UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 1

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from __________ to __________

Commission file number: **000-56165**

Cottonwood Communities, Inc.

(Exact name of Registrant as specified in its charter)

Maryland	**61-1805524**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1245 Brickyard Road, Suite 250, Salt Lake City, UT 84106
(Address of principal executive offices) (Zip code)

(801) 278-0700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of each exchange on which registered
None	None	None

Securities registered pursuant to Section 12(g) of the Act:
Class T common stock, $0.01 par value per share
Class D common stock, $0.01 par value per share
Class I common stock, $0.01 par value per share
Class A common stock, $0.01 par value per share
Class TX common stock, $0.01 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant: No established market exists for the registrant’s common stock. The registrant publishes a net asset value (“NAV”), based on procedures and methodologies established by its board of directors, with an NAV on June 30, 2022, the last business day of the registrant’s most recently completed second fiscal quarter, of $20.7202 per share for each class of share of common stock outstanding. As of December 31, 2022, the NAV was $19.5788 per share for each class of share of common stock outstanding. There were 27,700,700 shares of common stock held by non-affiliates at June 30, 2022, the last business day of the registrant’s most recently completed second fiscal quarter.

As of September 28, 2023, there were 4,592,944 shares of the registrant’s Class T common stock, 209,429 shares of the registrant’s Class D common stock, 4,353,406 shares of the registrant’s Class I common stock, and 24,322,768 shares of the registrant’s Class A common stock outstanding.

EXPLANATORY NOTE

Cottonwood Communities Inc. (the "Company," "we," "our," or "us") is filing this Amendment no. 1 on Form 10-K/A (this "Amendment" or this "Form 10-K/A") to amend and restate certain items in its Annual Report on Form 10-K for the fiscal year ended December 31, 2022, originally filed with the U.S. Securities and Exchange Commission (the "SEC") on March 24, 2023 (the "Original Filing").

In filing this Amendment, the Company is restating its previously issued audited consolidated financial statements as of and for the year ended December 31, 2022, as well as the unaudited consolidated quarterly financial information for the quarterly periods in the year ended December 31, 2022 (collectively, the "Affected Periods") to account for an inaccurate presentation of the change in cash flows ascribed to financing and operating activities in the consolidated statement of cash flows as further described below. Those previously issued financial statements should no longer be relied upon. All material restatement information that relates to the error will be included in this Amendment, and the Company does not intend to separately amend the Quarterly Reports on Form 10-Q for the Affected Periods that the Company has previously filed with the SEC.

Accordingly, investors and other readers should rely only on the financial information and other disclosures regarding the Affected Periods in this Amendment and in any other future filings with the SEC (as applicable) and should not rely on any previously issued or filed reports, corporate presentations or similar communications relating to the Affected Periods. See Note 3 and Note 15 to the consolidated financial statements included in this Amendment, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Restatement Background

Subsequent to the Original Filing, the Company identified an error in its historical financial statements for the year ended December 31, 2022 and the preceding quarterly periods of 2022 related to an inaccurate presentation of the change in cash flows ascribed to financing and operating activities in the consolidated statement of cash flows. The error was the result of the incorrect inclusion of accrued deferred offering costs related to the sale of the Company's Class T and Class D shares in its public offering beginning in 2022 in the financing activity section of the consolidated statement of cash flows and in the changes in accounts payable, accrued expenses, and other liabilities in the operating activity section of the consolidated statement of cash flows. The error resulted in an understatement of cash provided by financing activities and an overstatement of cash provided by operating activities of $4.8 million for the year ended December 31, 2022.

On September 1, 2023, the audit committee of the board of directors of the Company concluded, after discussion with management, that the previously issued unaudited consolidated financial statements for the periods ended March 31, 2022, June 30, 2022 and September 30, 2022, included in the Company's Quarterly Reports on Form 10-Q filed with the SEC on May 12, 2022, August 12, 2022, and November 9, 2022, respectively, and the audited consolidated financial statements for the year ended December 31, 2022 included in the Original Filing, and each as included in any reports, presentations or similar communications of the Company's financial results, should no longer be relied upon due to the error. As a result, the error requires a restatement of the financial statements for the Affected Periods (the "Restatement") which is reflected in this Amendment. The impact of the error is described in detail in Note 3 (annual impact) and Note 15 (quarterly impact) to the consolidated financial statements.

This Amendment also includes other immaterial previously unrecorded adjustments which affected additional paid-in capital, noncontrolling interest, the presentation of the change in deferred taxes as a separate line within the cash flows from operating activities section of the consolidated statements of cash flows, and movement of immaterial amounts from borrowings under mortgage notes and term loans in cash flows from financing activities to acquisitions of real estate, net of cash acquired, in cash flows from investing activities.

Internal Control Considerations

Management has reassessed its evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2022 as further described in Part II, Item 9A of this Amendment, and concluded that a material weakness existed due to an assessment of the incremental risk of noncash activities on the consolidated statement of cash flows that was not effective. Therefore internal control over financial reporting and disclosure controls and procedures were not effective as of the year ended December 31, 2022. Management has taken steps to remediate the material weakness in our internal control over financial reporting.

Items Amended in this Amendment

For the convenience of the reader, this Amendment sets forth the Original Filing, with the exception of Part III, in its entirety, as amended for the changes related to the Restatement as well as certain additional changes discussed below. The following sections of the Original Filing have been amended as a result of the Restatement:

- Part I — Item 1A. Risk Factors
- Part II — Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part II — Item 8. Financial Statements and Supplementary Data
- Part II — Item 9A. Controls and Procedures
- Part IV — Item 15. Exhibits, Financial Statement Schedules

In addition, Part II — Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Funds from Operations is being amended to include adjustments to core funds from operations to reflect current period presentation. In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), this Amendment includes new certifications specified in Rule 13a-14 under the Exchange Act, from the Company's Chief Executive Officer and Chief Financial Officer dated as of the date of this Amendment. The Exhibit Index in Part IV — Item 15 is also being amended to reflect the inclusion of the updated exhibits.

