

Item 1

STERLING CAPITAL MANAGEMENT, INC.

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This brochure provides information about the qualifications and business practices of **Sterling Capital Management**. If you have any questions about the contents of this brochure, please contact us at **(314) 843-9999** or visit our website at www.scmstl.com.

Sterling Capital Management is a registered investment adviser. If you are considering hiring us as your adviser, we hope you will find the information in the brochure helpful.

This is only one step in your process. It is always prudent for clients to do additional background research before making such an important decision. We do welcome any questions you might have after reading the brochure, and we will do our best to answer them in a meaningful way.

Additional information about Sterling Capital Management is also on the SEC's website at www.adviserinfo.sec.gov. The SEC's website also provides information about all persons affiliated with our firm who are registered, or are required to be registered, as investment adviser representatives of our firm.

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. Registration of an investment adviser does not imply any level of skill or training.

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MATERIAL CHANGES

There have been no material changes since our last filing.

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ADVISORY BUSINESS

Sterling Capital Management provides advisory services to clients to help them invest their liquid assets.

Our advisory services include the following process:

- (1) analyzing and performing an inventory of the eligible assets;
- (2) conducting a conference with the client to help him or her develop an investment policy statement, which includes a determination of the client's investment objectives, risk tolerance, time horizon, and unique needs;
- (3) establishing allocations for the client's assets, which are also included in the investment policy statement, reflecting the above factors;
- (4) implementing the investment policy by purchasing researched stocks, bonds, and cash equivalents;
- (5) monitoring the investments, making changes when necessary;
- (6) communicating with the client in an ongoing manner; and
- (7) preparing reports that reflect period performance and compliance with the predetermined investment policy.

The construction of a portfolio is guided by our firm's investment perspectives as well as the client's risk tolerance, financial goals, and income needs. Although each portfolio we manage may differ with respect to asset allocation, the specific securities we select will for the most part be the same. Weightings in various asset classes (stocks, bonds, and cash) will be reviewed periodically with the client, who is encouraged to adjust the weightings as financial circumstances and objectives change. Clients may impose restrictions on investing in certain securities or types of securities.

We manage most of our clients' assets on a discretionary basis. This means we do not consult with the client before making each investment. Some assets, however, are managed on a non-discretionary basis, which requires us to obtain the client's permission before making a trade. As of December 31, 2016, we managed \$154,304,509 on a discretionary basis and \$2,496,697 on a non-discretionary basis. Not included in either of these amounts are the assets in self-directed retirement plans. We provide these plans general educational information on retirement investing and assist in the selection of funds for the plans. The assets in these plans totaled \$7,325,548 on December 31, 2016.

Item 4 (Continued)

Sterling Capital Management does not hold itself out as a financial planner. When we consult with clients during the development of their investment policy statement, however, we do offer advice that helps them formulate a financial plan. We also occasionally provide ad-hoc consulting in response to specific requests by persons who want financial or investment advice but do not want, or do not qualify to enter into, an ongoing contract. Any ad-hoc consulting fees will be billed at \$125.00 per hour.

Sterling Capital Management is completely owned by the William G. Lauber Living Trust. William G. Lauber is the sole trustee.

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FEES AND COMPENSATION

Here is the Sterling Capital Management fee schedule:

<u>ASSETS UNDER MANAGEMENT</u>	<u>FEE AS A PERCENT</u>
First \$1,000,000	1% (.01)
Next \$1,000,000	3/4 of 1% (.0075)
Balance over \$2,000,000	1/2 of 1% (.005)

The above schedule is used to determine the annual fee. Since some investors have needs peculiar to their own circumstances, we occasionally negotiate fees to reflect the services rendered. Some of our existing clients are charged less than the present schedule indicates, and some of our original clients are charged a flat fee that may be adjusted periodically based on assets under management. Fees charged on mutual funds are generally lower than indicated on the fee schedule. The fee we charge certain retirement plans for providing education information, rather than specific investment advice, to their participants is generally substantially lower than the fees set by the schedule above.

Item 5 (Continued)

In all cases, a client's fee will be set forth in the written agreement between the client and Sterling Capital Management. The agreement will also establish how often and when the fee will be paid. Most of our clients pay on a quarterly basis, and the fee is billed for services rendered during the previous three months. Our clients are not asked to pay fees in advance.

