

SEC Form ADV
Part 2A "Brochure"

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This Brochure provides information about the qualifications and business practices of Sterling Capital Management, Inc. If you have any questions about the contents of this brochure, please contact Tom Portz by telephone at (262) 970-9700 and/or by email at tomportz@moseco.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 Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

This Brochure does not constitute an offer to sell or the solicitation of an offer to buy any securities. Potential investors should refer to the offering documents of the applicable private fund client prior to considering an investment in such private fund client.

**ITEM 2: MATERIAL CHANGES SINCE THE LAST ANNUAL
UPDATE:**

There have been no material changes to this Brochure since the last update in March 2019. However, certain information in this Brochure may have been updated, consequently, we encourage you to read this Brochure in its entirety.

ITEM 3: TABLE OF CONTENTS:

ITEM	Page
1 Cover Page	-
2 Material changes	2
3 Table of Contents	3
4 Advisory Business	4
5 Fees and Compensation	5
6 Performance-Based Fees and Side-By-Side Management	9
7 Types of Clients	9
8 Methods of Analysis, Investment Strategies And Risk Loss	10
9 Disciplinary Information	14
10 Other Financial Industry Activities and Affiliations	14
11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
12 Brokerage Practices	17
13 Review of Accounts	21
14 Client Referrals and Other Compensation	21
15 Custody	21
16 Investment Discretion	22
17 Voting Client Securities	23
18 Financial Information	24

ITEM 4: ADVISORY BUSINESS

- A. Founded in February 1997, Sterling Capital Management, Inc. (“SCM or the “Advisor”) is a corporation that was established in the state of Wisconsin and maintains offices in a landmark property known locally as the Priedeman Estate. Tom Portz, CFP is the sole owner of Sterling Capital Management, Inc.
- B. SCM provides investment advisory, financial planning and consulting services to individuals, corporations, and non-profit organizations on discretionary and non-discretionary basis.

Sterling Capital Management, Inc. also serves as the General Partner and investment advisor to a hedge fund, Sterlingworth Capital Partners, L.P., a limited partnership (“Fund”). The Fund is a single pooled investment vehicle which is aggressive and non-diversified. A complete description of the Fund and its investment strategy is provided in the Fund’s *offering documents* which prospective investors (limited partners) should carefully review prior to investing.

- C. The Advisor manages segregated portfolios for individuals, corporations, and non-profit organizations. While client portfolios may hold similar securities, each portfolio is individually tailored, attempting to match the unique needs and investment objectives of each client.

As noted above, the Advisor also manages a hedge fund. This is a pooled account where the monies of more than one investor are pooled into a single portfolio and traded as a single entity. SCM does not tailor the advisory services to the specific investment objectives of individual Fund investors. The services SCM provides to the Fund are outlined in the Fund’s offering documentation. The investors in the Fund cannot generally impose restrictions or limitations as they relate to the Fund’s investment strategy and objectives.

Clients, on the other hand, can impose reasonable restrictions on their investment portfolios. The reasonableness of a requested restriction is determined by SCM at its sole discretion. Examples might include avoiding tobacco companies or avoiding the purchase of the stock of a company that competes with the client's employer. These restrictions should be submitted to the Advisor in writing.

- D. The Advisor does not offer *wrap accounts*.
- E. As of 12/31/2019, the Advisor managed \$122,384,844 on a discretionary basis and \$106,290,985 on a non- discretionary basis.

ITEM 5: FEES AND COMPENSATION

- A. For separately managed accounts ("SMAs"), the Advisor's fee is based on the client's assets under management (typically 2% per year).

Fees are negotiable. The clients should refer to their investment advisory agreement for the fee schedule applicable to them.

The Advisor charges a fixed fee for financial planning services (typically \$350.00 per hour). The Advisor may modify, waive, or otherwise charge a flat fee for service.

For the serviced provided to the Fund, the Advisor is generally compensated through a 2% asset management fee. The Fund's assets are valued, and the fees are calculated by the Fund's administrator, Core Fund Solutions of Los Altos, California. While there are management and performance fees associated with the hedge fund, the Advisor may reduce or waive such fees at its sole discretion.