Except as described above, this Amendment does not amend, update or change any other items or disclosures contained in the Original Filing, and accordingly, this Amendment does not reflect or purport to reflect any information or events occurring after March 24, 2023, the filing date of the Original Filing, or modify or update those disclosures affected by subsequent events. Accordingly, this Amendment should be read in conjunction with filings made with the SEC subsequent to the filing of the Original Filing.

Cottonwood Communities, Inc.

Form 10-K/A
For the Year Ended December 31, 2022

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Part I

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K/A contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"). Forward looking statements include statements about our business, including, in particular, statements about our plans, strategies and objectives. You can generally identify forward-looking statements by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. You should not rely on these forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.

For a discussion of some of the risks and uncertainties, although not all risks and uncertainties, that could cause actual results to differ materially from those presented in our forward-looking statements, see the risks identified in "Summary Risk Factors" below and in Part I, Item 1A of this Annual Report on Form 10-K/A (the "Annual Report").

SUMMARY RISK FACTORS

The following is a summary of the principal risks that could adversely affect our business, financial condition, results of operations and cash flows and an investment in our common stock. This summary highlights certain of the risks that are discussed further in this Annual Report but does not address all the risks that we face. For additional discussion of the risks summarized below and a discussion of other risks that we face, see "Risk Factors" in Part I, Item 1A of this Annual Report.

- There is no public trading market for shares of our common stock and the repurchase of shares by us will likely be the only way to dispose of your shares. Our share repurchase program provides stockholders with the opportunity to request that we repurchase their shares on a monthly basis, but we are not obligated to repurchase any shares and may choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any particular month in our discretion. In addition, repurchases are subject to available liquidity and other significant restrictions. Further, our board of directors may modify or suspend our share repurchase program if in its reasonable judgment it deems a suspension to be in our best interest and the best interest of our stockholders, such as when a repurchase request would place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on the company that would outweigh the benefit of the repurchase offer.
- The offering price and repurchase price for shares of our common stock are generally based on our prior month's NAV plus, in the case of our offering price, applicable upfront selling commissions and dealer manager fees, and are not based on any public trading market. In addition to being up to a month old when share purchases and repurchases take place, our NAV does not currently represent our enterprise value and may not accurately reflect the actual prices at which our assets could be liquidated on any given day, the value a third party would pay for all or substantially all of our shares, or the price that our shares would trade at on a national stock exchange. Furthermore, our board of directors may amend our NAV procedures from time to time. Although there will be independent appraisals of our properties, the appraisal of properties is inherently subjective and our NAV may not accurately reflect the actual price at which our properties could be liquidated on any given day.
- Investing in commercial real estate assets involves certain risks, including, but not limited to: changes in values caused by global, national, regional or local economic performance, the performance of the real estate sector, unemployment, stock market volatility and other impacts of the COVID-19 pandemic, demographic or capital market conditions; increases in interest rates and lack of availability of financing; vacancies, fluctuations in the average occupancy and rental rates for our residential properties; and residents experiencing financial hardships (resulting in an inability to pay rent). In particular, the current combination of the continued economic slowdown, rapidly rising interest rates and significant inflation (or the perception that any of these events may continue) as well as a lack of lending activity in the debt markets have contributed to considerable weakness in the commercial real estate markets. Continued disruptions in the financial markets and economic uncertainty could adversely affect our operations.
- We depend on our advisor to identify suitable investments and to manage our investments. There is no assurance that we will be able to successfully achieve our investment objectives.

- We have paid distributions from offering proceeds and may continue to fund distributions with offering proceeds. We have not established a limit on the amount of proceeds from our offering that we may use to fund distributions. To the extent we fund distributions from sources other than our cash flow from operations, we will have less funds available for investment in multifamily apartment communities and multifamily real estate-related assets and the overall return to our stockholders may be reduced. Distributions may also be paid from other sources such as borrowings, advances or the deferral of fees and expense reimbursements. During the early stages of our operations, these distributions may constitute a return of capital.
- Some of our officers and certain of our directors are also officers and directors of our sponsor, our advisor or its affiliates. As a result, our officers and affiliated directors are subject to conflicts of interest.
- We pay certain fees and expenses to our advisor and its affiliates. These fees were not negotiated at arm's length and therefore may be higher than fees payable to unaffiliated third parties.
- Development projects in which we invest will be subject to potential development and construction delays which could result in increased costs and risks and may hinder our operating results and ability to make distributions.
- We may incur significant debt in certain circumstances, including through the issuance of preferred equity that is accounted for as debt. Our use of leverage increases the risk of an investment in us. Loans we obtain may be collateralized by some or all of our investments, which will put those investments at risk of forfeiture if we are unable to pay our debts. Principal and interest payments on these loans and dividend payments on our preferred shares reduce the amount of money that would otherwise be available for other purposes.
- Volatility in the debt markets could affect our ability to obtain financing for investments or other activities related to real estate assets and the diversification or value of our portfolio, potentially reducing cash available for distribution to our stockholders or our ability to make investments. In addition, volatility in the debt markets could negatively impact our loans with variable interest rates.
- As a result of the Restatement, we have identified a material weakness in our internal control over financial reporting, and solely as a result of the material weakness, our management has concluded that our disclosure controls and procedures and internal controls over financial reporting were not effective as of December 31, 2022, which conclusion could harm our business. The Restatement and related identification of a material weakness in our internal controls over financial reporting could subject us to increased risk of litigation.
- If we fail to continue to qualify as a real estate investment trust ("REIT"), it would adversely affect our operations and our ability to make distributions to our stockholders because we will be subject to United States federal income tax at regular corporate rates with no ability to deduct distributions made to our stockholders.

