
Sterling Asset Management, LLC

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**Form ADV Part 2A Firm Brochure
March 23, 2011**

This brochure provides information about the qualifications and business practices of Sterling Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (610) 254-7630 or info@sterlingam.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 Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Sterling Asset Management, LLC is a registered investment adviser. Registration does not imply a particular level of skill or training.

MATERIAL CHANGE

This Form ADV Part 2A Firm Brochure has been rewritten in response to new disclosure requirements in Form ADV, which the Securities and Exchange Commission adopted in 2010.

Only material changes since the last annual update of the Brochure, on May 14, 2010, are discussed here.

At this filing, March 23, 2011, the only material change to our Form ADV Part 2A Firm Brochure is the format of our disclosure document here.

If you require another copy of this document, please contact us and we will happily send it to you. Also, a copy of this document, can be obtained online at the SEC website, www.adviserinfo.sec.gov.

Table of Contents

	<u>Page</u>
Advisory Business	4
Investment Advisory Services Program.....	4
TIGERS Index™ Program.....	5
Fees and Compensation	10
Investment Advisory Services Program.....	11
TIGERS Program.....	12
Performance-Based Fees and Side-By-Side Management	15
Types of Clients	15
Methods of Analysis, Investment Strategies and Risk of Loss.....	16
Disciplinary Information.....	16
Other Financial Industry Activities and Affiliations	16
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	17
Brokerage Practices	17
Review of Accounts.....	19
Client Referrals and Other Compensation	20
Custody	20
Investment Discretion	20
Voting Client Securities.....	21
Financial Information.....	21
Requirements for State-Registered Advisers	21
Privacy Policy	22
Other Information	22
Anti-Money Laundering	22
Political Contributions	23
Business Continuity	23

Advisory Business

Sterling Asset Management, LLC is an investment adviser registered with the Securities and Exchange Commission (“SEC”) and has been in business since 2007. Our principal owners are David Killian, John Meehan, and Terry Soffera. As of December 31, 2010, we manage \$ 819,155,000 in client assets on a discretionary basis and \$ 8,820,000 in client assets on a non-discretionary basis.

Our services at Sterling Asset Management are individually tailored to each of our clients’ needs and involve consulting with you to identify your investment objectives and develop investment policies designed to achieve these objectives. We monitor investment results in each client’s account and makes changes as needed to respond appropriately to developments affecting individual securities, market conditions and the economy. We will provide you with reports and other forms of direct communication. Additionally, we will hold meetings with you, as a client, periodically to discuss results and evaluate the continuing appropriateness of your investment objectives and policies. As the client, you may impose restrictions on investing in certain securities or types of securities.

We offer two advisory programs, the Investment Advisory Services Program and the TIGERS Index™ (“TIGERS”) Program.

Investment Advisory Services Program

The Investment Advisory Services Program consists of investment advisory services in which we have discretionary authority to purchase and sell securities within your portfolio using investment styles in accordance with your particular investment objectives.

Fixed Income Investment Philosophy – Our fixed income advisory services adhere to a conservative investment philosophy that focuses on building a portfolio of high quality securities well diversified across all major fixed income sectors. Our emphasis is on generating a level of portfolio yield in excess of the benchmark, as historical data have proven that income dominates fixed income returns over time. Through the use of a well-defined duration strategy and controlled sector weightings, portfolio volatility is reduced.

Investment Decision-Making Process - Given our emphasis on building portfolios with a yield advantage relative to the index, our decision-making process begins with an evaluation of the higher yielding investment grade fixed income sectors. Security selection and sector allocation are the primary sources of value added within our fixed income strategies, representing 80% of our decision-making process. The remaining 20% is split evenly between yield curve positioning and duration management.

Portfolio Construction – We construct portfolios within a well-defined risk control process, which limits security and sector exposure, thereby limiting overall portfolio

volatility and providing the appropriate level of diversification. These limits include minimum exposure to the U.S. Treasury and agency sectors as well as, maximum allocation to investment grade corporate bonds. Individual security exposure, with the exception of government agency bonds, is limited to 5% of the portfolio value.

Equity Portfolios – We also offer the management of equity portfolios that are customized to your needs. We will seek to construct an equity portfolio that protects your capital while participating in market gains.

Sub-advisors – Depending upon your investment objectives, we may select sub-advisors whom we determine can best achieve your investment objectives. There may be instances when we believe it is beneficial to have more than one sub-advisor for an account. We will consider the following factors in making this decision: each sub-advisor's management style, client account size, risk tolerance and reporting requirements. We review each prospective and current sub-advisor's performance history, asset allocation history, Form ADV and marketing literature. We, at Sterling Asset Management, also may examine each sub-advisor's operations, financial condition and key personnel, including the sub-advisor's portfolio managers or portfolio management teams. In such cases, we will compensate them from the fees we receive from you, as our client, for the management of your account.