Most of our clients elect to have their fees automatically deducted from their accounts, but some clients pay by check. The decision is made by the client.

If a client's contract is terminated during the quarter or other billing period, the bill for that period will be pro-rated. A client or Sterling Capital Management may terminate the contract at any time upon written notice (including within five (5) days of entering into the contract) without penalty.

The fee paid to Sterling Capital Management is a management fee only. It does not include brokerage commissions, transaction fees, or other costs. These items are expenses that shall be paid by the client. Sterling Capital Management does not receive any portion of these expenses. Brokerage commissions and other expenses incurred by clients are explained in greater detail in Item 12.

In addition, mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Clients who own these funds are therefore paying two management fees, one to the mutual fund and one to Sterling Capital Management. As a result, we do not generally recommend these funds for most of our accounts. They are present, however, in some of our accounts, especially those in which diversification is otherwise difficult to attain.

Neither Sterling Capital Management nor its employees receive any portion of the fees clients pay to a mutual fund or exchange traded fund. We also receive no compensation of any kind paid by a fund.

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PERFORMANCE-BASED FEES

Sterling Capital Management does not charge any performance-based fees (fees based on a share of capital appreciation of the assets of a client). All of the fees we receive are described in Item 5.

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TYPES OF CLIENTS

Sterling Capital Management may provide investment advisory services to individuals, including those considered high net worth individuals, pension plans, 401(k) and profit-sharing plans, charitable institutions, and other legal entities such as trusts, partnerships, and corporations. We prefer that clients have assets of at least \$100,000, but we will accept smaller accounts in certain circumstances.

We may also provide investment advisory services to clients of other advisers, pursuant to contractual relationships we have with these advisers.

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**METHODS OF ANALYSIS, INVESTMENT STRATEGIES,
AND RISK OF LOSS**

Portfolio Composition

Sterling Capital Management believes in diversifying assets to diversify risk. The primary classes of assets in which we invest are stocks, bonds, and cash equivalents. The allocation of capital assigned to these categories will be determined by the client's risk tolerance, financial goals, and income needs. While each portfolio we manage may differ with respect to asset allocation, the specific securities we select will for the most part be the same. Weightings in various asset classes (stocks, bonds, and cash) will be reviewed periodically with the client, who is encouraged to adjust the weightings as financial circumstances and objectives change.

The investment instruments most frequently used are cash equivalents, fixed income securities, and equities. Mutual funds, exchange traded funds, and unit investment trusts are occasionally purchased for clients in certain situations.

Cash equivalents are liquid, short-term instruments that can be utilized as a lower-risk alternative to equity and fixed income securities or as a temporary place to park capital until an appropriate longer-term investment is found. In times of high inflation, cash equivalents offer very attractive rates of return. Examples of such instruments are U. S. Treasury bills, banker's acceptances, certificates of deposit, commercial paper, government agency issues, and money market funds.

Item 8 (Continued)

Treasury bills are considered the safest of these instruments since they are backed by the full faith and credit of the U.S. government. This means the government will make good on its obligation to pay off the principal of any Treasury bill. Certain U.S. government agency issues also carry this guarantee, but even Treasury and agency bills may fluctuate in price. The other instruments listed above do not carry the backing of the Full Faith and Credit Clause: neither interest payments nor return of principal can be assured.

When evaluating fixed income securities, Sterling Capital Management is customarily conservative. We consider the total return prospects for bonds, not solely the income they provide. U. S. Treasury bonds and the highest quality corporate and municipal bonds are the issues generally purchased because they possess the most liquidity and the least credit risk. Convertible bonds are also periodically utilized.

Fixed income markets can be uncommonly volatile. During these times, we closely monitor the yield curve of the bond market. The longer the maturity of the bond, the greater is the risk that rising interest rates will cause a decline in the bond's principal. This is true for all fixed income securities, including U. S. Treasury bonds. Treasury bonds do possess less risk to principal than other fixed income securities since, like Treasury bills, they are backed by the full faith and credit of the U. S. government. Interest payments on Treasury bonds are also covered by the Full Faith and Credit Clause. The return of principal invested in other fixed income securities is not guaranteed. The same is true of interest payments on those securities.