In light of the significant uncertainties inherent in these forward looking statements, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans, which we consider to be reasonable, will be achieved. Except as otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. BUSINESS

References herein to the "Company," "CCI," "we," "us," or "our" refer to Cottonwood Communities, Inc., a Maryland corporation, and its subsidiaries, unless the context specifically requires otherwise.

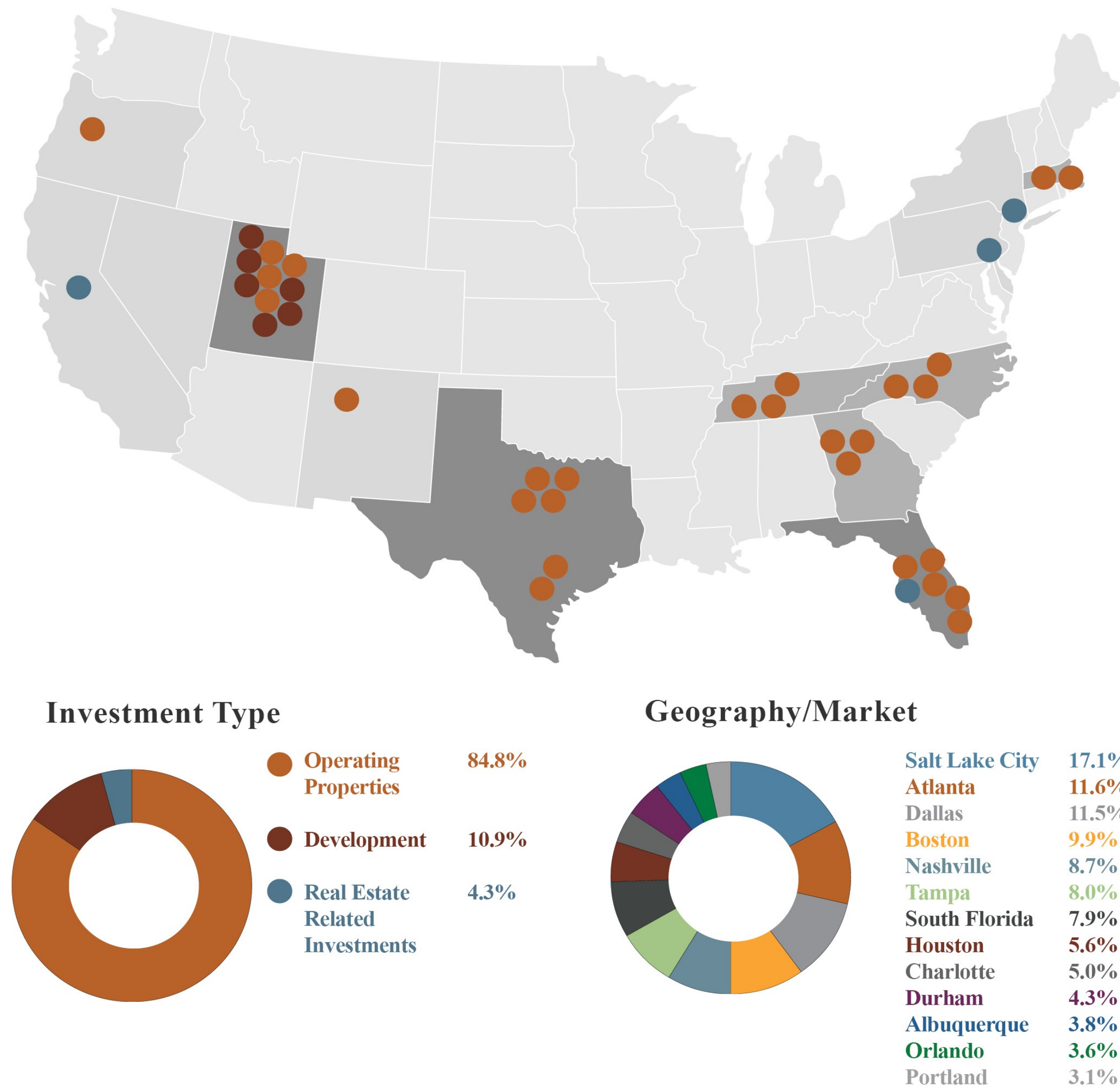
General Description of Business and Operations

Cottonwood Communities, Inc. invests in a diverse portfolio of multifamily apartment communities and multifamily real estate-related assets throughout the United States. We are externally managed by our advisor, CC Advisors III, LLC ("CC Advisors III"), a wholly owned subsidiary of our sponsor, Cottonwood Communities Advisors, LLC ("CCA"). We were incorporated in Maryland in 2016. We own all of our assets through our operating partnership. Our operating partnership was Cottonwood Communities O.P., LP ("CCOP") prior to the CRII Merger (defined below) and is Cottonwood Residential O.P., LP ("CROP" or the "Operating Partnership") after the CRII Merger. We are the sole member of the sole general partner of the Operating Partnership and own general partner interests in the Operating Partnership alongside third-party limited partners.

Cottonwood Communities, Inc. is a non-traded, perpetual-life, NAV REIT. We qualified as a REIT for U.S. federal income tax purposes beginning with the taxable year ended December 31, 2019. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT.

