



STERLING
CAPITAL

Firm Brochure

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This Brochure provides information about the qualifications and business practices of Sterling Capital Management (“Sterling”). If you have any questions about the contents of this Brochure, please contact us at (704) 372-8670 and/or scmcompliance@sterling-capital.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 Sterling is also available on the SEC’s website at www.adviserinfo.sec.gov.

Although Sterling may use the term “registered investment adviser” or use the term “registered” through this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.

Item 2 – Material Changes

Material Changes since March 28, 2014 Annual Amendment

Below are the material changes that occurred since our last Annual Amendment dated March 28, 2014

November 28, 2014 – The Sterling Capital Behavioral International Equity Fund launched.

December 10, 2014 – Revised Item 9 – Disciplinary Information to include an immaterial amount of a BB&T pending litigation attributable to BB&T Asset Management, LLC. Sterling is successor organization through merger with BB&T Asset Management, LLC and thus requires disclosure.

February 1, 2015 – The names of Sterling Small Cap Value Diversified Alpha Fund and the Sterling Large Cap Value Diversified Alpha Fund changed to Sterling Behavioral Small Cap Value Equity Fund and Sterling Behavioral Large Cap Value Equity Fund.

March 31, 2015 - Revised Item 17- Proxy Voting to include instances where Sterling may be unable to vote or may determine to refrain from voting in certain circumstances.

July 15, 2015 - Sterling Capital Management eliminated the early redemption fee for the Elite UMA program.

August 1, 2015 – Sterling Capital Management welcomed a team of 8 new employees via Stratton Management Company following the close of BB&T's purchase of Susquehanna Bancshares. The team is located in King of Prussia, PA and will continue to be responsible for the management and administration of the Stratton Mutual Funds to which Sterling Capital Management is acting as advisor. The Funds include a small cap value fund, a mid-cap value fund and a REIT fund.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Sterling's Compliance Department at scmcompliance@sterling-capital.com. Additional information about Sterling Capital Management LLC is also available via the SEC's web site www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

Organization

Sterling Capital Management LLC (“Sterling”) is a registered¹ investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. The firm was founded in 1970. Sterling is an independently operated subsidiary of BB&T Corporation (NYSE: BBT), one of the nation's largest financial services holding companies. Headquartered in Charlotte, NC with offices in Raleigh, NC; Atlanta, GA; Washington, DC; King of Prussia, PA; Richmond and Virginia Beach, VA and San Francisco, CA, Sterling has approximately 105 investment and client services professionals with approximately 134 employees total.

Assets Under Management

As of 6/30/2015, Sterling’s assets under management were approximately \$50 billion. Sterling manages approximately \$42 billion in client assets on a discretionary basis and \$8 billion on a non-discretionary basis. An account may be managed on a non-discretionary basis upon a client’s request.

Advisory Services

Sterling currently provides investment management services and model portfolio management services as discussed below. These services are both discretionary and nondiscretionary advisory services.

A. Investment Management Services

Sterling provides continuous and regular investment management services to a variety of clients. We provide investment management services when we have discretionary authority over a client’s portfolio and provide ongoing supervisory or management services with respect to the client’s portfolio. We generally exercise discretionary authority without client consultation after initially establishing the investment objective with the client.

Sterling also provides investment management services when we do not have discretionary authority over a client’s portfolio but we have ongoing responsibility to select and make recommendations to a client as to specific securities or other investments that may be purchased or sold for a client’s portfolio. In these instances, if our recommendations are accepted by the client, we are responsible for arranging or effecting the purchase or sale of such securities or other investments. Because we do not have discretionary authority, we may refer to these services as non-discretionary advisory services.

Client portfolios are managed in accordance with the investment objective established with the client. Clients may specify investment policy restrictions on investing in certain securities or types of securities such as prohibiting preferred securities, private placements, non-investment grade securities, etc.

B. Model Portfolio Management Services

Sterling also furnishes investment advice and recommendations through the provision of model portfolios

¹ Registration does not imply a certain level of skill or training.

for certain of our investment strategies and periodic updates to the model portfolios. We typically provide these services to investment advisory firms or other managers (“Overlay Managers”). The Overlay Managers utilize our model portfolios and periodic updates, either alone or together with other model portfolios provided by the Overlay Managers or other investment advisers, to manage the assets of the Overlay Manager’s clients. In certain cases, we provide our model portfolios, and periodic updates, to technology or other companies that operate platforms or programs (“Platform Providers”) in which Overlay Managers participate. The Platform Providers make our model portfolios available to Overlay Managers that use their platforms.

When providing model portfolios, we generally do not have investment discretion (the Overlay Manager has investment discretion). We generally do not have trading responsibilities. We do not have an advisory relationship with the Overlay Manager’s clients. We also do not manage our model portfolios on the basis of the financial situation or investment objective of individual clients. We generally only manage our model portfolio. In certain cases, Sterling provides model portfolios to Overlay Managers and Sterling effects the trades resulting from the model portfolio changes.

Types of Accounts Sterling Manages

Sterling provides advisory services through a variety of accounts, institutional or high net worth individuals (“Separate Accounts”), separately managed accounts or wrap fee programs (“Managed Accounts”), and registered investment companies or mutual funds (“Investment Companies”).

A. Separate Accounts

Sterling provides investment management services to a variety of clients. When providing such services, we enter into an investment management agreement with the client. This agreement among other provisions, describes the client’s investment policy statement and/or our investment strategy or mandate pursuant to which we will manage the client’s portfolio. The client’s portfolio is custodied at a qualified custodian selected by the client.

B. Managed Accounts

Sterling participates as an investment manager or portfolio manager in certain separately managed account or wrap fee programs (“Managed Accounts”). Managed Accounts generally are investment programs under which a client is charged a specified fee or fees not based directly upon transactions in a client’s portfolio for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions. Custody and other services also may be provided (but not by Sterling) for the specified fee or fees. We receive a portion of the fees paid by the Managed Account client for our services.

In Managed Account Programs, clients, with or without the assistance of the Sponsors of the Managed Account Program, select or appoint Sterling to manage designated client assets in accordance with one or more of our investment strategies. The Sponsors typically are broker-dealers, financial institutions or other investment advisory firms which sponsor, operate, and administer the Managed Account Programs. When providing investment management to Managed Accounts, we typically act as sub-adviser to the Sponsor’s program in which we participate. We typically have a sub-advisory arrangement or other program agreement with the

Sponsors. The Sponsors typically enter into investment management agreements with clients; we typically do not have direct investment management agreements with clients that participate in Managed Account programs. Sterling may get a direct grant of investment discretion through the investment management agreement between the Sponsor and the client. The Sponsors typically provide portfolio manager selection, performance reporting, and evaluation, custody, brokerage and other administration services, or a combination of these services to clients. We only provide advisory services to clients of the Managed Account Programs.

Managed Account Programs may also be structured as dual contract or unbundled relationships. In these relationships, Sponsors will enter into brokerage agreements with clients and Sterling will enter into separate investment management agreements directly with the same clients.

There are certain differences between how we manage Managed Accounts versus how we manage other client accounts. For example, when participating in Managed Account Programs, the Sponsor is typically responsible for determining the suitability of the Managed Account Program, as well as Sterling and our investment strategy for the client. We typically are only responsible for managing client's assets in accordance with our investment strategy that has been selected and any reasonable restrictions imposed by the client. In certain Managed Accounts, the Sponsor may limit the information available to us. We may be restricted by Sponsors from communicating directly with clients; communications regarding the client typically must be directed through the Sponsor.

Sterling may also provide Model Portfolio Management to Overlay Managers or Sponsors that participate as managers, sponsors or operate Managed Accounts.

Sterling serves in different capacities under two "wrap fee" arrangements, Adviser only and Plan Sponsor.

i. Adviser Only

A wrap fee program bundles or wraps together a suite of services, such as investment advice, trading, custodial and other services provided by the sponsor in one contract for a single fee. In "*adviser only*" arrangements, Sterling is retained as an investment adviser *by* the wrap fee program sponsor. Trades are executed only with the referring broker-dealer to avoid the client incurring incremental brokerage costs that would be incurred by use of other broker-dealers. Transactions are effected "net" and a portion of the wrap fee is considered in lieu of commissions.

In evaluating a "wrap fee" arrangement, the client should consider the amount of portfolio activity and the value attributed to monitoring, custodial and any other services provided and whether the wrap fee would exceed the aggregate cost of such services if they were separately provided and Sterling were free to choose broker-dealers to execute portfolio transactions.

ii. Plan Sponsor to Elite UMA

In addition to the Managed Account Programs discussed above, Sterling also offers the Elite UMA Program ("Elite"), a Managed Account Program for which Sterling serves as investment adviser and sponsor. Elite is a wrap fee program where a single Program fee pays for the investment advisory services, brokerage and other transaction costs and custodian fees for Elite accounts. Under Elite, Sterling actively manages client portfolios in accordance with different model portfolio investment strategies designed for clients with different financial circumstances, investment objectives and risk tolerances (each a "Model Strategy"). Elite accounts may be managed using mutual funds only or, in certain cases, clients may have the option of having a portion of the account managed separately using common stocks, other equity securities and fixed income securities. In addition, clients may request a tax management option to have their portfolio managed with a focus on tax efficiency. Additional information about the Elite UMA program may be found in Part 2A Appendix 1 of Sterling's Form ADV.

C. Investment Companies

Sterling also provides investment management to investment companies. Investment companies are pooled investments registered under the Investment Company Act of 1940. Sterling is the investment adviser to the Sterling Capital Funds and the Stratton Mutual Funds, together, the "Affiliated Funds". Sterling manages and supervises the investment of the Affiliated Funds' assets on a discretionary basis, subject to oversight by the Funds' Board of Trustees. Sterling also acts as sub-adviser to other investment companies.

Item 5 – Fees and Compensation

Sterling is compensated for providing investment advisory services by charging an investment management fee. Generally, the investment management fee is based on an annual rate on total assets under management.

Occasionally Sterling may consult on a small percentage of accounts that are not actively managed by Sterling. Hourly charges or fixed fees are set when the amount of work involved is not directly related to the assets under management.

Investment management fees may be negotiated under certain circumstances. These negotiations are entered into only when such factors as account size, type of investments and activity are taken into consideration. The negotiations may result in a reduced or higher fee or a fixed fee. Any deviation from Sterling's standard fee schedule must be justified and warranted. Please refer to the Fee Schedules below for more information relating to Sterling's fees.

Sterling will generally bill its fees on a quarterly basis. Clients generally may elect to be billed directly for fees or to authorize Sterling to debit fees from client accounts. For some wrap clients, including Elite UMA, direct billing is not an option; Sterling is authorized and directed to invoice the custodian for the client's fees.