Equity investments are selected only after extensive fundamental analysis has been performed. We review much of the Wall Street research, especially that which has been prepared by the top analysts in the business. Our research also extends to industry periodicals, financial reports, and company interviews. The ultimate goal is to identify common stocks with substantially undervalued assets, price/earnings multiples discounted from their normal valuation levels, good potential earnings growth, or above-average dividend yields. The value of any equity is established by the market place. The risk that an equity's value will fall to zero always exists.

Because it runs counter to the long-term upward trend of the equity market, the strategy of shorting stocks (selling borrowed securities with the intention of replacing them at lower prices) is rarely considered suitable for our clients since it exposes them to unlimited losses. This strategy would be available to Sterling Capital Management, however, if conditions were to warrant its use.

In certain situations, Sterling Capital Management employs a conservative derivative strategy known as covered call writing. Selling covered calls generates income for client portfolios, but it has the potential to limit the gain on the underlying stock.

Item 8 (Continued)

With the ongoing globalization of the financial markets, it is prudent to examine foreign securities since there are many worthwhile opportunities beyond our borders. Sterling Capital Management is cognizant of the potential of foreign securities but is also concerned by matters such as currency risks, different accounting standards, and shortages of quality research. Therefore, we will be especially discriminating when considering these investments.

Value-Oriented Approach

Our overall view of the economy sometimes directs us to certain industries during the equity selection process. We do not believe, however, that any company should be excluded from consideration for purchase solely because it is not part of an industry group that appears to be favored by current economic conditions. Simply put, our objective is to identify specific securities that offer value, regardless of the perceived macro-economic environment. Technical analysis, the study of the price and volume action of a market or stock, is sometimes utilized as an adjunct to fundamental analysis, which focuses on the financial performance of a company or the economy.

Risk of Loss

To help manage risk, we adhere to certain self-imposed restrictions. Our policy is to limit positions in any one security to ten percent of the total portfolio and to restrict exposure to any one market sector to no more than twenty-five percent of the total portfolio (U.S. Treasury instruments are not included in these rules); however, exceptions to this rule are made in certain accounts because of special circumstances. In addition, weightings in various asset classes (stocks, bonds, and cash) are reviewed periodically with the client, who may adjust weightings.

Although Sterling Capital Management seeks to limit risk, the investments it selects for its clients are not guaranteed. The value of the investments is established by the market and may decline. The loss of principal is possible, and clients should be prepared to bear this loss.

Investments in certain smaller-capitalization stocks chosen by Sterling Capital Management are often more difficult to liquidate than larger-capitalization stocks available for purchase. This presents an additional risk for clients.

Item 9

DISCIPLINARY INFORMATION

Sterling Capital Management is required to disclose all facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or our firm's advisers.

There are no such legal or disciplinary events.

Item 10

**OTHER FINANCIAL INDUSTRY ACTIVITIES AND
AFFILIATIONS**

Sterling Capital Management does not have any arrangement or affiliation with individuals or entities that creates a material conflict of interests. We do accept client referrals from brokerage firms, but we do not believe that this creates material conflicts. These referrals are discussed in Item 12.

Item 11

CODE OF ETHICS

Sterling Capital Management annually offers a copy of its *Code of Ethics* to all clients and will provide a copy to a client or prospective client whenever a request is made. We adhere to the principle that the interests of the client, not the adviser, are paramount. From this principle flow standards of conduct, set forth in the provisions of our *Code of Ethics*, that guide the actions of employees. These standards include (1) the prohibition of the abuse of a client's trust by any employee; (2) the requirement that all trades of personal securities be transacted in a manner that seeks to avoid actual and potential conflicts between the interests of employees and the interests of clients; (3) the insistence that employees not take inappropriate advantage of their positions; and (4) the rule that confidentiality of clients' personal account information be maintained at all times.

The *Code of Ethics* sets forth specific procedures that give effect to these standards and govern employee conduct. It includes, among other things, a requirement that our employees provide a list of their securities transactions, not engage in insider trading, and report all violations of the *Code of Ethics* to the Chief Compliance Officer.

