

## Item 1 – Cover Page

### **Busey Capital Management, Inc.**

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Date of Brochure: March 2016

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This brochure provides information about the qualifications and business practices of Busey Capital Management, Inc. ("Busey Capital Management"). If you have any questions about the contents of this brochure, please contact the Busey Capital Management Compliance Officer at 217-365-4800 or [elizabeth.czys@busey.com](mailto:elizabeth.czys@busey.com). 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.

Additional information about Busey Capital Management is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Busey Capital Management. You may search for information by using the firm's name or by using its CRD number. The CRD number for Busey Capital Management is **128044**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

As of our last annual update in March 2015, we have made no material changes to our brochure.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

### **Description of Advisory Firm**

Busey Capital Management, Inc. is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a corporation formed under the laws of the State of Illinois.

- Our firm is ultimately owned and controlled by First Busey Corporation. There are two other Busey intermediate-subidiaries that own and control our firm. First Busey Corporation owns Busey Wealth Management, Inc. which in turn is the owner of Busey Trust Company. Busey Trust Company is the direct owner of Busey Capital Management. All of our employees are also employees of Busey Trust Company.
- Busey Investment Services, a division of Busey Trust Company, and its associates have agreements in place to offer investment services through Raymond James Financial Services, Inc., member FINRA/SIPC, a full-service broker/dealer and Raymond James Financial Services Advisors, Inc., an investment advisor. The Raymond James companies are not Busey affiliated companies. They are run and operated completely separate from First Busey Corporation. The associates of Busey Investment Services that provide investment services do so as registered representatives of Raymond James Financial Services, Inc. and investment advisor representatives of Raymond James Financial Services Advisors, Inc.
- First Busey Corporation is also the parent company of Busey Bank and FirsTech, a payment processing company.
- Full details of our affiliates along with a description of their business activities are provided at Item 10 – Other Financial Industry Activities and Affiliations.
- Busey Capital Management has been registered as an investment advisor with the SEC since September 2003.

### **Description of Advisory Services**

#### ***Traditional Investment Advisory Services***

Our Traditional Investment Advisory Services involve providing clients with continuous and on-going supervision over their accounts we have agreed to manage. This means we will continuously monitor a client's account and make trades in client accounts when necessary. Through this service, we implement a customized and individualized investment program for clients by applying our investment strategy and philosophy. Busey Capital Management shall actively manage client investment portfolios in accordance with the client's stated investment objectives and risk tolerance.

Through our Traditional Investment Advisory Services, we tailor our advisory services to the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each

client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

When managing client accounts, we typically manage a client's account in accordance with one or more investment models that we have developed. When client accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates.

Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information about our firm's models.

The assets managed through the Traditional Investment Advisory Services are held in accounts at an unaffiliated third party custodian, currently the Northern Trust Company which will serve as the client's qualified custodian and maintain physical custody of all client funds and securities (see Item 15 – Custody for more information). You must designate Busey Capital Management as your investment advisor on the accounts you'd like us to manage. Busey Capital Management will be granted limited power-of-attorney on the account to implement trades within the account on a discretionary basis. Please refer to Item 12 for more information regarding the Firm's brokerage arrangements. Please also refer to Item 16 for an explanation of investment discretion.

Clients are always responsible for notifying Busey Capital Management of any changes to their financial situation or investment objectives. At least once per year, we will contact each client for the specific purpose to determine whether the client's financial situation or investment objectives have changed, or if the client would like to impose and/or modify any reasonable restrictions on the management of their accounts. We are always reasonably available to consult with clients relative to the status of their accounts. A client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the accounts. A separate account is always maintained for each client with the broker-dealer/custodian and the client retains all rights of ownership to their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

It is important that you understand that Busey Capital Management manages investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by our Firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

See Item 5 of this Disclosure Brochure for fee descriptions.

## ***Busey's Signature Solutions***

Busey Capital Management has developed and offers the Busey Signature Solutions investment management service. This service is provided through an arrangement with Raymond James & Associates utilizing their wrap-fee program called Outside Money Manager Program ("OSM"). Because Signature Solutions is offered through OSM, all accounts must be established through Raymond James Financial Services, Inc., a registered broker/dealer, member SIPC/FINRA, which shall also serve as the client's qualified custodian (see Item 15 – Custody for more information). Busey Capital Management has no responsibility or control over best price or execution issues due to the fact that the OSM sponsor, Raymond James & Associates, is solely responsible for determining the broker/dealer and trading platform requirements.