Except as described below, Sterling's advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges

imposed by custodians, brokers, and other third parties such as 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 in addition to Sterling's advisory fee.

Where appropriate and in accordance with applicable laws, Sterling may recommend to its clients that they purchase shares of registered investment companies (mutual funds) that Sterling serves as investment adviser (the "Affiliated Funds"). Clients should note that Sterling may have a conflict of interest in these cases because Sterling receives an adviser and/or administration fee from the Affiliated Funds. Clients have the right, at any time, to prohibit us from investing any of their managed assets in the Affiliated Funds.

Sterling's Elite UMA Program charges one "wrap fee", which includes the investment advisory services, brokerage and other costs and custodian fees for client's account.

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

The specific manner in which fees are charged by Sterling is established in a client's written agreement. Clients may be billed in advance or arrears depending on the specific client relationship. Please refer to the Fee Schedules below for more information relating to Sterling's fees.

Sterling's investment management agreement may be cancelled by either party upon written notice. For clients that pay fees in advance, fees are refunded on a pro-rata basis for the portion of the quarter during which the portfolio is no longer under management. For clients that pay in arrears, any earned unpaid fees will be billed on a pro-rata basis payable and due to Sterling.

Sterling does not receive compensation from the sale of securities or other investment products.

The minimum account size generally required to open or maintain an account varies by type of account. Under certain circumstances the stated minimum may be waived by Sterling.

FEE SCHEDULES

SEPARATE ACCOUNTS

1. Private Client

Investment Management fees are based on the following annual rate on total assets under management. Fees may be paid in advance or arrears depending on the client relationship. Minimum investment required of \$10 million.

Equities

1.00% on the first \$5,000,000
 0.75% on the next \$10,000,000
 0.65% on the next \$10,000,000
 0.50% on amounts over \$25,000,000

Fixed Income

0.50% on the first \$5,000,000
 0.40% on the next \$5,000,000
 0.25% on amounts over \$10,000,000

Minimum Annual Fee: \$10,000

Unified Investment Strategy Fees: A 0.50% Fee will be added to the Market Value of equity assets managed through the Unified Managed Account Platform.

Additional Services: From time to time, Sterling may charge a flat fee for services rendered other than investment management. This fee is negotiable and will be determined at the time of service.

2. Institutional

Small Cap Value and Small-Mid Cap Value Equity Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

1.00% on the first \$25 million
 0.75% on all incremental assets above \$25 million

Small Cap Value Diversified Alpha Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

0.75% on the first \$25 million
 0.65% the next \$25 million
 0.55% on all incremental assets above \$50 million

International Equity Diversified Alpha Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.75% on the first \$25 million
- 0.65% the next \$25 million
- 0.55% on all incremental assets above \$50 million

Large Cap Value Diversified Alpha Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.60% on the first \$25 million
- 0.50% the next \$25 million
- 0.40% on all incremental assets above \$50 million

Mid Cap Value Equity Portfolios - Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.85% on the first \$10 million
- 0.70% on the next \$15 million
- 0.60% on all incremental assets above \$25 million

Equity Income Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.70% on the first \$25 million
- 0.60% on the next \$25 million
- 0.50% on the next \$25 million
- 0.40% on all incremental assets above \$75 million

Leaders Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.70% on the first \$25 million
- 0.60% on the next \$25 million
- 0.50% on the next \$25 million
- 0.40% on all incremental assets above \$75 million

SMID Opportunities Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.70% on the first \$25 million
- 0.60% on the next \$25 million
- 0.50% on the next \$25 million
- 0.40% on all incremental assets above \$75 million

Insight Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.70% on the first \$25 million
- 0.60% on the next \$25 million
- 0.50% on the next \$25 million
- 0.40% on all incremental assets above \$75 million

Special Opportunities Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.70% on the first \$25 million
- 0.60% on the next \$25 million
- 0.50% on the next \$25 million
- 0.40% on all incremental assets above \$75 million

Enhanced Equity Portfolios – Investment Management fees are based on the following annual rate on total assets under management. Fees are payable either, in advance at the beginning of each quarter, or in arrears at the end of each quarter, depending upon specific client relationships. The minimum balance for separate accounts is \$10 million.

- 0.70% on the first \$25 million
- 0.60% on the next \$25 million
- 0.50% on the next \$25 million
- 0.40% on all incremental assets above \$75 million

Cash/Enhanced Cash Fixed Income Portfolios - Investment Management fees are billed each quarter in arrears, based on the average daily market value of the assets in the account during the quarter. The minimum balance for separate accounts is \$50 million. Accounts with less than \$50 million may be charged a higher asset-based fee, or a flat quarterly fee which may result in a higher asset based fee.

- 0.15% on the first \$100 million
- 0.125% on the next \$100 million
- 0.10% on all incremental assets above \$200 million

Short Term Fixed Income Portfolios - Investment Management fees are billed each quarter in arrears, based on the average daily market value of the assets in the account during the quarter. The minimum balance for separate accounts is \$25 million. The minimum annual fee for all short term fixed income portfolios is \$62,500.

- 0.15% on the first \$100 million
- 0.125% on the next \$100 million
- 0.10% on all incremental assets above \$200 million

Intermediate or Core Fixed Income Portfolios - Investment Management fees are billed each quarter in arrears, based on the average daily market value of the assets in the account during the quarter. The minimum balance for separate accounts is \$20 million. Accounts with less than \$20 million may be charged a quarterly fee, which may result in a higher asset based fee.

- 0.25% on the first \$50 million
- 0.20% on all incremental assets above \$50 million

Intermediate or Core Fixed Income Municipal Portfolios - Investment Management fees are billed each quarter in arrears, based on the average daily market value of the assets in the account during the quarter. The minimum balance for separate accounts is \$20 million. Accounts with less than \$20 million may be charged a quarterly fee which may result in a higher asset based fee.

- 0.35% on the first \$10 million
- 0.25% on the next \$40 million
- 0.15% on all incremental assets above \$50 million

MANAGED ACCOUNTS

1. Elite UMA Wrap:

Program fees are based on the following annual rate on total assets under management. Fees are payable in advance at the beginning of each quarter, based on the market value of the assets at the end of the previous quarter as determined by the Program's overlay manager. Minimum investment required of \$50,000.

<u>Model Selection</u>	<u>Non-Retirement Accounts \$1,000,000 and under</u>	<u>Non-Retirement Accounts Over \$1,000,000</u>	<u>Qualified Retirement Accounts \$1,000,000 and under</u>	<u>Qualified Retirement Accounts Over \$1,000,000</u>
Aggressive Growth Growth Balanced Income & Growth Income Primary Income	1.50%	1.25%	1.85%	1.60%
Fixed Income Only Municipal Bond Diversified Income	1.00%	1.00%	1.25%	1.25%

- The fee rates listed above do not include any expenses charged within underlying mutual funds. The fee rates listed above do not include fees paid to managers of equity or fixed income strategies selected for the UMA individual model managers. Client accounts will bear these fees in addition to the fee rates listed above, except for qualified retirement accounts, in which any management or advisory fees charged by Sterling will be rebated to the account.
- Clients may elect a Tax-Overlay Option (which includes Tax Harvesting) and will pay an additional 0.10% annually on all account assets.
- Clients may elect a Tax-Harvest Only Option and will pay an additional 0.05% annually on all account assets.
- Clients will be provided with a quarterly performance report, electronically or through mail, at no additional fee.

Additional information about the Elite UMA program may be found in Part 2A Appendix 1 of Sterling's Form ADV.

2. Wrap Programs

Fees charged by Sterling to affiliated and unaffiliated wrap fee program sponsors for Sterling's portfolio management service. Minimum investment required of \$100,000.

Fee: 0.60% on all program assets

3. Sterling UMA Platform Fees

Fees charged by Sterling to internal affiliate partners are for internal use only and are subject to negotiation. The entities include but are not limited to affiliates such as BB&T Wealth and BB&T Retirement and Institutional Services. These entities engage Sterling for its open architecture investment platform products and services. Fees may or may not be passed through to the client in part or in whole by affiliate partners. The client may pay additional fees to affiliate partners for the same or other products and services.

4. Investment Models

Fees shown are for the model only and do not include underlying manager fees. Fees shown are charged directly to individual clients or external investment platform sponsors.

Fee: 0.50% for all Investment Models

INVESTMENT COMPANIES

Sterling Capital Funds and Stratton Mutual Funds

Sterling serves as investment adviser to portfolios of the Sterling Capital Funds and the Stratton Mutual Funds ("Affiliated Funds"), registered investment companies. Investment management fees are based on the following annual rate on total assets under management. Fees are payable in arrears at the end of each month. The contract may be terminated by either party upon 60 days written notice. Upon termination, the Affiliated Funds will be billed for costs incurred up to the date of termination. A full refund will be provided without penalty if the Affiliated Funds terminate the agreement, in writing, within five business days of the contract being executed.

STERLING CAPITAL FUND	ADVISORY FEE	STERLING CAPITAL FUND	ADVISORY FEE
Behavioral Small Cap Value Equity	0.75%	Kentucky Intermediate Tax-Free	*0.35%
Behavioral Large Cap Value Equity	*0.60%	Maryland Intermediate Tax-Free	*0.35%
Behavioral International Equity	*0.65%	North Carolina Intermediate Tax-Free	*0.35%
Mid Value	0.70%	South Carolina Intermediate Tax-Free	*0.35%
Special Opportunities	0.75%	Virginia Intermediate Tax-Free	*0.35%
Equity Income	0.70%	West Virginia Intermediate Tax-Free	*0.35%

STERLING CAPITAL FUND	ADVISORY FEE	STERLING CAPITAL FUND	ADVISORY FEE
Securitized Opportunities	*0.31%	Strategic Allocation Conservative	*0.00%
Short Duration Bond	*0.28%	Strategic Allocation Balanced	*0.00%
Intermediate U.S. Government	*0.35%	Strategic Allocation Growth	*0.00%
Total Return Bond	*0.27%	Ultra Short Bond	0.20%
Long/Short Equity	1.50%	Corporate	0.35%

*Sterling has contractually agreed to limit the management fees paid by the Fund for the period from February 1, 2015 through January 31, 2016. This contractual limitation may be terminated during this period only by the Fund, and will automatically terminate upon termination of the Investment Advisory Agreement between the Fund and the Adviser. Please refer to the Funds' prospectus for additional information.

STRATTON MUTUAL FUND	ADVISORY FEE
Real Estate Fund	0.625%
Mid Cap Value Fund	0.75%
Small Cap Value Fund	0.85%

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

Sterling may enter into performance related fee arrangements if determined individually between the client and Sterling, and if allowed by law. Sterling will take into consideration the investment objectives of the client, as well as what Sterling deems to be reasonable performance goals.

