

**STERLING** | MULTIFAMILY TRUST

AUDIT AND DISCLOSURE COMMITTEE CHARTER

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**ARTICLE I**  
**PURPOSE**

The Audit and Disclosure Committee has been established by the Board of Trustees to assist the Board in fulfilling its fiduciary duties and oversight responsibilities. The Audit and Disclosure Committee assists the Board by overseeing the integrity of the Trust's financial statements, financial reporting and disclosure processes, internal accounting and financial controls, and the annual independent audit of the Trust's financial statements. The Audit and Disclosure Committee also oversees the establishment and maintenance of processes to assure the Trust's compliance with all applicable laws, regulations and Trust policy, including procedures that ensure the information required to be disclosed by the Trust in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. In performing its work, it is the Audit and Disclosure Committee's responsibility to foster free and open means of communication between the Trustees, the independent auditors and the Trust's financial managers.

**ARTICLE II**  
**COMPOSITION**

Each Audit and Disclosure Committee member shall meet the independence, experience and expertise requirements for members of public companies under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Nasdaq Stock Market (Nasdaq). The Committee shall consist of at least five members of the Board of Trustees, who shall serve at the Board's pleasure. The Committee Chair shall be designated by the Board. Audit and Disclosure Committee members must be able to read and understand fundamental financial statements. The Board of Trustees shall determine annually whether at least one member of the Audit and Disclosure Committee is an "Audit Committee Financial Expert" as required by the Securities and Exchange Commission.

**ARTICLE III**  
**MEETINGS**

The Audit and Disclosure Committee will meet at least four times each year, corresponding to the Trust's quarterly and annual reporting requirements, or more frequently if deemed necessary, in its discretion. Special meetings may be called by the Committee Chair. As part of its obligation to foster open communications, the Audit and Disclosure Committee shall meet regularly with management and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. The Audit and Disclosure Committee shall prepare and render to the Board reports of its meetings, actions and recommendations as the Committee determines appropriate or as requires by the Board. The Audit and Disclosure Committee shall keep minutes of its meetings.

**ARTICLE IV**  
**AUTHORITY**

**Section 1.** The Audit and Disclosure Committee shall have the sole authority to appoint and dismiss the Trust's independent auditors. The independent auditor shall report directly to the Committee.

**Section 2.** The Audit and Disclosure Committee shall have the sole authority to approve the amount of fees and other terms of any engagement by the Trust with the independent auditors.

**Section 3.** The Audit and Disclosure Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee.

**Section 4.** The Audit and Disclosure Committee may request any trustee, officer or employee of the Trust or the Trust's outside counsel, independent auditor or other consultant to attend a Committee meeting or to meet with any Committee members or consultants.

**Section 5.** The Audit and Disclosure Committee may form and delegate authority to a subcommittee of the Committee, consisting of one or more members of the Committee, whenever it deems appropriate.

## **ARTICLE V RESPONSIBILITIES AND DUTIES**

**Section 1. Independent Auditors.** In addition to any other responsibilities that may be assigned from time to time by the Board, the Audit and Disclosure Committee is responsible for the following matters:

**1.1.** The Audit and Disclosure Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Trust (subject, if applicable, to shareholder ratification). Each such accounting firm shall report directly to the Audit and Disclosure Committee.

**1.2.** The Audit and Disclosure Committee shall pre-approve the audit services and non-audit services to be provided by the Trust's independent auditor pursuant to pre-approval policies and procedures established by the Audit and Disclosure Committee. The Audit and Disclosure Committee may delegate its authority to pre-approve services to one or more Committee members, provided that such designees present any such approvals to the full Committee at the next Audit and Disclosure Committee meeting.

**1.3.** The Audit and Disclosure Committee shall review and approve the scope and staffing of the independent auditor's annual audit plan(s).

**1.4.** The Audit and Disclosure Committee shall evaluate the independent auditor's qualifications, performance and independence, and shall present its conclusions with respect to the independent auditor to the full Board on at least an annual basis. As part of such evaluation, at least annually, the Audit and Disclosure Committee shall:

**1.4.1.** Obtain and review a report or reports from the Trust's independent auditor:

- a. Describing the independent auditor's internal quality-control procedures;
- b. Describing any material issues raised by:
  - (i) the most recent internal quality-control review, or peer review, of the auditing firm, or
  - (ii) any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the auditing firm; and any steps taken to deal with any such issues;
- c. Describing all relationships between the independent auditor and the Trust consistent with Independence Standards Board Standard No. 1; and
- d. Assuring that Section 10A of the Securities Exchange Act of 1934 has not been implicated;

**1.4.2.** Review and evaluate the lead partner of the independent auditor;

**1.4.3.** Consider whether the audit engagement team partners should be rotated more frequently than is required by law, so as to assure continuing auditor independence;

1.4.4. Consider whether the independent auditor should be rotated, so as to assure continuing auditor independence; and

1.4.5. Obtain the opinion of management and the internal auditors of the independent auditor's performance.

1.5. The Audit and Disclosure Committee shall establish policies for the Trust's hiring of current or former employees of the independent auditor.