Through Signature Solutions, Busey Capital Management acts solely as a discretionary asset manager. This means that we will continuously monitor a client's account and make trades in client accounts when necessary. However, Busey Capital Management does not have direct client interaction and completely relies on the investment model selection chosen by the client through consultation with client's primary financial professional. Clients must designate Busey Capital Management as an investment advisor on the Raymond James Financial Services, Inc. accounts they'd like us to manage so that we can implement trades within the accounts on a discretionary basis. Please refer to Item 12 for more information regarding the Firm's brokerage arrangements. Please also refer to Item 16 for an explanation of investment discretion.

All clients will be introduced to Busey's Signature Solutions by third-party investment advisors. This includes referrals from associates of our affiliate, Busey Investment Services, in their separate capacity as investment advisor representatives of Raymond James Financial Services Advisors, Inc. Prior to recommending Signature Solutions to a client, it is the outside investment advisor representative's responsibility to interview the client in order to determine the client's financial position, investment goals and objectives, investment limitations and reasonable restrictions and risk tolerance. The outside investment advisor representative will document the findings of such interview and will provide us with a completed profile questionnaire for the client. The outside investment firm, currently Raymond James, will recommend to clients the strategy that is most appropriately suited to the client's investment needs in light of the above information gathered. Once the outside investment advisor has selected the strategy most appropriate for the client, the outside investment advisor will provide that information to us along with the client's financial situation and investment objective information. Client accounts are then managed by our Firm on the basis of the client's financial situation, investment objectives and stated strategy as provided by the client through the outside investment advisor. The outside investment advisor will maintain direct contact with the client throughout the duration of the agreement. Clients are always responsible for notifying their primary investment advisor representative of any changes to their financial situation or investment objectives. All such changes must be forwarded by the client's investment advisor representative to Busey Capital Management.

Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information about our firm's models.

It is important that you understand that Busey Capital Management manages investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to

you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by our Firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Although we do not directly solicit clients to this program, Busey Capital Management always reserves the right to have the final authority to accept or reject all client arrangements.

The client's primary investment advisor representative will provide a copy of this Disclosure Brochure, our Investment Advisory Agreement and all other documentation required by Raymond James & Associates as the OSM program sponsor including a copy of the OSM program's Wrap Fee Program Brochure. Full details of the program are provided in that document.

Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information about our firm's models.

See Item 5 of this Disclosure Brochure for fee descriptions.

#### **Limits Advice to Certain Types of Investments.**

When managing accounts through our **Traditional Investment Advisory Services**, we will recommend and invest client assets in a range of investments including:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States government securities

We follow a broadly diversified approach, focusing on large mega cap, globally exposed issues, complemented with a high quality laddered bond portfolio.

Investment options for accounts managed through **Busey's Signature Solutions** are limited to no-load (i.e. no trading fee) mutual funds, load-waived (i.e. trading fee waived) mutual funds, and ETFs.

Busey Capital Management does not provide advice on variable life insurance, variable annuities, options contracts on securities and commodities, futures contracts on tangibles and intangibles, interests in partnerships investing in real estate or oil and gas interests, and hedge funds and other types of private (i.e. non-registered) securities.

Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.

### **Participation in Wrap Fee Programs**

Busey Capital Management offers services through both a wrap-fee program (Busey's Signature Solutions) and non-wrap fee program (Traditional Advisory Investment Services). A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), Busey Capital Management will receive all or a portion of the fee charged.

The management of accounts on a wrap-fee basis differs from the non wrap accounts in that only mutual funds and ETFs are used in the wrap fee accounts, while the Traditional accounts hold largely individual issues. Exposure to different asset classes is the objective with both types of accounts. Traditional clients will also be in direct contact with BCM associates, while the wrap fee account clients will be in contact with BCM through their advisor at the outside advisory firm.

### **Client Assets Managed by Busey Capital Management**

The amount of clients assets managed by Busey Capital Management totaled \$210,863,380 as of December 31, 2015. The entire amount is managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements.