We will continually monitor all sub-advisors with whom we do business. From time to time, we may use independent consultants to provide statistical research and performance-based analysis of current and potential sub-advisors. In addition to our own staff, we may also use, from time to time, outside compliance and operations consultants to assist with the monitoring of sub-advisors.

The sub-advisors that we may select for you may offer advice on various types of investments and use different security analysis methods, sources of information and investment strategies. As a client, you should refer to the disclosure documents of each sub-advisor for details on the advisory services offered by each sub-advisor. When appropriate, we may direct the movement of some or all of your account from any existing sub-advisor(s) to any other existing or new sub-advisor(s).

TIGERS Revenue Weighted Index™ Program

Sterling Asset Management believes that it is possible to outperform broad-based indexes by aligning an investment portfolio with a revenue-weighted model index. The TIGERS™ Program consists of discretionary investment advisory services designed to track a proprietary equity indexing program consisting of three separate domestic equity indexes:

TIGERS Revenue-Weighted Large-Cap Index™ ("RWLCI™"),
TIGERS Revenue-Weighted Mid-Cap Index™ ("RWMCI™"), and
TIGERS Revenue-Weighted Small-Cap Index™ ("RWSCI™") and

the advisory services designed to track such reference indexes, ("TIGERS Program"), all of which are more fully described below. Sterling Asset Management will have discretionary

authority to purchase and sell securities within your portfolio in accordance with the investment process methodology underlying each model index within the TIGERS Program.

We offer you investment advisory services whereby we manage your portfolio in accordance with TIGERS model indexes that are benchmarked against three widely followed equity market indexes, the S&P Indexes. We reconstitute and reweight each TIGERS Revenue Weighted Model Index annually. And we monitor and maintain each TIGERS Model Index according to a proprietary process methodology that employs quantitative factors, with a goal of outperforming its corresponding related benchmark Index. We offer no guarantee that this goal will be achieved.

Currently, we offer three types of equity portfolios that are managed as separate accounts in accordance with the TIGERS Program. Each model index is based upon a particular related benchmark index, each of which is described as follows:

- (1) The Revenue-Weighted Large-Cap Index™ ("RWLCI™") is a model index based on the S&P 500® Index, which is a capitalization-weighted index that includes a representative sample of 500 leading companies in leading industries of the U.S. economy focusing on the large-cap segment of the market, with approximately 75% coverage of U.S. equities. We use the S&P 500® Index as the benchmark index against which the performance of the RWLCI™ model index and the client's portfolio will be measured.
- (2) The Revenue-Weighted Mid-Cap Index™ ("RWMCI™") is a model index based on the S&P Mid-Cap 400™ Index, which is a capitalization-weighted index that is widely used for mid-sized companies and covers over 7% of the U.S. equities market. We use the S&P Mid-Cap 400™ Index as the benchmark index against which the performance of RWMCI™ model index and the client's portfolio will be measured.
- (3) The Revenue-Weighted Small-Cap Index™ ("RWSCI™") is a model index based on the S&P Small-Cap 600™ Index, which is a capitalization-weighted index designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable and covers 3%-4% of the U.S. equities market. We use the S&P Small-Cap 600™ Index as the benchmark index against which performance of the RWSCI™ model index and the client's portfolio will be measured.

As part of our authorization to manage accounts that track the TIGERS Indexes, we, Sterling Asset Management, have entered into an agreement with Index Licensing, LLC, which provides that, once advisory fees are paid to us by accounts that track the TIGERS Indexes, and those accounts rise above a significant threshold level, Index Licensing, LLC will receive a portion of those advisory fees. Index Licensing, LLC may therefore, indirectly benefit from advisory fees paid to us by those accounts. In addition, we have entered into a letter of credit agreement with Index Licensing, LLC to help finance our operations and an agreement with Valley Forge Investment Corporation for the provision of administrative services and facilities.

Glossary

- 1) TIGERS Indexes, TIGERS Program, or model indexes: Revenue-weighted domestic equity indexes consisting of the following three model indexes:
 - a. TIGERS Revenue-Weighted Large-Cap Index™ ("RWLCI™"),
 - b. TIGERS Revenue-Weighted Mid-Cap Index™ ("RWMCIT™"), and
 - c. TIGERS Revenue-Weighted Small-Cap Index™ ("RWSCI™").
- 2) S&P® Indexes, related benchmark indexes or related benchmark index: Capitalization-weighted domestic equity indexes maintained by and proprietary to Standard & Poor's®.
 - a. S&P Large Cap 500® ("S&P 500®");
 - b. S&P Mid Cap 400® ("S&P 400®"), and
 - c. S&P Small Cap 600® ("S&P 600®").

