

STERLING

MULTIFAMILY TRUST

GOVERNANCE GUIDELINES

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ARTICLE I PURPOSE

These principles have been adopted by the Board of Trustees of Sterling Multifamily Trust. These principles replace all previous Board policies on this subject and will be reviewed and modified by the Board as needed on recommendation of the Nomination and Governance Committee.

ARTICLE II OFFICES OF THE CHAIRMAN AND THE CEO

The Board of Trustees does not have a firm policy as to whether the position of the Chairman and the position of the CEO should be separate and intends to preserve the freedom to decide what is in the best interest of the Trust at any point of time. However, the Board does strongly endorse the concept of one of the independent Trustees being in a position of leadership for the rest of the outside Trustees. If at any time the CEO and Chairman are the same or if the Chairman is not otherwise independent, the Nomination and Governance Committee will elect a Chair of the Nomination and Governance Committee from the membership of the Committee to serve as the lead Trustee.

ARTICLE III DUTIES OF THE CHAIRMAN

Section 1. Board Meetings.

1.1. Chair all meetings of the Board in a manner which utilizes the time of the Board effectively and which takes full advantage of the expertise and experience that each Trustee has to offer.

1.2. Establish an agenda with the President or CEO for each Board meeting that covers all matters which should come before the Board in the proper exercise of its duties.

Section 2. Governance.

2.1. Provide input and support to the Chair of the Nomination and Governance Committee on: (1) the selection of committee chairs and membership on Board committees; (2) establishment of the agendas for the Nomination and Governance Committee meetings; and (3) compensation philosophy for the Board and candidates for Board membership.

2.2. Be accountable to and provide leadership for all issues of trust governance which should come to the attention of the Board and the Nomination and Governance Committee.

2.3. Serves ex officio as a member of committees and attends their meetings when invited.

2.4. Discuss issues confronting the organization with the President or CEO.

2.5. Review with the President or CEO any issues of concern to the Board.

2.6. Guide and mediate Board actions on organizational priorities and governance concerns.

Section 3. Communication.

3.1. Ensure that the Board is provided with full information on the condition of the Trust, its businesses and the environment in which it operates.

3.2. Facilitate and encourage constructive and useful communication between management and the Board.

Section 4. Shareholders' Meetings.

4.1. Establish and agenda with the President or the CEO for each shareholders' meeting which covers all matters which should come before the shareholders.

4.2. Provide leadership to the Board in the establishment of positions which the Board should take on issues to come before the annual meetings of shareholders.

4.3. Preside at shareholders' meetings.

ARTICLE IV AUTHORITY AND RESPONSIBILITIES OF THE BOARD

Section 1. Authority. The business affairs of the Trust shall be managed under the direction of the Board of Trustees. The Board of Trustees may, by resolution, delegate its authority to Trust management or to Committees of the Board. Trust management and Committees of the Board shall be subject at all times to the direction and control of the Board, except as required by law.

Section 2. Responsibilities. In fulfilling its responsibilities, the Board shall, among other things:

2.1. See that an effective Board of Trustees is in place and that the Board possesses within its membership the appropriate skills to enable it to fulfill its responsibilities.

2.2. Establish or approve the Trust mission, goals and objectives, and the operating philosophy for the Trust.

2.3. Elect the Chief Executive Officer and replace, if necessary. Elect all other executive officers on the recommendation of Chief Executive Officer.

2.4. Ensure that successors are identified or that a plan is in place to identify successors for the Chief Executive Officer and for the top management positions.

2.5. Approve the Trust's Strategic Plan.

2.6. Approve the Trust's Operating Budget.

2.7. Ensure that policies are in place for: (1) Trust investment objectives; and (2) Trust compliance with applicable laws and regulations.

2.8. Approve significant decisions involving: (1) Acquisitions and divestitures; (2) Capital investments, including leases; (3) Minority investments and joint ventures; and (4) Patent and licensing agreements.

2.9. Through its Committee system provide oversight regarding certain activities of the Trust. The Committees are: (1) Audit; (2) Disclosure; (3) Executive; and (4) Nomination and Governance.

2.10. Provide advice and counsel to the CEO and the executive management team.

2.11. Review results of operations.

2.12. Oversee risk management.

ARTICLE V COMMITTEES - STRUCTURE AND PROCEDURES

Section 1. Standing Committees. The standing committees of the Board shall be: (1) Audit Committee; (2) Disclosure Committee; (3) Executive Committee; and (4) Nomination and Governance Committee.

Section 2. Independence. With the exception of the Audit Committee, each of the Board's standing committees shall consist of a majority of independent Trustees. In addition, Trustees who serve on the Audit Committee must be "independent" within the meaning of the Securities and Exchange Commission and New York Stock Exchange independence criteria for audit committee members.

Section 3. Charters. Each committee shall have a charter approved by that committee and by the Board of Trustees. Each committee shall assess the adequacy of its charter annually and recommends changes to the Board as appropriate.