Portfolio managers responsible for the management of performance-based accounts may also be responsible for the management of accounts with an asset-based fee or other fee arrangement. Performance-based fee arrangements may create an incentive for Sterling to recommend investments which may be riskier or more speculative than those which would be recommended under an asset-based fee or other fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Sterling has procedures designed and implemented to ensure that clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients. Reasons for non-pro rata allocations may include differing investment objectives, restrictions, risk characteristics, tax implications and other factors.

Item 7 – Types of Clients

Sterling may provide investment advisory services to a diversified group of clients including individuals, high net worth individuals, trusts, estates, banking or thrift institutions, investment companies (including mutual funds), investment advisers, pension and profit sharing plans (other than plan participants), charitable organizations,

corporations and other business entities, insurance companies, state and municipal government entities, churches, wrap programs and managed investment pools (e.g. a hedge fund).

Account minimums vary by type of client (e.g. wealth management, institutional, wrap, managed investment pools) and by investment type (e.g. fixed, equity) and product (e.g. small, mid, balanced, short term fixed, intermediate fixed). For specific account minimums, please refer to Item 5 – Fees and Compensation.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

Methods of Analysis

Sterling’s security analysis methods include: charting, fundamental, technical, quantitative, qualitative and cyclical. In conducting security analysis, we utilize a broad spectrum of information, including financial publications, third-party research materials, annual reports, prospectuses, regulatory filings, company press releases, corporate rating services, inspections of corporate activities and meetings with management of various companies.

Investment Strategies

Sterling offers various investment strategies to its clients and in doing so may invest in a wide range of securities and other financial instruments unless expressly limited by written direction or our client’s guidelines and policies. We employ a range of investment strategies to implement the advice we give to clients including: long term purchases, short-term purchases, trading, short sales, option strategies including covered options, uncovered options or spreading strategies and over-the-counter derivative strategies.

Principal Investment Strategies

A brief summary for each principal investment strategy listed below is included along with the methods of analyses and principal risks of investing in the product. Sterling’s principal investment strategies are:

STRATEGY NAME	STRATEGY NAME
Taxable and Tax Exempt Fixed Income	Small, SMID and Mid Cap Value Equity
Advisory Solutions Multi-Strategy Models	Diversified Alpha (Small Cap Value Diversified, Large Cap Value Diversified and International Diversified)
Equity Opportunities (Special Opportunities, Equity Income, Insight, Leaders and SMID Opportunities)	Equity Opportunities (Enhanced Equity)
Large Cap Equity (Core Equity, Focused Equity and Dividend Advantage)	Long/Short Equity (Multi-Manager)
Diversified Income	Real Estate

Principal Strategy and Methods of Analysis - Taxable and Tax Exempt Fixed Income

Depending on client objectives, the portfolio manager will invest in one or all of the following fixed income securities: securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, corporate bonds, preferred stock, taxable and tax exempt municipal securities, asset-backed securities, mortgage-backed securities, including commercial mortgage-backed securities, and convertible securities.

The portfolio manager combines elements of both “top-down” as well as “bottom-up” investment management strategies in constructing portfolios. The “top-down” macro view drives the manager’s interest rate risk and sector allocation decisions, while “bottom-up” credit fundamentals drive the manager’s security selection decisions. For yield curve management, in addition to the trend in interest rates, other factors such as future inflation expectations, supply factors, and forward curve analysis are considered. Sector weightings are driven by a combination of the firm’s macro view on interest rates and volatility as well as relative spread analysis. Utilizing fundamental analysis the portfolio manager then selects individual securities consistent with the target by looking for the best relative values within particular sectors. The analysis includes an attempt to understand the structure and embedded features of potential securities. Features that are analyzed include puts, calls, sinking fund requirements, prepayment and extension risk, and individual company financial data for potential corporate holdings. Scenario analysis is the primary tool employed for these assessments.

Principal Risks – Taxable and Tax Exempt Fixed Income

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are the principal risks of investing in the strategy.

Interest Rate Risk: The possibility that the value of the portfolio will decline due to an increase in interest rates. Interest rate risk is generally higher for longer-term debt instruments and lower for shorter-term debt instruments.

Credit Risk: The possibility that an issuer cannot make timely interest and principal payments on its debt securities such as bonds. The lower a security’s rating, the greater its credit risk.

Income Risk: The possibility that the portfolio’s income will decline due to a decrease in interest rates. Income risk is generally high for shorter-term bonds and low for longer-term bonds.

Counterparty Risk: The possibility that a counterparty to a contract will default or otherwise become unable to honor a financial obligation.

Liquidity Risk: The possibility that certain securities or derivatives may be difficult or impossible to sell at the time and the price that would normally prevail in the market. The seller may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on performance.

Estimated Maturity Risk: The possibility that an underlying security holder will exercise its right to pay principal on an obligation earlier or later than expected. This may happen when there is a rise or fall in interest rates. These events may shorten or lengthen the duration (i.e., interest rate sensitivity) and potentially reduce the value of these securities.

Prepayment/Call Risk: When mortgages and other obligations are prepaid and when securities are called, the portfolio manager may have to reinvest in securities with a lower yield or fail to recover additional amounts (i.e., premiums) paid for securities with higher interest rates, resulting in an unexpected capital loss. Call risk is the possibility that, during periods of declining interest rates, a bond issuer will “call” — or repay — higher-yielding bonds before their stated maturity date. In both cases, investors receive their principal back and are typically forced to reinvest it in bonds that pay lower interest rates.

High-Yield/High-Risk Debt Securities: High-yield/high-risk debt securities are securities that are rated below investment grade by the primary rating agencies. These securities are considered speculative and involve greater risk of loss than investment grade debt securities.

U.S. Government Securities Risk: Although U.S. Government Securities issued directly by the U.S. Government are guaranteed by the U.S. Treasury, other U.S. Government Securities issued by an agency or instrumentality of the U.S. government may not be. No assurance can be given that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Derivatives Risk: The possibility of suffering a loss from a use of derivatives. The primary risk with many derivatives is that they can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative instrument. Use of derivatives for non-hedging purposes is considered a speculative practice and involves greater risks.

Mortgage-Backed and Asset-Backed Securities Risk: Mortgage-backed and other asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Rising interest rates tend to extend the duration of mortgage-backed securities, making them more sensitive to changes in interest rates, and may reduce the market value of the securities. Mortgage-backed securities are also subject to pre-payment risk. Due to their often complicated structures, various mortgage-backed and asset-backed securities may be difficult to value and may constitute illiquid securities. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer protection credit laws with respect to these securities, which may give the debtor the right to avoid or reduce payment.

Principal Strategy and Methods of Analysis - Small, SMID and Mid Cap Value

Sterling’s team of portfolio managers and analysts utilize quantitative and qualitative tools to examine the fundamental and investment characteristics of a particular company. The analysis is focused on finding undervalued businesses producing strong cash flows that have the potential for above average profitability. We seek businesses run by capable managers with the right incentives and demand solid financial strength and

liquidity in our companies. The team looks for attractive risk/reward investment opportunities as well as establishing broad diversification across the major economic sectors.

Sterling's investment process attempts to analyze and define the intrinsic value of the business using both quantitative and qualitative fundamental analysis. We emphasize the five key factors listed below:

1. Free cash flow
2. Return on invested capital,
3. Sustainable competitive advantages
4. Capable Management and
5. Balance sheet strength.

Principal Risks – Small, SMID and MID Cap Value

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are the principal risks of investing in the product.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements.

Investment Style Risk: The possibility that the market segment on which a strategy focuses will underperform other kinds of investments or market averages. A value stock may decrease or remain the same as anticipated by the portfolio manager if other investors fail to recognize the company's value or the factors that the portfolio manager believes will cause the stock price to increase do not occur.

Small Company Risk: Investing in smaller, lesser-known companies involves greater risk than investing in those that are more established. A small company's financial well-being may, for example, depend heavily on just a few products or services. In addition, small company stocks tend to trade less frequently and in lesser quantities than those of larger firms.

Middle Capitalization Company Risk: Investments in middle capitalization companies may be riskier, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Company-Specific Risk: The possibility that a particular stock may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Principal Strategy and Methods of Analysis - Advisory Solutions

For wealth and institutional clients seeking comprehensive asset allocation and investment selection, Sterling utilizes Advisory Solutions to provide open architecture based solutions. Solutions are achieved by blending multiple investment strategies and asset classes. This combination can include domestic and international equities, fixed income, and diversifying assets. The investment process includes:

- Developing an asset allocation framework.
- Employs active management of asset mix, using principles of modern portfolio theory, to maintain target balance of risk and return.
- Emphasis on active management within asset classes to strive to achieve above-average returns with below-average risk.
- Seeks to identify best in class managers for each allocation within the portfolio.

Principal Risks - Advisory Solutions

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are the principal risks of investing in the product.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements.

Investment Manager Risk: The possibility that an investment manager may underperform relevant benchmarks.

Investment Style Risk: The possibility that any market segment on which this strategy focuses will underperform other kinds of investments or market averages.

Liquidity Risk: The possibility that certain securities or derivatives may be difficult or impossible to sell at the time and the price that would normally prevail in the market. The seller may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on performance.

Derivatives Risk: The possibility of suffering a loss from a use of derivatives. The primary risk with many derivatives is that they can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative instrument. Use of derivatives for non-hedging purposes is considered a speculative practice and involves greater risks.

Counterparty Risk: The possibility that a counterparty to a contract will default or otherwise become unable to honor a financial obligation.

Company-Specific Risk: The possibility that a particular stock or bond may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Principal Strategy and Methods of Analysis – Diversified Alpha (Small Cap Value Diversified Alpha, Large Cap Value Diversified Alpha, and International Diversified Alpha)

The Diversified Alpha suite of products consist of three strategies that employ techniques that seek to capitalize upon Behavioral Finance based principles to take advantage of inefficiencies within the market. Investors are prone to certain biases and heuristics (mental shortcuts) as well as greed and fear that often times lead to anomalies within the financial markets. Our investment process, from the valuation and momentum factors we use to the portfolio construction techniques we employ, is specifically designed to capitalize upon investor behavior.

The Small Cap Value Diversified Alpha portfolio seeks to invest in US small capitalization stocks that will offer greater capital appreciation than the Russell 2000 Value Index. The Large Cap Value Diversified Alpha portfolio seeks to invest in US large and mid-capitalization stocks that will offer greater capital appreciation than the Russell 1000 Value Index. The International Diversified Alpha portfolio seeks to invest in developed market (ex US and Canada) large and mid-capitalization stocks that will offer greater capital appreciation than the MSCI EAFE Index.

Principal Risks – Diversified Alpha

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are all of the principal risks of investing in the product.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements.