“Standard & Poor’s®”, “S&P®”, “S&P 500®”, “S&P Mid Cap 400™”, and “S&P Small Cap 600™” are trademarks of the McGraw-Hill Companies, Inc. Standard & Poor’s® shall have no liability for any errors or omissions in calculating the index price and/or performance for any model index within the TIGERS Program. The TIGERS Indexes are not endorsed or sold by Standard & Poor’s®. Standard & Poor’s® makes no representation regarding the advisability of investing in the TIGERS Program.

As with the Investment Advisory Services Program, we may use sub-advisors in managing the TIGERS Program.

Description of Investment Methodology for TIGERS Indexes:

The RWLCI™, RWMCIT™, and RWSCI™ are three separate model indexes comprised of the constituent companies underlying their respective benchmark indexes: S&P 500®, S&P 400®, and S&P 600®. In accordance with a proprietary investment methodology, each model index has been created and maintained by assigning percentage weights to each constituent company underlying the related benchmark indexes based on their annualized revenues. The methodology used to calculate the TIGERS Indexes is the exclusive property of, and proprietary to, Advanced Indexing Methodologies, LLC.

Each model index is rebalanced annually, using annualized revenues to calculate new weightings for each constituent company within each of the three model indexes in the TIGERS Program. In addition, each model index may be reconstituted at any time to reflect changes affecting the membership of the constituent companies underlying each corresponding related benchmark index. Each model index is reconstituted only when a constituent company underlying the corresponding related benchmark index is altered

due to corporate actions or when Standard & Poor's® adds and deletes companies to or from the S&P 500®, S&P 400®, and S&P 600® indexes, which may occur as frequently as daily. Your account will be managed to follow the corresponding model index as closely as possible. In our discretion, however, your account may continue to hold companies that have been deleted from a model index until the next annual rebalancing of the model index.

Unless otherwise directed by you, as our client, or in the event dividends and distributions are not immediately reinvested in the constituent companies underlying your TIGERS portfolio(s), we will reinvest dividends and distributions that are paid on securities held in your account in shares of Exchange Traded Funds ("ETFs") that invest in securities that generally correspond to the price and yield performance of your account. If reasonably practical or economically feasible, we may reinvest dividends and distributions on a daily basis, but shall be required to do so on no less than a monthly basis. With regards to dividends and distributions that are reinvested in ETFs, the ETF assets are sold and reinvested into the constituents companies underlying each TIGERS index during the annual rebalancing of your portfolio(s).

The securities in your portfolio are generally held long-term for at least one year until we rebalance your portfolio based on the annual rebalancing of the constituent securities weightings in the model indexes.

The data we use to manage your portfolio in the TIGERS Program is provided by VTL Associates, LLC.

VTL Sub-Advisory Agreement

For the TIGERS Program, we, on behalf of our clients, have entered into a sub-advisory agreement (the "VTL Sub-Advisory Agreement") with VTL Associates, LLC ("VTL"), a registered investment adviser that serves as a sub-advisor to Sterling Asset Management.

Pursuant to the terms of the VTL Sub-Advisory Agreement, VTL is responsible for the ongoing monitoring and maintenance of the model indexes within the TIGERS Program in accordance with the above-described investment methodology. Additionally, VTL is required under the VTL Sub-Advisory Agreement to continually provide us, our agents, and our sub-advisors, on a daily basis, all data and information necessary to ensure consistent and continual adherence with each of our client's stated investment objectives in connection with the establishment, ongoing management and administration of each of our clients' portfolios invested in accordance with the TIGERS Program.

Standard & Poor's® has been retained by VTL to calculate daily valuations of each model index within the TIGERS Program and to provide VTL with continual notice of any corporate actions, as well as additions and deletions of constituent companies, and dividends paid by constituent companies within each model index. Following the close of

each trading day, Standard & Poor's® electronically transmits all such information and data to VTL. VTL provides this information in an electronic format to us so it can monitor and manage each of our client's portfolio in accordance with the investment methodology used to monitor and maintain the model indexes. We align each of our client's portfolios to reflect the model indexes maintained under the TIGERS Program. We have entered into an agreement with BNY Mellon Asset Servicing to provide account administration, accounting, and recordkeeping services for client accounts managed under the TIGERS Program. BNY Mellon Asset Servicing serves as a third-party agent to us.

Standard & Poor's has licensed VTL to use the constituent companies underlying the benchmark indexes for the construction, maintenance and management of the RWLCI™, RWMCI™, and RWSCI™ model indexes, as well as the client portfolios that are invested and managed in accordance with the investment methodology utilized within the TIGERS Program.

