

Bares Capital Management, Inc.  
12600 Hill Country Blvd, Suite R-230

Austin, TX 78738

512-542-1083

[www.barescapital.com](http://www.barescapital.com)

512-850-4919

[www.townlakecapital.com](http://www.townlakecapital.com)

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This Brochure provides information about the qualifications and business practices of Bares Capital Management, Inc. ("BCM"), also dba Town Lake Capital Management ("TLCM"). 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. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Set forth below is a discussion of the material changes to BCM's Brochure since the last annual update to the Brochure which was filed with the SEC on March 17, 2014. Capitalized terms used in this Item 2 without definition have the meanings set forth elsewhere in this Brochure.

## **Item 4 Advisory Business**

- ◆ Effective May 21, 2014, Nine Ten Capital Management LLC ("Nine Ten") was formed 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. The Principals and employees will devote such time and effort as they deem necessary for the management and administration of the advisory business of both regulated entities. BCM and Nine Ten share office space as well as administrative and operational resources. BCM has entered into an Administration and Office Services Agreement with Nine Ten to govern the compensation to BCM for its share of overhead, as well as research, trading, operational, and administrative services and expenses.
- ◆ 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 will no longer be offered at BCM and legacy separate account owners invested in this strategy have either matriculated to Nine Ten Partners LP in a tax neutral transaction or either have liquidated or are in the process of liquidating their accounts.
- ◆ As a result of this transaction, BCM has assets under management of \$984,497,800 as of July 1, 2014.

## **Item 8 Risk of Loss**

Item 8 has been expanded to describe in more detail the risks of investing.

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

Item 8 has been updated to discuss BCM's new affiliation with Nine Ten.

**Item 11 Code of Ethics**

As a result of the Nine Ten affiliation, BCM has updated its Code of Ethics to directly govern any potential conflicts of interest that may arise between BCM and its affiliate Nine Ten. Item 11 has been updated to disclose details of our updated Code of Ethics.

**Future Disclosures**

BCM will provide clients with a summary of any material changes to this Brochure since BCM's last annual update to the Brochure 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](http://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. ("BCM") was founded in 2000 by Brian T. Bares. We were 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 and family office clients. We manage our client accounts in a long-only concentrated Small-Cap strategy. In this strategy we invest in the equity of publicly-traded companies predominantly domiciled in the United States. Our typical client in this strategy 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 10-20 of our best investment ideas in each 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.

BCM also markets a modern "endowment model" strategy under the trade name Town Lake Capital Management, which we market to foundations, endowments, family offices, and high net worth individual investors. Many foundations and endowments have evolved over time from a traditional 60/40 split between stocks and bonds, to a modern implementation that includes a variety of uncorrelated, high-return asset classes and reduced reliance on lower returning fixed income instruments. The goal of the endowment model is to reduce volatility and increase returns using a multitude of uncorrelated asset classes that have an underlying performance similar to that of equities. This strategy is more diversified than our Small-Cap strategy and is more appropriate for management of a client's entire portfolio. In this strategy we actively manage exposure to asset classes by utilizing mutual and/or exchange traded funds and equity and/or debt of publicly traded companies. While our primary research focus is on individual securities, we will use mutual funds and other types of investment vehicles to obtain access to certain areas of the market where it is either more efficient or in our client's best interest.

Town Lake Capital Management also provides unbundled consulting services to corporate 401(k) plans. The consulting services we provide include fund recommendation and monitoring, employee education, third-party administrator selection, custody selection, and model portfolio guidance. We believe offering our clients unbundled services reduces the potential for conflicts of interest. Our clients benefit from having access to a specialist

in each of the three primary components of a 401(k) plan – custody; administration; and investment management. Further, we do not offer proprietary investment products and receive no compensation from any of the funds we recommend. TLCM utilizes low-cost mutual and/or exchange traded funds for plan participants to select from during the investment process. We offer plan participants several diverse asset allocation models as guidelines that can assist in the fund selection process. TLCM also provides participants with education materials to help them make informed decisions about what risk tolerance is appropriate for their portfolio.

Our individual client accounts that are not part of a concentrated investment strategy are invested according to an investment policy statement that details each individual's unique circumstances. We update each client's IP statement at least annually, but each individual client is advised that it remains his/her responsibility to promptly notify us when there is any material change to their financial situation and/or financial objectives for the purpose of reviewing, evaluating, or revising previous recommendations and/or services. 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.

Assets under management of BCM are held by independent custodians, including TD Ameritrade, 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 bill management fees directly from client accounts. We will have discretionary authority over client accounts when implementing the investment strategy.

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 will no longer be offered at BCM and legacy separate account owners invested in this strategy have either matriculated to Nine Ten Partners LP in a tax neutral transaction, or have liquidated or are in the process of liquidating their accounts.

Following this transaction, as of July 1, 2014, BCM managed approximately \$984,497,800 in total assets. Approximately \$984,018,800 is managed on a discretionary basis and \$479,000 on a non-discretionary basis.