- B. Subject to written approval from the client, fees are deducted from client accounts quarterly. The Advisor, at its discretion, may choose to delay the quarterly billing. Clients may also arrange for payment of their fees directly.

The custodian of the Fund will remit fees from the Fund directly to the Advisor.

- C. Fees paid to Advisor are exclusive of all custodial fees, brokerage commissions and transaction costs paid to the client's custodian, brokers or other third-parties, as well as any fees and taxes on brokerage accounts and securities transactions. In addition to the fees described in sections (A) and (B) above, clients may incur other fees, charges, and expenses as outlined below.

Clients may also pay brokerage charges that include commissions charged by a broker to make a stock or bond trade. In connection with the purchase or sale of income securities, the broker may charge a mark-up or a mark-down. In some instances, there may be a transactional commission charged by a broker to purchase or sell both load and no-load mutual funds. Brokers often reduce, discount, or may waive commission fees completely, at their discretion. Clients have the option to purchase investment products that SCM recommends through other brokers or agents that are not affiliated with SCM.

Mutual funds in the client portfolios also may charge advisory fees and expenses.

Clients may also incur fees on individual retirement accounts, service fees such as wiring fees, and in some instances, fees to open or close accounts. Brokerage firms and the custodians holding the securities account usually charge a flat service fee for each transaction.

For the hedge fund, Interactive Brokers of Greenwich, Connecticut is the prime broker and custodian ("Prime Broker"). The Prime Broker may or may not receive trailing commissions (12b-1 fees) or expense fees from mutual funds. It may also charge commissions to the hedge fund for securities purchased or sold within the Fund. Neither SCM nor any of its affiliates, nor Moloney Securities, nor any of the officers, directors, or employees receive any direct or indirect compensation or trading fees associated with the activities of the Fund.

- D. The Advisor typically charges fees three months in advance. As mentioned in this section, the Advisor may, at its discretion, delay billing fees.

The Advisor will cease the accrual of advisory fees upon receipt of written notice by a client terminating investment advisory service. A refund will be paid for any fractional period for which the client has already paid or, alternately, charges will be assessed for any fees that have not been billed for a fractional period.

Fees are subject to change. Such changes must be approved by the client in writing. Any approved change in fees shall apply for the entire quarter in which the fee change was approved by the client.

The Fund pays the advisory fees on a quarterly basis, in arrears. The Advisor may, at its discretion, delay the remittance of fees.

As mentioned elsewhere in this Brochure, the Advisor directs trades for most of its clients' accounts through Moloney Securities ("Moloney"). Certain personnel of the Advisor are also registered representatives of Moloney. Acting in their capacity as registered representatives of the broker-dealer or personnel of the Advisor, Investment Advisor representatives may receive commissions on stock trades, bond trades, and related brokerage services.

They may, at their discretion, choose to reduce commissions or complete trades at a loss. They may receive trailing commissions (called 12b-1 fees) on selected mutual funds, and commissions or trailing commissions on annuities and insurance products. They may receive commissions on initial public offerings and mark-ups or mark-downs on selected income securities. This should be considered additional compensation to the Advisor.

Additional compensation realized by personnel associated with the Advisor may give rise to a conflict of interest as it represents an incentive to recommend investment products based on the compensation received, rather than on the client's needs.

To address this concern, the Advisor considers the investment products offered in the marketplace, the characteristics of the products, and their fit in the then current economic condition. The Advisor also considers the accessibility and service offered on the products and the support offered by the respective firm assisting in product placement. The Advisor is satisfied that the historic and prospective choice of investments has and may maintain a reasonable balance, addressing overall fit and reasonable overall cost. The Advisor does not represent that any aspect of their fees or that the investment selection is driven solely by the lowest priced product.

The Advisor may include mutual funds in a client's overall investment portfolio. The Advisor considers funds that have no-load and funds that have front-end or rear-end load.

As also noted herein, most no-load funds and some load funds may have a transaction charge upon purchase or sale. The amount of the charge is a factor, but not the primary consideration in choosing a fund.

