment policy statement, an asset allocation model, strategy recommendations, retirement, estate, education, or insurance planning, product recommendations, and steps to take for implementing advice provided.
- Help the client implement the plan, including purchasing and/or selling securities and/or insurance products.
- Review the plan periodically in the scope and frequency agreed upon with the client.

The Representative may also, as needed, recommend changes to the client's investment portfolio or Plan, either in writing or verbally. Changes in the client's financial condition, personal circumstances, goals, or general economic conditions may trigger changes in the plan. To the extent material changes have occurred to a client's circumstances or goals, or to the extent a client requests a new project, the client will be asked to sign a new services agreement. The

client may initiate contact with the client's Representative as often as needed and the Representative will schedule conferences as needed, usually no less than annually.

All investment consulting is based on information provided by the client. It is the client's responsibility to be certain Park Capital has current and accurate information for the initial plan and it is the client's responsibility to inform the Representative of material changes affecting the investments and planning strategies implemented.

## **B.2. Investment Management Services**

Park Capital offers clients portfolio management and reporting services by means of its Investment Management Services program. Through the program, clients receive investment analysis, allocation recommendations, monthly or quarterly statements reflecting holdings and transactions, quarterly statements, and ongoing account monitoring services for a portfolio which may include stocks, bonds, mutual funds, exchange-traded funds, and convertible securities. Park Capital will exercise discretionary trading authority while providing services. This means that Park Capital Representatives will have authority to purchase and sell securities of their choice in the amounts and at the times they believe it is suitable for a client's account to do so. Park Capital may also recommend the use of third-party investment managers to manage all, or a portion of the assets. Such managers will also have limited discretionary trading authority.

The initial asset allocation recommendations are based on the financial information gathered from each client including net worth, risk tolerance, financial goals and objectives, investment restrictions and overall financial conditions. Based on this information, the client is provided with investment recommendations designed to provide an appropriate asset mix consistent with the client's objectives. The frequency of these reviews is determined by the Representative. Park Capital Representatives meet with the client on an as needed basis to discuss the portfolio and other aspects of the service.

Clients should be aware that commissions will be charged for transactions by the brokerage firm processing the transactions.

As a general rule, Park Capital believes that investing is best suited to those who believe in a long-term buy-and-hold policy. Therefore, clients should not expect frequent investment changes in the portfolio. However, as a result of monitoring the account, investment purchases and sales will be made.

Investments are not held by Park Capital. Instead, all investments managed by Park Capital are usually held at the brokerage firm ("Custodian") through which transactions are placed.

Park Capital does not assure or guarantee the results of its Investment Management Services; thus, losses can occur from following Park Capital advice pertaining to any investment or investment approach, including using conservative investment strategies.

For its discretionary asset management services, Park Capital receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure.

In addition to providing Park Capital with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Park Capital will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **B.3. 401(k) Consulting Services**

Park Capital offers 401(k) consulting services, which include the following:

- 3(21) Fiduciary Services
  - Investment Selection
  - Investment Option Replacement
  - Ongoing investment monitoring
  - QDIA selection assistance
- Investment Policy creation assistance
- Service Provider Liaison (Record-Keeper & Third Party Administrator)
- Participant Education
  - Group & Individual
- Benchmarking Services (Utilizing Fi360)

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **D. Wrap Fee Programs**

Park Capital does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

## **E. Client Assets Under Management**

As of December 31, 2018, Park Capital manages approximately \$125.7 million of discretionary assets and \$2.4 million of non-discretionary assets.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Investment Management Services Fee

Fees for Investment Management Services are negotiable and calculated as a percentage of the total value of investments under Park Capital's management at the rates set forth in the fee schedule below.

<u>Schedule of Fees Value of Assets</u> <u>Under Management</u>	<u>Annual Fee</u>
First \$250,000	1.10%
Next \$750,000	1.00%
Next \$1 million	0.90%
Next \$2 million	0.80%
Above \$4 million	0.70%

All fees due are set forth in each client's Investment Management Services Agreement. All fees are negotiable at Park Capital's discretion.

Advisory fees are payable quarterly in arrears and are calculated on the basis of the market value of the investment in the account as of the last business day of the immediately prior calendar quarter, including any balances held in money market funds. The fee for the initial quarter is prorated for the period that services are provided. Subsequent fees are based upon the market value of the account as of the last business day of the previous quarter. The fees are applied and prorated for \$20,000 or more of assets added to the account during any quarter. No prepaid fee is returned based upon partial withdrawals by a client. Also, the account balances of related accounts may, at Park Capital's discretion, be combined for fee calculation purposes. Park Capital may amend its fee schedule upon 30 days' advance written notice to the client.

