



Elite MSP  
Wrap Fee Program Brochure

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March 22, 2011

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](mailto: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](http://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 23, 2010 Annual Amendment**

Below are the material changes that occurred since our last Annual Amendment dated March 23, 2010.

October 1, 2010 - BB&T Asset Management, Inc. merged into Sterling Capital Management LLC. Under the new operating agreement, Sterling assumes management responsibility for BB&T Asset Management while retaining its existing management team and remaining an independently operated subsidiary of BB&T. This combination adds depth to the combined enterprise and further diversifies and strengthens Sterling. Sterling's management and key professionals maintain a substantial interest in the annual profits of the combined company.

February 1, 2011 – BB&T Funds renamed Sterling Capital Funds. Effective February 1, 2011, the BB&T Funds have been renamed Sterling Capital Funds. The decision to change the fund family name follows the merger with the former adviser, BB&T Asset Management, Inc. into Sterling Capital Management LLC that occurred October 1, 2010.

### **Amendments to FORM ADV**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 22, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous Brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. 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.

Currently, our Brochure may be requested by contacting Clint Ward, Chief Compliance Officer at [scmcompliance@sterling-capital.com](mailto:scmcompliance@sterling-capital.com). Additional information about Sterling Capital Management LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Item 4- Services, Fees and Compensation

Sterling offers Elite MSP Program (the “Program”), a “wrap fee” arrangement where a single Program fee pays for the investment advisory services, brokerage and other transaction costs and custodian fees for Program accounts. The Program is an investment advisory program with actively managed model portfolio investment strategies designed for clients with different financial circumstances, investment objectives and risk tolerance (each a “Model Strategy”).

BB&T Investment Services, Inc., an affiliate of Sterling that is a state registered investment adviser and an FINRA-registered broker-dealer (“BB&T IS”), works with Sterling to make the Program available to interested clients. Sterling works with Adhesion Wealth Advisor Solutions, the Program’s overlay manager.

The Program currently offers seven Model Strategies, each of which is also available with a tax-overlay feature. The Model Strategies include the following:

- **Fixed Income Model** - The Fixed Income Model is for individuals that prefer very little or no risk of loss of principal. They are concerned with safety of principal and seek a steady return. Assets for this type of investor may be affected by changes in interest rates.
- **Income Model** – The Income Model is for individuals that can accept more risk than Fixed Income Model investors but still require a low probability of loss of principal. Principal safety is a primary concern. This type of investor also desires to keep up with inflation.
- **Income Primary Model**- The Income Primary Model is geared toward individuals seeking current income together along with capital appreciation. In general, the Income Primary Model involves a moderate level of volatility. It is appropriate for investors with intermediate time horizons.
- **Income and Growth Model** – The Income and Growth Model is geared toward individuals seeking a balance between capital appreciation and stability. While some losses may be acceptable, the portfolio should consist of both growth instruments and more conservative, steady instruments. In general, the Income & Growth Model involves a somewhat higher level of volatility than the Income Primary Model described above.
- **Balanced Model** – The Balanced Model is for individuals seeking long-term growth along with a modest current income. In general, the Balanced Model involves a somewhat higher level of volatility than the Income and Growth Model described above. It is appropriate for investors with intermediate time horizons.
- **Growth Model** – The Growth Model is for individuals seeking long-term growth of capital and willing to accept some short-term losses for potentially higher returns. In general, the Growth Model involves a higher level of volatility than the Balanced Model described above. It is appropriate for investors with longer time horizons.
- **Aggressive Growth Model** – The Aggressive Growth Model is geared towards individuals seeking long-term growth of capital. In general, this Model involves a high level of volatility and is appropriate for investors with longer time horizons who can withstand portfolio volatility.

Each of the Model Strategies is offered to all investors in a “mutual fund only” option. In addition, certain clients may be offered the opportunity to choose between two Unified Managed Account (“UMA”) options for their portfolio.

The Tier 1 UMA uses individual securities for the large cap portion of the portfolio allocation. The client has two options to choose from, Sterling’s “Select Equity” and “Select Equity Income” strategies. The Select Equity model combines growth and value investment methodologies to create a portfolio of financially solid companies and focuses on attempting to provide investors with consistent, competitive risk-adjusted returns. The Select Equity Income model focuses on attempting to provide income-oriented investors with stable, above-average cash flow from growing dividend payments generated by fundamentally strong companies. Both models are managed by Sterling and invest in approximately forty to fifty stocks in the large-capitalization arena.