Tom Portz, President of the Advisor, also maintains a related business, Sterling Financial, Inc. That firm receives commissions and related compensation earned by personnel of the Advisor acting in their capacity as registered representatives. Of the total compensation earned by both firms, more than 50% is from the sale of commissionable investment products and trailing commission compensation.

Advisory fees are charged in addition to any commissions or other sales compensation. Advisory fees are not reduced to offset commissions, or the other compensation received by personnel acting in their capacity as registered representatives. The Advisor may, as stated previously and, at its sole discretion, reduce or forego the overall annual fee charged at the time the account is established.

ITEM 6: PERFORMANCE FEES AND SIDE-BY-SIDE MANAGEMENT

The Advisor does not collect performance allocation fees on any accounts, with the exception of the Fund.

For the Fund, the Advisor may receive performance allocation fees on a quarterly basis. Such fee is 20% of the profits of each investor in the Fund. Such additional remuneration presents a conflict of interest as it gives the Advisor an incentive to pursue investments that would earn it additional compensation but are not necessarily in line with the Fund's objectives. While the hedge fund generally tends to be much more aggressive than other client accounts, it is in fact, just one portfolio. The Advisor performs exhaustive research and has the staff, hardware/software, data feeds, and trading capabilities to properly manage all other accounts and the hedge fund.

Additionally, the incentive compensation could be greater than the management fees charged on all other client accounts which may give the Advisor an incentive to favor accounts for which a performance allocation fee is received. The Advisor believes this risk is mitigated by two factors. First, the Advisor has adequate personnel and technology to reasonably manage both the SMA's and the Fund. Second, the performance allocation is paid just once on growth in the Fund. Therefore, it is in the interest of the Advisor to do all possible research to maximize returns and minimize risk.

ITEM 7: TYPES OF CLIENTS

The Advisor has a broad mix of clients including individuals, high-net worth individuals, pooled investment vehicles, pension and profit sharing plans, trust accounts, corporations, charities and non-profit organizations.

The Advisor has a minimum account size of \$100,000. The Advisor may lower or waive the investment minimum requirement at its sole discretion.

The Fund's minimum commitment requirement is \$1,000,000; however, the Advisor reserves the right to accept lower initial investment and continuing contributions. Investors in the Fund must generally be "accredited investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 and "qualified clients" as defined in rule 205-3 under the Investment Advisers Act of 1940. However, the Fund may accept up to thirty-five (35) non-accredited "sophisticated investors" who have such knowledge and experience in financial matters to evaluate the merits and risks of an investment in the Fund.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- A. The Advisor focuses on changing factors in the global economy. These types of factors might include political issues, changing inflation and interest rates, changes in currencies and the comparative economic strength of specific countries and geographic areas.

The interpretation of these types of global issues then leads the Advisor to choose specific stocks, bonds, mutual funds, and related investments. These investments are reviewed based on the Advisor's evaluation of data from varying sources.

Countless sources of data are utilized. These include, but are not limited to, televised news and online information, printed research available to the general public, printed research purchased by the Advisor or received gratuitously by the Advisor, newspaper and magazine information, economic and company research prepared by investment companies, as well as charts and direct information obtained from programs - such as those presented by the Chicago Federal Reserve.

Risks (Discretionary and Non-Discretionary Accounts): SCM's investment strategies involve a risk of loss that clients should be prepared to bear.

Our discretionary-managed accounts and our non-discretionary accounts are diversified and the values of SCM's accounts typically fluctuate in a manner consistent with their asset allocation, degree of value style tilt, and prevailing market conditions.

Risks are different for different strategies. As noted, investment programs/portfolios are uniquely structured in an attempt to match the needs and objectives of each client. Most portfolios are balanced, meaning they contain a mix of growth and income securities. Some portfolios limit investment exclusively to income securities. Some clients prefer and have a risk tolerance that allows all growth securities. A limited number of portfolios, including those of the personnel associated with the Advisor, are quite aggressive. Clients in aggressive portfolios may borrow money (margin) to invest. Some investment portfolios are comprised of after-tax funds

