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March 2016

This brochure provides information about the qualifications and business practices of Tributary Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 877.458.0021. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

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

# Material Changes

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## **Material Changes since the Last Update**

There have been no material changes to the brochure since the last update provided to you dated March 2015.

## **Full Brochure Availability**

The Firm Brochure for Tributary is available by contacting Elizabeth Nelson at 877.458.0021.

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# Advisory Business

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## Firm Description

Tributary Capital Management, LLC (“Tributary”), originally formed on January 1, 2005, is an SEC-registered investment advisor headquartered in Omaha, Nebraska. Tributary and First Investment Group (formerly a department of First National Bank of Omaha) merged in May 2010. The event constituted a change in ownership only, as the investment strategies and personnel remained the same for each of the prior firms. Firm equity assets, including model-based wrap accounts, and excluding sub advised Funds are \$1.03 billion as of December 31, 2015. (Tributary’s regulatory assets under management as defined in ADV Part I are \$1.23 billion as of December 31, 2015.)

## Principal Owners

We are a wholly owned subsidiary of First National Bank of Omaha, a wholly owned subsidiary of First National of Nebraska, Inc.

## Types of Advisory Services

We provide investment management services to institutional and individual investors. We construct our investment portfolios based on our clients’ investment objectives and specified restrictions or guidelines. Our separately managed account portfolios include equity and balanced strategies. Our equity investment strategies include small, large and all cap value.

We also serve as the registered investment advisor for the Tributary Funds, Inc., (the “Tributary Funds”) a registered open-end investment company which offers six investment portfolios:

- Tributary Small Company Fund
- Tributary Growth Opportunities Fund
- Tributary Balanced Fund
- Tributary Short-Intermediate Bond Fund
- Tributary Income Fund
- Tributary Nebraska Tax-Free Fund

We have retained First National Fund Advisers (“FNFA”), an affiliate registered with the SEC as a separately identifiable department of First National Bank of Omaha, to serve as the sub-advisor to the Tributary Growth Opportunities, Balanced, Short-Intermediate Bond, Income and Nebraska Tax-Free Funds.

Tributary also participates in several “wrap fee” programs in which clients pay a single fee for advisory, brokerage and custodial services to the wrap sponsor. Client’s portfolio transactions may be executed without a commission charge in a wrap fee arrangement. In these programs, a third party offers a Tributary strategy to its clients. Tributary receives an investment advisory fee from the third party wrap fee program sponsor for this service.

## Fees and Compensations

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### Description

Clients for whom we calculate our fees, we use a percentage of assets under management based on the period-end market value of the account. The account is charged, or an invoice is mailed, after each period-end. Clients are billed/charged quarterly. We charge a prorated fee for accounts initiated or terminated during a month or quarter. In some instances, advisory fees may be negotiated based on specific account characteristics such as account size, investment strategy and relationship type; therefore, fees may differ between accounts. In addition to Tributary's fees, clients may incur brokerage (please refer to the Brokerage Practices section) and other administrative fees. Our standard fee schedule follows:

	Large Cap Equity and Balanced	Small Cap & All Cap "Focused" Equity
First \$10 million	0.65%	0.90%
Next \$15 million	0.55%	0.80%
Next \$25 million	0.45%	0.70%
Above \$50 million	0.40%	0.65%

### Other Fees

Some of our accounts may hold mutual funds or exchange-traded funds (ETFs) as part of their overall asset allocation. All fees paid to Tributary are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in the funds' prospectus. These fees will generally include a management fee, shareholder servicing fee and other expenses that are deducted from fund assets and therefore reduce the net asset value of the fund.

## Performance-Based Fees & Side-by-Side Management

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We do not have any performance-based fees at this time.

## Types of Clients

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### Description

We offer investment management services to institutional and individual clients and to registered investment companies. Our institutional clients include: foundations, endowments, businesses, pension and retirement plans, and governmental agencies. We participate in wrap fee programs via traded and model-based offerings.

### Account Minimums

Our minimum account size varies depending on account type and investment strategy and ranges from \$100,000 to \$5 million. Tributary has sole discretion to waive minimum account balances.

## Methods of Analysis, Investment Strategies and Risk of Loss

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We are active portfolio managers grounded in strong fundamental research and adherence to risk management. Investments in our client accounts may include, but are not limited to, investments in common stocks, investment companies, exchange-traded funds, corporate and municipal bonds and U.S. Government and agency bonds.

Our equity investment strategies include small, large and all cap value strategies.

- Our value managers use a rigorous, bottom-up process that identifies high quality companies that are temporarily priced below their long-term intrinsic value.
- Our balanced strategies invest the equity portion in the all cap value strategy, while the fixed income portion seeks to provide a relatively high level of income from fixed income investments.

