

**STERLING CAPITAL FUNDS  
INCOME FROM U.S. GOVERNMENT SECURITIES  
CALENDAR YEAR 2011**

During the calendar year, certain Funds invested in securities issued by the United States government or other federal agencies (collectively, "U.S. Government Securities"). Under federal law, the interest on these securities is exempt from state taxation. Certain states also exempt from state income tax the dividend income a mutual fund shareholder receives that is derived from the Fund's investment in these U.S. Government Securities.

The table below provides the percentages of calendar year 2011 ordinary income dividends derived from investments in U.S. Government Securities. To determine the amount which may be exempt from state income tax, (1) subtract the total amount of short-term capital gain distributions you received during calendar year 2011 (as reported on your account statements) from the amount reported in box 1a of Form 1099-DIV, and (2) multiply the result by the percentage shown in the table below. California, Connecticut and New York require that a mutual fund maintain certain minimum investments in U.S. Government Securities in order for the dividend income derived from these obligations to be exempt from state income tax. None of the Funds listed below met these requirements.

| <b>FUND</b>                               | <b>PERCENTAGE OF INCOME<br/>DERIVED FROM U.S.<br/>GOVERNMENT OBLIGATIONS<br/>SECURITIES DURING 2011</b> |
|---|---|
| Select Equity Fund                        | 0.00%   |
| Mid Value Fund                            | 0.00%   |
| Small Value Fund                          | 0.00%   |
| International Fund                        | 0.00%   |
| Special Opportunities Fund                | 0.00%   |
| Equity Income Fund                        | 0.00%   |
| Short-Term Bond Fund                      | 1.62%   |
| Intermediate U.S. Government Fund         | 24.66%  |
| Total Return Bond Fund                    | 2.42%   |
| Kentucky Intermediate Tax-Free Fund       | 0.00%   |
| Maryland Intermediate Tax-Free Fund       | 0.00%   |
| North Carolina Intermediate Tax-Free Fund | 0.00%   |
| South Carolina Intermediate Tax-Free Fund | 0.00%   |
| Virginia Intermediate Tax-Free Fund       | 0.00%   |
| West Virginia Intermediate Tax-Free Fund  | 0.00%   |
| Prime Money Market Fund                   | 4.14%   |
| U.S. Treasury Money Market Fund           | 32.37%  |
| National Tax-Free Money Market Fund       | 0.00%   |
| Securitized Opportunities Fund            | 0.00%   |
| Corporate Fund                            | 0.06%   |
| Strategic Allocation Conservative Fund    | 0.76%   |
| Strategic Allocation Balanced Fund        | 0.62%   |
| Strategic Allocation Growth Fund          | 0.35%   |
| Strategic Allocation Equity Fund          | 0.00%   |
| Equity Index Fund                         | 0.00%   |

This notice is provided to you for informational purposes only and should not be considered tax advice. Please consult your tax advisor for further assistance. For any other questions, please contact the Fund(s) at 1-800-228-1872.