Investment Style Risk: The possibility that the market segment on which this strategy focuses will underperform other kinds of investments or market averages. A value stock may decrease in price or may not increase in price as anticipated by the portfolio manager if other investors fail to recognize the company's value or the factors that

the portfolio manager believes will cause the stock price to increase do not occur. A stock owned more for its momentum traits may break down and underperform.

Security Selection: Core factors utilized by the model may fall out of favor and underperform versus the overall stock market and/or the benchmark index.

Small Company Risk: Investing in smaller, lesser-known companies involves greater risk than investing in those that are more established. A small company's financial well-being may, for example, depend heavily on just a few products or services. In addition, small company stocks tend to trade less frequently and in lesser quantities than those of larger firms.

Middle Capitalization Company Risk: Investments in middle capitalization companies may be riskier, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Company-Specific Risk: The possibility that a particular stock may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including foreign exchange currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Foreign Currency Risk: Fluctuations in exchange rates can adversely affect the market value of foreign currency holdings and investments denominated in foreign currencies.

Principal Strategy and Methods of Analysis – Equity Opportunities (Special Opportunities, Equity Income, Insight, Leaders, and SMID Opportunities)

The Equity Opportunities portfolios consist of five portfolios, each using a multi-cap, multi-style approach to build a diversified, but concentrated portfolio. The Equity Income portfolio is primarily larger-cap and focused on total return selecting stocks increasing dividend payouts. The Special Opportunities portfolio is multi-cap, multi-style focused on stock selection. The SMID Opportunities portfolio focuses on small- and mid-cap stocks. The Insight portfolio focuses on corporate insider's stock purchasing activity or existing ownership based on SEC filings. The Leaders portfolio primarily consists of larger cap equities that are seen as industry leaders, with a focus on tax efficiency.

In managing each of the portfolios, the team will place a strong emphasis on identifying companies with: strong profitability, attractive valuation, below average debt, above average return on equity, and skilled management. Both quantitative and qualitative analysis is used in identifying investment opportunities. The focus will be on companies perceived to have a quality business model, strong balance sheet, and good management. Valuation analysis of each security is conducted relative to its historical range, peers, growth rate, and the market. A long-

term investment horizon allows portfolios to take advantage of transitory weakness which creates potential buying opportunities.

Principal Risks –Equity Opportunities

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are all of the principal risks of investing in the product.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements.

Investment Style Risk: The possibility that the market segment on which this strategy focuses—small cap value stocks—will underperform other kinds of investments or market averages. A value stock may decrease in price or may not increase in price as anticipated by the portfolio manager if other investors fail to recognize the company's value or the factors that the portfolio manager believes will cause the stock price to increase do not occur.

Security Selection: As a quantitative model, core factors utilized by the model may fall out of favor and underperform versus the overall stock market and/or the benchmark index.

Small Company Risk: Investing in smaller, lesser-known companies involves greater risk than investing in those that are more established. A small company's financial well-being may, for example, depend heavily on just a few products or services. In addition, small company stocks tend to trade less frequently and in lesser quantities than those of larger firms.

Middle Capitalization Company Risk: Investments in middle capitalization companies may be riskier, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Company-Specific Risk: The possibility that a particular stock may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Principal Strategy and Methods of Analysis – Enhanced Equity

The Enhanced Equity portfolio is designed for investors who seek the long-term capital growth of equity markets and who are comfortable with the risks inherent in selling call options against the underlying common stock positions, while emphasizing short-term cash-flows as part of a total return strategy.

To implement the strategy, a diversified portfolio of perceived high-quality stocks is constructed. Then out-of-the-money covered call options are written against positions in the portfolio which provide income to the portfolio.

Principal Risks –Enhanced Equity

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are all of the principal risks of investing in the product.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements.

Investment Style Risk: The possibility that the market segment on which this strategy focuses—small cap value stocks—will underperform other kinds of investments or market averages. A value stock may decrease in price or may not increase in price as anticipated by the portfolio manager if other investors fail to recognize the company's value or the factors that the portfolio manager believes will cause the stock price to increase do not occur.

Options Risk: There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing an option transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. There can be no assurance that a liquid secondary market will exist for any particular option at a particular time; as a result, it may be costly to liquidate options. There is also no assurance that a liquid market will exist for any particular option contract on an exchange.

Security Selection: As a quantitative model, core factors utilized by the model may fall out of favor and underperform versus the overall stock market and/or the benchmark index.

Small Company Risk: Investing in smaller, lesser-known companies involves greater risk than investing in those that are more established. A small company's financial well-being may, for example, depend heavily on just a few products or services. In addition, small company stocks tend to trade less frequently and in lesser quantities than those of larger firms.

Middle Capitalization Company Risk: Investments in middle capitalization companies may be riskier, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Company-Specific Risk: The possibility that a particular stock may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Principal Strategy and Methods of Analysis – Large Cap Equity (Core Equity, Focused Equity, and Dividend Advantage)

The Large Cap Equity products consist of three separate portfolios, each using a disciplined approach and a common fundamentally-driven multi-factor quantitative model to identify attractively valued equity securities with an emphasis on large capitalization stocks with above average financial quality. Factors used to manage the portfolios include earnings growth, forward earnings yield, cash flow, debt levels, price momentum, and dividend yield.

The portfolio management team will at times overlay strategies that emphasize certain segments of the market in order to position the portfolios to participate in attractive trends developing in the market. These decisions are driven by several factors including the current macro-economic environment and business cycle events. The strategies have the ability to invest a portion of the portfolio in attractively valued mid-cap stocks when appropriate. However, the portfolios will consistently maintain exposure to all sectors of the market, and be positioned as large cap strategies at all times.

The Core Equity portfolio is a broadly diversified portfolio of 50-60 equity holdings across all market sectors. Focused Equity is a more concentrated portfolio of 20-30 individual holdings – however, the portfolio maintains broad diversification across all market segments. The Dividend Advantage portfolio is diversified across all market sectors and has a target dividend yield of 150% of the yield of the S&P 500. All three strategies are comprised of publically traded equities with minimal cash levels.

All three Large Cap Equity strategies take a long-term approach to the markets, and the portfolio team closely monitors the tax impact throughout the portfolio management process. This tax awareness approach includes attention to holding periods (long vs. short term), pending tax legislation, impact on after-tax returns, and ex-dividend timing. These factors are balanced against the benefits associated with portfolio changes.

Principal Risks – Large Cap Equity

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are all of the principal risks of investing in this product.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements.

Investment Style Risk: The possibility that the market segment on which this strategy focuses will underperform other kinds of investments or market averages. A stock may decrease in price or may not increase in price as anticipated by the portfolio manager if other investors fail to recognize the company's value or the factors the portfolio manager believes will cause the stock price to increase do not occur.

Security Selection: As a quantitative model, core factors utilized in the model may fall out of favor and underperform versus the overall stock market and/or the benchmark index.

Company-Specific Risk: The possibility that a particular stock may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Principal Strategy and Methods of Analysis – Long/Short Equity (Multi-Manager)

The Fund seeks to achieve its objective primarily by selecting a group of experienced long/short equity managers who will serve as sub-advisers to the Fund. The portfolio managers believe that long/short equity investing can offer advantages relative to “long only” investing (e.g., lower volatility as defined by the standard deviation of monthly returns, enhanced risk-adjusted returns, and moderate correlation to equity markets) and can be a complementary piece of an investor's overall investment portfolio. Further, the portfolio managers believe that manager diversification offers an important element of risk management when pursuing long/short equity strategies due to the broad dispersion of approaches that long/short equity managers can take in the management of their portfolios.

Principal Risks – Long/Short Equity (Multi-Manager)

Investing in securities involves risk of loss that clients should be prepared to bear. All investments carry a certain amount of risk and Sterling cannot guarantee that it will achieve its investment objective. An investment in this strategy is not a deposit or obligation of any bank, is not endorsed or guaranteed by any bank and is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. You may lose money. Below are all of the principal risks of investing in this product.

Management Risk: Sterling’s judgment about the capabilities of each Sub-Adviser and the impact of each Sub-Adviser’s investment techniques on the Fund’s overall investment exposures may prove incorrect, and the Fund may fail to produce the intended results. Similarly, each Sub-Adviser’s judgments and investment techniques may fail to produce the intended results.

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements. While the Fund expects to have lower correlation to equity markets than a “long-only” equity fund (and thus less “Market Risk”), it still has net long exposure to equity markets.

Short Sale/Options Risk: Unlike most traditional long-only equity funds, the Fund will engage in short selling and, on occasion, the selling of covered call options. Short positions in individual stocks are speculative and may be more risky than “long” positions because the cost of the replacement security or derivative is unknown. Short selling strategies typically reduce returns relative to “long only” strategies during rising equity markets, and involve risk of significant losses; potential loss on uncovered short positions is unlimited. Short selling strategies typically help to preserve capital in falling markets. Short selling strategies also involve significant transaction costs. The Fund will engage in short sales through a prime brokerage account and will hold assets (which may be a substantial portion of the Fund’s assets) in connection with such short sales in a triparty account among the Fund, the prime broker and the Fund’s custodian. There can be no guarantee that the Fund will be able to recover all of the margin held in the triparty account in the event of the prime broker’s insolvency.

Investment Style Risk: The possibility that a strategy or market segment pursued by one or more Sub-Advisers underperforms other kinds of investments or market averages.

Interest Rate Risk: The possibility that the value of the Fund’s investments will decline due to an increase in interest rates. Interest rate risk is generally higher for longer-term debt instruments and lower for shorter-term debt instruments.

Liquidity Risk: The possibility that certain securities or derivatives may be difficult or impossible to sell at the time and the price that would normally prevail in the market. The seller may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on Fund management or performance.

Small Company Risk: Investing in smaller, lesser-known companies typically involves greater risk than investing in those that are more established. A small company’s financial well-being may, for example,

depend heavily on just a few products or services. In addition, small company stocks tend to trade less frequently and in lesser quantities than those of larger firms.

Middle Capitalization Company Risk: Investments in middle capitalization companies may be riskier, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Company-Specific Risk: The possibility that a particular stock may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Foreign Investment Risk: Foreign securities involve risks not typically associated with investing in U.S. securities. Foreign securities may be adversely affected by various factors, including currency fluctuations and social, economic or political instability. These risks are particularly pronounced for emerging markets.

