

**STERLING CAPITAL FUNDS
U.S. GOVERNMENT OBLIGATIONS INCOME INFORMATION
CALENDAR YEAR 2016**

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 2016 ordinary income dividends derived from investments in U.S. Government Securities. To determine the amount which may be exempt from state income tax, multiply the amount reported in box 1a of Form 1099-DIV 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.

FUND	PERCENTAGE OF INCOME DERIVED FROM U.S. GOVERNMENT OBLIGATIONS DURING 2016
Behavioral Large Cap Value Equity Fund	0.00%
Mid Value Fund	0.00%
Behavioral Small Cap Value Equity Fund	0.00%
Special Opportunities Fund	0.00%
Equity Income Fund	0.00%
Short Duration Bond Fund	1.46%
Ultra-Short Bond Fund	0.00%
Intermediate U.S. Government Fund	40.04%
Total Return Bond Fund	4.75%
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%
Securitized Opportunities Fund	0.30%
Corporate Fund	0.24%
Behavioral International Equity Fund	0.00%
Long/Short Equity Fund	0.00%
Diversified Income Fund	3.71%
Strategic Allocation Balanced Fund	2.76%
Strategic Allocation Growth Fund	1.72%
Stratton Mid Cap Value Fund	0.00%
Stratton Real Estate Fund	0.00%
Stratton Small Cap Value Fund	0.00%
SMID Opportunities 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.