A balanced portfolio typically will invest in income securities including certificates of deposit, preferred shares, bonds, bond mutual funds and exchange-traded funds (ETFs) which invest in bonds. These securities present several risks including the default of the issuer. The Advisor may apply reasonable research prior to purchasing such a bond for clients, only to find at some point in the future, that the value of the bond has declined, because the issuer has become imperiled. The other significant risk is inflation and rising interest rates. Both factors could cause a loss if the securities are sold before maturity. The Advisor, attempting to find the proper balance between reasonable yield and reasonable maturity could purchase a bond or bond fund that, if sold prior to maturity, would see a decline in value were interest rates to rise. Clients may also obtain a measure of balance through the purchase of selected annuity or insurance products which have some type of rider that provides living income guarantees or living benefits. Balanced portfolios usually include a portion of portfolio assets in some type of growth security discussed in the following paragraph.

Growth securities, whether as a part of a balanced, growth, or aggressive growth portfolio have a variety of risks. The notion of growth securities, or assets with fluctuating growth characteristics, can be expanded to include stocks, stock mutual funds, ETFs investing in growth securities, structured products, and derivative securities. The Advisor may also purchase ETFs which invest in commodities. On occasion, and subject to prior written approval of the client, the Advisor uses listed derivatives, also known as listed options, traded daily on organized exchanges. These strategies are largely focused on the use of covered calls which generate income and partially reduce risk. The Advisor may also purchase puts, which are also designed to reduce risk.

Aggressive portfolios often include the same securities held in growth portfolios or in the growth section of balanced portfolios. However, these shares may be held in much higher concentrations, they may be traded more frequently for comparatively small percentage price moves, and they may employ leverage (margin). These portfolios are often traded more actively than less aggressive portfolios. The Advisor naturally treats the block trades of these clients somewhat differently and uses a different trading rotation when deciding when and how to individually trade these accounts. The risks associated with these portfolios are similar to growth securities previously discussed, but the risks are greater. When an aggressive growth portfolio declines due to its own merits, or due to overall market and economic conditions, the decline is often greater due to the use of borrowed monies.

It is notable that two identical portfolios with the same strategy may have different returns. While the Advisor may make a single block trade, simultaneously buying selling the same security for all accounts, this is not always possible, and it is not always desirable. Often the Advisor uses a rotating system, reviewing a particular client's portfolio, trading a particular security, and then moving on to the next alphabetical client. As markets constantly change, two clients, even with portfolios that are identical in size and with identical objectives may receive slightly different prices. The Advisor believes this is a minor issue compared to the close security portfolios receive.

The Fund is aggressive and non-diversified. It tends to have high turnover and is not tax efficient. The Advisor may overweight positions or sectors in the market. The Advisor may construct partial hedges against loss through the use of one or more derivative strategies. Strategies may include holding securities as long positions or selling securities as short positions. Holding both long and short securities positions may tend to hedge risk. The Advisor may use multi-speed securities to generate return and potentially offset risk. The Advisor may purchase structured products in an effort to generate return and manage risk.

The Advisor provides investment advice regarding retirement plans including 401(k)s. This advisor works with plan sponsors (corporations) in establishing and maintaining any 401(k)s. Service extends to meeting with employees eligible to participate in a 401(k) to help them understand and invest in available 401(k) sub-accounts. In other cases, The Advisor manages the specific retirement plan investment portfolios for the benefit of one or more such employees.

Prospectuses are disclosure documents describing the function, objectives, fees and expenses of mutual funds. They can be requested from The Advisor, the respective mutual fund company, or in many cases found on-line. Options are further described in a standardized booklet called **Characteristics and Risks of Standardized Options**. The Advisor will provide this booklet upon request without charge.

ITEM 9: DISCIPLINARY INFORMATION

There are none currently and have never been any disciplinary actions against the Advisor or its personnel.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. General Disclosure

As noted elsewhere in this Brochure, the Advisor serves as the investment adviser and General Partner to Sterlingworth Capital Partners, L.P., a hedge fund.

Tom Portz, the president of the Advisor, also owns Sterling Financial, Inc., a financial services company previously identified in Item 5, Section D. iv. This company sells mutual funds, annuities, insurance products, and receives commission assignments from personnel of the Advisor, acting in their capacity of registered representatives.