The responsibility for payment of approved third party expenses and any licensing fees, as well as the sharing of fee compensation between Sterling Asset Management and VTL, are set forth and fully described in the VTL Sub-Advisory Agreement, a copy of which will be furnished to you upon request. All such fees are paid entirely by us out of the advisory fees we receive from our clients in the TIGERS Program - no additional fees are charged to you for VTL's sub-advisory services.

Sterling Asset Management, LLC (SAM) Sub-Advisory Agreement

We have also entered into a sub-advisory and account administration agreement (the "SAM Sub-Advisory Agreement") with VTL Associate, LLC. Pursuant to the SAM Sub-Advisory Agreement, we, as sub-advisor to VTL, are responsible for executing investment account transactions and providing administrative services for VTL's client portfolios that are managed in accordance with the model indexes under the TIGERS Program.

Additionally, under the SAM Sub-Advisory Agreement, VTL continually provides us, our agents, and our sub-advisors, on a daily basis, all data and information necessary to enable us to perform our sub-advisory services and to ensure consistent and continual adherence with each of VTL's client's stated investment objectives in connection with the establishment, ongoing management, and administration of each VTL's client's portfolios invested in accordance with the TIGERS Program. We are responsible for aligning each of VTL's client's portfolios to reflect the model indexes maintained under the TIGERS Program.

Pursuant to the SAM Sub-Advisory Agreement, VTL has delegated discretion to us over the selection of brokers. Consequently, unless otherwise instructed by VTL or a VTL client, we are responsible for brokerage determinations and the timing and execution

regarding the purchase or sales of securities within each of VTL's client's accounts, including reinvesting dividends, withdrawals and additional contributions. Under the SAM Sub-Advisory Agreement, we are also responsible for account administration and accounting, and providing certain reports to VTL for VTL clients' accounts managed by us. VTL has authorized us to employ other third party agents in facilitating the execution of investment accounts and services and fund administrative services. We have entered into an agreement with BNY Mellon Asset Servicing to provide account administration, accounting, and recordkeeping services for client accounts managed under the TIGERS Program. BNY Mellon Asset Servicing serves as a third-party agent to us.

The responsibility for payment of approved third party expenses and any licensing fees, as well as the sharing of fee compensation between Sterling Asset Management and VTL, are set forth and fully described in the SAM Sub-Advisory Agreement, a copy of which will be furnished to any of VTL's clients upon request. All such fees and expenses, including the sub-advisory fee paid to us, are paid by VTL entirely from the fees we receive from the VTL clients in the TIGERS Program - VTL clients pay no additional charges for our advisory services.

Fees and Compensation

We, at Sterling Asset Management, directly bill our clients quarterly in arrears for our advisory services. The Investment Advisory Services Program and the TIGERS Program have separate fee schedules, as set out below. Fees are negotiable to the extent provided in the fee schedules. We reserve the right to negotiate and/or change our fee schedule for new or existing clients, while continuing to charge some or all of our existing clients on the basis of fees and agreements in force prior to the change.

Advisory services are provided pursuant to an investment advisory agreement between Sterling Asset Management and each client. In the event of the termination by either party of the investment advisory agreement governing an advisory relationship, we will prorate and calculate the fees to the date of termination.

We may be hired by other investment advisers to provide sub-advisory services to an account or a portion of an account for fixed income or equity investment styles. In this case, the fees that we may charge an investment adviser for the management of an account may be different from the fees described below for our clients.

Our clients are responsible for other costs of investment, including custodian fees and brokerage and other transaction costs. For more information on brokerage costs, see "Brokerage Practices," below.

Investment Advisory Services Program Fees

We base our advisory fees for the Investment Advisory Services Program on the applicable percentage of assets under management and we charge quarterly at the annual rates set forth below. For purposes of these fees, a client's assets under management for a given quarter are equal to the average of the portfolio's fair market value at the end of each calendar month in the quarter.

Equity:

.60% on the first \$25,000,000;

.50% over \$25,000,000, up to \$75,000,000, and

Fees are negotiable on assets over \$75,000,000.

Enhanced Cash / Enhanced Cash—Government Only:

.25% on the first \$25,000,000;

.20% over \$25,000,000, up to \$100,000,000;

Fees are negotiable on assets over \$100,000,000.

Intermediate-Term Fixed Income:

.30% on the first \$25,000,000;

.25% over \$25,000,000, up to \$100,000,000;

Fees are negotiable on assets over \$100,000,000.

Core Fixed Income:

.35% on the first \$25,000,000;

.30% over \$25,000,000, up to \$100,000,000;

Fees are negotiable on assets over \$100,000,000.