### Risk of Loss

There is a risk of loss when investing in any investment security, and clients should be prepared to bear this loss.

The material risks specific to our equity strategies include:

- *Common Stock Risk.* Companies that we invest in may not perform as anticipated. A downturn in the stock market may lead to a lower market price for a stock even when company fundamentals are strong. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the stock market.
- *Investment Strategy Risk.* There is risk that a particular strategy, such as small cap value, will be out of favor and not perform as we predict. In addition, with the value strategy, there is a risk that the stocks we select may not reach what the portfolio manager believes to be their full value. In addition small and mid-capitalization companies may experience wider price declines or

increases than larger capitalization companies because larger, more established, companies may be less sensitive to changing economic conditions and other broader market drivers.

The material risks specific to our balanced strategies include the items listed above as well as the following:

- *Interest Rate Risk:* Changes in interest rates affect the value of the Strategy's fixed income securities. When interest rates rise, the value of the Strategy's fixed income securities will decline.
- *Credit Risk:* The Strategy could lose money if the issuer of a fixed income security cannot meet its financial obligations or goes bankrupt. The price of a security held by the Strategy can be adversely affected prior to actual default if its credit status deteriorates and the probability of default rises.
- *Guarantee Risk:* Mortgage and asset-backed securities involve the risk that private guarantors may default. There can be no assurance that the private insurers or guarantors of fixed income securities can meet their obligations under the insurance policies or guarantee arrangements.
- *Mortgage-Related and Other Asset-Backed Securities Risk:* The risks associated with mortgage-backed securities include: (1) credit risk associated with the performance of the underlying mortgage properties and of the borrowers owning these properties; (2) adverse changes in economic conditions and circumstances, which are more likely to have an adverse impact on mortgage-backed securities comprised of loans on certain types of commercial properties than on those comprised of loans on residential properties; (3) prepayment and extension risks, which can lead to significant fluctuations in the value of the mortgage-backed security; (4) loss of all or part of the premium, if any, paid; and (5) decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. Investments in asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

## Disciplinary Information

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Tributary has no reportable disciplinary events to disclose.

## Other Financial Industry Activities and Affiliations

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Our firm has agreements with First National Bank of Omaha (FNBO), our parent organization, to provide sub-investment advisory services to certain FNBO clients. A conflict may arise if these sub-advised client accounts receive preferential treatment. To mitigate this potential conflict, we aggregate orders, when possible, and execute them as a block trade; all participating clients receive the same average price. Please refer to the Brokerage Practices section for more information regarding order aggregation.

We also serve as the investment advisor and co-administrator to the Tributary Funds. The Investment Advisory and the Co-Administration Agreements between Tributary Capital and the Tributary Funds are subject to the supervision of the Board of Directors of the Tributary Funds. While the President of our firm is also the Chairman of the Board of the Tributary Funds, any potential conflict of interest is mitigated because 75% of the Board members are Independent Directors with the distinct ability to influence the Board's agenda and actions.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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Our Code of Ethics emphasizes our fiduciary duty to place our clients' interest first and outlines expected high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. The Code of Ethics includes: provisions relating to the need to protect personal client information; a prohibition on insider trading, fraudulent or deceitful activities and spreading false rumors about a company; restrictions and reporting requirements for the acceptance of significant gifts or entertainment; and personal securities trading and reporting requirements, among other things. All supervised persons acknowledge and accept the terms of the Code of Ethics upon employment and annually thereafter.

To prevent conflicts of interests that may arise from access persons' personal securities transactions that involve the same securities as those held, or that are intended to be held, in our client accounts, all access persons must receive pre-approval of certain specific personal securities transactions. Personal investing in transactions by our access persons in the same securities held by our clients can occur three days before an intended trade or three days after the execution of all client purchases or sales in the security are complete. In addition, access persons provide quarterly statements of personal security transactions, annual holdings reports, and, when applicable, direct their brokers to supply us with duplicate statements. A copy of our Code of Ethics is available upon request to any existing or prospective client.



# Brokerage Practices

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## Selecting Brokerage Firms

For accounts where we have discretionary authority, we will determine the type, amount and price of securities or investments to be bought or sold on behalf of our clients, including the selection of and commissions paid to broker-dealers. In executing portfolio transactions and selecting broker-dealers, we seek the best overall terms available on behalf of our clients. In assessing the best overall terms available for any transaction, we consider the full range and quality of broker-dealer services including execution capability, trading expertise, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility and responsiveness.