This may present a conflict that this firm, or its personnel, sells products and services to advisory clients which result in additional income to personnel of the Advisor. This product placement and trade execution also requires time. The Advisor believes these conflicts are mitigated and more than offset by the comprehensive and seamless assistance in easily acquiring and servicing specific investment products.

Tom Portz has also been awarded 10 U.S. patents and 6 Canadian Industrial Design Certificates (patents). Mr. Portz has also formed a corporation called Luminex Corporation to further develop such patents. To date, there are no revenues and no conflicts exist.

Under Item 5: FEES AND COMPENSATION of this Brochure, the Advisor discusses the nature, conflicts, and the handling of the conflicts associated with being a registered representative of a broker-dealer.

- B. The Advisor does not have outside owners or directors that would otherwise might raise questions of conflict of interest.

The Advisor does not have compensation arrangements with other advisory firms, other than the brokerage division of Moloney Securities. Individuals affiliated with the Advisor also have securities licenses held by Moloney. In the context of maintaining (trading and servicing) advisory and non-advisory clients, these individuals receive compensation on various investment products from Moloney.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONNEL TRADING

- A. In accordance with the Advisors Act Rule 204A-1, the Advisor has adopted a Code of Ethics (the “Code”) which is available to anyone upon request. The Code largely focuses on the personal trading protocols of the personnel of the Advisor. Certain critical rules must be followed, such as not trading the same security immediately ahead (same day) as clients, and not shorting a security that has otherwise

been purchased in discretionary accounts as long as position for other clients. The Chief Compliance Officer (“CCO”) monitors personnel trades daily.

- B. Other than in the maintenance of family accounts, the Advisor does not share an interest in any clients’ accounts.

Occasionally a security, normally an income security, is traded through a brokerage firm in which a mark-up or a mark-down is added to the net price of the security at the time of the purchase or sale. When personnel of the Advisor, acting in their capacity of registered representatives of the broker-dealer, are handling this trade, this results in incidental compensation to the Advisor. Any amount, no matter how large or how small, presents a conflict of interest. The Advisor, at the time of trade, seeks mark-ups and mark-downs that are comparable with standard mark-up and mark-downs in the marketplace. Such levels are often dictated by the maturity of the security.

The Advisor is well aware that net returns to the clients, including mark-ups or mark-downs, are relevant. As stated earlier, the Advisor seeks best execution which is an aggregate of factors and does not represent that clients will necessarily receive the lowest cost on any particular transaction.

The Fund may be suitable for some of the SMA clients of the Advisor. As such, monies of the Advisor who is the General Partner of the Fund, and of Tom Portz and Tim Portz who are Limited Partners in the Fund, share a common financial interest. The Advisor, Tom Portz and Tim Portz, portfolio managers of the Fund, have a financial interest in the success of the fund as they share in the profits of the Fund.

The Advisor believes in its recommendations and personnel of the Advisor often invest in the same securities as those chosen for clients. As noted, personnel may not invest on the same day as the clients ahead of the clients. Personnel may simultaneously trade, meaning join a block trade in the purchase or sale of securities, obtaining the same average price as clients.

Personnel may not short a security that it has purchased on a discretionary basis for clients. As personnel of the Advisor may have much larger concentrations than clients in a particular security, or may be pursuing a more aggressive trading strategy, they may sell securities otherwise held as a longer-term investment for most, if not all clients. The CCO oversees all personnel trades and ascertains if trades by employees have any adverse material impact on shares otherwise held for longer periods in managed client accounts.

ITEM 12: BROKERAGE PRACTICES

All discretionary accounts are traded through Moloney Securities. Non-discretionary accounts may be maintained at any brokerage firm the client chooses.

For the Fund, the Advisor may execute trades at various firms, with coordinated clearing through its Prime Broker, Interactive Brokers.

Personnel of the Advisor are licensed with Moloney Securities and direct all discretionary trades through Moloney. While it is anticipated that most, if not all trades, for the Fund will be directed through Interactive Brokers, it is possible to trade the Fund elsewhere and clear those trades through Interactive Brokers.