Tax Risk: The extent of the Fund's investments in certain entities, such as U.S. royalty trusts, the income of which is treated as earned directly by, or is allocated to the Fund for U.S. federal income tax purposes, is limited by the Fund's intention to qualify as a regulated investment company for U.S. federal income tax purposes. If the Fund were not to appropriately limit such investments or if such investments or the income derived from such investments were recharacterized for U.S. tax purposes, the Fund's status as a regulated investment company could be jeopardized. If the Fund were to fail to qualify for taxation as a regulated investment company in any taxable year, and were ineligible to or otherwise did not cure such failure, the Fund would be subject to U.S. federal income tax at the Fund level, and all distributions from earnings and profits, including any distributions of net long-term capital gains, would be taxable to shareholders as dividend income. The Fund's failure to qualify and be taxed as a regulated investment company could significantly reduce the value of shareholders' investments in the Fund.

Derivatives Risk: The possibility of suffering a loss from its use of derivatives. The primary risk with many derivatives is that they can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative instrument. The Fund's use of derivatives also entails counterparty and credit risk relating to the other party to a derivative contract (this risk is greater for over-the-counter derivatives), the risk of potential difficulties in pricing and valuation, the risk that changes in the value of a derivative may not correlate perfectly with the relevant reference asset, rate or index, and the risk that the Fund may be unable to terminate or sell a derivatives position at an advantageous time or price.

Counterparty Risk: The possibility that a counterparty to a contract will default or otherwise become unable to honor a financial obligation.

Leverage Risk: The risk associated with securities or practices that multiply small index or market movements into large changes in value. Leverage is often associated with investments in derivatives, but also may be embedded directly in the characteristics of other securities.

Active Trading Risk: The Fund may trade securities actively, which could increase its transaction costs (thereby lowering its performance) and may increase the amount of taxes that a shareholder pays, by increasing the amount of the Fund's realized capital gains and increasing the proportion of the fund's realized capital gains that are short-term capital gains.

Preferred Stock Risk: Preferred Stock represents an interest in a company that generally entitles the holder to receive, in preference to the holders of common stock, dividends and a fixed share of the proceeds resulting from a liquidation of the company. Preferred stocks are generally subordinated in right of payment to all debt obligations and creditors of the issuer.

ETF Risk: The risks associated with investing in ETFs include the risks of owning the underlying securities the ETF is designed to track. Lack of liquidity in an ETF could result in being more volatile than the underlying portfolio of securities. When the Funds invests in an ETF, in addition to directly bearing expenses associated with its own operations, the Fund will bear pro rata portion of the ETFs expenses. As a result, it may be more costly to own an ETF.

Principal Strategy and Methods of Analysis – Real Estate

The Real Estate product employs a combination of quantitative and qualitative measures, including underlying real estate values, earnings multiple, geographic and tenant concentrations, balance sheet metrics, company strategies, and management track record to identify the most attractive securities on a relative valuation basis within each property subsector. Based on the aforementioned criteria, stocks that appear undervalued relative to peers, and have identifiable fundamental catalysts are buy candidates.

Principal Risks – Real Estate

Market Risk: The value of an investment may decline in price because of a broad stock market decline. Markets generally move in cycles, with periods of rising prices followed by periods of falling prices. The value of your investment will tend to increase or decrease in response to these movements.

Investment Style Risk: The possibility that the market segment on which this strategy focuses will underperform other kinds of investments or market averages. A stock may decrease in price or may not increase in price as anticipated by the portfolio manager if other investors fail to recognize the company's value or the factors the portfolio manager believes will cause the stock price to increase do not occur.

Security Selection: As a quantitative model, core factors utilized in the model may fall out of favor and underperform versus the overall stock market and/or the benchmark index.

Company-Specific Risk: The possibility that a particular stock may lose value due to factors specific to the company itself, including deterioration of its fundamental characteristics, an occurrence of adverse events at the company, or a downturn in its business prospects.

Real estate market and REIT risk: The risk that your investment may be affected by conditions in the real estate industry such as declining property values due to increasing vacancies or declining rents resulting from unanticipated economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and as a result of poor management. The fund will indirectly bear

its proportionate share of any expenses, including management fees, paid by an externally managed REIT in which it invests.

Small cap stock risk: The risk that the fund's investment in small cap stock companies may be subject to greater earnings and price volatility in comparison to larger companies.

Foreign securities risk: The risk that the fund's investment may be subject to more risks than those associated with U.S. investments, including currency fluctuations, political and economic instability, differences in financial reporting standards and less stringent regulation of markets.

Debt securities risk: The risk that the value of the debt security will fall if interest rates rise or as a result of other factors including the performance of the issuer, the market perception of the issuer or general economic conditions. Debt securities having longer maturities involve greater risk of fluctuations in value.

Manager risk: The risk that the portfolio manager's strategy may fail to produce the intended results.

Principal Strategy and Methods of Analysis – Diversified Income

The strategy seeks income and capital appreciation by investing in broad range of income-generating asset classes and strategies. To pursue its objective assets will be allocated among i) registered open-end and closed-end investment companies (including exchange-traded funds) that are not a part of the Sterling Capital Fund group and ii) Sterling Capital Funds. The portfolio management team will make allocation decisions accordingly to their outlook for the economy, financial market and relative market valuation of the Underlying Funds.

Principal Risks – Diversified Income

ETF Risk: The risks associated with investing in ETFs include the risks of owning the underlying securities the ETF is designed to track. Lack of liquidity in an ETF could result in being more volatile than the underlying portfolio of securities. When the Fund invests in an ETF, in addition to directly bearing expenses associated with its own operations, the Fund will bear a pro rata portion of the ETF's expenses. As a result, it may be more costly to own an ETF.

U.S. Government Securities Risk: An Underlying Fund may invest in securities issued or guaranteed by the U.S. government or its agencies or instrumentalities (such as Fannie Mae or Freddie Mac securities). Although U.S. government securities issued directly by the U.S. government are guaranteed by the U.S. Treasury, other U.S. government securities issued by an agency or instrumentality of the U.S. government may not be. No assurance can be given that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law.

Preferred Stock Risk: Preferred stock represents an interest in a company that generally entitles the holder to receive, in preference to the holders of common stock, dividends and a fixed share of the proceeds

resulting from a liquidation of the company. Preferred stocks are generally subordinated in right of payment to all debt obligations and creditors of the issuer.

Variable and Floating Rate Instrument Risk: Variable and floating rate instruments are generally less sensitive to interest rate changes than other fixed rate instruments; however, the value of floating rate instruments may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

Loan Risk: Investments in loans are generally subject to the same risks as investments in other types of debt securities, including, in many cases, investments in high-yield/junk bonds. They may be difficult to value and may be illiquid.

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MLP Risk: Investments in MLPs are generally subject to many of the risks that apply to partnerships. For example, holders of the units of MLPs may have limited control and limited voting rights on matters affecting the partnership. MLPs that concentrate in a particular industry or region are subject to risks associated with such industry or region. Investments held by MLPs may be illiquid. Certain MLPs may also be subject to leverage risk.

REIT Risk: Real estate-related investments may decline in value as a result of factors affecting the real estate industry. Risks associated with investments in securities of companies in the real estate industry include decline in the value of the underlying real estate, default, prepayment, changes in value resulting from changes in interest rates and demand for real and rental property, and the management skill and creditworthiness of REIT issuers. An Underlying Fund will indirectly bear its proportionate share of expenses, including management fees, paid by each REIT in which an Underlying Fund invests.

Mortgage-Backed and Asset-Backed Securities Risk: Mortgage-backed and other asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Rising interest rates tend to extend the duration of mortgage-backed securities, making them more sensitive to changes in interest rates, and may reduce the market value of the securities. Mortgage-backed securities are also subject to pre-payment risk. Due to their often complicated structures, various mortgage-backed and asset-backed securities may be difficult to value and may constitute illiquid securities. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer protection credit laws with respect to these securities, which may give the debtor the right to avoid or reduce payment.

Prepayment/Call Risk: When obligations are prepaid and when securities are called, an Underlying Fund may have to reinvest in securities with a lower yield or fail to recover additional amounts (i.e., premiums) paid for securities with higher interest rates, resulting in an unexpected capital loss. Call risk is the possibility that, during periods of declining interest rates, a bond issuer will “call” — or repay — higher-yielding bonds before their stated maturity date. In both cases, investors receive their principal back and are typically forced

to reinvest it in bonds that pay lower interest rates.

Municipal Securities Risk: Municipal obligations are issued by or on behalf of states, territories and possessions of the United States and their political subdivisions, agencies and instrumentalities and the District of Columbia to obtain funds for various public purposes. Municipal obligations are subject to more credit risk than U.S. government securities that are supported by the full faith and credit of the United States. The ability of municipalities to meet their obligations will depend on the availability of tax and other revenues, economic, political and other conditions within the state and municipality, and the underlying fiscal condition of the state and municipality. As with other fixed income securities, municipal securities also expose their holders to market risk because their values typically change as interest rates fluctuate. Municipal obligations are issued by or on behalf of states, territories and possessions of the United States and their political subdivisions, agencies and instrumentalities and the District of Columbia to obtain funds for various public purposes. Municipal obligations are subject to more credit risk than U.S. government securities that are supported by the full faith and credit of the United States. The ability of municipalities to meet their obligations will depend on the availability of tax and other revenues, economic, political and other conditions within the state and municipality, and the underlying fiscal condition of the state and municipality. As with other fixed income securities, municipal securities also expose their holders to market risk because their values typically change as interest rates fluctuate.

Insurance-Linked Securities Risk: Insurance-linked securities may include event-linked securities (also known as insurance-linked bonds or catastrophe bonds), quota share instruments (also known as “reinsurance sidecars”), collateralized reinsurance investments, industry loss warranties, event-linked swaps, securities of companies in the insurance or reinsurance industries, and other insurance- and reinsurance-related securities.

Options Risk: There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing an option transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. There can be no assurance that a liquid secondary market will exist for any particular option at a particular time; as a result, it may be costly to liquidate options. There is also no assurance that a liquid market will exist for any particular option contract on an exchange.

Liquidity Risk: The possibility that certain securities or derivatives may be difficult or impossible to sell at the time and the price that would normally prevail in the market. The seller may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on Fund management or performance.

Valuation Risk: Certain securities may be difficult to value, and there can be no assurance that the valuation placed on a security held by the Fund will reflect that actual price at which the security might be sold in a market transaction.

Counterparty Risk: The possibility that a counterparty to a contract will default or otherwise become unable to honor a financial obligation.

Item 9 – Disciplinary Information

Sterling Capital Management LLC, currently has no direct legal or disciplinary events to disclose but was named as a successor defendant, to BB&T Asset Management, LLC, which was listed as a primary defendant in the Francis P. Maybank vs BB&T Corporation, Branch Banking & Trust of SC and BB&T Asset Management, LLC Case No. 2011 CP-23-8578. BB&T Asset Management was merged into Sterling in October, 2010.