TIGERS Program Fees

Our fee structure for the TIGERS Program (the "TIGERS Fee Structure") consists of two options, from which you may choose only one:

Option A: TIGERS AUM Fee

A fee based upon a percentage of account assets managed under the program, (the "AUM Fee");

“Option A” is a flat annual investment advisory fee rate of 0.50% (50 basis points annually) of assets under management. The AUM Fee or “Option A”, which is payable to us, Sterling Asset Management, will be calculated and payable quarterly in arrears and will be based on the "average" of each month's ending portfolio account balance during the applicable quarter. Such quarterly AUM Fee will be based on a rate equal to one-quarter of the annual investment advisory fee rate (0.125%) and will be calculated by Sterling Asset Management. For example, if the month ending account balances during a given quarter are \$10 million in the first month, \$15 million in the second month and \$20 million in the third month, then the quarterly AUM Fee would be based on an "average" account balance of \$15 million. The AUM Fee is calculated net of direct trading commissions generated in the client's account each quarter

Option B: Quarterly Performance Fee

A quarterly performance-based fee consisting of a percentage of an account's total out-performance as measured against the related benchmark index, (the "Quarterly Performance Fee").

Quarterly Performance Fee, as set forth below:

Quarterly Investment Advisory Fee as a Percentage of Assets under Management	Quarterly Positive Total Return Performance Fee of Account's Out-Performance of Benchmark Index	Quarterly Negative Total Return Performance Fee as a Percentage of Account's Out-Performance of Benchmark Index
0% (Zero Basis Points)	35%	17.5%

Note: Under Option B of the fee structure, you will not be charged an AUM Fee regardless of account performance. The Quarterly Performance Fee is calculated net of direct trading commissions generated in your account each quarter.

The Quarterly Performance Fee is a performance-based fee. All fee arrangements that include a Quarterly Performance Fee will be offered only in compliance with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, including the requirement that clients be “qualified clients” within the meaning of that rule. We expect that all clients who invest through the TIGERS Program will be qualified clients.

Quarterly Performance Fee

Following the completion of each calendar quarter, we calculate the total Quarterly Performance Fee, if any, for your account. The Quarterly Performance Fee is a percentage of the difference between the time-weighted total return of your account and the time-weighted total return of the corresponding benchmark index for each applicable quarter. The Quarterly Performance Fee is payable by you quarterly in arrears. Each calendar quarter is reset for purposes of calculating the Quarterly Performance Fee. Therefore, your account value, as measured by your custodian, at the end of the quarter immediately preceding the applicable quarter will serve as your beginning value for purposes of calculating the Quarterly Performance Fee for the applicable quarter.

The process for calculating the Quarterly Performance Fee is as follows:

- 1) Following each applicable quarter, we will obtain the time-weighted total return for your account from your custodian as well as the time-weighted total return of the corresponding benchmark index from reputable industry data and information services providers including, but not limited to, Bloomberg and Standard and Poor's®.

Note: Time-weighted total return calculations take into account, cash inflows and outflows that may occur within your account during each calendar quarter.

- 2) We will calculate the difference between your account balance at the end of each applicable quarter and a hypothetical balance of your account had it been invested in the corresponding benchmark index during the same applicable quarter. Your account balance at the end of the applicable quarter is determined by taking your account balance, as measured by your custodian at the beginning of each applicable quarter, and applying the account's time-weighted total return for the applicable quarter. The hypothetical account balance at the end of the applicable quarter is determined by taking your account balance, as measured by your custodian at the beginning of each applicable quarter, and applying the time-weighted total return for the corresponding benchmark index during the applicable quarter.

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- 3) We, at Sterling Asset Management, will apply the applicable Quarterly Performance Fee, at the rate previously described, to the amount by which your account balance at the end of each applicable quarter outperforms the hypothetical balance of the corresponding benchmark index, regardless of whether there is a positive or negative total return for the applicable quarter.

Examples of Performance Fee Calculation:

I) Positive Time-Weighted Total Return:

- 1) If the balance on your account, as measured by your custodian at the beginning of the applicable quarter, is \$10 million,
- 2) And the time-weighted total return for your account is 3% for the applicable quarter,
- 3) And the time-weighted total return of the corresponding benchmark index is 2% for the applicable quarter,
- 4) And during the applicable quarter, your account had various cash inflows and outflows, all of which are reflected by the time-weighted total return for your account and the time-weighted total return for the corresponding benchmark index.
- 5) Then, your account balance at the end of the applicable quarter is \$10,300,000; the hypothetical ending balance, had the same account been invested in the corresponding benchmark index, was \$10,200,000. Therefore, for the applicable quarter, your account outperformed the corresponding benchmark index by \$100,000.
- 6) Because your account experienced a positive time-weighted total return for the applicable quarter, the Advisor's Quarterly Performance Fee would be \$35,000 ($35\% \times \$100,000$).