## **Section 2. Internal Auditors**

2.1. At least annually, the Audit and Disclosure Committee shall evaluate the performance, responsibilities, budget and staffing of the Trust's internal audit function and review the internal audit plan. Such evaluation shall include a review of the responsibilities, budget and staffing of the Trust's internal audit function with the independent auditor.

2.2. At least annually, the Audit and Disclosure Committee shall review the annual internal audit plan with the senior officer or officers responsible for the internal audit function of the Trust. The review shall focus on the scope and effectiveness of internal audit activities and the department's capability to fulfill its objectives.

2.3. At least annually, the Audit and Disclosure Committee shall review significant findings by the internal audit staff and management's responses to such findings and instances of remedial action not being taken by management within appropriate timeframes in response to any such findings, if any.

2.4. At least annually, the Audit and Disclosure Committee shall evaluate the performance of the senior officer or officers responsible for the internal audit function of the Trust, and make recommendations to the Board and management regarding the responsibilities, retention or termination of such officer or officers.

## **Section 3. Financial Statements; Disclosure and Other Risk Management and Compliance Matters.**

3.1. As appropriate, the Audit and Disclosure Committee shall review with management, the internal auditors and independent auditor, and legal counsel in separate meetings if the Audit and Disclosure Committee deems it necessary:

3.1.1. The annual audited financial statements, including the Trust's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", prior to the filing of the Trust's Form 10-K;

3.1.2. The quarterly financial statements, including the Trust's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", prior to the filing of the Trust's Form 10-Q;

3.1.3. Any analyses or other written communications prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

3.1.4. The critical accounting policies and practices of the Trust;

3.1.5. Off-balance sheet transactions and structures;

3.1.6. Any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Trust's selection or application of accounting principles;

3.1.7. Estimates made by management having a material impact on the financial statements;

**3.1.8.** Significant variations in financial information between reporting periods; and

**3.1.9.** The effect of regulatory and accounting initiatives or actions applicable to the Trust (including any SEC investigations or proceedings).

**3.2.** The Audit and Disclosure Committee shall review, in conjunction with management, the Trust's policies generally with respect to the Trust's earnings press releases and with respect to financial information and earnings guidance provided to analysts and rating agencies, including in each case the type of information to be disclosed and type of presentation to be made and paying particular attention to the use of non-GAAP financial information. Included within the scope of this Section 3.2:

**3.2.1** The Audit and Disclosure Committee shall review all earnings releases and related questions and answers, investor presentations and scripts for earnings conference calls held in connection with the release of earnings or otherwise made public in connection with earnings releases to help ensure that the release and related materials fairly present the financial condition of the Trust and its subsidiaries as of the dates to which they relate.

**3.2.2** The Audit and Disclosure Committee shall monitor all other investor and industry presentations made by the Trust or its personnel that contain material financial information not previously publicly disclosed.

**3.3.** The Committee Chair may review any of the Trust's financial information and earnings guidance provided to analysts and ratings agencies and any of the Trust's other financial disclosure, such as earnings press releases, as the Committee Chair deems appropriate.

**3.4.** The Audit and Disclosure Committee shall in conjunction with the CEO and CFO of the Trust, review the Trust's disclosure controls and procedures and internal control over financial reporting. The review of internal control over financial reporting shall include whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Trust's ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting.

**3.4.1.** Included within the scope of this Section 3.4 are those entities that provide services to the Trust and have a material impact on the Trust's financial reporting, such as those who process data, execute transactions, maintain related accountability for these transactions, or any combination thereof, in which the actions materially affect the financial statements of the Trust.

**3.5.** The Audit and Disclosure Committee shall review potential conflicts of interest involving trustees and shall determine whether such director or trustees may vote on any issue as to which there may be a conflict.

**3.6.** The Audit and Disclosure Committee shall review all related party transactions and determine whether such transactions are appropriate for the Trust to undertake. If so, the Audit and Disclosure Committee is authorized to approve such transactions.