By written agreement, fee payments may be assigned by Busey Capital Management to be made payable to our affiliated company, Busy Trust Company. Busey Trust Company is not an investment advisor but is an affiliated trust company.

### **Fees for Traditional Investment Advisory Service**

Busey Capital Management's fee for Traditional Investment Advisory Services is based upon a percentage of assets under management. Accounts will be charged an annualized management fee, which will be divided and assessed monthly. Fees are payable monthly, in arrears and such fees must be paid directly by the client no less than quarterly within fifteen (15) business days at the beginning of the applicable month for which the fees will be incurred. Accounts opened in mid-month will be assessed a pro-rated management fee. Fees are calculated by multiplying the assets under management at the prior month-end by the relevant percent and dividing such product by twelve (12). With regards to employee



related accounts and certain other accounts, the monthly fees may be less, depending upon a number of factors, including portfolio size, length of employment and relationship.

While all advisory fees are negotiable, fees generally never exceed 1.00% of the assets under management.

Fees are calculated on an incremental basis and are subject to change with 30 days written notice. Notwithstanding the above, certain clients of Busey Capital Management with pre-existing relationships may initially be charged fees which are less than those set out above.

### ***Other Fees and Expenses***

Brokerage commissions and/or transaction ticket fees charged by broker/dealer will be billed directly to the client. In addition, all custodial fees and expenses are billed directly to the client accounts. Neither Busey Capital Management nor its affiliated companies receive any portion of commissions, account fees and account expenses charged by broker/dealers and the custodian. To the extent mutual funds are selected to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expense associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including 12b-1 fees and expenses. Clients are advised that, in addition to the annual advisory fee set forth above, each mutual fund in which assets are invested will incur separate investment advisory fees and other expenses for which Client will bear a proportionate share.

### ***Termination of Services***

The Investment Advisory Agreement between Busey Capital Management and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the client shall be responsible for the final month's fee which shall be pro-rated based upon the number of days remaining in the billing month. The value of account assets as of the date of termination will be used to calculate the final fee.

### ***Fees for Busey's Signature Solutions Program***

The total fee charged to clients through Busey's Signature Solution Program does not exceed 1.25%. Approximately 0.85% of that fee is paid to Busey Trust Company to cover the services provided by Busey Capital Management, and the services provided by Busey Investment Services, a division of Busey Trust Company, as a result of their associates' consulting services (in their separate capacities as investment advisor representatives of Raymond James Financial Services Advisors, Inc.) provided directly to clients. Fees are collected quarterly by Raymond James & Associates, as the Outside Money Manager Program ("OSM") sponsor.

### ***Termination of Services***

Busey Capital Management does not charge a termination fee on this program. Clients may terminate this program through the provisions of the agreements of the program sponsor. Any management fees which were pre-paid and not earned will be prorated and refunded by the program sponsor according to the Program Agreement.

For full details regarding fee disclosures and arrangements (including fees and expenses in addition to the management fee) please refer to the OSM Wrap Fee Program Brochure.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because Busey Capital Management **does not charge or accept performance-based fees** which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## Item 7 – Types of Clients

Busey Capital Management generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

All clients are required to execute an agreement for services in order to establish a client arrangement with Busey Capital Management.

### **Minimum Investment Amounts Required**

**Traditional Investment Advisory Services:** We generally require a minimum account size of \$500,000 for Traditional Investment Advisory Services with an initial minimum investment of \$500,000. Account size requirements may be waived under certain circumstances.

**Busey's Signature Solution Services:** We generally require a minimum value of assets of \$125,000 for individuals. The minimum initial investment required is also \$125,000. Minimum account sizes may be waived under certain circumstances.

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

### **Busey Capital Management uses the following methods of analysis in formulating investment advice.**

When formulating investment advice and recommendations we primarily use **Fundamental analysis** which can be described as a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study issues that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

### **Busey Capital Management uses the following investment strategies when managing client assets and/or providing investment advice.**

Busey Capital Management has developed several strategies and models we use when managing client accounts through our Traditional Investment Advisory Services. They are as follows:

#### **SHORT - INTERMEDIATE FIXED INCOME**

Accounts included are comprised of actively managed fixed income accounts with assets greater than \$100K that are managed to the Barclay's Intermediate Government/Corporate Index and Short Corporate Index. These accounts primarily invest in investment grade securities with maturities less than 10 years. Municipals may comprise no more than 5% of the composite.