As December 31, 2022, we had received gross proceeds of $295.5 million from the sale of our common stock and $127.0 million from the sale of our Series 2019 Preferred Stock. We have contributed our net proceeds to the Operating Partnership in exchange for a corresponding number of mirrored OP units in the Operating Partnership ("CROP Units"). CROP has primarily used the net proceeds to make investments in real estate, multifamily real estate-related assets, and conduct its real estate-related operations.

As December 31, 2022, we had a portfolio of $2.6 billion in total assets, with 84.8% of our equity value in operating properties, 10.9% in development and 4.3% in real estate-related investments. We also currently manage approximately 10,100 units in stabilized assets, including approximately 8,000 units in stabilized properties we own or have ownership interests in. The following presents our real estate portfolio by market and investment type by fair value as of December 31, 2022:



Refer to Part II, Item 7. "Management's Discussion and Analysis - Our Investments" for further description of our portfolio.

Investment Objectives

Our investment objectives are to:

- preserve, protect and return invested capital;
- pay stable cash distributions to stockholders;
- realize capital appreciation in the value of our investments over the long term; and
- provide a real estate investment alternative with lower expected price volatility relative to public real estate companies whose securities trade daily on a stock exchange.

We seek to invest at least 65% of our assets in stabilized multifamily apartment communities and up to 35% in mortgage loans, preferred equity investments, mezzanine loans or equity investments in a property or land which will be developed into a multifamily apartment community.

The CMOF Merger

On July 8, 2022, we entered into an agreement and plan of merger with Cottonwood Multifamily Opportunity Fund, Inc. ("CMOF") and its operating partnership (the "CMOF OP") to merge CMOF with and into our wholly owned subsidiary and the CMOF OP with and into CROP through the exchange of stock-for-stock and units-for-units (the "CMOF Merger"). The CMOF Merger closed on September 27, 2022.

CROP was a joint venture partner with CMOF in all three of CMOF's investments: Park Avenue (development project), Cottonwood on Broadway (development project) and Block C, a joint venture owning land held for development for two projects called Westerly and Millcreek North. Following the CMOF Merger, we acquired CMOF's interest in these joint ventures increasing our percentage ownership interest in the joint ventures as follows: Park Avenue, 100.0%, Cottonwood on Broadway, 100.0% and Block C, 79.0%. The remaining interests in Block C are held by some of our officers and affiliated directors, either directly or indirectly.

The 2021 Mergers

On January 26, 2021, we entered into separate agreements with three affiliated REITs and their respective operating partnerships to merge through the exchange of stock-for-stock and units-for-units, respectively. The merger with Cottonwood Residential II, Inc. ("CRII") and its operating partnership (CROP) (the "CRII Merger") closed on May 7, 2021. The mergers with Cottonwood Multifamily REIT I, Inc. ("CMRI") and its operating partnership (the "CMRI Merger") and with Cottonwood Multifamily REIT II, Inc. ("CMRII") and its operating partnership (the "CMRII Merger") closed on July 15, 2021. We refer to the CRII Merger, the CMRI Merger and the CMRII Merger as the "2021 Mergers."

Through the 2021 Mergers we acquired interests in 22 stabilized multifamily apartment communities, four multifamily development projects, one structured investment, and land held for development. We also acquired CRII's property management business and its employees, an advisory contract with CMOF, and personnel who performed certain administrative and other services for us, including legal, accounting, property development oversight and certain services relating to construction management, stockholder relations, human resources, renter insurance and information technology.

CC Advisors III continues to manage our business as our external advisor pursuant to an amended and restated advisory agreement. With the exception of our Chief Legal Officer, Chief Operating Officer, Chief Accounting Officer, and Chief Development Officer, we do not employ our executive officers.

Refer to Note 1 of the consolidated financial statements in this Annual Report on Form 10-K/A for further description of the CMOF Merger and the 2021 Mergers.

Our Offerings

From August 13, 2018 to December 22, 2020 we conducted an initial public offering of our Class A and Class TX (formerly Class T) common stock (the "Initial Offering"), raising $122.0 million. The Initial Offering ended December 2020 while we pursued the 2021 Mergers. On November 4, 2021, after the 2021 Mergers were completed, we registered with the SEC our ongoing offering of up to $1.0 billion of shares of common stock (the "Follow-on Offering"), consisting of up to $900.0 million in shares of common stock offered in a primary offering (the "Primary Offering") and $100.0 million in shares under our distribution reinvestment plan (the "DRP Offering"). As of December 31, 2022, we had raised gross proceeds of $173.5 million from the Follow-on Offering, including $2.5 million proceeds from the DRP Offering.

On November 8, 2019 we commenced a best-efforts private placement offering exempt from registration under the Securities Act pursuant to which we offered a maximum of $128.0 million in shares of Series 2019 Preferred Stock to accredited investors at a purchase price of $10.00 per share (the “2019 Private Offering”). By March 2022, the 2019 Private Offering was fully subscribed.

On December 13, 2022, we commenced a second best-efforts private placement offering exempt from registration under the Securities Act pursuant to which we are offering a maximum of $100.0 million in shares of our Series 2023 Preferred Stock to accredited investors at a purchase price of $10.00 per share (the "2023 Private Offering" and together with the 2019 Private Offering, the “Private Offerings”).

NAV-Based Perpetual-Life Strategy

During 2021 we implemented changes to our public offering and business in pursuit of an NAV-based, perpetual-life strategy. We believe these changes, discussed below, enhance our equity capital raising efforts, diversify and grow our portfolio for the benefit of our stockholders, and increase liquidity to our stockholders in excess of what was previously available. We also believe being a perpetual-life REIT allows us to acquire and manage our investment portfolio in a more active and flexible manner by not limiting us with a predetermined operational period or the need to provide a “liquidity” event at the end of that period.