The Tier 2 UMA uses individual securities for all of the equity allocations in the portfolio while still utilizing mutual funds for the fixed income allocation. The client has the option of either the Select Equity or the Select Equity Income portfolio for their large cap allocation. The Program uses three other models provided by outside managers for the Large Growth, Small and Mid Cap, and International portions of the portfolio’s equity allocation.

### **Program Fees**

<b><u>Asset Level</u></b>	<b><u>Elite MSP Mutual Funds Models</u></b>	<b><u>ARC Core Fixed Income Mutual Funds Model</u></b>	<b><u>ARC Intermediate Duration Fixed Income Mutual Funds Model</u></b>	<b><u>ARC Short Duration Fixed Income Mutual Funds Model</u></b>	<b><u>UMA Separate Account Management Option (before fees to underlying managers)***</u></b>
\$50,000 to \$1,000,000	1.45%	0.95%	0.95%	0.80%	1.55%
Above \$1,000,000	0.95%	0.70%	0.70%	0.55%	1.05%

\* Fees above do not include the additional 10 bps for tax over-lay, if selected.

\*\*Accounts under \$100,000 are subject to a 3 bps additional fee imposed by Pershing, the Program’s custodian.

\*\*\* UMA Separate Account Management Option fees do not include fees paid to managers of equity strategies selected for the UMA model underlying managers.

Fees may be negotiable. Program fees cover (a) Sterling’s services under the Program; (b) BB&T IS’s services under the Program; (c) brokerage and custody services for the Portfolio provided by Pershing under the Program. In addition Clients who elect the UMA option will pay addition fee to the Portfolio Manager for the equity strategy selected. The Portfolio Manager fee will range between 20-50 basis points, depending on the Model Strategy selected.

In evaluating a “wrap fee” arrangement, the Client should consider whether, the amount of portfolio activity and the value attributed to monitoring, custodial and any other services provided, 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.

Program fees are exclusive of certain charges such as IRA termination fees, 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.

Program accounts will be invested partially or entirely in Sterling Capital Funds or other funds managed by affiliates of Sterling (collectively “Affiliated Funds”). Sterling’s advisory fees are separate and in addition to the fees paid by the Affiliated Funds to Sterling or its affiliates. A description of these and other expenses are available in Part 2A of Sterling’s Form ADV as well as the Affiliated Funds’ prospectus.

Program fees are paid quarterly as of the first day of each calendar quarter, in advance, based on the value of the client’s portfolio at the end of the previous quarter. In the event a client joins the Program after the beginning of a calendar quarter, Sterling’s policy is to prorate the advisory fees. Under the Program agreement, clients will authorize and direct Pershing, the custodian, to pay all of the advisory fees from the client’s portfolio. Sterling invoices Pershing directly for the Net Management Fees. Sterling reserves the right, under the Program agreement, to amend the Program’s Fee Schedule upon thirty (30) days’ notice to clients.

For purposes of calculating advisory fees, the “value of the portfolio” is the sum of the fair market value of the portfolio. Equity securities listed or traded on a national securities exchange or quoted on the over-the-counter market are valued at the last sales price on the day of valuation or, if no sale price is reported, at the last bid price. Other assets and securities for which market quotations are not readily available are valued at fair market value as determined in good faith by Sterling.

Tax-Overlay Fees only applies to clients that select the tax-overlay feature for their account. Sterling offers a tax-overlay feature for each of the Model Strategies for each type of account under the Program. The tax-overlay fee is an annualized rate of 0.10%, regardless of the amount of assets in the Program. As previously indicated, Sterling adds 0.10% to the Program Fees at every level of the fee schedule to determine the total fees for a tax-overlay feature.

BB&T IS introduces clients to the Program, and provides 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, potential clients should note that BB&T IS may have an incentive to introduce clients to the Program over other investment advisory and/or wrap fee programs.

In evaluating a “wrap fee” arrangement, the Client should consider whether, the amount of portfolio activity and the value attributed to monitoring, custodial and any other services provided, 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.

#### **Item 5- Account Requirements and Types of Clients**

The Program’s Mutual Fund Option has a minimum investment of \$50,000. The Program’s UMA Separate Account Management Option has a minimum investment of \$250,000.

The Program generally provides investment advice for individuals, trusts, corporations and other business, and limited types of retirement accounts, such as IRAs.

#### **Item 6- Portfolio Manager Selection and Evaluation**

The Program’s portfolio manager selection and review process is conducted by Sterling’s Advisory

Research Center (“ARC”). ARC employs a comprehensive and rigorous due diligence process in an effort to identify best-in-class investment managers.