Section 4. Reporting. All committees shall report regularly to the full Board with respect to their activities and keep minutes of their meetings.

Section 5. Committee Chair. Each committee shall be chaired by an independent Trustee. In the interest of rotating committee leadership as determined by the Board to be appropriate (taking into account all relevant circumstances), the Board shall consider rotation of committee chairs after a chairman has served for three successive years (five successive years in the case of the chairman of the Nomination and Governance Committee).

ARTICLE VI BOARD COMPOSITION AND SELECTION OF TRUSTEES

Section 1. Inside / Outside Trustees. Trustees who are currently employed by the Trust shall be deemed "inside" Trustees and all others shall be deemed "outside" Trustees, including former employees of the Trust.

Section 2. Independence. An "independent" Trustee is a Trustee that meets the independence requirements for members of public companies under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the New York Stock Exchange, as determined by the Board.

2.1. Independent Trustees shall always constitute a majority of the Board.

2.2. The Board shall make an affirmative determination regarding the independence of each Trustee annually, based upon the recommendation of the Nomination and Governance Committee.

Section 3. Qualifications. In evaluating nominees to become Trustees of the Trust, and in evaluating current Trustee performance, the Nomination and Governance Committee will consider all relevant experience and qualifications of nominees/trustees, using the following non-exclusive criteria:

3.1. Representation of Shareholders and Other Stakeholders. The nominee/trustee clearly recognizes the role of Trustees to represent the interests of shareholders and other stakeholders. The nominee/trustee understands the difference between function of the Board and that of management.

3.2. Judgment and Knowledge. The nominee/trustee demonstrates judgment and knowledge in the ability to assess Trust strategy, business plans, management evaluation and other key issues. The nominee/trustee is sufficiently informed and knowledgeable to contribute effectively to Board's monitoring responsibilities.

3.3. Meaningful Participation. The nominee/trustee is comfortable being an active, inquiring participant. The nominee/trustee participates in the Board process in a meaningful way. The nominee/trustee has confidence and

willingness to express ideas and engage in constructive discussion. The nominee/trustee actively participates in decision-making and is willing to make tough decisions. The nominee/trustee is diligent and faithful in attending Board and Committee meetings.

3.4. Communications. The nominee/trustee communicates freely with other Board members. The nominee/trustee is a good sounding board for other Trustees and the CEO. The nominee/trustee is willing to challenge fellow Trustees and the CEO. The nominee/trustee asks insightful questions and raises thought-provoking perspectives. The nominee/trustee is willing to hold management accountable for performance and results. The nominee/trustee is mindful not to get overly involved in operational details and the management process. The nominee/trustee finds the proper balance between dominating the deliberations and making no contribution at all. The nominee/trustee is a team player; works well with other Trustees while not necessarily sharing their views. The nominee/trustee listens with an open mind.

3.5. Expertise. The nominee/trustee fulfills specific Board needs. The nominee/trustee makes his/her own individual expertise available to the Board. The nominee/trustee draws on relevant experience in addressing issues facing the Trust. The nominee/trustee is willing to respond to appropriate requests of CEO outside of Board meetings for advice and support.

3.6. Vision and Leadership. The nominee/trustee understands the Trust's philosophy and strategy. The nominee/trustee is oriented toward the future, and sensitive to future direction of the REIT industry. The nominee/trustee fulfills his/her legal and fiduciary responsibilities. The nominee/trustee supports the Trust's mission and values, and is open, honest and direct. The nominee/trustee makes appropriate time commitment for Board service and has no conflict of interest in serving on the Board.

3.7. Professional Status. The nominee/trustee has standing and reputation in the business, professional and social communities in which the Trustee operates. The nominee/trustee appropriately represents the Trust in all such communities.

Section 4. Compensation. The Nomination and Governance Committee reviews and determines the philosophy underlying the Trustees' compensation. The Nomination and Governance Committee reviews and establishes the components of compensation for Trustees and recommends changes in compensation to the Board. Outside Trustee compensation can consists of a combination of equity, cash, and the right to receive equity in lieu of cash.

Section 5. Ownership. To more closely align their interests with those of shareholders generally, Trustees are encouraged to own stock of the Trust or partnership units in the Operating Partnership in an aggregate amount equal to \$100,000. Such holdings should be considered long-term investments and be achieved within five years of joining the Board. Trading in the Trust's stock is discouraged.

Section 6. Inside Trustee Resignation. An inside Trustee shall submit his or her resignation from the Board upon termination of his or her active service as an employee.

Section 7. Material Change in Position. All Trustees, inside and outside, shall tender a written offer to resign from the Board after a material change in that Trustee's full-time position or responsibilities.