On 12/31/09, the Short-Intermediate Fixed Income Composite was closed since carve-outs were no longer allowed. The composite re-opened in the 3rd quarter 2010, when a sub account was created to separate the fixed income portion of a client's account.

On 12/31/12, the composites benchmark was changed to the Barclays Government/Corporate Index to reflect the longer duration of the portfolio.

#### **LARGE CAP CORE EQUITY**

Accounts included are comprised of all actively managed equity accounts with assets greater than \$100K that are managed to the S&P 500 Index and an investment mandate of Large Capitalization Core. These accounts primarily invest in large capitalization US value and growth equities.

#### **INTERNATIONAL EQUITY**

Accounts included are comprised of all actively managed international equity accounts with assets greater than \$100K that are managed to the MSCI EAFE Index. These accounts primarily invests in mutual funds that in aggregate represent the international equity market. As of 12/31/09, the International Equity Composite has been closed.

#### **BALANCED**

Accounts included are comprised of all actively managed accounts with assets greater than \$100K that combine our Short-Intermediate Fixed Income, Large Cap Core Equity, and International Equity strategies. The composite benchmark is 30% Standard & Poor's 500 Index, 5% MSCI EAFE, 33% Barclays Intermediate Government/Corporate Index and 32% Barclays Short Corporate Index. The benchmark is rebalanced annually. These accounts primarily invest in large capitalization US value and growth equities, international equities, and investment grade fixed income securities with maturities less than 10 years.

On 12/31/12, the composite benchmark was changed to 30% Standard & Poor's 500 Index, 5% MSCI EAFE, and 65% Barclays Government/Corporate Index. The fixed income benchmark was changed to reflect the longer duration of the portfolio.

#### **SIGNATURE SOLUTIONS 100% EQUITY**

Accounts included are comprised of all actively managed WRAP accounts with initial assets greater than \$75K that invest in our 100% equity strategy. The composite benchmark is the MSCI All Country World Index. These accounts primarily invest in mutual funds that in aggregate represent the global risky portfolio.

**SIGNATURE SOLUTIONS 70% EQUITY**

Accounts included are comprised of all actively managed WRAP accounts with initial assets greater than \$75K that invest in our 70% equity strategy. The composite benchmark is 70% MSCI All Country World Index and 30% Barclay's Aggregate Bond Index. The benchmark is rebalanced annually. These accounts primarily invest in mutual funds that in aggregate represent the global risky portfolio and core fixed income.

**SIGNATURE SOLUTIONS 60% EQUITY**

Accounts included are comprised of all actively managed WRAP accounts with initial assets greater than \$75K that invest in our 60% equity strategy. The composite benchmark is 60% MSCI All Country World Index and 40% Barclay's Aggregate Bond Index. The benchmark is rebalanced annually. These accounts primarily invest in mutual funds that in aggregate represent the global risky portfolio and core fixed income.

**SIGNATURE SOLUTIONS 50% EQUITY**

Accounts included are comprised of all actively managed WRAP accounts with initial assets greater than \$75K that invest in our 50% equity strategy. The composite benchmark is 50% MSCI All Country World Index and 50% Barclay's Aggregate Bond Index. The benchmark is rebalanced annually. These accounts primarily invest in mutual funds that in aggregate represent the global risky portfolio and core fixed income.

The following is information regarding strategies used through our Busey's Signature Solutions:

The investment models managed by Busey Capital Management are broadly diversified across multiple asset classes designed to match the investment objectives as determined by the client's investment advisor. In building these model portfolios several steps are undertaken:

- Utilize Core Satellite Approach as determined by Busey Trust Company research and analysis to construct an outline of asset class allocation.
- Screen mutual fund universe to determine the optimal funds within each allocation
- Perform due diligence on individual mutual funds

Each portfolio model is geared to meet a different set of client goals and objectives:

- 100% Growth Allocation: For clients whose goal is growth, with little to no income needs, and have a 10+ year time horizon.
- 70% Growth Allocation: For clients, who have moderate income needs, need to continue growing their assets, and have a 10+ year time horizon.
- 60% Growth Allocation: For clients who have historically utilized American Funds as a primary investment manager and have moderate income needs, need to continue growing their assets, and have a 10+ year time horizon.
- 50% Growth Allocation: For clients who are sensitive to market fluctuations, have moderate income needs, and have a moderate to long time horizon.