### **Administration and Office Services Agreement**

As noted above, certain employees of BCM are also Principals and owners of Nine Ten Capital Management LLC. Both firms have entered into an Administration and Office Services Agreement to govern Nine Ten Capital Management's compensation to Bares Capital 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 Capital Management 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 will devote such time and effort as deemed necessary to fulfill their investment advisory obligations and fiduciary duty to BCM clients. However, certain BCM employees will engage in services on behalf of Nine Ten Capital Management, and consequently may 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**

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 advance but in some cases we have agreed to bill clients in arrears each calendar quarter. BCM is typically given authority to directly debit fees from client accounts, but in some cases we have agreed to 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.

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, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. 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. The fee structure for Town Lake Capital Management varies from .50% to 1.00% per annum. Our current fee structure for individual investor clients is 1.00% per annum. For 401(k) consulting services we charge .50% per annum on the assets in the plan.

Item 12 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 Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' 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, endowments, high net worth individuals, individuals, and trust programs. Town Lake Capital Management also offers consulting services to 401(k) plans.

We impose minimum dollar value of assets per account for new clients in each of our strategies, all of which we may waive at our discretion. The minimum initial investment in our concentrated Small-Cap strategy is \$5 million. The minimum initial investment in our Town Lake Capital Management strategy is \$2 million. The minimum 401(k) plan size for our consulting services is \$500,000.

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

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.

In our concentrated Small-Cap strategy we invest in the equity of publicly traded companies predominantly denominated in the United States. In our endowment model strategy, which we offer to clients via Town Lake Capital Management, we purchase mutual and/or exchange traded funds and equity of publicly traded securities. We do not purchase derivatives, use leverage, or take short positions in publicly traded companies.

Investing in securities involves risk of loss that clients should be prepared to bear. Included in these risks are the risk of permanent loss of capital, interest-rate risk, inflation risk, currency risk, business risk, liquidity risk and volatility risk.

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 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 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.

Certain employees of BCM are also employees of Nine Ten Capital Management LLC, an affiliated registered investment adviser. Nine Ten Capital Management and BCM share office space, support staff, and other resources. Nine Ten Capital Management and BCM may share certain clients. Additionally, because certain BCM employees are Principals of Nine Ten Capital Management, 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

Capital Management 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.

Please note this list is intended to highlight primary risks of investing assets with BCM and/or Town Lake Capital, 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 Capital Management LLC, an affiliated investment adviser which has been registered with the SEC since May, 2014. BCM will, 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. Maury McCoy dba McCoy & Associates, a third-party solicitor, exclusively represented the Bares Capital Management, Inc. Micro-Cap Equity strategy until assets in the strategy reached \$50 million. Maury McCoy's recommendation of BCM may have been biased as a result of this exclusivity. Maury McCoy was paid on a sliding scale ranging from 15-13% of the management fee. Maury McCoy dba McCoy & Associates no longer solicits clients on behalf of Bares Capital Management, Inc.

## **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 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](mailto:jbradshaw@barescapital.com).

### **Agency Cross Transactions**

BCM may engage in agency cross transactions for its advisory clients. Pursuant to Rule 206(3)-2, BCM will not knowingly engage in such agency cross transactions without prior consent of the advisory clients. 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 a Bares Capital Management, Inc. policy to never share individual client information with any entity outside the firm without the client's permission. The only time information is shared about accounts is when the client has made the information publicly available 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**

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 held at either Charles Schwab & Co. and/or TD Ameritrade. 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. Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups 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.

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 \$.01 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, research capabilities, financial strength and stability, perceived value of various financial industry conferences held by such broker-dealer, 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.

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 order 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.



### **Item 13 – Review of Accounts**

All client reviews are done by Brian T. Bares, President, and/or James S. Bradshaw, Chief Compliance Officer, and/or Clayton A. Ripley, Managing Director of Town Lake Capital Management, 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 include, but are not limited to, an Investment Policy Statement that includes return objectives, risk tolerance, and various other constraints. 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 Investment Policy Statements or reviews are completed for clients that hire BCM specifically to manage accounts in the concentrated Small-Cap strategy. The clients for which this strategy is appropriate typically use the BCM portfolio as part of an overall investment strategy.

Written reports are sent to clients quarterly and may consist of account positions, investing 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 most 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.

Clients may obtain a copy of BCM's proxy policy on request by contacting Jim Bradshaw, Chief Compliance Officer. Clients may also obtain information from BCM about how we voted any proxies on behalf of their account(s). Jim Bradshaw, Chief Compliance Officer is responsible for tracking and delivery of the proxy policy or specifics on how proxies were voted upon 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](http://www.barescapitalcapital.com)  
(512) 542-1083

July 3, 2014

Brochure Supplements provide information about certain advisory personnel of Bares Capital Management, Inc. (“BCM”). This information supplements the 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.

12600 Hill Country Blvd

Suite R-230

Austin, TX 78738

(512) 542-1083

[bbares@barescapital.com](mailto: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](http://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 -- April, 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](http://www.cfainstitute.org).

### **Disciplinary Information**

There are no legal or disciplinary events to disclose for Mr. Bares.