New Share Classes

We restructured the classes of shares we offer in our public offering. We renamed our prior Class T shares as Class TX shares and authorized and designated three new classes of shares: Class T, Class D and Class I shares for sale in our primary public offering. Class T, Class D and Class I shares have different upfront selling commissions and dealer manager fees, and different ongoing distribution fees payable to the dealer manager and reallowed to participating broker-dealers. We believe that having a number of different share classes with different distribution compensation structures improves our ability to sell shares and raise capital in the current market.

Revised Advisory Fee Structure

On May 7, 2021, we entered into an amended and restated advisory agreement and CROP entered into the Fifth Amended and Restated Limited Partnership Agreement. These agreements revised the compensation payable and the expenses that may be reimbursed to our advisor and its affiliates for its services to be consistent with that of a perpetual-life NAV REIT.

Monthly NAV Determinations

On May 27, 2021, our board of directors, including a majority of our independent directors, adopted valuation procedures that contain a comprehensive set of methodologies to be used in connection with the calculation of a NAV of the company and performed our initial NAV calculation. Since our initial determination of an NAV, we have determined and disclosed monthly our NAV per share for each share class as of the last calendar day of the prior month. We believe more frequent NAV calculations improves our ability to offer and repurchase our shares at the most fair prices, and also improves visibility and transparency into our performance.

Revised Share Repurchase Program

Following the CRII Merger, our board of directors adopted a revised share repurchase program (the “SRP”). The SRP as revised provides that we may make monthly redemptions with an aggregate value of up to 5% of our NAV each quarter. In addition, we removed the funding restrictions from the SRP. For Class T, Class D and Class I shares, the redemption price equals the most recently disclosed monthly NAV, or 95% of the most recently disclosed NAV if the shares have been held for less than a year. For Class A shares, the repurchase price is at a declining discount to NAV depending on how long the stockholder has held the shares submitted for repurchase and is 100% of NAV after a six-year hold period.

Charter Amendment

In connection with our perpetual-life-strategy we sought and obtained stockholder approval to remove Article XVIII from our charter. Article XVIII was inconsistent with a perpetual-life-strategy as it required that if we did not list our shares of common stock on a national securities exchange by August 13, 2028, we must either seek stockholder approval of the liquidation of the company; or postpone the decision of whether to liquidate the company if a majority of the board of directors

determines that liquidation is not then in the best interests of our stockholders. On December 17, 2021, we filed Articles of Amendment with the State Department of Assessment and Taxation of the State of Maryland to remove Article XVIII from our charter.

Economic Dependency

We are dependent on our advisor and its affiliates for certain services that are essential to us, including the identification, evaluation, negotiation, origination, acquisition and disposition of investments; and management of our business. In the event that our advisor is unable to provide these services, we will be required to obtain such services from other sources.

Competitive Market Factors

The success of our investment portfolio depends, in part, on our ability to invest in multifamily apartment communities that provide attractive and stable returns. We face competition from various entities for investment opportunities in multifamily apartment community properties, including other REITs, pension funds, insurance companies, investment funds and companies, partnerships, and developers. Many of these entities have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage. Our competitors may also be willing to accept lower returns on their investments and may succeed in buying the assets that we have targeted for acquisition. Competition from these entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell. Although we believe that we are well-positioned to compete effectively in each facet of our business, there is competition in our market sector and there can be no assurance that we will compete effectively or that we will not encounter increased competition in the future that could limit our ability to conduct our business effectively.

Furthermore, we face competition from other multifamily apartment communities for tenants. This competition could reduce occupancy levels and revenues at our multifamily apartment communities, which would adversely affect our operations. We expect to face competition from many sources. We will face competition from other multifamily apartment communities both in the immediate vicinity and in the larger geographic market where our apartment communities will be located. Overbuilding of multifamily apartment communities may occur. If so, this will increase the number of apartment units available and may decrease occupancy and apartment rental rates.

Compliance with Federal, State and Local Environmental Law

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous real property owner or operator may be liable for the cost of removing or remediating hazardous or toxic substances on, under or in such property. These costs could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for the release of and exposure to hazardous substances, including asbestos-containing materials. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could reduce the amounts available for distribution to our stockholders.

We intend to subject our multifamily apartment communities to an environmental assessment prior to acquisition; however, we may not be made aware of all the environmental liabilities associated with a property prior to its purchase. There may be hidden environmental hazards that may not be discovered prior to acquisition. The costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of our properties, or the failure to properly remediate a contaminated property, could adversely affect our ability to sell or rent the property or to borrow using the property as collateral.

Human Capital Resources

Our external advisor, CC Advisors III, through its team of real estate professionals, selects our investments and manages our business, subject to the direction and oversight of our board of directors.

As of March 21, 2023, we employ 308 individuals, including our Chief Legal Officer, Chief Operating Officer, Chief Accounting Officer, and Chief Development Officer with 228 employees serving as "site" employees at our properties

responsible for maintenance and leasing and the remainder considered corporate-level employees supporting our operations. We also rely on employees of our advisor for the management of our business and the employment of certain of our executive officers.

Our employees are responsible for performing various operational services for us, including property management, legal, accounting, property development oversight and certain services relating to construction management, stockholders, human resources, and information technology. Although we did not have employees until May 7, 2021, many of the same individuals who are now our employees have been involved in our operations through their employment with our advisor, affiliated property manager and their affiliates for an average of over four years. Approximately 50% of our employees are women and approximately 47% are members of racial or ethnic minority groups. We consider our relations with our employees to be good; none of our employees are represented by a labor union.