The complaint was filed in the Court of Pleas, in SC, in December, 2011. The allegations included but were not limited to breach of fiduciary duty relating to non-discretionary investment activities that were initiated in 2006 shortly after Mr. Maybank’s firm was purchased by BB&T and he wanted to invest the proceeds in a variable forward contract. The case is being appealed but any settlement where Sterling may be deemed liable, as successor to BB&T Asset Management, LLC will be immaterial to Sterling’s ongoing financial operations.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Certain employees of Sterling, including a member of management, are registered representatives of Sterling Capital Distributors, LLC, a limited purpose broker-dealer and distributor to the Sterling Capital Funds.
- B. Neither Sterling, nor any of its employees, are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.
- C. Sterling is an independently operated subsidiary of BB&T Corporation and related to the following subsidiaries of BB&T Corporation under common control with Sterling, unless otherwise noted:

1) Broker-Dealers

- i. BB&T Investment Services, Inc. (“BB&T IS”), a registered broker-dealer and state registered investment adviser, is wholly owned by Branch Banking and Trust Company. BB&T IS provides retail distribution for the sale of shares of the Sterling Funds.

BB&T IS also acts as a solicitor to the Elite UMA Program and may provide a number of additional administrative and support services to the Program. For its services, BB&T IS receives a portion of the fees paid by clients to the Program. Accordingly, clients should note that BB&T IS may have an incentive to introduce clients to the Program over other investment advisory programs.

- ii. BB&T Securities, LLC, a wholly owned subsidiary of BB&T Corporation, is a registered self-clearing broker-dealer and investment adviser. BB&T Securities provides retail distribution for

the Sterling Funds. BB&T Securities serves as custodian of certain accounts for which Sterling advises.

BB&T Securities is a registered municipal adviser.

BB&T Securities is registered with the National Futures Association and is a commodity trading adviser.

Sterling generally does not act as principal or broker in connection with client transactions. However, Sterling may exercise its discretion under the investment agreement with the client to effect transactions in securities or other instruments through BB&T Securities. In connections with such transactions in which BB&T Securities will act as principal, Sterling will disclose to the client that the trade will be conducted on a principal basis and obtain client consent in accordance with Section 206-3 of the Advisers Act.

Sterling may from time to time purchase, on behalf of clients, securities in offerings with respect to which BB&T Securities serves as an underwriter. In such cases, the purchase is generally made from a party unaffiliated with Sterling, but BB&T Securities may nevertheless benefit indirectly from such transactions. All such transactions will be effected in accordance with applicable law, including the Investment Advisers Act, the Investment Company Act and ERISA.

2) Investment Companies or Other Pooled Investment Vehicles

- i. Sterling serves as investment adviser to portfolios of the Sterling Capital Funds and the Stratton Mutual Funds (the “Affiliated Funds”), both affiliated funds are open-ended investment management companies (mutual funds) registered under the Investment Company Act of 1940. Sterling is also the Administrator for the Sterling Funds. The Sterling Funds and Sterling have entered into Advisory Agreements whereby Sterling will serve as investment adviser to the Sterling Funds. Pursuant to the Agreement, the Sterling Funds will pay Sterling an advisory fee based on the Sterling Funds’ average daily net assets each month. Sterling has voluntarily agreed to limit certain fees. Please refer to Item 5-Fees and Compensation, or the Sterling Funds’ Prospectus, for the current fee schedule.

Sterling, where appropriate and in accordance with applicable laws, may recommend to its clients that they purchase shares of the Affiliated Funds. Clients should note that Sterling may have an incentive to introduce clients to the Affiliated Funds over other investment management companies in these cases because Sterling receives an adviser and/or administration fee from the Affiliated Funds. Clients have the right, at any time, to prohibit Sterling from investing any of their managed assets in the Affiliated Funds.

3) Other Investment Adviser or Financial Planner

- i. BB&T Institutional Investment Advisers, Inc. (“BBTIIA”) is an institutional-only investment adviser, registered with multiple states and the SEC under the Investment Advisers Act of 1940. BBTIIA is a wholly owned subsidiary of BB&T Corporation and under common control with Sterling.
 - ii. Sterling Capital (Cayman) Limited, a wholly owned subsidiary of Sterling Capital Management LLC provides investment advisory services to non-U.S. companies.
 - iii. Clients of Sterling who are retirement plan sponsors will frequently offer shares of one or more of the Affiliated Funds as investment options for their plan participants. It is customary in these situations that a bank, broker-dealer, or other financial institution will serve as a retirement plan trustee and/or custodian. These entities act in the capacity of service providers by offering participant education, record-keeping, marketing, or other shareholder services. In these arrangements, the prospectus of the Affiliated Funds allows the mutual fund portfolios to pay service providers a portion of the daily net asset value of shares held by the service provider’s eligible customer accounts. From time to time, Sterling may choose to supplement these payments made by the mutual funds with additional cash payments made directly from Sterling to the service provider for shareholder services rendered by the service provider.
 - iv. Please also refer to items C.1.i, BB&T Investment Services, Inc. and C.1.ii, BB&T Securities above.
- 4) Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser.
 - i. Please refer to Item C.1.ii, BB&T Securities above.
- 5) Banking or Thrift Institution
 - i. Sterling is an independently operated subsidiary of BB&T Corporation. BB&T Corporation is a diversified banking and financial holding company and operates banking subsidiaries in twelve states and the District of Columbia.
 - ii. Branch Banking and Trust Company, a North Carolina banking company, is a wholly owned subsidiary of BB&T Corporation. Branch Banking and Trust Company serves as trustee and/or custodian of certain accounts for which Sterling advises.
- 6) Accountant or accounting firm - Not applicable.
- 7) Lawyer or Law Firm - Not applicable.
- 8) Insurance Company or Agency:
 - i. Please refer to Item C.1.i, BB&T Investment Services above.

9) Pension Consultant

- i. Please refer to Item C.3.i, BB&T Institutional Investment Advisers, Inc. above.

10) Real Estate broker or dealer - Not Applicable.

11) Sponsor or Syndicator of Limited Partnerships - Not applicable.

- D. Sterling does not receive compensation from other investment advisers for recommending or selecting the other investment adviser. Other investment advisers recommended or selected may include affiliated advisers listed above. While Sterling does not receive compensation for the recommendation of affiliates, it may nonetheless cause a conflict of interest.

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

- A. We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Sterling has adopted a Code of Ethics to help meet these standards. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Annually, employees certify that they have read, understand and will comply with the Code.

Section 204A of the Advisers Act requires the establishment and enforcement of policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by investment advisers. Sterling has a policy generally restricting its employees from purchasing or selling securities for their own accounts or for accounts of family members over which they have control prior to the full satisfaction of clients' needs with respect to such securities. Each employee is required to complete a Personal Transaction Report which provides the details of all personal security transactions made by employees and which is reviewed for compliance by Sterling.

A copy of our Code of Ethics will be provided to any client or prospective client upon request. Please contact Sterling's Compliance Department at scmcompliance@sterling-capital.com.

- B. If in appropriate circumstances and consistent with the clients' investment objectives, Sterling may recommend to clients the purchase or sale of securities in which Sterling and/or its affiliates may have a position of interest.
 - i. Sterling, where appropriate and in accordance with applicable laws, may recommend to our clients that they purchase shares of registered investment companies for which we serve as investment adviser ("Affiliated Funds"). We receive an adviser and/or administration fee from the Affiliated Funds. Clients have the right, at any time, to prohibit Sterling from investing any of their managed assets in the Affiliated Funds.

- ii. Sterling generally does not act as principal or broker in connection with client transactions. Sterling may, however, exercise its discretion under the investment management agreement with the client, effect transactions in securities or other instruments for the client through an affiliated broker-dealer. If an affiliated broker-dealer will act as principal, Sterling will disclose to the client that the trade will be conducted on a principal basis and obtain client consent.
- iii. On behalf of its clients, Sterling may from time to time purchase securities in offerings with respect to which an affiliate of Sterling serves as an underwriter. The purchase is generally made from a party unaffiliated with Sterling, but Sterling's affiliate may nevertheless benefit indirectly from the transactions. All such transactions will be effected in accordance with applicable law, including the Investment Advisers Act, the Investment Company Act and the Employee Retirement Income Security Act ("ERISA").
- iv. Sterling employees may invest their personal funds in investment strategies that are offered to clients, including Sterling's 401(k). In this regard, employees will have interests in securities owned by or recommended to Sterling's clients.
- v. Sterling may from time to time take an active role in portfolio companies on behalf of clients. This may take various forms, including company Board of Director participation, solicitation of potential buyers for portfolio companies; and solicitation of other shareholders within the guidelines established by various regulatory bodies. Sterling believes there are occasions when such participation is consistent with Sterling's fiduciary duty.

Robert Bridges, CFA was elected to the Board of Directors of Bridges Investment Counsel, Inc in November of 2006. Bridges Investment Counsel (BIC) is a registered investment adviser located in Omaha, Nebraska, and owned by Mr. Bridges' extended family. An affiliate of BIC serves as the investment manager of the Bridges Investment Fund (BIF), a registered investment company also located in Omaha. Mr. Bridges was elected as a director of BIF in the spring of 2007. BIC also provides investment management services to Provident Trust Company (PTC), a state-chartered (non-bank) trust company. Mr. Bridges was elected as a director of PTC in the spring of 2007. Mr. Bridges receives compensation for serving as a director of these three entities. Compensation is immaterial to Mr. Bridges' overall compensation from Sterling.

- vi. Sterling may on occasion assist with sponsoring client conferences organized by wrap sponsors who recommend Sterling to their clients.
- C. Employees of Sterling and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Sterling's clients. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of Sterling 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 employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the interest of Sterling's clients. In addition, the Code requires pre-clearance of

many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees may benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code to reasonably prevent conflicts of interest between Sterling and its clients.

- D. Sterling, or its related persons, may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that Sterling, or its related person, buys or sells the same securities for their own account. Please refer to Items 11. A and 11.C above for a description of Sterling's Code of Ethics.

Item 12 – Brokerage Practices

As a general rule, Sterling receives discretionary authority from its clients through its investment management agreements at the outset of an advisory relationship.

Included in Sterling's authority is the ability to:

- Determine securities to be bought or sold
- Determine the amount of the securities to be bought or sold
- Select brokers and dealers through which to execute transactions on behalf of its clients
- Determine commission rates, if any, at which transactions are effected

There are several factors considered when selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation. The list of approved broker-dealers is reviewed at least quarterly and revised as appropriate. Criteria considered in evaluating broker-dealers include, but are not limited to:

- Appropriate facilities and technology
- Competitive commission rates
- Prompt payment and/or delivery of securities
- Receipt of accurate confirmations and recordkeeping
- The business reputation and financial strength of the firm
- The firm's ability and responsiveness in executing orders
- The quality of research services provided by the firm (when applicable)

The major consideration in allocating brokerage business is the pursuit of best execution on all transactions effected for all accounts. Brokerage may at times be allocated to firms that supply research, statistical data and other services when the terms of all transactions and the capabilities of different broker-dealers are consistent with the guidelines set forth in Section 28(e) of the Securities Exchange Act of 1934.