### **Other Business Activities**

From 2012 to the present, Mr. Bares has served as Secretary of the Board of Directors of Cellmedix Holdings LLC, a privately-held medical device company. Since 2009, Mr. Bares has also served as an Investment Committee Member of the Missionary Society of St. Columban. He is also currently a member of the University of Texas MBA Investment Fund Advisory Committee. Mr. Bares is the author of the book *The Small-Cap Advantage* (Wiley 2011).

### **Additional Compensation**

Mr. Bares has no information applicable to this item.

### **Supervision**

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](mailto:jbradshaw@barescapital.com).

Joshua K. Braden

Research Analyst

Bares Capital Management, Inc.

12600 Hill Country Blvd, Suite R-230

Austin, TX 78738

512-542-1083

jbraden@barescapital.com

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](http://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**

From 2013-present, Mr. Braden has served as a Managing Member of The New Outfit Project, LLC, a curated online fashion recommendation engine.

### **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](mailto:bbares@barescapital.com). Mr. Bradshaw's contact information: 512-542-1083 or [jbradshaw@barescapital.com](mailto:jbradshaw@barescapital.com).



**James S. Bradshaw, CFA**

Research Analyst and Chief Compliance Officer

Bares Capital Management, Inc.

12600 Hill Country Blvd

Suite R-230

Austin, TX 78738

(512) 542-1083

[jbradshaw@barescapital.com](mailto:jbradshaw@barescapital.com)

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](http://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 Present; Chief Compliance Officer -- 2002 to Present
- ◆ Nine Ten Capital Management LLC, Chief Operating Officer and Chief Compliance Officer -- April 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](http://www.cfainstitute.org).

### **Disciplinary Information**

There are no legal or disciplinary events to disclose for Mr. Bradshaw.

### **Other Business Activities**

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

### **Additional Compensation**

Mr. Bradshaw has no information applicable to this item.

### **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](mailto:bbares@barescapital.com).

**James J. Creel, Jr.**

Research Analyst

Bares Capital Management, Inc.

12600 Hill Country Blvd, Suite R-230

Austin, TX 78738

512-542-1083

jcreel@barescapital.com

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](http://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**

Mr. Creel has no information applicable to this item.

### **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](mailto:bbares@barescapital.com). Mr. Bradshaw's contact information: 512-542-1083 or [jbradshaw@barescapital.com](mailto:jbradshaw@barescapital.com).

**Russell C. Mollen, CFA**

Analyst and Portfolio Manager

Bares Capital Management, Inc.

12600 Hill Country Blvd

Suite R-230

Austin, TX 78738

(512) 542-1083

[rmollen@barescapital.com](mailto:rmollen@barescapital.com)

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](http://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 -- April 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](http://www.cfainstitute.org).

### **Disciplinary Information**

There are no legal or disciplinary events to disclose for Mr. Mollen.

### **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](mailto:bbares@barescapital.com), while Mr. Bradshaw may be contacted at (512) 542-1083 or [jbradshaw@barescapital.com](mailto:jbradshaw@barescapital.com).

**Clayton A. Ripley, CPA**

Managing Director

Town Lake Capital Management

Bares Capital Management, Inc.

12600 Hill Country Blvd, Suite R-230

Austin, TX 78738

512-542-1083

512-850-4919

[cripley@townlakecapital.com](mailto:cripley@townlakecapital.com)

This Brochure Supplement provides information about Clayton A. Ripley 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 Clayton Ripley is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Educational Background and Business Experience**

- ◆ Year of Birth -- 1983
- ◆ Baylor University -- B.B.A. Accounting, 2005
- ◆ Bounds, Chatelain and Pharr, Staff Accountant -- 2005 to 2007
- ◆ Bares Capital Management, Inc., Research Analyst -- 2007 to 2010
- ◆ Town Lake Capital Management, Managing Director -- 2010 to Present

Designations: Mr. Ripley is a Certified Public Accountant. To earn the CPA designation candidates are required to hold a baccalaureate or higher college degree, have completed 150 semester hours of college credit, 30 semester hours of upper level accounting courses, 24 semester hours of upper level related business courses and a 3 semester hour ethics course. Candidates must also pass all four sections of the CPA exam. The four sections

consist of Auditing and Attestation, Business Environment and Concepts, Financial Accounting and Reporting, and Regulation. Additional information about the CPA designation is available at [www.aicpa.org](http://www.aicpa.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. Ripley has no information applicable to this Item.

### **Other Business Activities**

Since 2010 Mr. Ripley has been a Board Member and Treasurer of the Texas Land Trust Council. From 2013-present he has been a Board Member of the Texas Health Institute. Since 2014 Mr. Ripley has been an at-large Board Member of the Texas Society of CPAs. On occasion he may be engaged as a consultant by private companies that require guidance on matters relating to tax, audit, capital raising, and mergers and acquisitions. Mr. Ripley may be directly or indirectly compensated for providing such consulting services.

### **Additional Compensation**

Mr. Ripley has no information applicable to this item, except as mentioned in the Other Business Activities section above.

### **Supervision**

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