## Research and Soft Dollars

As provided by Section 28(e) of the Securities Exchange Act of 1934, we obtain economic and company-specific research, reports on corporate conference calls and news, portfolio and data analytics, electronic price feeds and other brokerage services through soft dollar commissions. These services augment our own internal research and investment strategy capabilities. Client commissions paid to our broker-dealers benefit our firm by allowing us to obtain research and other products and services that we do not have to pay for or produce ourselves. As such, we may have an incentive to select broker-dealers based on our interest in receiving research or other products or services rather than considering our client's interest of most favorable execution. We may not use each particular brokerage or research service, however, in the management of each client account. As a result, a client may pay brokerage commissions that are used, in part, to purchase brokerage or research services that are not used to benefit that specific client. Broker-dealers providing brokerage and research services, even on an unsolicited basis, may charge commissions for executing transactions that are higher than the amount of commissions that other broker-dealers may charge for effecting the same transactions. We will execute portfolio transactions through these broker-dealers only if it has been determined that such broker-dealers provide best execution. We do not make formal or contractual commitments for soft dollar obligations.

Tributary may also use commission sharing arrangements (CSAs) to obtain soft dollar benefits. In CSAs, Tributary may effect transactions, subject to best execution, through a broker-dealer and request that the broker-dealer allocate a portion of the commission or commission credits to a segregated "research pool" maintained by the broker-dealer. Tributary may then direct such broker-dealer to pay for eligible products and services. Participating in commission sharing arrangements may enable Tributary to:

- strengthen its key brokerage relationships;
- consolidate payments for eligible products and services; and
- continue to receive a variety of high quality eligible products and services while facilitating best execution in the trading process.

Tributary will only acquire research and brokerage products and services with soft dollars if they qualify as eligible products and services under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

## Directed Brokerage

Sometimes a client may wish to restrict trade execution to a particular broker or dealer; this is referred to as directed brokerage. Our firm may accept directed brokerage instructions for specific client accounts. When a client for whom we have discretionary investment authority instructs us in writing to direct a portion of their securities transactions to a specific broker-dealer, we will treat the client direction as a decision by the client to retain, to the extent of the direction, the discretion we would otherwise have in selecting brokers-dealers to effect transactions and in negotiating commissions. Although we will attempt to effect such transactions in a manner consistent with policy, there may be occasions when we will be unable to do so. The client, therefore, should consider whether commissions, execution, clearance and settlement capabilities and fees of directed brokers-dealers is comparable to those otherwise obtainable by our firm. A client making such a designation may be forgoing the potential advantages from the aggregation of transactions such as achieving the most favorable execution or price and reduced execution costs. The client that directs transactions to a particular broker-dealer may receive less efficient clearing and settlement on some transactions at least in part because the directed broker may provide less efficient service. In addition, the client may not be able to participate in an allocation of shares of a new issue if those shares are sold by another broker.

## Trade Placement

Trades where Tributary has the discretion to select the broker-dealer are blocked together and traded first using brokers selected by Tributary. In these instances, clients participating in any blocked transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. Block trading may allow us to execute equity trades in a timelier, more equitable manner. Trades for directed brokerage accounts, in which the client has given Tributary full discretion to select the securities to purchase and sell but requested us to use a specific broker or group of brokers are placed next in a rotational order. Lastly, client accounts where Tributary provides changes to a model portfolio are communicated to the model managers in a rotational order.

The more client assets we manage and directed brokerage relationships we accommodate, the greater the potential market impact cost will be to client portfolios. Tributary attempts to manage the liquidity profile of the order and minimize its impact on the market. Depending on the market capitalization, or market availability of certain securities, these trades may take multiple days to complete.

Tributary may give advice and take action for affiliates or clients which differ from advice given to, or the timing or nature of action taken for other clients, meaning Tributary may be buying and selling the same security at the same time. For example, Tributary may be reducing a security position in a strategy while purchasing the same security for a client account in that same strategy.

Specific asset allocations within client accounts may differ from those in other accounts managed by Tributary due to various factors, including but not limited to, the availability of certain investments, market conditions, client deposits and withdrawals or the amount of client funds available for investment or reinvestment.

To address these potential conflicts, Tributary maintains policies and procedures to disclose, mitigate and where possible eliminate any perceived conflicts of interest when it buys or sells securities on behalf of more than one of its clients' accounts. In addition, Tributary believes its core responsibility in managing all accounts is to ensure that all benefits arising from its management of a client's account belong to the client.