## **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company goes down as a result of overall market conditions, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When our firm invests in an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual

fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **Item 9 – Disciplinary Information**

This item is not applicable to our brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or integrity.

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

Busey Capital Management is an investment advisory firm and only provides investment advisory services. The Firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. We do not have any arrangements whereby we recommend (or refer) clients to a third-party investment advisor.

Busey Capital Management is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) accountant or accounting firm, (6) lawyer or law firm, (7) pension consultant, or (8) sponsor or syndicator of limited partnerships.

The following are descriptions of our affiliated companies and their material arrangements with Busey Capital Management. Please refer to the previous disclosures at Item 4 of this Disclosure Brochure for details regarding our ownership and organizational structure.

#### **First Busey Corporation**

First Busey Corporation is a financial holding company headquartered in Champaign, Illinois, and a publicly held company traded on NASDAQ under the symbol BUSE.

#### **Busey Wealth Management, Inc.**

As described in Item 4 of this Disclosure Brochure, Busey Wealth Management, Inc. is a wholly-owned subsidiary of First Busey Corporation. Busey Wealth Management, Inc. is the holding company of Busey Trust Company which is the parent company of Busey Capital Management.

The Busey companies generally market investment management and trust related services under the name Busey Wealth Management, Inc. Please note that Busey Wealth Management, Inc. is not a

broker/dealer, investment advisor, insurance company or bank. Busey Wealth Management, Inc. is simply a holding company and marketing name.

Through Busey Trust Company (described below), Busey Wealth Management delivers trust and investment services. Retail brokerage and insurance products and services are provided through Raymond James Financial Services under a contract arrangement with Busey Trust Company. Finally, investment management services described in this Disclosure Brochure are provided through Busey Capital Management.

### ***Busey Trust Company***

Busey Trust Company is an Illinois trust company chartered and regulated by the Illinois Department of Financial and Professional Regulation, Division of Banking. It is governed and regulated by the State of Illinois and the Federal Reserve and is subject to the same statutes and regulations that apply to large regional bank trust departments and trust companies. The company's primary focus is managing investments and trusts for individuals and families and for endowment/foundation portfolios, providing retirement plan services. Busey Trust Company provides a broad array of trust administrative services. As part of Busey Trust Company's estate administration and trust services, the company provides investment management, including securities market advice, investment strategy and portfolio management, and safekeeping of valuables, to its clients.

Busey Capital Management has arrangements with Busey Trust Company that are material to our advisory services. The members of our Investment Committee are also members of the Busey Trust Company Investment Committee. Therefore, there is significant overlap between the investment advice and recommendations provided by both firms. Meetings are generally held together and at the same time. Please refer to Item 13 – Review of Accounts for more information.

In addition, the other supervised persons of Busey Capital Management are employees of Busey Trust Company and some of our supervised persons primary responsibilities involve the services provided by Busey Trust Company. Busey Capital Management also benefits from the use of performance software licensed by the Trust Company, and maintains its accounts for recordkeeping purposes on the accounting system maintained by the Trust Company.

As stated in Item 5 – Fees and Compensation, all fees earned by Busey Capital Management are paid to Busey Trust Company per a written agreement between the two companies.

### ***Busey Investment Services and Raymond James Financial Services, Inc.***

Busey Investment Services, a division of Busey Trust Company, provides services under an agreement in place between Busey Trust Company and Raymond James Financial Services, Inc. an independent broker/dealer and Raymond James Financial Services Advisors, Inc. an investment advisor. The companies of First Busey Corporation and Raymond James are independent, unrelated entities with no common control.

The employees of Busey Investment Services are also registered representatives of Raymond James Financial Services, Inc. and/or investment advisor representatives of Raymond James Financial Services Advisors, Inc. Currently none of the employees registered with Raymond James are also supervised persons of Busey Capital Management. If such a situation would arise in the future, when acting in their capacity as representatives of Raymond James, our supervised persons can implement investment

advice separately from the services offered through Busey Capital Management. Other than the ability to refer clients to Busey's Signature Solutions (available only on the Raymond James & Associates Outside Money Manager Program ("OSM")), the arrangement with Raymond James is not considered material to the services provided by Busey Capital Management.