The *Code of Ethics* does not prohibit our employees from investing in stocks that have been, or will be, recommended to or purchased for clients, and it also allows our employees to buy securities not recommended to or purchased for clients. Sterling Capital Management's employees may sell securities on the open market that are identical or similar to those held in client accounts.

Our *Policies & Procedures Manual*, however, places limitations on employee trades of securities owned or contemplated for purchase in client accounts. These procedures mandate that trade executions for clients always have priority over any employee transaction in the same security. Moreover, it establishes specific procedures to protect the interests of clients when employees wish to sell a client-owned security. These procedures are necessary because an employee's sale of a thinly traded security also owned in a client's account could cause a decline in the value of the security. The procedures also prevent employees from using their awareness of upcoming client trades to gain an advantage over other market participants by front-running. The *Policies & Procedures Manual* prohibits employees from purchasing a stock in their accounts before Sterling Capital Management purchases it for clients if the client purchase would likely cause the stock price to go up, unfairly benefitting the employees. A copy of the procedures will be made available upon request.

Employee transaction records are reviewed by the President, William G. Lauber, to ensure compliance with these procedures. Transaction records for Mr. Lauber's family, however, are reviewed by another employee with compliance responsibilities.

Item 12

BROKERAGE PRACTICES

Custodian of Client Assets

Sterling Capital Management does not have actual custody of the assets we manage (but please see Item 15 below). Since client assets must be maintained in an account at a qualified custodian, generally a broker-dealer or a bank, we recommend that our clients use Charles Schwab and Co., Inc., a registered broker-dealer and a member of SIPC, as the qualified custodian. Sterling Capital Management is independently owned and not affiliated with Schwab.

Schwab will hold clients' assets in a brokerage account and buy and sell securities when we instruct them to. Although we recommend that our clients use Schwab as their custodian, clients may elect to use another custodian. Clients who choose Schwab open accounts directly with Schwab with the assistance of Sterling Capital Management. After a client has opened a Schwab account, Sterling Capital Management will be able to execute trades at other brokers if certain requirements are met, as described later in this Item.

Sterling Capital evaluated several factors in making its decision to recommend that our clients choose Charles Schwab as their custodian and broker. Among these factors are

- whether the broker/custodian offers a combination of execution services and custody services;
- whether the broker/custodian can facilitate transfers and payments to and from accounts by using wire transfers or other electronic means;
- the availability and breadth of fixed income investments;
- the availability of investment research and tools that assist in making investment decisions;
- the quality of the offered services;
- the cost of the offered services and the willingness to negotiate prices;
- the reputation, financial strength, and stability of the broker/custodian;

Item 12 (continued)

--our experience with the broker/custodian;

--the availability of other products and services that benefit our clients, such as a prime broker service.

Brokerage and Custody Costs

Schwab does not charge our clients separately for custody services. Instead, it is compensated by charging commissions or other fees on trades that it executes or settles in clients' Schwab accounts. Schwab also charges a prime broker fee for each trade that is executed by a broker other than Schwab.

Services Schwab Provides That May Not Directly Benefit Our Clients

In addition to the execution and custodial services that directly benefit our clients, Schwab provides some services intended to benefit Sterling Capital Management. These products and services assist us in managing and administering our clients' accounts. In addition to providing investment research Sterling Capital may use to make decisions in its clients' accounts, Schwab also makes available technology that, among other benefits, allows us access to client account data, allocates aggregated trade orders, facilitates payment of our fees from client accounts, and assists with recordkeeping, client reporting and other office functions. Schwab also makes available to Sterling Capital Management educational events and publications on practice management and legal compliance. Schwab may provide these services itself or arrange for them to be provided by others.

Cost of Schwab's Services to Sterling Capital Management

We do not pay Schwab for the services it provides us, and they are not contingent upon our committing any specific amount of business to Schwab. We may have an incentive to recommend Schwab for this reason as well as for the benefits to our clients. This incentive creates a potential conflict of interest, but we have concluded that the selection of Schwab as custodian and broker is in the best interests of our clients. This selection is primarily supported by the scope, quality, and price of Schwab's services that benefit our clients and not the services that benefit only Sterling Capital Management.