Investment Management Services may be terminated upon 30 days' advance written notice by either party to the other. Upon termination of the agreement, any earned, unpaid fees will be due and payable. Client has the right to terminate an investment advisory agreement, without penalty, within the first five business days after executing the agreement.

Fees payable to Park Capital, with client's prior permission, are deducted from the client's account when due and reports from the account's custodian show the fee debits. Park Capital will liquidate money market share to pay the fee and, if money market shares or cash value are not available, other investments will be liquidated. Authorization for the deduction of fees this way is contained in the services agreement. The client's periodic account statements from the custodian disclose all amounts disbursed from the account, including advisory and services fees paid. The client may terminate the authorization for automatic deduction of advisory fees payable to Park Capital at any time by notifying Park Capital in writing.



**A.1.a. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under this arrangement we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** Please note that as a matter of policy we prohibit the receipt of revenue share fees from any mutual funds utilized for our advisory clients' portfolios. Nonetheless, if the firm decides to take these 12b-1 fees in the future, please note the following: There are certain programs offered by our custodian in which the firm participates that limit the types of mutual funds and mutual fund share classes to those in which our custodian has negotiated the receipt of 12b-1 and/or other revenue sharing fee payments from the mutual fund issuer or sponsor. As such, a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client. Such fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances (i) where our adviser representative is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as compensation – such compensation creates an incentive for the investment adviser representative to use programs which utilize funds that pay such additional compensation; and (ii) where the broker-dealer receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

***Additional Disclosure Concerning Wrap Programs:*** Wrap fee programs offer investment services and related transaction services for one all-inclusive fee. Park Capital does not offer a wrap fee program, although it may recommend third-party wrap fee programs. Nonetheless, in a wrap fee program, the trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees borne by the client. Clients should understand and discuss with their investment adviser representative the types of mutual fund

share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

### **A.2. Consulting Services Fee**

Fees for Consulting Services are charged as a fixed or hourly fee on a per project basis. The maximum hourly rate is \$250, and the fixed fee ranges from \$300 to \$10,000 depending on the services requested. These fees are negotiable.

Prior to engagement, each client signs a Consulting Services Agreement, which provides an estimate of the total fee for services. The amount of time for each consulting, investment, tax, estate, insurance, or other project depends on the nature and scope of the advice requested by the client, nature and number of investments in a client's portfolio, and amount and nature of research required to address the planning topics requested by the client.

The fee is payable upon commencement of services, but in no event are clients charged more than \$500, six or more months in advance. Payment arrangements are established in the Consulting Services Agreement, but clients typically pay fees directly as opposed to having their account debited. The fee may be waived in whole or in part by Park Capital at its sole discretion.

The fees described above may change based on special situations such as an expansion of a project, increase in the number of reviews, more specialized needs of the client, more complex planning, or more detailed reporting. Before such a change is made, the client is given 30 days' prior written notice and agrees to such changes by signing a new Consulting Services Agreement or an amendment thereto.

### **A.3. 401(k) Consulting Services Fees**

401(k) consulting services fees range between 10bps and 75pbs, depending on the scope of services contracted for and the number of plan participants. These fees are negotiable and set forth in the 401(k) Services Agreement, and are billed directly in arrears.

## **B. Client Payment of Fees**

Park Capital requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Park Capital will deduct its advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Park Capital may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. Prepayment of Client Fees**

### **D.1. Investment Management Services**

Park Capital does not require the prepayment of Investment Management Services fees. Advisory fees are payable quarterly in arrears and are calculated on the basis of the market value of the investment in the account, including any balances held in money market funds.

Investment Management Services may be terminated upon 30 days' advance written notice by either party to the other. Upon termination of the agreement, any earned, unpaid fees will be due and payable. Client has the right to terminate an investment advisory agreement, without penalty, within the first five business days after executing the agreement.

### **D.2. Consulting Services**

Consulting services are provided pursuant to a written agreement between the firm and the client. The fee is payable upon commencement of services, but in no event are clients charged more than \$500, six or more months in advance. Payment arrangements are established in the Consulting Services Agreement, but clients typically pay fees directly as opposed to having their account debited. The fee may be waived in whole or in part by Park Capital at its sole discretion.

The Consulting Services Agreement may be terminated at any time by giving 10 days' advance written notice from either party to the other. Any unearned prepaid fee is returned to client upon termination. Any earned but unpaid fees are due immediately upon termination.

## **E. External Compensation for the Sale of Securities to Clients**

Park Capital's advisory professionals are compensated primarily through a salary and bonus structure. Park Capital's advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. Park Capital's advisory professionals may receive commission-based compensation for the sale of securities and insurance products.