When working with representatives of Raymond James, clients will enter into agreement and be charged commission or fees directly by Raymond James.

In addition, some of the employees of Busey Investment Services are also licensed insurance agents and may recommend or sell insurance products to their clients. However, when doing so they are not acting in their capacity as supervised persons of Busey Capital Management. No insurance products are recommended in connection with the advisory services provided by Busey Capital Management.

As previously stated, clients may be referred from Busey Investment Services to Busey Capital Management. However, we do not pay referral fee to Busey Investment Services and clients are not required to open accounts through Busey's Signature Solutions.

### **Busey Bank**

Busey Bank offers a range of banking services, including commercial, financial, agricultural and real estate loans, and retail banking services, including accepting customary types of demand and savings deposits, making individual, consumer, installment, first mortgage and second mortgage loans, offering money transfers, safe deposit services, IRA, Keogh and other fiduciary services, automated banking and automated fund transfers. The bank is also licensed as a real estate broker.

Other than the fact that some clients of Busey Capital Management are also clients of Busey Bank, our affiliation with Busey Bank is not considered material to our advisory business.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

Busey Capital Management has adopted a Code of Ethics to ensure that securities transactions by Busey Capital Management employees are consistent with Busey Capital Management's fiduciary duty to its clients and to ensure compliance with legal requirements and the Busey Capital Management's standards of business conduct. A written copy of the Busey Capital Management's Code of Ethics is available upon request.

### **Material Financial Interest**

As disclosed in Item 10 of this Disclosure Brochure, our ultimate parent company, First Busey Corporation is a publicly held company (trading under the symbol BUSE on NASDAQ). However, it is our policy to not provide investment advice to our clients regarding First Busey Corporation and we never make recommendations regarding the purchase, sale or continued holding of the stock.

### **Affiliate and Employee Personal Securities Transactions Disclosure**



Securities we recommend and hold for our clients may also be owned by our personnel. This creates a potential conflict of interest because of the incentive for our personnel to place their personal investment interests ahead of our clients. To control for this conflict of interest, we have developed written procedures designed to monitor the personal securities holdings and transactions of our personnel. To control for conflicts of interest, all employees of Busey Capital Management must comply with the Firm's written procedures which impose restrictions on the purchase or sale of securities for their own accounts.

For example, some of our policies include (1) no security may be bought or sold by a supervised person of Busey Capital Management before we have had the opportunity to make such transactions as appropriate for our client accounts. (2) All Busey Capital Management trades made by employees, who make recommendations or participate in the determination of our recommendation, require approval and are reviewed by a principal. (3) Principals and employees will not receive a more favorable execution price on a particular day than those received by their investment advisory clients.

Our written procedures require reports at least quarterly on all personal securities transactions, except transactions in investment company securities and/or other exempt transactions. Further, our procedures impose certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading.

## **Item 12 – Brokerage Practices**

### **A. Brokerage Practices for Traditional Investment Advisory Services**

Busey Capital Management has not entered into any formal, written, soft-dollar agreements whereby we agree to direct a pre-determined dollar amount of commissions resulting from our client transactions in exchange for payment of research and trading tools. However, we do consider the general expertise, support, research and assistance provided by broker/dealers when determining which broker/dealer we will affect trades through.

Clients using our Traditional Investment Advisory Services may pay higher commissions than those obtainable from other brokers in return for the products and services provided to Busey Capital Management, although Busey Capital Management believes the charges imposed by the broker/dealers chosen are well within industry norms. Research provided by the broker/dealer and/or obtained from third-party vendors may be used to service all clients of Busey Capital Management.

### **Selection Criteria for Brokers and Dealers**

Busey Capital Management's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

The factors include, but are not limited to: Busey Capital Management's knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker/dealer selected and others which are considered; Busey Capital Management's knowledge of actual or apparent operational problems of any broker/dealer; the

broker/dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

When buying or selling securities in dealer markets, Busey Capital Management may, subject to best execution, deal directly with market makers either on a commission basis or on a "net" basis, without paying the market maker any commission, commission equivalent or markup/markdown other than the "spread." Net trades mean that the market maker profits from the "spread," that is, the difference between the price paid (or received) by Busey Capital Management and the price received (or paid) by the market maker in trades with other broker-dealers or other customers. Most NASDAQ securities are now traded on a commission basis as more and more market makers shift from principal to agency trading.