II) Negative Time-Weighted Total Return:

- 1) If the balance on your account, as measured by your custodian at the beginning of the applicable quarter, is \$10 million;
 - 2) And the time-weighted total return for your account is -2% for the applicable quarter,
 - 3) And the time-weighted total return of the corresponding benchmark index is -3% for the applicable quarter,
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- 4) And during the applicable quarter, your account had various cash inflows and outflows, all of which are reflected by the time-weighted total return for your account and the time-weighted total return for the corresponding benchmark index.
 - 5) Then, your account balance at the end of the applicable quarter is \$9,800,000; the hypothetical ending balance, had the same account been invested in the corresponding benchmark index, was \$9,700,000. Therefore, for the applicable quarter, your account outperformed the corresponding benchmark index by \$100,000.
 - 6) Because your account experienced a negative time-weighted total return for the applicable quarter, Sterling Asset Management's Quarterly Performance Fee would be \$17,500 ($17.5\% \times \$100,000$).

Performance-Based Fees and Side-By-Side Management

As discussed above under "Fees and Compensation," we charge performance-based fees as well as asset-based fees. Conflicts of interest can arise when accounts charged performance-based fees are managed at the same time as accounts charged asset-based fees. For example, the use of performance-based fees may give us an incentive to favor those accounts over accounts for which asset-based fees are charged. We believe that these conflicts are substantially mitigated by the fact that we charge performance-based fees only for the TIGERS Program, which are investment advisory services designed to track a proprietary equity indexing program.

Types of Clients

We provide discretionary investment supervisory and management services for:

- Retirement plans
- Trusts
- Estates
- Charitable Organizations
- Corporations
- High-net-worth Individuals
- Governments, (Municipal, State and Local)
- Agencies and Authorities
- and Other Governmental Entities.

The minimum investment for the Investment Advisory Services Program is \$5 million.

The minimum investment for a portfolio tracking the TIGERS Large-Cap, the TIGERS Mid-Cap, or the TIGERS Small-Cap is \$10 million.

Methods of Analysis, Investment Strategies and Risk of Loss

Our methods of analysis and investment strategies for the Investment Advisory Services Program and the TIGERS Program are discussed above. See “Advisory Business—Investment Advisory Services Program” and “TIGERS Revenue Weighted Index™ Program.”

Risk of Loss – Investing in fixed income securities through the Investment Advisory Services Program does pose interest rate risk. In rising interest rate environments the principal value of fixed income securities will decline. In addition to interest rate risk, investing in corporate bonds poses credit risk as well. Increased credit risk will generally place downward pressure on the price of a given corporate bond, thereby increasing the likelihood of principal loss.

Investments through the TIGERS Program and equity investments through the Investment Advisory Services Program are investments in equity securities and have all the risks of equity investments, including the risk of loss if stock prices decline. These risks may be greater for TIGERS Program investments tracking the TIGERS Mid-Cap or the TIGERS Small-Cap, as investments in relatively smaller companies may be riskier than investments in relatively larger companies. In addition, there is no assurance that your portfolio assets managed in accordance with the TIGERS Model Indexes will be successful in outperforming the related benchmark indexes or that your investment will provide investment performance matching that of the target index.

Disciplinary Information

Not applicable.

Other Financial Industry Activities and Affiliations

Not applicable.

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

Employees of Sterling Asset Management may buy or sell securities that we recommend to clients. These purchases and sales are governed by our Code of Ethics and Standards of Professional Conduct, (the "Code"), as described in more detail below.

Sterling Asset Management adopted the Code pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 in order to prevent persons who are actively engaged in investment advisory services or portfolio selection for clients from participating in fraudulent, deceptive or manipulative acts, practices or courses of conduct in connection with managing client accounts. The Code establishes certain standards of business conduct to which our officers, members and employees are expected to adhere. In particular, the Code is designed to uphold the following principles: (1) that our duty at all times is to place the interests of our clients first; (2) that all personal securities transactions conducted by any of our officers, members or employees shall be conducted consistently with the provisions of the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of that individual's position of trust and responsibility; and (3) that our officers, members and employees shall not take inappropriate advantage of their positions with us. The Code outlines prohibited transactions and conduct by certain officers, members and employees of Sterling Asset Management. The Code mandates that particular employees of Sterling Asset Management submit holdings and transactions reports and certifications of compliance with the Code to our Chief Compliance Officer ("CCO") on an initial, quarterly and annual basis. The CCO is responsible for imposing appropriate sanctions for violations of the Code. The CCO will also prepare a written report, no less frequently than annually if there have been violations, describing any violations of the Code and any sanctions imposed. The Code also contains an Insider Trading Policy that is designed to prevent the misuse of material, nonpublic information by us and our officers, members and employees. The Insider Trading Policy expressly forbids any officer, member or employee from either trading on material non-public information, or communicating material non-public information to others in violation of federal law. The Insider Trading Policy contains detailed procedures to implement and maintain our prohibitions on insider trading and reporting and certification requirements to ensure that the Insider Trading Policy is properly administered and followed. We will provide a copy of the Code to you upon request.