Item 12 (continued)

Soft Dollar Agreements

Sterling Capital Management has a soft dollar agreement with Instinet, one of the brokers that we use to place trades in our clients' accounts. Many investment advisers have such agreements, but they can be difficult for clients to understand. We have therefore presented the information in a question and answer format. We begin with the prime broker arrangement we have with Charles Schwab. Understanding the prime broker arrangement will help you understand the soft dollar agreement.

What is the prime broker arrangement with Charles Schwab?

Sterling Capital Management has a prime broker arrangement with Charles Schwab. This arrangement allows our clients who use Schwab as their account custodian to place trades with other broker-dealers but have them settled in their Schwab accounts. To use the Schwab Prime Broker services, clients must meet account minimum requirements established by Schwab. Most of our accounts are part of this prime broker system.

What are the benefits of the prime broker arrangement?

The primary reason we use Schwab's prime broker service is that it gives us flexibility in selecting brokers when we place trades. This is an advantage particularly when purchasing state and municipal fixed income securities since local brokerage firms often have greater awareness of, and access to, these securities. The ability to use brokers outside of Schwab also allows us to communicate with analysts at other firms that provide research coverage of stocks our clients own or that we are considering purchasing for our clients. The prime broker system also allows us to develop relationships with full-time traders at firms other than Schwab. These relationships benefit our clients.

What are the costs of the prime broker arrangement?

When our clients use the prime broker arrangement and place trades with brokers other than Schwab, Schwab charges a fee for each trade. This means that clients pay two charges--the commission to the broker that executes the trade and a separate fee to Charles Schwab. The commission is rarely more than \$.05 per share, and the prime broker fee charged by Schwab is currently \$15 per trade. So, if a client purchases 300 shares of stock from a broker other than Schwab, the trade cost will be \$30 for the trade, assuming a commission of \$.05 per share. The commission would equal \$15 ($$.05 \times 300 = \15), and the prime broker fee would add an additional \$15. Bond purchases or sales through outside brokers are also subject to the \$15 prime broker fee, which would be paid in addition to the bond mark-up or mark-down.

Item 12 (continued)

What is a soft dollar agreement?

One of these brokers Sterling Capital Management uses to place prime broker system trades is Instinet, LLC (“Instinet”). We (Sterling Capital Management) have a contract that obligates us to do a specific amount of commission business with Instinet in exchange for research, charting, and quotation services. This is called a soft dollar agreement. Instinet does not provide these services to us directly but instead arranges for them to be provided to us by Thomson Reuters.

In 2016, the soft dollar agreement requires Sterling Capital Management to do an average of \$1,587.60 per month in commission business with Instinet.

How do Schwab and Instinet trade costs compare?

When our clients’ trades are executed by Charles Schwab instead of by Instinet, they often cost our clients less. In most cases, Schwab charges clients a fixed commission. For the great majority of our clients at Schwab, the charge is \$4.95 per trade. This includes clients whose accounts at Schwab exceed \$1 million and those who choose to receive electronic, rather than paper, confirmations and statements. For the rest of our clients, this charge is \$12.95, unless the number of shares exceeds 1000, in which case an extra 1.5 cents per share is added commission. Instinet does not charge a fixed commission. Instead, its commission is based on the amount of shares traded. The commission rate is \$.05 per share. A 200 share trade would cost a client \$10 in commissions. The client would also have to pay the \$15 prime broker fee discussed earlier; therefore, the total trade cost would equal \$25.

So the 200-share trade at Instinet costs our clients more than it does at Schwab. Clients with account asset values of \$1 million or less pay \$12 more. Clients with greater than \$1 million in assets (and clients receiving electronic confirms and statements) pay \$20 more because of their lower Schwab commissions. And for greater share amounts, doing the trades at Instinet is even more costly than doing them at Schwab.

What are the benefits of the soft dollar agreement?

The research, charting, and quote services Sterling Capital Management receives for doing commission business at Instinet are very valuable. We rely on the research when evaluating stocks for purchase and in monitoring the positions in clients’ portfolios. The charting software that we receive helps us perform analysis of the price patterns of the stock. The quote service shows us not only the prices of the stock at any moment, but also displays how many shares are being offered or bid at given prices.