We believe the caliber and well-being of our people to be critical to our ability to attract talent and sustain an appealing company culture that promotes diversity, inclusion, transparency, innovation, teamwork, and excellence. To support these goals and objectives we provide best-in-class training resources, both in person and virtually, to develop the skills and talents of our people and to prevent discrimination and harassment. We dedicate significant time and attention to building a bench of talent that has a wide array of abilities and interests, and that is capable of promoting continuity and succession, when necessary.

We offer competitive and equitable compensation and benefits packages that include medical, dental, vision, disability and life insurance, 401k and HSA plans with company-matching contributions, equity grants, paid time off, as well as other resources and programs that support the health and well-being of our associates and their families. We frequently benchmark these compensation and benefits packages against industry peers and those of similar disciplines.

Principal Executive Office

Our principal executive offices are located at 1245 Brickyard Road, Suite 250, Salt Lake City, Utah 84106. Our website address is www.cottonwoodcommunities.com.

Available Information

Access to copies of our Annual Report on Form 10-K/A, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits to these reports, proxy statements and other filings with the SEC, including amendments to such filings, may be obtained free of charge at our website, www.cottonwoodcommunities.com, or through the SEC's website, *http://www.sec.gov*. These filings are available promptly after we file them with, or furnish them to, the SEC.

Item 1A. Risk Factors

The following are some of the risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business. Our stockholders may be referred to as "you" or "your" in this Item 1A. "Risk Factors" section.

Risks Related to an Investment in our Common Stock

We have held most of our current investments for only a limited period of time and you will not have the opportunity to evaluate our future investments before we make them, which makes your investment more speculative.

We have held most of our current investments for a limited period of time. Further, we are considered to be a "blind pool," and are not able to provide you with information to assist you in evaluating the merits of any specific properties or structured investments that we may acquire. Because we have not held our current investments for a long period of time, it may be difficult for you to evaluate our success in achieving our investment objectives. We will continue to seek to invest substantially all of our future net offering proceeds, after the payment of fees and expenses, in the acquisition of or investment in interests in properties and structured investments. However, because you will be unable to evaluate the economic merit of our future investments before we make them, you will have to rely entirely on the ability of our advisor to select suitable and successful investment opportunities. These factors increase the risk that your investment may not generate returns comparable to other real estate investment alternatives.

There is no public trading market for the shares of our common stock and we do not anticipate that there will be a public trading market for our shares; therefore, your ability to dispose of your shares will likely be limited to repurchase by us. If you do sell your shares to us, you may receive less than the price you paid.

There is no current public trading market for shares of our common stock, and we do not expect that such a market will ever develop. Therefore, the repurchase of your shares by us will likely be the only way for you to dispose of your shares. We will repurchase shares at a price equal to the transaction price of the class of shares being repurchased on the date of repurchase (which will generally be equal to our prior month's NAV per share, which will be our most recently disclosed NAV at such time) and not based on the price at which you initially purchased your shares. We may repurchase your shares if you fail to maintain a minimum account balance of $500 of shares, even if your failure to meet the minimum account balance is caused solely by a decline in our NAV. Repurchases will be made at the transaction price in effect on the repurchase date, with the following exceptions (collectively, the "Early Repurchase Deduction"): (i) Class T, Class D and Class I shares that have not been outstanding for at least one year will be repurchased at 95.0% of the transaction price, (ii) Class A and Class TX shares that have been outstanding for at least five years and less than six years will be repurchased at 95.0% of the transaction price, (iii) Class A and Class TX shares that have been outstanding for at least three years and less than five years will be repurchased at 90.0% of the transaction price and (iv) Class A and Class TX shares that have been outstanding for at least one year and less than three years will be repurchased at 85.0% of the transaction price.

For purposes of the Early Repurchase Deduction, the holding period is measured from the date the stockholder acquired the share (the "Acquisition Date") through the first calendar day immediately following the prospective repurchase date. With respect to holders of Class A shares who acquired their shares pursuant to a merger transaction the Acquisition Date is the date the holder acquired the corresponding share that was exchanged in the merger transaction. In addition, with respect to Class A and Class TX shares acquired through our distribution reinvestment plan or issued pursuant to a stock dividend, the shares will be deemed to have been acquired on the same date as the initial share to which the distribution reinvestment plan share or stock dividend relate. The Acquisition Date for stockholders who received shares of our common stock in exchange for their CROP Units is measured as of the date the exchange occurred and they received shares of our common stock. The Early Repurchase Deduction will also generally apply to minimum account repurchases. With respect to Class T, Class D and Class I shares, the Early Repurchase Deduction will not apply to shares acquired through the Company's distribution reinvestment plan or issued pursuant to a stock dividend. Such Early Repurchase Deductions will inure indirectly to the benefit of our remaining stockholders. As a result of this and the fact that our NAV will fluctuate, you may receive less than the price you paid for your shares upon repurchase by us pursuant to our share repurchase program.

Your ability to have your shares repurchased through our share repurchase program is limited. We may choose to repurchase fewer shares than have been requested to be repurchased, in our discretion at any time, and the amount of shares we may repurchase is subject to caps. Further, our board of directors may modify or suspend our share repurchase program if it deems such action to be in our best interest and the best interest of our stockholders.