Sterling has negotiated custodial arrangements with several brokerage firms that Sterling considers competitive in terms of mitigating the total cost of transaction and other fees (custodial) incurred by clients. In some of these

arrangements, Sterling is afforded the ability to deal competitively with firms of its choice in negotiating the purchase and sale of bonds for their clients and the broker acting as custodian will make or take delivery of such bonds without charge to their clients. In exchange, the majority of stock transactions that may occur in this type of account are transacted with the broker acting as custodian. In other arrangements, Sterling clients receive discounted brokerage rates on stock transactions with a minimum ticket charge. In some cases, bond sales or purchases delivered to/from a client account incur a charge.

Wrap Trade Desk

Adviser Only

Sterling manages accounts in a number of wrap fee programs that are not traded through the firm's trade order management system. Instead, these accounts are traded through each wrap program sponsor's system and shares are not allocated to these accounts using the firm's trade order management system's computer-generated methods.

Clients of wrap sponsors typically pay the sponsor a single fee based on assets held at the sponsor for all trading, custodial, and other services provided by sponsor. This fee precludes a client from paying sponsor commissions on a per transaction basis. When Sterling selects another broker-dealer to effect a trade other than the sponsor, an additional handling fee may be assessed by the sponsor. Due to this additional fee and additional processing, it is anticipated that generally all trading for wrap programs will be executed through the sponsor.

It is important that these accounts receive equitable treatment in regards to block trading activities. To accomplish this, the wrap trading department, on a rotational basis, alternates the participation order of the wrap fee accounts on the trading platforms.

Plan Sponsor

For Elite UMA accounts, in which Sterling serves as both Adviser and Sponsor, the accounts are not traded through the firm's trade order management system. Instead, the accounts are traded through the program's custodian. Brokerage for other transactions in client accounts will be directed by separate account managers to the custodian. Clients should note that, because Sterling will not have any discretion in brokerage for Program accounts, clients may or may not pay more in brokerage for transactions in Program accounts.

Mutual Funds

The prospectuses for the Sterling Funds set forth the types and amounts of securities that may be bought or sold by Sterling on behalf of the Sterling Funds. The Advisory agreements entered into by Sterling and the Sterling Funds give Sterling the authority to select the brokers or dealers that will execute the purchases and sales of the securities of the Sterling Funds portfolios managed by Sterling. This Agreement also directs Sterling to use its best efforts to obtain the best available price and most favorable execution of these transactions. Sterling is given the authority to effect transactions at commission rates that are in excess of the minimum available commission rates when deemed appropriate by Sterling.

Research and Other Soft Dollar Benefits

Sterling uses research materials in making recommendations to a broad range of clients. To the extent consistent with achieving best overall execution, Sterling allocates orders to broker-dealers that provide research information as part of their general customer service. These research services may include information on securities markets, the economy, individual companies and services, statistical information, risk measurement analysis, performance studies and other appropriate research products and services.

We receive research products and services from both proprietary (created or developed by a broker-dealer) and third-party research firms in connection with managing client equity portfolios. For proprietary broker-dealer services that are “bundled” (e.g. offer trade execution and research products for one commission rate), we allocate a portion of the commission to trade execution and the remainder to research services.

For third-party (soft dollar) research services, we predominantly use client commission arrangements (“CCA”) with participating broker-dealers and also allocate a portion of the commission to trade execution and the remainder to research services. Third-party research is reviewed by both the equity group and the best execution committee. All third-party research and trading services are reviewed by our compliance department to ensure compliance with the safe harbor section 28(e) of the Securities Exchange Act of 1934, as amended.

We periodically review our total commission structure with an industry survey of comparable managers.

Use of client commissions for research and other soft dollar benefits can create a conflict of interest between the client and its adviser. For example:

- It directly reduces Sterling out-of-pocket costs for those services.
- It may create an incentive to select a certain broker or research product or service.
- Clients may pay commission rates that are higher than would otherwise be the case if they traded solely for execution purposes.
- Sterling may invest client assets in securities issued by broker-dealers or their affiliates.
- Sterling may provide investment management services to broker-dealers or their affiliates.

In some cases, research services are generated by third parties but provided to Sterling by or through brokers-dealers. Although it is not possible to assign an exact dollar value to these services, they may reduce our expenses. The fees paid to us, however, are not reduced because it receives such services.

Clients may pay commission rates that are higher than would otherwise be the case if they traded solely for execution purposes. Such higher commissions would be paid in accordance with Section 28(e) of the Securities Exchange Act of 1934, which requires Sterling to determine in good faith that the commission paid is reasonable in relation to the value of the research provided. We believe that using soft dollars to obtain the type of research services mentioned above enhances our investment research process, thereby increasing the prospect for higher investment returns. Research services received pursuant to soft dollar arrangements may be used to benefit the account that generates the commissions, as well as other accounts. In some instances, research products or services received by Sterling may also be used for functions that are not research related. Where such product or

service has a soft dollar/hard dollar “mixed use”, we will make a reasonable allocation according to its use and will pay for the non-research function in hard dollars using our own funds.

Sterling uses client soft dollar commissions for the service of all of its equity clients. Not all research commissions generated by a client’s trade will necessarily benefit a particular client’s account and soft dollar benefits are not proportionate to soft dollar commissions generated.

Research and other soft dollar benefits can be broken down into proprietary broker-dealer research and third-party research. Proprietary broker-dealer research typically includes analyst research reports, sales brokerage coverage, conferences, and one-on-one meetings with both analysts and companies.

In accordance with the requirements of Section 28(e), Sterling has entered into arrangements for research and/or brokerage services. To facilitate payment of these services, Sterling initiated client CCA, directing the transacting broker-dealer to collect and pool commissions generated by client trades and then periodically directing the broker-dealer to pay research invoices from that pool. Justifications for each arrangement are reviewed or monitored by the Best Execution Committee periodically to determine if the product or service meets the eligibility criteria of “research” or “brokerage” in Section 28(e) Safe Harbor; that the product or service provides lawful and appropriate assistance in Sterling’s investment decision-making responsibilities and makes a good faith determination that the client commissions paid are reasonable in relation to the value of the services received. Non-research usage, overhead and ineligible brokerage services do not fall under the Safe Harbor provided by Section 28(e). If a product/service is determined to be a “mixed-use” item, Sterling makes a best effort decision on a reasonable cost allocation between hard and soft dollars and splits the payment for this service accordingly. Sterling is not contractually obligated to direct trades to these broker-dealers in connection with this arrangement. When we execute orders through these broker-dealers, clients may pay commissions higher than those obtainable from other brokers. Research products or brokerage services provided by these commission credits may benefit all clients including those not participating in a given transaction.

Sterling may use a commission aggregation platform such as Instinet’s T-Share platform. These platforms aggregate and reconcile commission credits in one location so that all credits are housed in a segregated account.

Sterling’s procedure for working with equity broker-dealers or equity third-party research providers using client commissions is multi-faceted. Portfolio managers and analysts “vote” for broker-dealers with proprietary research services annually. Considerations typically include:

- Number of company or analyst meeting opportunities
- Quality of the analysts and their research reports
- Sales coverage
- Conference participation

Third-party research services are vetted within the equity group and must be approved by the Best Execution Committee department before they can be purchased. Third party research services are purchased through broker-dealers using CCA. In a CCA, a trade execution commission rate is established and an additional commission rate is added to be retained by the broker-dealer to pay for the research services.

Sterling on occasion directs fixed income securities transactions to a broker-dealer that provides specialized research services, generally paying a small premium (typically no more than one sixty-fourth of a point, but which may range up to a maximum of one thirty-second of a point) on those transactions in recognition of the value of the research services provided. The services consist of daily and weekly macroeconomic analyses that assist the fixed income team in its investment process, especially as an input to decisions on portfolio duration, yield curve decisions, and sector weightings. The services have well-established track records and have been recognized by the industry as premier fixed income economic groups. In our judgment, this practice is consistent with its best execution guidelines.

Brokerage for Client Referrals

Sterling does not consider broker-dealer or third party referrals in selecting or recommending broker-dealers.

Advisory Solutions Multi-Strategy Models

Trading for multi-strategy models provided to unaffiliated entities is generally not performed by Sterling. In these cases, Sterling provides the investment models through a third-party platform such as Adhesion. Adhesion in turn will apply the investment models and make trade recommendations according to their agreement with the unaffiliated entity.

Directed Brokerage

Sterling does not generally recommend, request, or require clients to direct transactions through specific broker-dealers. We may accept direction from clients or agree to limitations with respect to Sterling's brokerage discretion as to which brokers-dealers are to be used and what commissions are to be paid. Clients who direct us to use a particular broker-dealer should be aware of the following:

- There may be a disparity in commission rates.
- Similar brokerage services may be obtained from other broker-dealers at lower cost.
- Sterling is not responsible for competitive bids on directed trades.
- Sterling may be unable to obtain a more favorable price based on transactions that cannot be aggregated with transactions of its other advisory clients.
- Sterling may enter orders after other clients' orders for the same security which may cause price difference or non-completion of directed trades.
- A directed brokerage client may not be able to participate in allocations of shares in new or secondary offerings.

While Sterling retains discretion over timing of placement of all directed trades, it is generally the firm's policy that directed brokerage orders are executed in a random rotation with non-directed orders. Directed brokerage transactions may result in higher commissions, greater spreads or less favorable execution on some transactions than would be the case if Sterling were free to choose the broker or dealer. For best execution, a security may be purchased away from the custodian brokerage firm and a minimal charge could apply for accepting such delivery. The net result to the client would be advantageous.

In situations where the client directs us to effect portfolio transactions through a particular broker-dealer, we require such directions to be in the form of written instruction from the client.

Trade Aggregation

Investment decisions deemed appropriate for one client may also be deemed appropriate for other clients so that the same security may be purchased or sold at or about the same time for more than one client. When this is the case, Sterling may, but is not obligated to, aggregate similar trades for multiple clients and execute the trade as a single block. Trades may also be aggregated with trades on behalf of clients of Sterling's affiliates. When transactions are so aggregated, the securities purchased or sold will be allocated in a fair and equitable manner. The prices applicable to the aggregate transactions on a given day will be averaged, and the accounts will be deemed to have purchased or sold their proportionate share of the securities involved at the average price. We will not aggregate transactions unless we believe that it is in the best interest of the affected clients and consistent with our duty to seek best execution. Nevertheless, there is no assurance that the aggregation of transactions will benefit all clients equally, and in some instances combined orders could adversely affect the price or volume of a security. Also, it is possible that we may not aggregate trades in circumstances where it would be beneficial to do so. Further detail on trade allocation procedures will be provided upon request.