Item 12 (continued)

If we did not receive the research, charting, and quote services pursuant to our soft dollar agreement with Instinet, we would have to purchase this information. The additional cost would affect our expense structure. Not paying for the information is the benefit we receive from the soft dollar agreement. This benefit can create a conflict of interests.

Does the soft dollar agreement affect our clients' ability to get the best execution of their trades?

The benefit we receive from the soft dollar agreement does give Sterling Capital Management an incentive to choose Instinet as a broker rather than choosing a broker based on our clients' interest in receiving the most favorable execution. In spite of this incentive, we have concluded that the interest in obtaining favorable trade executions is not harmed by the agreement.

It is likely that Sterling Capital Management could find a broker other than Instinet in the prime broker system that charges lower commissions or that we could place all of our clients' stock trades at Charles Schwab. Commission rates, however, are not the only factor to consider. The quality of trade executions, service, and financial stability of the broker must also be weighed. In light of these considerations, we have concluded that the commissions paid to Instinet are reasonable.

Do all clients pay for the benefits of the "soft dollar" information?

The great majority of our clients have accounts at Schwab. Some of these clients, however, do not have sufficient assets to be included in the Schwab prime broker system. Our clients who do not use Schwab as their account custodian, of course, are also not included in the Schwab prime broker system. Clients who are not in the prime broker system cannot place trades with Instinet; therefore, their trades are not covered by the soft dollar agreement. As a result, their commissions do not help pay for the research, charting, and quote services that we receive under the agreement. Despite this fact, these clients still benefit from the services we receive.

How does Sterling Capital Management select the accounts that will place trades with Instinet to fulfill the soft dollar obligation?

All accounts we manage that are eligible for Schwab's prime broker system place trades at Instinet. Before placing any trade, we determine which accounts will receive allocations

Item 12 (continued)

based on factors relating to each client's Investment Policy Statement. If the decision has been made to use Instinet as the broker for the purchase or sale of a security, all accounts in the prime broker system previously determined to receive allocations will have their trades executed at Instinet. The order will be entered as a batched trade (one order for all shares purchased or sold), and the shares will be distributed to or removed from each account according to the original allocation. If the batched order is partially filled, a random number generator will determine which accounts are filled and which are omitted. This allocation procedure is set forth in our *Policies & Procedures Manual*.

Are bond purchases made through Instinet as part of the soft dollar agreement?

No. We purchase and sell bonds through Schwab's prime broker system, but these transactions are not done at Instinet. As a result, commissions (or mark-ups and mark-downs) on these transactions are not used to fulfill our soft dollar obligation. Instead, most of our bond transactions are done at local firms. These firms generally have superior awareness of, and access to, our region's state and municipal bond markets. The mark-ups and mark-downs on these bonds are competitive. They depend largely upon the maturity of the bond and the size of the order, and we are able to monitor them for fairness. We may also buy or sell bonds, usually Treasuries or government agencies, through Schwab's fixed income desk.

Directed Brokerage by Referred Clients

Investment advisers are permitted to place clients' trades with certain brokers in exchange for client referrals from those brokers. Sterling Capital Management does not do this.

We do, however, accept referrals from brokerage firms, and these referred clients generally express their desire to use the custodial and brokerage services of the referring stock broker rather than the custodial and brokerage services of Charles Schwab, which we recommend to all of our clients.

In general, accepting these referred clients causes them to pay higher commissions than those available at Schwab, and it prevents us from aggregating the orders of the referred clients with the orders of clients who use Charles Schwab. As a result, these non-aggregated orders will not be filled at the same time as the aggregated orders and will not always get the same price. Sterling Capital Management does make an effort to vary the order of the placement of the trades. Consequently, sometimes the orders of referred clients not using Charles Schwab as their broker are placed before the orders for clients at Charles Schwab, and at other times they are placed after the Schwab orders. The trades are also reviewed annually to compare the prices received by the Schwab clients and the referred clients.

Item 12 (continued)

The referred accounts electing not to use Schwab also do not receive the benefit of Schwab's prime broker system, which allows trades to be placed with brokers other than Schwab. This capability can be beneficial when purchasing state and municipal bonds.

The referred clients will be reminded of these consequences in writing annually.