We may choose to repurchase fewer shares than have been requested in any particular month to be repurchased under our share repurchase program, or none at all, in our discretion at any time. We may repurchase fewer shares than have been requested to be repurchased due to lack of readily available funds because of adverse market conditions beyond our control, the need to maintain liquidity for our operations or because we have determined that investing in real property or other illiquid investments is a better use of our capital than repurchasing our shares. In addition, the total amount of shares that we will repurchase is limited, in any calendar month, to shares whose aggregate value (based on the repurchase price per share on the date of the repurchase) is no more than 2% of the aggregate NAV of our common stock outstanding as of the last day of the previous calendar month and, in any calendar quarter, to shares whose aggregate value is no more than 5% of the aggregate NAV of our common stock outstanding as of the last day of the previous calendar quarter. Further, our board of directors may modify or suspend our share repurchase program if in its reasonable judgment it deems a suspension to be in our best interest and the best interest of our stockholders, such as when a repurchase request would place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on the company that would outweigh the benefit of the repurchase offer. Once the share repurchase program is suspended, our board of directors must consider at least quarterly whether the continued suspension of the share repurchase program is in our best interest and the best interest of our stockholders. Our board of directors cannot terminate our share repurchase program absent a liquidity event which results in stockholders receiving cash or securities listed on a national securities exchange or where otherwise required by law. If the full amount of all shares of our common stock requested to be repurchased in any given month are not repurchased, funds will be allocated pro rata based on the total number of shares of common stock being repurchased without regard to class and subject to the volume limitation. All unsatisfied repurchase requests must be resubmitted after the start of the next month or quarter, or upon the recommencement of the share repurchase program, as applicable.

The vast majority of our assets consist of properties that cannot generally be readily liquidated without impacting our ability to realize full value upon their disposition. Therefore, we may not always have a sufficient amount of cash to immediately satisfy repurchase requests. Should repurchase requests, in our judgment, place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on the company as a whole, or should we otherwise determine that investing our liquid assets in real properties or other illiquid investments rather than repurchasing our shares is in the best interests of the Company as a whole, then we may choose to repurchase fewer shares than have been requested to be repurchased, or none at all. Because we are not required to authorize the recommencement of the share repurchase program within any specified period of time, we may effectively terminate the plan by suspending it indefinitely. As a result, your ability to have your shares repurchased by us may be limited and at times you may not be able to liquidate your investment.

We have incurred net losses under GAAP in the past and may incur net losses in the future, and we have an accumulated deficit and may continue to have an accumulated deficit in the future.

For the years ended December 31, 2022 and 2021, we had consolidated net losses of $34.0 million and $106.9 million, respectively. As of December 31, 2022 and 2021, we had accumulated deficits of $71.5 million and $55.9 million, respectively. These amounts largely reflect the expense of real estate depreciation and amortization in accordance with GAAP, which was $54.6 million and $63.4 million during these periods. In addition, the years ended December 31, 2022 and 2021, also included $20.3 million and $51.8 million of charges related to the performance participation allocation.

Net loss and accumulated deficit are calculated and presented in accordance with GAAP, which, among other things, requires depreciation of real estate investments. We calculate depreciation on a straight-line basis. As a result, our operating results imply that the value of our real estate investments will decrease evenly over a set time period. However, we believe that the value of real estate investments will fluctuate over time based on market conditions. Thus, in addition to GAAP financial metrics, management reviews certain non-GAAP financial metrics, including funds from operations, or FFO and Core FFO. FFO measures operating performance that excludes gains or losses from sales of depreciable properties, real estate-related depreciation and amortization and after adjustments for our share of consolidated and unconsolidated entities. Core FFO excludes other items recorded under GAAP that we believe are not indicative of operating performance, including the accretion of discounts on preferred stock, share-based compensation, the promote from an incentive allocation agreement (tax effected), gains on derivatives, legal costs and settlements, acquisition fees and expenses, and amortization of above or below intangible lease assets and liabilities. See Part II, Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Funds from Operations" for considerations on how to review this metric.

Economic events that may cause our stockholders to request that we repurchase their shares may materially adversely affect our cash flow and our results of operations and financial condition.

Economic events affecting the U.S. economy, such as the general negative performance of the real estate sector, could cause our stockholders to seek to sell their shares to us pursuant to our share repurchase program at a time when such events are adversely affecting the performance of our assets. Even if we decide to satisfy all resulting repurchase requests, our cash flow could be materially adversely affected. In addition, if we determine to sell assets to satisfy repurchase requests, we may not be able to realize the return on such assets that we may have been able to achieve had we sold at a more favorable time, and our results of operations and financial condition, including, without limitation, breadth of our portfolio by property type and location, could be materially adversely affected.

Repurchases of common stock or CROP Units our advisor or the Special Limited Partner elects to receive in lieu of fees or distributions will reduce cash available for distribution to our stockholders.

Our advisor or the Special Limited Partner may choose to receive our common stock or CROP Units in lieu of certain fees or distributions. Under certain circumstances CROP Units or shares of our common stock received as payment for management fees are required to be repurchased, in cash at the holder's election, and there may not be sufficient cash to make such a repurchase payment; therefore, we may need to use cash from operations, borrowings, offering proceeds or other sources to make the payment, which will reduce cash available for distribution to you or for investment in our operations. Repurchases of our shares or CROP Units from our advisor paid to our advisor as a management fee are not subject to the monthly and quarterly volume limitations or the Early Repurchase Deduction, and such repurchases may receive priority over other shares submitted for repurchase during such period. Repurchases of our shares or CROP Units from the Special Limited Partner distributed to the Special Limited Partner with respect to its performance participation interest are not subject to any requirement that the units be held for at least one year but are subject to the other provisions regarding the exchange right as contemplated by the Partnership Agreement.

We are required to pay substantial compensation to our advisor and its affiliates, which may be increased or decreased by a majority of our board of directors, including a majority of the independent directors. Payment of fees and expenses to our advisor and its affiliates reduces the cash available for distribution and increases the risk that you will not be able to recover the amount of your investment in our shares.