## Cross Trades

In its discretion, Tributary may, but is not required to, engage in "cross trades", whereby Tributary causes one of its clients to sell a security and another of its clients to purchase the same security at or about the same time, provided such transaction is in the best interests of both accounts and is consistent with Tributary's best execution obligations. Cross trades may be used in an effort to obtain best execution because cross trades can potentially reduce transaction costs and increase execution efficiency. Cross trades present potential conflicts of interest. For example, there is a risk that the price of a security bought or sold in a cross trade may not be as favorable as it might have been had the trade been executed in the open market. Additionally, there is a potential conflict of interest when a cross trade involves a client account on one side of the transaction and an account in which Tributary has substantial ownership or a controlling interest or an account in which Tributary receives a higher management fee on the other side of the transaction.

To address these potential conflicts, Tributary maintains policies and procedures, which require that all cross trades are made at an independent current market price and are consistent with Section 206 of the Advisers Act. In addition, if one of the parties to the cross trade is a registered investment company; the transaction must comply with procedures adopted under Rule 17a-7 under the 1940 Act. Tributary does not execute principal trades or permit cross trades with accounts subject to ERISA.

## Trade Errors

Our firm has systems in place to prevent trade errors; however, errors may occur as a result of system malfunctions, trader or broker error or other circumstances. If a trade error does occur, prompt action is taken, and if a client account is affected, our firm will be responsible for any client loss. All trade errors are reported to the Tributary Management Committee.

## Order Aggregation

Our policy is to aggregate client transactions (also known as block trades) where possible and when advantageous to our clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. Block trading may allow us to execute equity trades in a timelier, more equitable manner. When we

purchase initial security positions or liquidate entire security positions, discretionary trades are aggregated or blocked together when possible. If two or more mutual fund accounts are purchasing or selling the same security, these trades will be aggregated if the orders are placed simultaneously. If these trades are placed at different times, the orders will be placed with different brokers on a first in line basis. For all other trades, we will aggregate trades when we believe that aggregation will lead to best execution. Our firm does not engage in principal trades, and we do not execute trades for our employees. A full description of our trading, execution, allocation and soft dollar practices is available upon written request by contacting Elizabeth Nelson at 877.458.0021.

## Review of Accounts

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Our Portfolio Managers review client accounts continuously, with formal reviews occurring no less than annually. Some factors that may trigger reviews to occur more frequently include: a client request; a change in the client's circumstances and/or investment objective; and major market moves. Securities invested in any client portfolios are assigned to one of our analysts who perform formal reviews on securities no less than annually, but reviews may be done as often as the analyst deems necessary. Any change in the analyst's opinion with regard to a security triggers a review, by the Portfolio Managers, of the accounts holding that security.

## Client Referrals and Other Compensation

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Our firm has an agreement with a third party marketing firm for arranging and/or attending prospective client introductory and follow-up meetings or conference calls. For their services, the third party marketing firm receives compensation calculated as a percentage of fees received and the firm reimburses for certain travel and entertainment expenses as agreed upon.

## Custody

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Tributary does not take custody of clients' funds or securities.

## Investment Discretion

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Tributary typically receives discretionary authority from our clients through the Advisory Agreement that establishes the advisory relationship with our clients. Our clients give us discretionary investment authority to select the amount and type of securities to be bought and sold without first obtaining their specific consent. When selecting securities and determining amounts to be bought and sold, our Portfolio Managers consider the client's investment policy and any limitations and/or restrictions placed upon the account. For our proprietary mutual funds, Tributary's authority to trade securities may also be limited by

certain federal securities and tax laws that require diversification of investments and favor the holdings of investments once made.

## Voting Client Securities

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Unless otherwise directed, Tributary votes proxies on the client's behalf. In order to meet this fiduciary responsibility and to avoid conflicts of interest, we hired an independent, third party service provider to develop our written proxy voting policy. Tributary Capital Management, LLC has adopted procedures to implement the firm's policy and reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- The holdings of each client account are linked to Tributary's Proxy Edge ID. Tributary monitors Proxy Edge for upcoming proxy votes. All votes are populated by Glass Lewis. Portfolio Managers review each vote and if they wish to deviate from the Glass Lewis recommendation, the vote is manually updated. All proxy votes are completed in a timely and appropriate manner.
- If the client's custodian is unable to send the holdings to Proxy Edge, the Director of Operations will receive and vote these proxies manually according to Glass Lewis policy unless otherwise directed by the Portfolio Manager;
- The Chief Compliance Officer or designee will perform tests at least annually to determine if the firm has established effective proxy voting policies and procedures. The testing will include, among other things, whether proxies are being received and voted in a timely manner and whether votes are being cast according to the proxy policy.

Our entire proxy voting policies and procedures as well as our historical voting record are available by contacting Elizabeth Nelson at 877.458.0021.

## Financial Information

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We believe our financial condition will allow us to meet our contractual commitments to our clients.