ARTICLE VII MAJORITY ELECTION OF TRUSTEES; PROCEDURE FOR RESIGNATION

Section 1. Majority Election. In an uncontested election of Trustees (i.e., an election where the only nominees are those recommended by the Board), any nominee for Trustee who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election by shareholders present in person or by proxy at the Annual Meeting of the Shareholders and entitled to vote in the election of Trustees ("Majority Withheld Vote"), shall tender a written offer to resign from the Board within five business days of the certification of the shareholder vote by the Inspector of Elections.

Section 2. Resignation Procedure. The Nomination and Governance Committee shall promptly consider the resignation offer and recommend to the full Board whether to accept it.

2.1. In considering whether to accept or reject the resignation offer, the Nomination and Governance Committee will consider all factors deemed relevant including, without limitation, (i) the perceived reasons why shareholders withheld votes 'for' election from the Trustee, (ii) the length of service and qualifications of the Trustee, (iii) the Trustee's contributions to the Trust, (iv) compliance with listing standards, (v) possible contractual ramifications in the event the Trustee in question is a management Trustee, (vi) the purpose and provisions of these principles, and (vii) the best interests of the Trust and its shareholders.

2.2. To the extent that one or more Trustees' resignation are accepted by the Board, the Nomination and Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

2.3. Any Trustee who tenders his or her offer to resign from the Board pursuant to this provision shall not participate in the Nomination and Governance Committee or Board deliberations regarding whether to accept the offer of resignation.

2.4. The Board will act on the Nomination and Governance Committee's recommendation within 90 days following the certification of the shareholder vote, which action may include, without limitation, acceptance of the offer of resignation, adoption of measures intended to address the perceived issues underlying the Majority Withheld Vote, or rejection of the resignation offer. Thereafter, the Board will disclose its decision whether to accept the Trustee's resignation offer and the reasons for rejecting the offer, if applicable, in a current report on Form 8-K to be filed with the Securities and Exchange Commission within four business days of the Board's determination.

2.5. This process relating to nominees for Trustees who receive a Majority Withhold Vote will be summarized or included in each proxy statement relating to an election of Trustees of the Trust. The Board believes that this process enhances accountability to shareholders and responsiveness to shareholders votes, while allowing the Board appropriate discretion in considering whether a particular Trustee's resignation would be in the best interests of the Trust and its shareholders.

ARTICLE VIII BOARD MEETINGS

Section 1. Number of Meetings. Four regular Board meetings are held each year at present, and the Nomination and Governance Committee shall determine from time to time whether fewer or more meetings shall be held. One meeting is usually an extended meeting focusing on long-range strategies of the Trust.

Section 2. Meeting Attendees. Appropriate officers/agents of the Trust may be invited by the CEO and Chairman of the Board to attend the general session of all Board meetings.

Section 3. Executive Session. The Independent Trustees shall meet in executive session without management present at every regularly scheduled Board meeting. The Executive Session of the independent Trustees shall be presided over by the Board Chairman (if independent) or the Chair of the Nomination and Governance Committee.

Section 4. Agenda and Board Books. Prior to a regular Board meeting, with direction from the Chairman of the Board or Chair of the Nomination and Governance Committee and the CEO, an agenda for the meeting and any information or material for review will be sent to the Trustees. Development of the agenda is the responsibility of the Chairman of the Board, in collaboration with the President or CEO. Trustees may request that additional subjects be placed on the agenda.

ARTICLE IX
TRUSTEE ACCESS TO MANAGEMENT, EMPLOYEES AND ADVISORS

Trustees shall have full and free access to members of management and to employees of the Trust. The Board and each of its standing committees have the authority to engage outside counsel, accountants, experts and other advisors as they determine appropriate to assist them in the performance of their functions.

ARTICLE X
MANAGEMENT EVALUATION AND SUCCESSION

Section 1. Management Evaluation. The Sterling Board of Trustees shall conduct an annual review of the performance of the CEO and senior management, or in the case of an Advisory Agreement—the Advisor. The results of the review are shared with the CEO and the Chairman of the Board, which considers the evaluation and establishes the compensation of the CEO and other senior management / Advisor based on this evaluation.

Section 2. Succession. The Board plans for succession to the position of the CEO, including succession in the event of an emergency or the retirement of the CEO. The Nomination and Governance Committee periodically reviews the Trust's succession plans and makes recommendations to the Board regarding the selection of individuals to fill this position.

ARTICLE XI
ANNUAL PERFORMANCE EVALUATION

The Board conducts an annual self-evaluation to assess its own performance. Each of the Nominations and Governance, Audit, Disclosure, and Executive Committees also conducts an annual self-evaluation. The contributions of individual Trustees are assessed in connection with the re-nomination process based on the Criteria set forth in Article VI, Section 3.

ARTICLE XII
TRUSTEE ORIENTATION AND CONTINUING EDUCATION

The Trust has an orientation process for new Trustees that includes materials and meetings with key management designed to familiarize new Trustees with the Trust's business, operations, finances, and governance practices. The Board encourages Trustees to participate in education programs to assist them in performing their responsibilities as Trustees.