

STERLING

MULTIFAMILY TRUST

TRUSTEE INDEPENDENCE POLICY

**ARTICLE I
PURPOSE**

It is not possible to anticipate, or explicitly to provide for, all circumstances that might be viewed as a conflict of interest that would impact a Trustee's ability to exercise his or her independent judgment. Accordingly, the Sterling Multifamily Trust Board of Trustees, when making its "independence" determinations, must broadly consider all relevant facts and circumstances, including those described below. No Trustee qualifies as "independent" unless the Board affirmatively determines that such Trustee has no relationships with Sterling Multifamily Trust that would impair his or her independence. Except under the circumstances set forth below, it is not Sterling Multifamily Trust's policy to preclude independence on the basis of ordinary course commercial business relationships between Sterling Multifamily Trust and an entity with which a Trustee has a relationship.

**ARTICLE II
DEFINITION OF AN INDEPENDENT TRUSTEE**

Section 1. Independent Trustee. "Independent Trustee" means a person who is not an officer or employee of Sterling Multifamily Trust or its subsidiaries (collectively, "Sterling Multifamily Trust") or any other individual having a relationship, which, in the opinion of Sterling Multifamily Trust's Board of Trustees, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Trustee. A Trustee cannot be independent if the Trustee has any one or more of the following disqualifying relationships:

1.1. The Trustee is currently employed or has been employed by Sterling Multifamily Trust within the last three years (employment as an interim Chairman or CEO will not disqualify a Trustee from being considered as an Independent Trustee), or an immediate family member of the Trustee is, or has been within the last three years, an executive officer of Sterling Multifamily Trust.

1.2. The Trustee or an immediate family member of the Trustee is a current partner of a firm that is Sterling Multifamily Trust's internal or external auditor; the Trustee is a current employee of such a firm; the Trustee has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the Trustee or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and worked on Sterling Multifamily Trust's audit within that time.

1.3. The Trustee or an immediate family member of the Trustee is, or has been within the last three years, employed as an executive officer of another company where any of Sterling Multifamily Trust's present executive officers at the same time serves or served on that company's compensation committee.

1.4. The Trustee has received, or has an immediate family member of the Trustee who has received from Sterling Multifamily Trust in excess of \$120,000 in direct compensation during any twelve-month period within the last three years, other than Trustee and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), payments arising solely from investments in Sterling Multifamily Trust's securities, compensation paid to an immediate family member who is a non-executive employee of Sterling Multifamily Trust or benefits under a tax-qualified retirement plan or nondiscretionary compensation.

1.5. The Trustee is a current employee, or an immediate family member is a current executive officer, of a company to which Sterling Multifamily Trust made, or from which Sterling Multifamily Trust received, payments for property or services (other than those arising solely from investments in Sterling Multifamily Trust's securities or payments under nondiscretionary charitable contribution matching programs) in an amount which, in any of the last three fiscal years, exceed two percent (2%) of such other company's consolidated gross revenues, or \$1,000,000,

whichever is more. (Both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year.)

Section 2. Immediate Family Member. An “immediate family member” for purposes of disqualifying relationships includes the Trustee’s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and anyone (other than domestic employees) who shares the Trustee’s home.

Section 3. Trust. References to the “Trust” include any parent or subsidiary in a consolidated group with the Trust.

ARTICLE III DEFINITION OF INDEPENDENT TRUSTEE FOR AUDIT COMMITTEE PURPOSES

Section 1. No Payment for Service on Audit Committee. A majority of Audit committee members must be independent in accordance with the rules promulgated under the Sarbanes-Oxley Act of 2002. Accordingly, in addition to the independence requirements described above, no audit committee member may receive any consulting, advisory or other compensatory fees, directly or indirectly, from Sterling Multifamily Trust (other than for service as a trustee).

1.1. Indirect acceptance of compensatory payments includes payments to spouses, minor children or stepchildren sharing a home with the trustee, as well as payments accepted by an entity in which an audit committee member is a partner, member, officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to Sterling Multifamily Trust) and which provides accounting, consulting, legal, investment banking or financial advisory services to Sterling Multifamily Trust or any of its subsidiaries.