A. Research and Other Soft Dollar Benefits.

Prior to the establishment of the Fund, the Advisor had not received research or other benefits, known as "soft-dollars.". Where a brokerage firm can provide useful research and offer competitive (not the lowest price) commissions, the Fund could execute the transactions through that broker-dealer.

- i. With respect to the Fund only, credible research coupled with a "competitive" trading fees, permits the Fund to trade away from Interactive Brokers and clear through Interactive Brokers.

- ii. The soft-dollar arrangement described in (i) above pertains only to research. Such a "competitive trading fee" would be higher commission and would only apply to trades made within the Fund.
- iii. Though separately managed accounts traded through Moloney would indirectly benefit from such research/knowledge, they would not pay any premium or be traded away from Moloney.
- iv. By definition, the Advisor may only trade away from Interactive Brokers (at what might be a higher commission) if the Advisor believes research provided by the firm has a material value and may add to the net return of the Fund.

The Advisor believes the Advisor's interest and the clients interest are both served if a research firm offering competitive execution can add to the value and insight of a particular investment or overall sector.

B. Brokerage for Client Referrals

- i. When selecting a broker-dealer and or custodian to which the Advisor will direct the execution of the trades for the client accounts, SCM considers a number of factors, including, but not limited to, pricing; availability of support services, including stock and bond trading assistance; investment product knowledge; compliance support.

The Advisor also considers the broker-dealers and the custodian's ability to assist with acquisition services, such as recruiting if investment adviser seeks representatives, valuation of investment advisory firms and the financing to purchase such firms.

For the Fund, trades will be directed primarily, if not entirely through Interactive Brokers, the Prime Broker. Trades may also be executed at other firms and cleared through Interactive Brokers.

Advisor believes this additional exposure to other firms provides additional data and market views to the Advisor. Rather than pose a conflict of interest, it is viewed by the Advisor as a positive condition as it would tend to give the Advisor a deeper view of the markets and available investment opportunities.

ii. The Advisor derives no trading fees or trailing commissions, direct or indirect, from the Fund.

C. Directed Brokerage

i. For separately managed discretionary accounts, the Advisor only offers Moloney Securities as the broker the clients may use.

For separately managed non-discretionary clients may maintain part or all of their accounts at Moloney or another firm of their choosing.

The Advisor does not permit directed brokerage arrangements for the Fund. While most, if not all of trading, is likely to be routed through Interactive Brokers, the Advisor does retain authority to direct brokerage to another firm if it is felt that the firm provides research that is of value to the Fund. It is possible that when the Advisor does so, the Fund may a higher commission than customarily charged by Interactive Brokers.

ii. The Advisor does seek seeks to obtain best execution for its clients, which is not based on price alone, but is the composite of various issues. As previously indicated, such factors include personal contact and handling of transactions before and after the trade, overall speed and trade efficiency for all clients, price, and the depth/responsiveness of all support departments.

Employees of the Advisor have brokerage licenses to transact brokerage business. These licenses are held/maintained through Moloney Securities. These individuals are personnel of the Advisor, and in their capacity as registered representatives of a broker-dealer, may receive compensation when they direct trades through Moloney Securities. Compensation may be earned from transactions such as stock trades, bond trades, initial public offering, mark-ups and mark-downs on income securities, insurance and annuity purchases and trailing fees paid on mutual fund and insurance products. This additional compensation presents a conflict of interest as it could potentially influence the selection of investments by the Advisor.

- D. The Advisor often makes an aggregate (block) trades. In doing so, the Advisor examines all accounts and makes a single purchase or sale, allocating specific shares/bonds to each respective account.

In situations where the Advisor does not make a block trade, the Advisor rotates its examination and account trading. A system has been developed which begins each examination with clients at different points in the alphabet.

Systemically reviewing the accounts trading may result in different prices for different clients. These differences tend to be small and the Advisor believes it has no material impact on comparative returns between similar clients.

The Advisor regularly obtains new accounts, or has additional assets transferred into existing client accounts. Until these accounts are fully invested or rebalanced into securities followed by the Advisor, they may differ from those otherwise managed by the Advisor. During the initial transition period and until these accounts generally match the rest of the Advisor accounts, trades may be more frequent and may not necessarily follow the Advisor's alphabetic trading system.