Item 13

REVIEW OF ACCOUNTS

Sterling Capital Management reviews the accounts of its clients at least quarterly. More frequent reviews are triggered by changes in the economic environment, financial markets, individual holdings, and circumstances peculiar to specific clients, such as investment objectives, risk levels, and changes in income, among others.

All of the accounts are reviewed by William G. Lauber, the President of Sterling Capital Management. He is assisted by William F. Lauber.

Clients are sent written performance reports at least annually. The frequency is determined by the client and set forth in the client's investment policy statement. We will also send an interim performance report to any client who requests one. The performance reports include portfolio composition, total market value of account assets, changes in portfolio value from the previous year-end, and time-weighted returns compared to appropriate market indices.

After the end of the year, Sterling Capital Management also sends a narrative report containing a general review of the previous year's portfolio performance and the performance of the financial markets during the year. The report also contains our outlook for the upcoming year.

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CLIENT REFERRALS AND OTHER COMPENSATION

Investment advisers are required to disclose the economic benefits they receive from individuals other than clients. Sterling Capital Management receives no such benefits.

Advisers are also required to disclose whether they compensate others for client referrals. As explained in Item 12, we do accept referrals. However, we do not compensate the referring parties.

Item 15

CUSTODY

Sterling Capital Management has custody of our clients' assets only because our clients have authorized their custodian (Charles Schwab for most of our clients) to debit management fees directly from clients' accounts and to pay them to Sterling Capital Management, either by crediting the fees to a Sterling Capital Management account or by sending a check directly to Sterling Capital Management.

Of course, clients should also carefully check the monthly statements from their custodian for possible errors or discrepancies of any kind.

Item 16

INVESTMENT DISCRETION

Sterling Capital Management usually receives discretionary authority from a client to make all decisions in the account with respect to the account's holdings. This grant of discretionary authority is made in the advisory contract signed by clients. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

A client is not required to grant us this authority. Some of our clients do not grant us discretion and instead require us to get their approval before taking action in their accounts.

We also permit clients who grant us discretion to place limitations on it. For example, clients may request us not to purchase certain stocks for personal reasons. These restrictions must be provided to us in writing.

Item 17

VOTING CLIENT SECURITIES

Sterling Capital Management notifies clients that they are responsible for voting their own proxies. We also inform clients that we will alert them about any important issue we believe should be voted in a particular manner to protect or advance the clients' economic interests. In all cases, however, each client retains the right to vote proposals as he or she sees fit.

This policy does not apply to retirement plans whose assets we manage. By law, we must vote these proxies for the plans unless their trustees have expressly reserved the right to vote them. Currently, all but one of the plans have expressly reserved this right.

With respect to the plan whose proxies we are responsible for voting, we will vote a proxy if the issue or issues presented affects the value of the assets in the plan. We have established specific written policies to guide our voting of proxies, and we keep records of our proxy voting. The records include a brief summary of the question presented, how we voted, and the reasons for our vote if different from the recommendation of management. We will be happy to send a copy of our proxy voting policies and procedures to the trustee of any retirement plan who requests one.

Item 18

FINANCIAL INFORMATION

Registered investment advisers are required to provide clients with certain disclosures about their financial condition. Sterling Capital Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and it has not been the subject of a bankruptcy proceeding.

William G. Lauber

Item 1

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This part of the brochure provides information about William G. Lauber that supplements the attached Sterling Capital Management Brochure. If you have any questions about the contents of this supplement, please contact Sterling Capital Management at the phone number listed above.

Item 2

The owner and principal, **William G. Lauber**, was born in 1946. Bill holds a Master of Finance degree and a Bachelor of Sciences degree from St. Louis University, where he was awarded membership in Beta Gamma Sigma Honor Society. He is also a member of the CFA Institute and the St. Louis Society of Financial Analysts.

Bill began his professional career in 1970 as an account executive with Merrill Lynch. During his twelve years with the company, he was appointed vice president and named manager of the Chesterfield, Missouri office. From 1982 to 1988 as a principal of Terril Lauber, a money management firm, he served as chairman of the firm and director of the investment committee.

In 1988, Bill started Sterling Capital Management. He supervises the daily operations of the firm and the management of the assets in client portfolios. He currently serves as president and chief compliance officer.