1.2. Further, an audit committee member may not be an “affiliated person” (as such term is now or in the future defined in the Securities Exchange Act of 1934, as amended) of Sterling Multifamily Trust or any of its subsidiaries (apart from his or her capacity as a member of the board and any board committee).

ARTICLE IV PROCEDURES FOR DETERMINING TRUSTEE INDEPENDENCE

Section 1. Annual D&O Questionnaire. On an annual basis, Sterling Multifamily Trust’s Trustees and executive officers shall complete a Trustee and Officer Questionnaire (“T&O Questionnaire”) prepared by Legal Counsel that requests, among other items, information regarding their business and non-profit affiliations, their Immediate Family Members, and the business and nonprofit affiliations of their Immediate Family Members.

Section 2. Nominees and New Appointments. Any person nominated to stand for election as a Trustee or appointed as a Trustee shall complete a T&O Questionnaire promptly upon such person’s nomination or before such person’s appointment.

Section 3. Duty to Update. Sterling Multifamily Trust Trustees are expected to promptly notify Legal Counsel of any updates to information most recently provided concerning their own independence. For example, this would include notification regarding changes to the person’s Immediate Family Members and the business affiliations of the person or his or her Immediate Family Members.

**ARTICLE V
APPROVAL PROCEDURES**

If an issue of director independence is identified, the matter shall be analyzed and reviewed by the Nomination and Governance Committee upon completion of the following steps:

Section 1. Disclosure of Information. The Trustee involved shall provide information to Legal Counsel of all relevant facts and circumstances that may impair his or her independence:

Section 2. Assessment by Legal Counsel. Legal Counsel shall assess whether the disclosed facts and circumstances would impair the Trustee or nominated Trustee's independent judgment for purposes of this policy. If Legal Counsel determines that the Trustee is not independent for purposes of this policy, it will submit its finding to the Nomination and Governance Committee for consideration at the next Nomination and Governance Committee meeting or, in those instances in which Legal Counsel, in consultation with the Chief Executive Officer or Chief Legal Officer, determines that it is not practicable or desirable to wait until the next Nomination and Governance Committee meeting, to the Nomination and Governance Committee Chair, pursuant to delegated authority to act on behalf of the committee between meetings.

Section 3. Nomination and Governance Committee Consideration. The Nomination and Governance Committee or Chair will consider all relevant facts and circumstances concerning the Trustee's independence including, but not limited to, those disqualifying instances noted in this policy.

3.1. No member of the Nomination and Governance Committee shall participate in any review, consideration or approval of any Trustee Independence finding with respect to which he or she, or any of his or her Immediate Family Members, is involved, other than to provide relevant facts regarding the transaction. If the Chair makes an independence finding between meetings, the Chair will make a report to the full Nomination and Governance Committee regarding his or her decision at the committee's next meeting.

**ARTICLE VI
RATIFICATION PROCEDURES**

If a Trustee is determined to have lost his or her independence following election, the matter will be promptly submitted to the Nomination and Governance Committee or the Nomination and Governance Committee Chair, who will consider the loss of independence taking into consideration the information and factors described above. The Audit Committee or Chair will evaluate all options, including but not limited to removal of the Trustee and make a recommendation at the Board of Trustee's next meeting.

**ARTICLE VII
REVIEW OF ONGOING TRANSACTIONS**

At the Nomination and Governance Committee's first meeting of each fiscal year, it will review all known and currently serving non-independent Trustees and prepare a report to the Board disclosing such Trustees and the facts or circumstances that may impair their independent judgment.

**ARTICLE VIII
PRESERVATION OF RECORDS**

Section 1. Preservation of Records. The Nomination and Governance Committee shall maintain an accurate list of independent and non-independent trustees. The Nomination and Governance Committee shall also maintain a summary of how such information was gathered and determination made.

1.1. The Trust shall appropriately document the resolution of any disagreements between or among the members of the Nomination and Governance Committee, the Audit Committee, internal auditors, external auditors, management and others that arise in connection with determinations of trustee independence.

**ARTICLE IX
REVIEW**

These guidelines are subject to future changes as the Nomination and Governance Committee may find necessary or advisable for Sterling Multifamily Trust in order to achieve its objectives or as required by law or pursuant to applicable rules and regulations of the exchange or market on which Sterling Multifamily Trust's securities are listed or traded.