Investment adviser representatives, in their capacity as a PKS registered representative, are prohibited from earning an advisory fee on the securities value transferred from an advisory client's PKS account unless commissions earned on such securities transactions occurred at least a 12–18 months prior to the transfer. Please see Item 10.C. for detailed information and conflicts of interest.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Park Capital does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

Park Capital offers its investment services to a wide variety of clients including, but not limited to, individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

Although Park Capital does not generally impose any conditions for providing its services, there may be minimum account sizes and fees for the services offered by third-party managers.

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

### **A. Methods of Analysis and Investment Strategies**

Park Capital uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Park Capital and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Park Capital reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Park Capital may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under this arrangement we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please see Item 5.A. of this Brochure for detailed information.

#### **A.2. Mutual Funds, Individual Securities, Third-Party Separate Account Managers**

Park Capital may recommend no-load and load-waived mutual funds, and individual securities (including fixed income instruments). Park Capital may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will

typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Park Capital will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

Park Capital has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

Park Capital may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

Park Capital reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Park Capital on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Park Capital (both of which are negative factors in implementing an asset allocation structure).

Park Capital may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently



similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Park Capital will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Park Capital will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

### **A.3. Material Risks of Investment Instruments**

Park Capital may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, Park Capital may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Corporate debt obligations
- Variable annuities

#### **A.3.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.3.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with

respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.3.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.3.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.3.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or

greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.3.f. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.3.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.3.h. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.3.i. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **A.3.j. Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although Park Capital, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Park Capital will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.2. Short-Term Trading**

Although Park Capital, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **B.3. Short Selling**

Park Capital generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

## **B.4. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

## **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither Park Capital nor its affiliates are registered broker-dealers and do not have an application to register pending.

Managers, members, and registered personnel of Park Capital are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), a FINRA-registered broker-dealer and member of SIPC. PKS is a financial services company engaged in the sale of investment products.

### **B. Futures or Commodity Registration**

Neither Park Capital nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Conflict Summary**

Please note that Park Capital, The Park Bank, Inc., and Hausmann-Johnson Insurance, Inc. are affiliate entities and may cross-sell services to each entity's current and prospective customers, and may provide financial, technology and human resources support and services to each other. Please note that there is an economic incentive to cross-sell services and products between affiliates and the recommendation of one or more affiliate products and services may serve the economic interests of Park Capital and its affiliates versus the interests of its advisory clients. Clients are under no obligation to use affiliate products and services and may select their desired service provider. Any investment products or services provided by Park Capital and/or Hausmann-Johnson Insurance carry risk of loss and are not FDIC insured.

#### **C.2. Broker-Dealer Registration – Purshe Kaplan Sterling**

Managers, members, and registered personnel of Park Capital are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), a FINRA-registered broker-dealer and member of SIPC. As a result, such professionals are subject to the oversight of PKS and FINRA. As such, clients of Park Capital should understand that their personal and account information is available to FINRA and PKS personnel in the fulfillment of their oversight obligations and duties.

Park Capital professionals who effect transactions for advisory clients may receive transaction or commission compensation from PKS. The recommendation of securities transactions for commission creates a conflict of interest in that Park Capital is economically incented to effect securities transactions for clients. Although Park Capital strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of Park Capital rather than

in the client's best interest. Park Capital advisory clients are not compelled to effect securities transactions through PKS.

### **C.3. Insurance Sales – Hausmann-Johnson Insurance, Inc.**

Certain managers, members, and registered employees of Park Capital are licensed insurance agents of Hausmann-Johnson Insurance, Inc., a Wisconsin-registered insurance agency. With respect to the provision of financial planning services, Park Capital professionals may recommend insurance products and receive a commission. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other investment products offered through Hausmann-Johnson Insurance. Clients are under no obligation to utilize products or services of Hausmann-Johnson Insurance.

Please also be advised that Park Capital strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with Park Capital's associated persons employing broker-dealer.

### **C.4. The Park Bank, Inc.**

Certain managers, members, and employees of Park Capital may be employees and or direct or indirect owners of The Park Bank, Inc., a Wisconsin chartered bank and member FDIC. Park Capital professionals may recommend banking products and services from its affiliate, The Park Bank. Please be advised there is a conflict of interest in that there is an economic incentive to recommend banking products and services offered through such affiliate. Although Park Capital strives to put its clients' interests first and foremost, please be advised that clients are under no obligation to utilize products or services of The Park Bank and may use the banking institution of their choice.

## **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Park Capital does not recommend separate account managers in which it receives any form of compensation from the separate account manager.



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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Park Capital has adopted policies and procedures designed to detect and prevent insider trading. In addition, Park Capital has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Park Capital's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Park Capital. Park Capital will send clients a copy of its Code of Ethics upon written request.