Busey Capital Management may also use an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS") to effect such over-the-counter trades when, in Busey Capital Management's judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions. Busey Capital Management will pay a commission to an ECN or ATS that when added to the price is still better than the overall execution price that might have been attained trading "net" with a market maker.

#### ***Commission Rates or Equivalents Policy***

Busey Capital Management endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. However, Busey Capital Management will not select broker/dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although Busey Capital Management generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer involved resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help Busey Capital Management in providing investment management services to clients. Busey Capital Management may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance.

On at least an annual basis, the Busey Capital Management Investment Committee conducts a review of all previously used broker/dealers. This is considered our Firm's "Best Execution" review. The results are used to officially compare currently used broker/dealers against their competitors and to help determine any changes to approved broker/dealers.

#### ***Client Directed Brokerage Arrangements***

Clients may limit Busey Capital Management's discretionary authority in any or all of the situations described above. In particular, clients may direct Busey Capital Management to use particular broker/dealers to execute portfolio transactions for their accounts. Where a client directs the use of a particular broker/dealer, or broker/dealers, Busey Capital Management may not be in a position where it can negotiate commission rates or spreads or obtain volume discounts and best price may not be

achieved. Further Busey Capital Management likely will not be able to include client directed brokerage arrangement accounts in block trades.

### **B. Brokerage Practices for Busey's Signature Solutions**

Busey Capital Management uses Raymond James Financial Services, Inc. as the trading platform for all of Busey's Signature Solutions accounts which are always established through the Outside Money Manager Program ("OSM"). This is because the OSM program's sponsor, Raymond James & Associates, retains complete authority to select the broker/dealer for all accounts. As such, Busey Capital Management is neither able nor responsible for monitoring or ensuring best price or best execution.

### **C. Block Trading Procedures**

It is our policy to allocate securities selected for managed accounts in a manner in which we believe to be in the best interests of our clients. When we determine to invest in the same direction in the same security at the same time for more than one of our managed accounts, we will generally place orders for all such accounts simultaneously. This is commonly known as "block trading". If all orders are not filled at the same price, we will, to the greatest extent possible, allocate the trades so that the order for each account is filled at the same average price. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, we will allocate the trades among the different accounts on a basis we consider equitable.

In general, we attempt to aggregate multiple orders for the purchase or sale of the same security into block transactions, subject to the overall obligation to achieve best price and execution for the Client Accounts. There is no obligation to include any client account in a bunched order unless the portfolio manager believes it is in the client account's best interest. In making this determination, the portfolio manager may consider a number of factors, including, but not limited to: the Client Account's investment objective and policies, investment guidelines, liquidity requirements, legal or regulatory restrictions, tax considerations, and the nature and size of the bunched order.

### **D. Handling of Trade Errors.**

Based on industry practice and SEC guidance to broker-dealers, a trade error under this policy is defined as including:

- Inaccurate transmission or execution of any term of an order including, but not limited to: price; number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
- Unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of securities, or the failure to follow specific client instructions; and
- Incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Busey Capital Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by BCM if the error was caused by our company. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. We may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons). We will never benefit or profit from our trade errors.

### **Item 13 – Review of Accounts**

#### **Account Reviews and Reviewers**

Busey Capital Management's Investment Committee generally holds a formal meeting to review portfolio strategy on a weekly basis but no less than monthly, in which it discusses and determines if changes are necessary to the current strategy which may affect client holdings. Changes may be deemed appropriate based on but not limited to, the economic environment, changes in a securities financial outlook, management or litigation issues. Informal reviews of specific model holdings are done on a daily basis by members of the Investment Committee. A member of the Investment Committee may call a formal meeting more frequently if deemed necessary.

For **Traditional Investment Advisory Services**, Busey Capital Management Investment Committee members review accounts on no less than a quarterly basis for the purposes of determining potential portfolio rebalancing decisions and other investment changes that may be appropriate depending on the specific client needs and circumstances.