Brokerage Practices

Generally, we have full authority and discretion to engage any broker-dealer to execute investment decisions and transactions for you that, in our opinion, will provide you best execution on a per-trade basis. In selecting broker-dealers to effect client transactions, we consider a number of factors, including price of securities, commissions, ability to provide prompt execution of orders, abilities and financial wherewithal of the broker-dealer, and in

connection with particularly difficult transactions, the broker-dealer's expertise with respect to such transactions.

Typically, to achieve best execution, we will “bunch” or block-trade client orders. If “bunch” or block trading is not available, we will disclose this fact to you and you will not pay higher commissions as a result. While orders are blocked for price, you pay their individually negotiated commission rate. As a result, you will not achieve savings in commissions from block trades.

You may direct us to use a particular broker-dealer to execute transactions for your account. In this circumstance, your direction will be in written form authorizing us to execute all or certain transactions with the particular broker-dealer and you will provide us with a written acknowledgment that you understand that: (A) in directing us to use a particular broker-dealer, we may not be in a position where we can freely negotiate commission rates or spreads, or select broker-dealers on the basis of best price and execution; (B) such directed brokerage transactions may not be commingled or “batched” for purposes of execution with orders for the same securities for other accounts managed by us; and (C) accordingly, your direction of a particular broker-dealer to execute transactions for the account may result in higher commissions, greater spreads or less favorable net prices than might be the case if we were empowered to freely negotiate commission rates or spreads, or to select broker-dealers on the basis of best execution.

When appropriate under our discretionary authority and consistent with our duty to obtain best execution, we may direct brokerage transactions for client accounts, except all or any part of client accounts managed within the TIGERS Program to broker-dealers who provide us with research and brokerage services. The brokerage commissions used to acquire these services are known as “soft dollars.” The Section 28(e) of the Securities Exchange Act of 1934 and related SEC interpretive materials provide a “safe harbor” which allows us to pay for research and brokerage services with soft dollars generated by your account transactions. Section 28(e) permits us, under certain circumstances; to cause your accounts to pay broker-dealers a commission for effecting portfolio transactions in excess of the commission another broker-dealer would have charged to effect such transactions. Broker-dealers typically provide a bundle of services, including research and execution. The services provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party, (created by third-party but provided by broker-dealer). We may use soft dollars to acquire either type. It is not generally possible to place a dollar value on the special executions or on the research services we receive from broker-dealers effecting transactions in portfolio securities. Accordingly, we may pay broker-dealers commissions for effecting your portfolio transactions in excess of amounts other broker-dealers would have charged for effecting similar transactions if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its discretionary accounts.

In determining whether a service qualifies as research or brokerage, we must evaluate whether the service or product provides lawful and appropriate assistance to it in carrying out its investment decision-making responsibilities. Brokerage and research services that may be provided under Section 28(e) include furnishing advice as to the value of securities and as to the advisability of investing in, purchasing or selling securities, and effecting securities transactions

and performing functions incidental thereto (such as clearance, settlement, and custody). We will not enter into any agreement or understanding with any broker-dealer that would obligate us to direct a specific amount of brokerage transactions or commissions in return for such services. However, certain broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent.

When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. We may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on your account receiving most favorable execution. We use soft dollar benefits to service all of our clients' accounts, not just those that paid for the benefits, and we do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

The following are services acquired with soft dollar credits over the past fiscal year:

1. Bloomberg – Bloomberg is used to monitor security pricing and receive real time market quotes and information from broker dealer contacts.
2. CMS Bondedge – Bondedge is the primary portfolio management tool used for monitoring client fixed income portfolios.
3. Creditsights – Creditsights provides credit research on investment grade fixed income securities held within our client portfolios.
4. Eze Castle – The Eze Castle trading platform is used to execute all equity trading.

All soft dollar trading is executed with the Bank of New York Convergenx trading unit, and all such trades are done with the Convergenx group bidding and offering in competition with a non-soft dollar broker. Trades are executed with soft dollar credits when the levels offered are superior to non-soft dollar prices received from competing brokers.

Review of Accounts

We, at Sterling Asset Management, will meet with you on a regular basis to review your circumstances and determine, if any, significant changes have occurred that require changes to your investment objectives and policies and need to be communicated to any sub-advisor. In addition, we monitor and review your account to ensure adherence to your investment objectives.