ITEM 13: REVIEW OF ACCOUNTS

The Advisor conducts a formal account review each quarter. However, the continuous stream of global news (wars, inflation, sovereign debt concerns, etc.), as well as company-specific events cause the Advisor to review accounts, or investment positions in accounts as frequently as every 10 days and spot/sample check returns every few days. The Advisor also meets with and calls clients from time-to-time to discuss specific portfolio issues or their overall financial plan. Portfolios are reviewed to confirm that they reasonably match the objectives of the client. Performance is evaluated and the attendant risk that is being taken to achieve that performance is considered. Tom Portz and Tim Portz conduct these reviews.

Separately managed clients receive written account summaries quarterly. Fund investors also receive a written quarterly report.

ITEM 14: PAYMENT FOR CLIENT REFERRALS

The Advisor does not currently pay for client referrals in SMA's. For the Fund, the offering documents disclose in the relevant part that a portion of the management fee and/or performance allocation paid by the Fund to the Advisor may be remitted to third parties introducing potential limited partners to the Fund. The Advisor may also use its own resources to compensate third parties for such introductions.

ITEM 15: CUSTODY

The Advisor does not have physical custody of any SMA client assets. Personnel of the Advisor, when acting in their capacity as registered representatives of the broker-dealer, may route checks to the clients' broker or custodian. These checks may not be made payable to Sterling Capital Management, Inc., Sterling Financial, Inc., or any personnel of either of these firms.

Clients will receive account statements directly from the broker- dealer, bank or other qualified custodian. The Advisor also prepares an in-house summary which the Advisor generally sends/reviews with clients quarterly in an effort to stress the importance of reviewing both statements accurately for any discrepancies.

The Advisor has custody of the Fund's assets because it has the ability to deduct advisory fees payable to it and has a general power of attorney over the Fund's account.

Interactive Brokers is the Fund's Prime Broker. Execution and clearing services are provided by Interactive Brokers. The physical assets of the Fund are also held in an account with Interactive Brokers. Interactive Brokers is a member of Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

ITEM 16: INVESTMENT DISCRETION

The majority of clients give the Advisor discretionary authority over their accounts. Prior to acting upon this authority, clients must review and sign an advisory agreement, which includes language allowing discretionary authority, a limited power of attorney form, a fee agreement, and fee authorization (allowing funds to be withdrawn from their account). Clients may place reasonable restrictions on the account such as a desire to avoid certain securities, certain sectors of the market, and maintain approximate guidelines as to the amount and relative quality of the securities to be purchased. These directives need to be provided to the Advisor in writing and need to be updated by the client if their preferences change.

Discretionary authority allows the Advisor to purchase and sell securities, switch funds/portfolios within variable annuities, variable life, or mutual fund products. Mutual funds, ETF's, and variable annuities/variable life products have an advisor that directs the purchase and sale of securities in their respective portfolios. In directing the purchase of these types of investments, it could be construed that the manager is selecting other advisors for the clients of Sterling Capital Management, Inc.

The Advisor also provides advice to non-discretionary account clients. Upon evaluation of those remarks, non-discretionary clients may or may not take actions based upon the Advisor's comments.

SCM is not limited in its authority to purchase or sell securities for the Fund. SCM has full discretion and authority to make all investment decisions with respect to the types of securities to be bought or sold or the amount of securities to be bought or sold.

For the Fund, discretionary authority does not give ability to take or have possession of any assets in the Fund's account or to direct delivery of any securities or payment of any funds held in the account to SCM.

ITEM 17: VOTING CLIENT SECURITIES

A. For SMA clients, the Advisor does not vote proxies. Custodians and transfer agents will send proxies directly to clients the Advisor may assist the client in an effort to receive materials (if they wish) in their preferred format.

B. The Advisor will determine how to vote proxies of the Fund.

ITEM 18: FINANCIAL INFORMATION

The Advisor has no financial circumstances that impairs its ability to meet its contractual and fiduciary commitments to its clients.

The Advisor has not been the subject of a bankruptcy petition at any time during the past ten years.