**Manager Search and Selection-** The manager search and selection process begins with idea generation. Investment strategy ideas are generated through various avenues including, face-to-face meetings with investment firm personnel, attending investment conferences, various investment-related publications and applying a proprietary quarterly screening process. After identifying investment strategy candidates, qualitative and quantitative due diligence begins. Components of ARC’s due diligence process include:

- Sourcing important qualitative and quantitative information from investment databases such as Morningstar Direct, PrimaCapital, PerTrac, and Factset.
- Requesting that all prospective managers complete a comprehensive questionnaire allowing ARC to gain access to information that is not readily available on investment databases.
- Conducting face-to-face meetings and conference calls with investment managers in order to obtain, evaluate, and question additional qualitative and quantitative information.

When attempting to identify attractive investment strategy candidates, ARC focuses on whether the following factors and attributes are present:

- An investment team that is experienced, well-supported and stable.
- An investment team that is incentivized to focus on long-term performance which may include personal ownership in the firm and in the strategy.
- An investment team that has a sound process which includes employing a sound, disciplined, and repeatable process, and appropriate risk controls.
- An investment strategy with a track record of consistent long-term performance and superior risk-adjusted performance vs. its respective benchmark and/or peer group.
- An investment strategy with relatively low number of holdings and low portfolio and client turnover.
- An investment strategy with reasonable cost and ample capacity.
- An investment firm with a reputation for integrity and a cultural emphasis on investing over marketing & distribution.
- An investment firm where asset management is the firm’s main or only business and is committed to allocating adequate resources to the strategy in question.
- An investment firm with well-defined compliance procedures including a disaster recovery plan and best execution trading practices.

**Ongoing Monitoring-** ARC conducts ongoing monitoring of the approved managers that involves frequent correspondence with the managers, formal quarterly reviews and an in-depth annual evaluation. The ongoing review and analysis of managers will reflect the same due diligence criteria employed for their initial selection. ARC strives to identify managers with whom we intend to invest over long-term periods. However, a manager will be removed from our approved list if our analysis determines that a change in the manager’s status has impaired their ability to achieve future outperformance.

Qualitative factors that may warrant replacing a manager include, but are not limited to:

- Departure of lead portfolio manager(s) or change in firm ownership.
- Significant change in the investment process or investment process violation.
- Significant and persistent style drift or significant change in overall firm focus.
- Significant increase in fee structure.

- Strategy assets under management approach or exceed estimated capacity or strategy assets fall dramatically.
- Significant change in client base or significant deterioration in client service level.
- Legal issues or unethical behavior.

Performance and risk measurements of each manager are evaluated relative to a best-fit commercially-used index or other customized benchmark. While ARC considers trailing performance to be a relevant factor in ongoing monitoring, ARC takes numerous factors into account when evaluating performance. Performance and risk measures that are monitored include, but are not limited to:

- 3-year, 5-year and 10-year relative performance versus primary benchmark
- Consistency of investment returns
- Risk-adjusted returns measures such as alpha, Sharpe ratio, and information ratio
- Standard Deviation
- Active Share

Any qualitative deficiency or performance related issue will warrant a thorough review to determine the potential impact on expected long-term investment results. As detailed above, the context of each situation is taken into account and there is no rigid formula that determines the decision to retain or terminate a manager. ARC will remove a manager when it is deemed warranted and in the best interests of our clients.

**Model Strategy Construction-** Using Sterling's asset allocation framework, ARC constructs risk tolerance-specific model portfolios comprised of best-in-class managers. Complementary invest strategies are combined to produce a favorable risk and return profile. This combination can include domestic and international equities, fixed income, and alternatives. The steps included in constructing the various risk tolerance-specific for Model Strategies are asset allocation, manager selection and model construction. The Model Strategies are rebalanced at least quarterly or when allocations are out of the allowable ranges. All Model Strategies are formally reviewed on a quarterly basis to determine if the any changes to mangers or asset class weighting are warranted.

**Client Portfolio Construction-** The client will work with BB&T IS to define their investment objective and determine the appropriate asset allocation. These factors assist in constructing an Investment Policy Statement and help determine the appropriate Model Strategy for the client. A client's portfolio is rebalanced at least quarterly or when allocations are out of the allowable ranges. A review of the client's Investment Policy Statement will determine if any changes to the client's investment objectives or guidelines are warranted.

**Portfolio Manager Performance-** The total return of the Model Strategies is obtained from Morningstar Direct, a third-party investment performance reporting service. Morningstar Direct uses industry standard methods when calculating the total return of the various portfolios.