We review each account regularly and not less than once a month. Additionally, we will do so whenever information coming to our attention would make a review advisable. Such information would include: change in your situation; changes in the condition, prospects or market price of a portfolio holding; or changes in the financial or securities markets generally. Those that conduct this review are all of the members of our Investment Policy Committee, which normally includes our Chief Investment Officer (“CIO”) and one to three other portfolio managers. The investment management team acts as a group, developing investment policies that are intended to meet client objectives, including the selection of portfolio securities to be added to or eliminated from client accounts. The team members review all accounts at least once per month. Our CIO retains final control over all investment decisions.

We will furnish you with written reports, quarterly or more frequently, as mutually agreed, showing positions and values at the end of the reporting period.

Client Referrals and Other Compensation

Not applicable.

Custody

Not applicable.

Investment Discretion

For accounts managed under the Investment Advisory Services Program, we have discretionary authority to determine and execute, without obtaining consent from you, the type and amount of securities we will buy or sell within your account/s.

For our accounts managed under the TIGERS Program, the model indexes determine our discretionary authority with respect to the types and amounts of securities we buy or sell within each of your accounts. See “Advisory Business –TIGERS Revenue Weighted Index™ Program,” above, for a detailed explanation of the TIGERS Program. We do not have the authority to replace any of the related benchmark indexes without providing advance notice to you.

Our discretionary authority is provide and detailed in the investment management agreement entered into between Sterling Asset Management and you, as our client.

Voting Client Securities

It is not our policy to vote proxies on behalf of our clients. In the event that you, as our client request that we do so, we, as a matter of policy and as a fiduciary to you, have the responsibility for voting proxies for your portfolio securities in your best economic interest. We have a proxy voting relationship with RiskMetrics/ISS. We, at Sterling Asset Management, have adopted the RiskMetrics/ISS Proxy Voting Policy and consistently execute all available shares according to the RiskMetrics/ISS policy. It is our responsibility to establish the relationship with Risk/Metrics/ISS for you at the inception of the relationship. Should any proxy information be given to Sterling Asset Management on your behalf, our employees have been directed to forward that proxy material to the Chief Investment Officer of Sterling Asset Management, who will immediately forward a copy of the materials to RiskMetrics/ISS. We receive periodic vote-history reports from RiskMetrics/ISS (monthly, quarterly, and annually) that detail our accounts' proxy records. We can provide you with periodic proxy reports upon request. Our Chief Investment Officer, in conjunction with our Chief Compliance Officer, have the responsibility for the implementation and monitoring of our proxy voting policies, practices, disclosures and record keeping, as adopted in the RiskMetrics/ISS Proxy Voting Policy. We will provide you with a copy of the RiskMetrics/ISS Proxy Voting Policy upon request.

Financial Information

Not applicable.

Requirements for State-Registered Advisers

Not applicable.

Privacy Policy

As a registered investment adviser, Sterling Asset Management and all supervised persons, must comply with SEC Regulation S-P, which requires investment advisers to adopt policies and procedures to protect the "nonpublic personal information" of natural person clients. "Nonpublic information," under Regulation S-P, includes personally identifiable financial information and any list, description, or grouping that is derived from personally identifiable financial information. Personally identifiable financial information is defined to include information supplied by individual clients, information resulting from transactions, any information obtained in providing products or services. Pursuant to Regulation S-P Sterling Asset Management has adopted policies and procedures to safeguard the information of natural person clients.

We do not disclose any nonpublic information about you to outsiders, except for the custodian of your account, the sub-administrator of your account, or as required by law. We restrict access to your personal and account information to those of our employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. The only nonpublic information about you that we maintain is collected from information we receive from you on applications or other forms and information about your transactions with us or others. If you ever close your account(s) or become an inactive client, we will continue to adhere to the privacy practice as described in this notice.

Other Information

Anti-Money Laundering

As a securities firm, we are subject to a number of statutory and regulatory requirements that were designed to assist the Federal Government in combating money laundering, including the Bank Secrecy Act ("BSA"), the Money Laundering Control Act of 1986 and the USA Patriot Act of 2001 ("UPA"). We have established an Anti-Money Laundering Policy in which we have affirmed that it is our policy to implement an effective anti-money laundering program. In order to combat money laundering, the Anti-Money Laundering Procedures ("AML Compliance Procedures") have been adopted and made binding on all of our employees.

Political Contributions

We have adopted compliance policies and procedures to mitigate risks of political contributions made by our employees. However, Sterling Asset Management is unable to exercise any control over the political activities of individuals not employed by our firm. Accordingly, these compliance procedures do not apply to non-employees.

Business Continuity

As part of our fiduciary duty to our clients and as a matter of best business practices, Sterling Asset Management has adopted policies and procedures for disaster recovery and for continuing our business in the event of an emergency or a disaster. These policies are designed to allow us to resume providing service to our clients in as short a period of time as possible. These policies are, to the extent practicable, designed to address those specific types of disasters that we might reasonably face given our business and location.