Park Capital has policies and procedures in place to ensure that the interests of its clients are given preference over those of Park Capital, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Park Capital does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Park Capital does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Park Capital, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Park Capital specifically prohibits. Park Capital has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Park Capital's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Park Capital, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Park Capital clients. Park Capital will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of Park Capital to place the clients' interests above those of Park Capital and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Park Capital may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc., a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Park Capital may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. Park Capital is independently owned and operated and not affiliated with custodian. For Park Capital client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Park Capital considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Park Capital, Park Capital will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Park Capital will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Park Capital seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.c. Soft Dollar Arrangements**

Park Capital does not utilize soft dollar arrangements. Park Capital does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

The custodian provides Park Capital with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.e. Other Products and Services**

Custodian also makes available to Park Capital other products and services that benefit Park Capital but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Park Capital's accounts, including

accounts not maintained at custodian. The custodian may also make available to Park Capital software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Park Capital's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help Park Capital manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of Park Capital personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Park Capital may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.f. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Park Capital. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Park Capital.

#### **A.1.g. Additional Compensation Received from Custodians**

Park Capital may participate in institutional customer programs sponsored by broker-dealers or custodians. Park Capital may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Park Capital's participation in such programs and the investment advice it gives to its clients, although Park Capital receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Park Capital participants

- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Park Capital by third-party vendors

The custodian may also pay for business consulting and professional services received by Park Capital's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Park Capital's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Park Capital but may not benefit its client accounts. These products or services may assist Park Capital in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Park Capital manage and further develop its business enterprise. The benefits received by Park Capital or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Park Capital also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Park Capital to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Park Capital will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Park Capital's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Park Capital's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Park Capital endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Park Capital or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Park Capital's recommendation of broker-dealers such as Schwab for custody and brokerage services.

#### **A.1.h. The Firm's Interest in Schwab's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This

is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

### **A.2. Brokerage for Client Referrals**

Park Capital does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **A.3. Directed Brokerage**

#### **A.3.a. Park Capital Recommendations**

Park Capital typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Park Capital to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Park Capital derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Park Capital loses the ability to aggregate trades with other Park Capital advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Park Capital may recommend that clients establish brokerage accounts with Schwab, a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Such accounts will be prime broker eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. Schwab charges a "trade away" fee which is charged against the client account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients are directed to consult their current custodian for their policies and fees.

Park Capital, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of such securities, the executing broker, and the commission rates to be paid to effect such transactions. Park Capital recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Park Capital will follow a process in an attempt to

ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Park Capital seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Park Capital's knowledge, these custodians provide high-quality execution, and Park Capital's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Park Capital believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Park Capital may be managing accounts with similar investment objectives, Park Capital may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Park Capital in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Park Capital's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Park Capital will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.



Park Capital's advice to certain clients and entities and the action of Park Capital for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Park Capital with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Park Capital to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Park Capital believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Park Capital acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Park Capital determines that such arrangements are no longer in the best interest of its clients.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

The client's portfolio is reviewed no less frequently than annually by a Park Capital Representative, or more frequently as agreed upon by the client and the Representative. More than one Representative may be involved in the development of a plan and, with the client's permission, the client's legal and accounting professionals may be involved. When outside professionals become involved in the planning process, the cost of the outside professionals is the responsibility of the client.

For clients receiving Consulting Services, a written project report or comprehensive financial plan is prepared in the scope requested by the client during the initial interview and subsequent counseling sessions.

### **B. Review of Client Accounts on Non-Periodic Basis**

Park Capital may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Park Capital formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

Clients receiving Investment Management Services receive reports at least quarterly from their account's custodian. The client may receive a written performance report as often as is agreed upon between the client and the advisor, but not more often than quarterly. Clients are encouraged to compare the information on any account statement received from Park Capital to that shown on custodial statements.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Please refer to the disclosures in Items 10 and 12 regarding referrals to third-party service providers and benefits the firm receives from its custodian(s). Park Capital may receive economic benefits for referring clients to third-party service providers. You are under no obligation to utilize any service provider recommended to you by Park Capital or its affiliates.

### **B. Advisory Firm Payments for Client Referrals**

Park Capital does not pay for client referrals.

## Item 15: Custody

Park Capital is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

To the extent our affiliate, The Park Bank, Inc., holds any advisory assets on behalf of Park Capital advisory clients, Park Capital may be subject to additional requirements promulgated by the state of Wisconsin.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Park Capital with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Park Capital will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Park Capital does not take discretion with respect to voting proxies on behalf of its clients. Park Capital will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Park Capital supervised and/or managed assets. In no event will Park Capital take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Park Capital will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Park Capital has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Park Capital also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Park Capital has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Park Capital receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Park Capital does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Park Capital does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.