Sterling's Advisory Research Center and Asset Allocation Committee routinely reviews manager performance as reported to Morningstar Direct. However, Sterling does not verify the accuracy of performance information reported to Morningstar Direct, or any other third-party investment performance reporting service. While Sterling reviews this information for reasonableness, it cannot guarantee that the performance information is accurate and/or calculated on a uniform and consistent basis.



**Related Portfolio Manager-** The Model Strategies constructed by ARC will be invested partially or entirely in Sterling Capital Funds or other funds managed by affiliates of Sterling. In addition, the large cap equity portion of the UMA utilizes Sterling's proprietary investment strategies, Select Equity and Select Equity Income.

Investing in Affiliated Funds and proprietary strategies causes a conflict of interest as Affiliated Funds pay Sterling, or its affiliates, fees in addition to its management fees for the Program and select equity strategies of Sterling pay Sterling in addition to the management fees for the Program. Thus, Sterling has an incentive to recommend Affiliated Funds and proprietary strategies for the Model Strategies.

ACR conducts the same screening and ongoing monitoring for the Affiliated Funds and propriety strategies that it does for unaffiliated managers.

**Advisory Business-** Please refer to *Item 4- Advisory Business* in Sterling's Form ADV 2A, accompanying this document.

**Performance-Based Fees and Side-By-Side Management-** Please refer to *Item 6- Performance-Based Fees and Side-By-Side Management* in Sterling's Form ADV 2A, accompanying this document.

**Methods of Analysis, Investment Strategies and Risk of Loss-** Please refer to *Item 8- Methods of Analysis, Investment Strategies and Risk of Loss* in Sterling's Form ADV 2A, accompanying this document.

**Voting Client Securities-** Sterling's investment advisory agreement states that decisions on the voting of proxies will be made by our firm unless you reserve the right to vote the shares and preclude Sterling from voting proxies when opening an account with us.

Sterling has adopted and implemented written proxy policies and procedures reasonably designed to ensure that proxies are voted solely in your interests or plan participants and beneficiaries for ERISA accounts, and for the exclusive purpose of providing economic benefits to you. The policies include procedures to resolve material conflicts of interests that may arise between Sterling and you.

If you lend securities, Sterling will vote the securities' shares as reported by your custodian. Sterling does not vote proxies for securities held in its quantitative portfolios. There may be instances, depending on the portfolio, for which Sterling does not vote proxies. You may direct a vote for a particular solicitation.

Sterling's voting guidelines provide a general framework for voting proposals in the best interest of shareholders. 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 Chief Compliance Officer, Clint Ward at [scmcompliance@sterling-capital.com](mailto:scmcompliance@sterling-capital.com). Annual Form N-PX filings informing our mutual fund shareholders how Sterling voted proxies for the 12-month period ending June 30<sup>th</sup> are filed with the SEC no later than August 31<sup>st</sup> of each year.

#### **Item 7- Client Information Provided to Portfolio Manager**

The Program does not provide information about clients to the Model Strategies' underlying Portfolio Managers. Clients may contact Sterling or its affiliate, BB&T Investment Services, for account inquiries, including modifications to the client's Investment Model Strategy.

#### **Item 8- Client Contact with Portfolio Managers**

Program clients generally do not have contact with the Model Strategies' underlying Portfolio Managers. Clients may contact Sterling or its affiliate, BB&T Investment Services, for account inquiries, including modifications to the client's Investment Model Strategy.

#### **Item 9- Additional Information**

**Disciplinary Information-** Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Sterling or the integrity of Sterling's management. ***Sterling has no legal or disciplinary events to report.***

**Other Financial Industry Activities and Affiliations-** Please refer to *Item 10- Other Financial Industry Activities and Affiliations* in Sterling's Form ADV 2A, accompanying this document.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading-** Please refer to *Item 11- Code of Ethics, Participation or Interest in Client Transactions and Person Trading* in Sterling's Form ADV 2A, accompanying this document.

**Review of Accounts-** Sterling will regularly review the asset mixes and performance of each Model Strategy. Sterling will also review individual client accounts from time to time to ensure that they are being managed in accordance with the client's selected Model Strategy and other account features (e.g., tax-overlay or non tax-overlay, etc.).

**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.

BB&T IS introduces clients to the Program, and provides 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, potential clients should note that BB&T IS may have an incentive to introduce clients to the Program over other investment advisory and/or wrap fee programs.

**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.***