**3.7.** The Audit and Disclosure Committee shall oversee compliance with the Trust's Code of Ethics and Business Conduct and report on such compliance to the Board. The Committee shall also review and consider any requests for waivers of the Trust's Code of Ethics and Business Conduct for the Trust's trustees, executive officers and other senior financial officers, and shall make a recommendation to the Board with respect to such request for a waiver.

**3.8.** The Audit and Disclosure Committee shall review annually management's plan for determining compliance with the Trust Code of Ethics and Business Conduct.

**3.9** The Audit and Disclosure Committee shall receive and review reports regarding compliance with the Trust's standing policies and procedures regarding securities law matters, including the Trust's policies relating to compliance with Regulation FD and Section 16 of the Exchange Act and regarding insider trading (including pre-clearance procedures for trading in the Trust's securities by trustees, Section 16 officers and certain other employees).

**3.10** The Audit and Disclosure Committee shall review annually the Trust's Information Security Plan.

**3.11** The Audit and Disclosure Committee shall review significant cases of employee conflict of interest, misconduct, or fraud.

**3.12** The Audit and Disclosure Committee shall review and discuss with the independent auditor any audit problems or difficulties and management's response thereto, including those matters required to be discussed with the Audit and Disclosure Committee by the auditor pursuant to Statement on Auditing Standards No. 61, as amended, such as:

**3.12.1.** Any restrictions on the scope of the independent auditor's activities or on access to requested information;

**3.12.2.** Any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise);

**3.12.3.** Any communications between the audit team and the audit firm's national office regarding auditing or accounting issues presented by the engagement;

**3.12.4.** Any management or internal control letter issued, or proposed to be issued, by the auditor; and

**3.12.5.** Any significant disagreements between management and the independent auditor.

**3.13.** In connection with its oversight responsibilities, the Audit and Disclosure Committee shall be directly responsible for the resolution of disagreements between management and any auditor regarding the Trust's financial reporting.

**3.14.** The Audit and Disclosure Committee shall review the Trust's policies and practices with respect to risk assessment and risk management, including discussing with management the Trust's major financial risk exposures and the steps that have been taken to monitor and control such exposures.

**3.15.** The Audit and Disclosure Committee shall establish procedures for:

**3.15.1.** The receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls or auditing matters, and

**3.15.2.** The confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.

**3.16.** The Audit and Disclosure Committee shall review any complaints regarding accounting, internal accounting controls or auditing matters received pursuant to such procedures.

**3.17.** The Audit and Disclosure Committee shall prepare the Audit Committee report that the SEC rules require to be included in the Trust's annual proxy statement.

#### **Section 4. Reporting to the Board**

**4.1.** The Audit and Disclosure Committee shall report to the Board periodically. This report shall include a review of any issues that arise with respect to the quality or integrity of the Trust's financial statements, the Trust's compliance with legal or regulatory requirements, the independence and performance of the Trust's independent auditor, the performance of the internal audit function and any other matters that the Audit and Disclosure Committee deems appropriate or is requested to be included by the Board.

**4.2.** At least annually, the Audit and Disclosure Committee shall evaluate its own performance and report to the Board on such evaluation.

**4.3.** The Audit and Disclosure Committee shall periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board.

**ARTICLE VI  
ACTIONS OF THE COMMITTEE**

A majority of the Audit and Disclosure Committee shall constitute a quorum, and the action of a majority of the members of the Committee present at any meeting at which a quorum is present, or acts unanimously adopted in writing without the holding of a meeting, shall be the acts of the Committee. The Audit and Disclosure Committee shall have the authority to delegate any of its responsibilities to subcommittees, management or third parties, as the Committee may deem appropriate in its sole discretion.

**ARTICLE VII  
COMMITTEE RESOURCES**

To the extent required to effectuate its purpose, the Audit and Disclosure Committee shall have the authority to obtain advice and seek assistance from internal and external legal, accounting and other advisors. The Audit and Disclosure Committee shall have unrestricted access to Trust personnel and documents and will be given the resources necessary to operate under this Charter. The Audit and Disclosure Committee shall determine the extent of funding necessary for the payment of compensation to any consultant retained to advise the Committee.

**ARTICLE VIII  
LIMITATION ON RESPONSIBILITY**

The Board of Trustees in adopting this charter specifically acknowledges that it is not the responsibility of the Audit and Disclosure Committee to plan or to conduct audits or to determine that the Trust's financial statements are complete and accurate and are in accordance with accounting principles generally accepted in the United States. Those are responsibilities of management and the independent auditor. In addition, it is not the responsibility of the Audit and Disclosure Committee to assure compliance with laws and regulations applicable to the Trust's operations. That is the responsibility of management.