For **Busey's Signature Solutions**, the Busey Capital Management Investment Committee reviews account allocations on a quarterly basis for the purpose of determining if portfolio rebalancing may be appropriate. Busey Capital Management acts solely as a discretionary asset manager for Busey's Signature Solutions accounts. Busey Capital Management has no client interaction and fully relies on the investment model selection chosen by the client through consultation with the program sponsor and/or its representatives to manage the client's portfolio on an individual needs basis.

#### **Statements and Reports**

For **Traditional Investment Advisory Services**, the nature and frequency of reports to clients are determined primarily by the particular needs of each client. Clients receive account statements from the custodian detailing all activity and holdings in the client's accounts on a schedule to be determined by the client with the Custodian. Clients do not receive regular statements from BCM.

For **Busey's Signature Solutions**, client reports and their frequency are prepared and determined by the OSM program sponsor, Raymond James & Associates. Busey Capital Management does not interact with, nor provide reporting to, the program's clients.

## Item 14 – Client Referrals and Other Compensation

Busey Capital Management does not directly or indirectly compensate anybody for client referrals. Although we receive referrals from the associates of our affiliate, Busey Investment Services, Inc., in their capacity as representatives of Raymond James Financial Services, we do not pay Busey Investment Services, Inc. or Raymond James Financial Services a referral fee.

The only form of compensation received by Busey Capital Management from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this brochure. Busey Capital Management receives no other forms of compensation in connection with providing investment advice.

## Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

**It is the policy of Busey Capital Management to not maintain custody of client funds and securities.** In addition, our advisory programs require the following.

1. All accounts managed by Busey Capital Management are held at a qualified custodian in a separate account for each client under that client's name.
2. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained.
3. Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are **urged** to compare the statements against reports received from Busey Capital Management.

## Item 16 – Investment Discretion

It is the policy of Busey Capital Management to maintain **discretionary** trading authorization over all **Traditional Investment Advisory Services** accounts we manage. Such authorization will be provided by the client in our standard client agreement for services. By granting discretionary authority, Busey Capital Management will have the authority to determine (1) the type of securities, (2) the amount of securities that can be bought or sold for the client's portfolio, (3) the broker/dealer to be used, and (3) the commission rates paid without obtaining the client's consent for each transaction.

For accounts managed on through **Signature Solutions**, clients must also grant us authority to trade their accounts on a **discretionary** basis. This will permit us to determine (1) the type of securities and (2) the amount of securities that can be bought or sold for the client's portfolio.

Traditional Investment Advisory Services clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account and may occasionally direct a specific trade.

Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

## **Item 17 – Voting Client Securities**

### **Summary of Proxy Voting Policy**

Unless a client has specifically retained voting authority, it is the policy of our Firm to vote proxies for all accounts we manage in accordance with client instructions, if any, and in a manner in which we believe to be in the best interest of our clients. You may contact Busey Capital Management trading group at our Firm if you have specific proxy voting instructions you would like us to follow.

Generally speaking, Busey Capital Management's Investment Committee is responsible for determining proxy voting guidelines. Our guidelines are always designed to ensure that all issues are analyzed in light of our fiduciary duty to clients and therefore voting corporate actions in the best interests of our clients. Guidelines are meant to encourage the maximization of return for the client through identifying and avoiding financial, audit and corporate governance risks.

- If you would like to obtain information from our Firm about how we voted your specific securities, you can contact Busey Capital Management trading group.
- If you would like to find out more or read our Firm's proxy voting policies and procedures in their entirety, please contact Robert Ballsrud.

### **Class Action Lawsuits**

We do not render any advice or take any action on behalf of our clients with respect to securities or other investments held in our client accounts which become the subject of legal proceedings including bankruptcies. Therefore, in accordance with applicable law, you retain the right to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for your accounts managed by our Firm. We will never initiate legal proceedings on behalf of our clients and we do not provide legal advice to our clients regarding potential causes of action against a security issuer. Further, we are unable to provide advice to you about whether or not you should join a class-action lawsuit. In such situations, we always recommend our clients seek legal counsel prior to making a decision about whether to participate in a class-action lawsuit. Finally, our services do not include monitoring or informing our client of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold for our client accounts.

## **Item 18 – Financial Information**

This item is not applicable to this brochure. Busey Capital Management does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Busey Capital Management has not been the subject of a bankruptcy petition at any time.