Item 13 – Review of Accounts

Depending on the nature of the client's portfolio, their own monitoring capabilities, the type of advice and the arrangements made with the client, frequency of reviews range from daily to quarterly. The level of review may encompass the entire portfolio, a section of the portfolio or a specific transaction or investment. The frequency of the review depends upon a variety of factors such as: the risk profile of the account, the account's activity level, and the volatility of the asset allocation sectors in which the account is invested and the client's preferences, if any. Additional review may be triggered by changes in the investment objectives or guidelines of a particular client or specific arrangements with the particular clients. There is no minimum or maximum number of accounts assigned for each reviewer.

Portfolio evaluations and analyses are furnished to our clients in writing or electronically on a periodic basis as requested (typically monthly or quarterly periods). These reports generally include a list of all assets held in the account and a current market value along with account transactions and other portfolio details. The portfolio investment results (performance) are provided for various time periods along with appropriate market indices for comparative purposes. Formal client review meetings are generally conducted on a regular basis at intervals selected by the client. During these reviews, the investment results and portfolio strategy are discussed. In addition, client objectives and risk tolerance are reviewed.

Please refer to Item 15 – Custody for reports provided to clients regarding custody. We suggest to our clients that the information they receive from Sterling, including invoices and periodic statements, be compared to the statements clients receive from their custodians.

Review of Accounts - *Listed below are examples of the frequency and nature of reviews conducted by supervised persons and the titles of the supervised persons. The type of reviews conducted will vary depending on the nature of the client's portfolio.*

Reconciliation and Reporting Process - *monthly reports reviewed by:*

- Portfolio Administrators
- Operations Manager

Client Reports - *monthly or quarterly as specified by the client, reports include Asset Values, Income, Gains and Losses, and other data required by the client and are reviewed by:*

- Executive Director
- Managing Director
- Operations Manager

Custody Reviews - *periodically review a sample of "direct deduct billings" and calculate whether fees have been charged in accordance with the client's advisory contract and are reviewed by:*

- Compliance Officer

Performance Composite Reporting - *monthly composite returns and portfolio dispersions reviewed by:*

- Executive Director and/or designee
- Portfolio Managers
- Managing Director

Performance Composite Disclosures - *annually reviewed by:*

- Executive Director
- Managing Director
- Compliance Officer

Pricing Review – *reviewed monthly by:*

- Operations Manager
- Compliance Officer

Policy Restrictions – *Certain restrictions may not be compatible with the trade order management system's capabilities and are reviewed by:*

Policy Restrictions – *pre-trade reviewed and conducted by:*

- Traders
- Portfolio Managers

Policy Restrictions – *post-trade reviewed and conducted by:*

- Compliance
- Portfolio Managers

Item 14 – Client Referrals and Other Compensation

Sterling does not receive an economic benefit from anyone who is not a client in exchange for investment advice or other advisory services.

We will from time-to-time compensate persons and companies for client referrals, including our affiliates Branch Banking and Trust, BB&T Securities, LLC, and BB&T Investment Services, Inc. You will be informed in writing of such compensation prior to the initiation of the account. We will not charge an advisory fee for the account that is different from the fee that we would normally charge to the account.

For its services under the Elite UMA Program, Sterling may pay BB&T Investment Services, Inc. a portion of the client's advisory fee. Please also refer to Item 4 - Advisory Business or Appendix 1 of ADV Part 2A for more information on Elite UMA.

Item 15 – Custody

Client assets will be held at a qualified custodian such as a broker-dealer, bank, or other qualified custodian. However, Sterling is deemed to have custody of client assets in the following instances:

- i. Sterling serves as adviser to certain accounts custodied at an affiliated custodian,
- ii. Sterling has the authorization to direct a custodian to deduct advisory fees directly from client accounts without prior client authorization,
- iii. Sterling serves as a trustee for certain non-family client accounts,
- iv. Sterling has the authorization to transfer funds from a client's account to an account other than one registered in the same manner as the original account,
- v. Sterling has authorization to transfer funds from a client's account to a third party,
- vi. Sterling has authority to withdraw funds or securities from a client's account or to dispose of client funds for any purpose other than authorized trading,
- vii. Sterling has standing authorization to transfer funds for certain clients,
- viii. Sterling has access to client's other investment accounts.

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

Item 16 – Investment Discretion

Sterling manages securities portfolios on a discretionary basis. We accept discretionary authority when a client signs an investment advisory agreement at the outset of the advisory relationship. This investment advisory agreement allows Sterling, without obtaining client consent, to implement investment decisions. In making decisions as to which securities are to be bought and sold and the amount, Sterling is guided by the investment objectives, guidelines, and restrictions that are developed in consultation with clients. These guidelines typically include the investment objective, risk level, and the types and amounts of securities that will make up the portfolio. For registered investment companies, Sterling's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

We generally will not manage accounts on a non-discretionary basis. However, exceptions may be made on a case-by-case basis.

Included in our discretionary authority is the ability to select broker-dealers through which to execute transactions on behalf of clients, and the commission rates, if any, at which transactions are effected. We may accept direction from the client or agree to limitations with respect to our brokerage discretion as to which broker-dealers are to be used and what commissions are to be paid.

If a client directs us to use a particular broker-dealer, the client should be aware that Sterling may not be in a position to freely negotiate commission rates or spreads, obtain volume discounts on aggregated orders, or to select broker-dealers on the basis of best price and execution. As a result, directed brokerage transactions may result in higher commissions, greater spreads or less favorable execution on some transactions than would be the case if we were free to choose the broker-dealer. For best execution, a security may be purchased away from the custodian brokerage firm and a minimal charge could apply for accepting such delivery. The net result to the client may be advantageous. In situations where the client directs our firm to effect portfolio transactions through a particular broker-dealer, we will require the client to provide directions in writing.

The major consideration in allocating brokerage business is the pursuit of best execution on all transactions effected for all accounts. Brokerage may at times be allocated to firms that supply research, statistical data and other services when the terms of all transactions and the capabilities of different broker-dealers are consistent with the guidelines set forth in Section 28(e) of the Securities Exchange Act of 1934. Also, please refer to Item 12 - Brokerage Practices.

Item 17 - Voting Client Securities

Proxy Voting

Sterling's investment advisory agreement states that decisions on the voting of proxies will be made by Sterling unless client reserves the right to vote. Sterling engages a third-party service provider to assist with the functions related to voting client proxies.

Sterling has adopted and implemented written proxy policies and procedures reasonably designed to ensure that proxies are voted solely in clients' interests, or plan participants and beneficiaries for ERISA accounts. The policies include provisions to resolve material conflicts of interests that may arise between Sterling and clients.

Sterling has adopted Glass Lewis' Proxy Guidelines which assist the members of Sterling's Proxy Committee in evaluating relevant facts and circumstances and enables Sterling to vote in a manner consistent with its fiduciary responsibility.

Sterling may be unable to vote or may determine to refrain from voting in certain circumstances. The following highlights some potential instances in which a proxy may not be voted:

Voting in certain countries requires “share blocking”. Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the client’s custodian banks. Sterling may determine that the value of exercising the vote is outweighed by the detriment of not being able to sell the shares during this period. In cases where Sterling wants to retain the ability to trade shares, Sterling may abstain from voting those shares. A list of the countries that meet this description is available upon request.

In limited circumstances, other market specific impediments to voting shares may limit Sterling’s ability to cast votes, including, but not limited to, late delivery of proxy materials, untimely vote cut-off dates, power of attorney and share re-registration requirements, or any other unusual voting requirements. In these limited instances, Sterling will vote securities on a best efforts basis.

If a client lends securities, Sterling will vote the securities’ shares as reported by client’s custodian. There may be instances, depending on the portfolio, for which Sterling does not vote proxies. Client may direct a vote for a particular solicitation.

Sterling’s voting guidelines provide a general framework for voting proposals in the best interest of clients. The key element underlying any evaluation of the interests of a client in a proposal, election, or issue presented to a shareholder vote is the effect, if any, the proposal, election, or issue could have on the current or future value of the investment.

If you would like to obtain a copy of Sterling’s proxy policies and procedures and/or a report summarizing how your securities were voted, contact Sterling’s Compliance Department at scmcompliance@sterling-capital.com. Annual Form N-PX for Affiliated Funds show how Sterling voted proxies for the 12-month period ending June 30th are filed with the SEC no later than August 31st of each year.

Class Action Settlements

Although we may be authorized to vote proxies in client accounts as described above, we will not handle or otherwise process any potential “class action” claims or similar settlements that clients may be entitled to for securities held in client accounts. Clients will receive the paper work for such claims directly from their account custodians. Each client should verify with his/her/its custodian or other account administrator whether such claims are being made on the client’s behalf by the custodian or if the client is expected to file such claims directly.

We do not believe our firm possesses the necessary legal expertise or the obligation to advise clients on legal matters including class actions and proofs of claim regarding securities held in clients’ accounts. We do, however, believe that our fiduciary duty to our clients binds us to act in their best interests and to assist in these matters to the best of our ability. Sterling will provide such assistance to clients or their agents and advisers as it is reasonably capable of providing, but does not accept ultimate responsibility for responding to class action notifications and expressly disclaims liability for the failure to respond to such notifications.

From time to time, our clients may be eligible to participate in a class action lawsuit relating to securities they own or have owned during the period we managed their account. In addition, Sterling's clients may from time to time be entitled to receive a portion of a class action settlement or award because of securities owned by the client during the period that we managed their account. In these cases, Sterling's general policy is to work with client custodians to assist the custodian to gather information about the applicable class, the applicable lawsuit and/or any applicable award or settlement and inform the client of the same.

Sterling has adopted the following procedures:

1. Sterling is aware that, with respect to class action awards and settlements, custodians are typically instructed by a class agent or court order to identify eligible client accounts and to provide client information to the class agent or court. When Sterling is contacted by a client or a client custodian regarding a class action lawsuit, award or settlement for which a client may be eligible, Sterling will, to the extent reasonably requested, seek to cooperate and assist the client custodian and the client to become informed about and respond to the same.
2. With respect to mutual fund accounts advised or sub-advised by Sterling, class action notices are to be received and completed by the Funds' custodian. Should Sterling receive any notices regarding a mutual fund account, such notices will be forwarded directly to the Funds' custodian.

In certain circumstances, when authorized and instructed to do so by a client, Sterling may file a claim with respect to a class action lawsuit, settlement or award on behalf of a client.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sterling's financial condition. ***Sterling 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.***