From 1992 through 2002, Bill was also a registered representative and branch manager for Raymond James Financial. From 2002 through August, 2010, he served as a registered representative and investment manager for Cantella & Co., Inc.

Item 3

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of each supervised person providing investment advice. There are no such legal or disciplinary events.

Item 4 & Item 5

Bill is not engaged in any business or occupation for compensation other than Sterling Capital Management.

Item 6

Bill supervises Richard A. Hamra II and William F. Lauber. As president of Sterling Capital Management, he has no supervisor. The firm's *Policies & Procedures Manual*, however, provides for compliance oversight by another employee of certain activities such as personal trading.

Richard A. Hamra II

Item 1

Sterling Capital Management, Inc.
12300 Old Tesson Road, Suite 100C
St. Louis, MO 63128
(314) 843-9999

This part of the brochure provides information about Richard A. Hamra II that supplements the attached Sterling Capital Management Brochure. If you have any questions about the contents of this supplement, please contact Sterling Capital Management at the phone number listed above.

Item 2

Richard A. Hamra II was born in 1951. Richard holds a Bachelor of Arts degree in Economics from the University of Missouri at Columbia, where he was elected to membership in the Phi Beta Kappa National Honor Society. Later he received a Juris Doctor degree from the University of Tennessee College of Law. Before graduating, Richard served on the editorial board of the *Tennessee Law Review*. For the next six years he practiced law with Ritchie, Fels, & Dillard in Knoxville, Tennessee, where he concentrated on legal writing and appellate advocacy.

In 1989 Richard became a registered representative for Ark Investments and staffed Ark's Tennessee branch from 1990 until 1992, when he joined Sterling Capital Management.

At Sterling Capital Management, Richard assists William G. Lauber in the compliance and client communications areas. He also participates in the firm's research efforts.

From 1992 through 2002, Richard was also a registered representative for Raymond James Financial. In 2002, he became a registered representative and investment consultant for Cantella & Co., Inc. and remained in that position until August, 2010.

Item 3

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of each supervised person providing investment advice. There are no such legal or disciplinary events.

Item 4 & Item 5

Richard is not engaged in any business or occupation for compensation other than Sterling Capital Management.

Item 6

Richard is supervised by William G. Lauber, the president of the firm. Bill's phone number is (314) 843-9999. This supervision is accomplished by regular in-person meetings. Richard and Bill work in the same office space and have daily interaction.

Richard reports all contacts he has with clients or prospective clients to Bill. He summarizes the content of this communication between himself and the client, and he and Bill discuss possible action or follow-up communication. Bill also performs supervisory compliance functions. For example, he regularly reviews Richard's personal trades and his correspondence to clients.

William F. Lauber

Item 1

Sterling Capital Management, Inc.
12300 Old Tesson Road, Suite 100C
St. Louis, MO 63128
(314) 843-9999

This part of the brochure provides information about William F. Lauber that supplements the attached Sterling Capital Management Brochure. If you have any questions about the contents of this supplement, please contact Sterling Capital Management at the phone number listed above.

Item 2

William F. Lauber was born in 1971. Will holds a Bachelor of Arts degree in Economics and Politics from Princeton University and a Master of Business Administration from Washington University in St. Louis.

Prior to joining Sterling Capital Management in 2004, Will spent five years in various corporate finance and accounting positions. He has also worked in Washington, D.C. as a public policy analyst and Congressional aide. From 2004 through August of 2010, Will was also a registered representative and investment consultant for Cantella & Co., Inc.

At Sterling Capital Management, Will's primary responsibilities are stock research and portfolio management.

Item 3

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of each supervised person providing investment advice. There are no such legal or disciplinary events.

Item 4 & Item 5

Will is not engaged in any business or occupation for compensation other than Sterling Capital Management.

Item 6

Will is supervised by William G. Lauber, the President of the firm. Bill's phone number is (314) 843-9999. This supervision is accomplished by regular in-person meetings. Will and Bill work in the same office space and have daily interaction.

Will reports all contacts he has with clients or prospective clients to Bill. He summarizes the content of this communication between himself and the client, and he and Bill discuss possible action or follow-up communication. Bill also performs supervisory compliance functions. For example, he regularly reviews Will's correspondence to clients.