Pursuant to our agreements with our advisor and its affiliates, we are obligated to pay substantial compensation to the advisor and its affiliates. Subject to limitations in our charter, the fees, compensation, income, expense reimbursements, interests and other payments that we are required to pay to the advisor and its affiliates may increase or decrease if such change is approved by a majority of our board of directors, including a majority of the independent directors. The compensation payable by us to our advisor and its affiliates may not be on terms that would result from arm's-length negotiations, is payable whether or not our stockholders receive distributions, and is based on our NAV, which our advisor is responsible for determining. These payments to the advisor and its affiliates will decrease the amount of cash we have available for operations and new investments and could negatively impact our NAV, our ability to pay distributions and your overall return.

Purchases and repurchases of shares of our common stock are made based on the most recently disclosed NAV per share at such time, which is generally the prior month's NAV per share of our common stock.

Generally, our offering price per share and the price at which we make repurchases of our shares will equal the prior month's NAV per share plus, in the case of our offering price, applicable upfront selling commissions and dealer manager fees. The NAV per share as of the date on which you make your subscription request or repurchase request may be significantly different than the offering price you pay or the repurchase price you receive. In addition, in cases where we believe there has been a material change (positive or negative) to our NAV per share since the end of the prior month, we may offer shares at a price that we believe reflects the NAV per share of such stock more appropriately than the prior month's NAV per share (including by updating a previously disclosed offering price) or suspend our offering and/or our share repurchase program. In such cases, the offering price and repurchase price will be our most recently disclosed NAV per share at such time.

Valuations and appraisals of our properties, real estate-related assets and real estate-related liabilities are estimates of value and may not necessarily correspond to realizable value.

The valuation methodologies used to value our properties and certain real estate-related assets involve subjective judgments regarding such factors as comparable sales, rental revenue and operating expense data, known contingencies, the capitalization or discount rate, and projections of future rent and expenses based on appropriate analysis. As a result, valuations and appraisals of our properties, real estate-related assets and real estate-related liabilities are only estimates of current market value. Ultimate realization of the value of an asset or liability depends to a great extent on economic and other conditions beyond our control and the control of Altus Group U.S. Inc. (the "Independent Valuation Advisor") and other parties involved in the valuation of our assets and liabilities. Further, these valuations may not necessarily represent the price at which an asset or liability would sell, because market prices of assets and liabilities can only be determined by negotiation between a willing buyer and seller. Valuations used for determining our NAV also are generally made without consideration of the expenses that would be incurred by us in connection with disposing of assets and liabilities. Therefore, the valuations of our properties, our investments in real estate-related assets and our liabilities may not correspond to the timely realizable value upon a sale of those assets and liabilities. In addition to being a month old when share purchases and repurchases take place, our NAV does not currently represent enterprise value and may not accurately reflect the actual prices at which our assets could be liquidated on any given day, the value a third party would pay for all or substantially all of our shares, or the price that our shares would trade at on a national stock exchange. There will be no retroactive adjustment in the valuation of such assets or liabilities, the price of our shares of common stock, the price we paid to repurchase shares of our common stock or NAV-based fees we paid to our advisor and the dealer manager to the extent such valuations prove to not accurately reflect the true estimate of value and are not a precise measure of realizable value. Because the price you will pay for shares of our common stock in our offering, and the price at which your shares may be repurchased by us pursuant to our share repurchase program, are generally based on our estimated NAV per share, you may pay more than realizable value or receive less than realizable value for your investment.

Our NAV per share amounts may change materially if the appraised values of our properties materially change from prior appraisals or the actual operating results for a particular month differ from what we originally budgeted for that month.

Our properties are appraised monthly by either the Independent Valuation Advisor or a third-party appraiser (the "Third-Party Appraisal Firm"). When these appraisals are considered by our advisor for purposes of determining our NAV, there may be a material change in our NAV per share amounts for each class of our common stock from those previously reported. In addition, actual operating results for a given month may differ from what we originally budgeted for that month, which may cause a material increase or decrease in the NAV per share amounts. We will not retroactively adjust the NAV per share of each class reported for the previous month. Therefore, because a new annual appraisal may differ materially from the

prior appraisal or the actual results from operations may be better or worse than what we previously budgeted for a particular month, the adjustment to take into consideration the new appraisal or actual operating results may cause the NAV per share for each class of our common stock to increase or decrease, and such increase or decrease will occur in the month the adjustment is made.

New acquisitions may be valued for purposes of our NAV at less than what we pay for them, which would dilute our NAV, or at more than what we pay for them, which would be accretive to our NAV.

Pursuant to our valuation guidelines, the acquisition price of a newly acquired property will serve as the basis for the initial monthly appraisal performed by the Independent Valuation Advisor. The price we pay to acquire a property will provide a meaningful data point to the Independent Valuation Advisor in its determination of the initial fair market value of the property; however, the Independent Valuation Advisor may conclude that the price we paid to acquire a property is higher or lower than the current fair market value of the property, which shall be used for purposes of determining our NAV. This is true whether the acquisition is funded with cash, equity or a combination thereof. When we obtain the first appraisal performed by the Independent Valuation Advisor on a property, it may not appraise at a value equal to the purchase price, which could negatively affect our NAV. Large portfolio acquisitions, in particular, may require a "portfolio premium" to be paid by us in order to be a competitive bidder, and this "portfolio premium" may not be taken into consideration in calculating our NAV. We may make acquisitions (with cash or equity) of any size without stockholder approval, and such acquisitions may be dilutive or accretive to our NAV. In addition, acquisition expenses we incur in connection with new acquisitions will negatively impact our NAV.

The NAV per share that we publish may not necessarily reflect changes in our NAV that are not immediately quantifiable.

From time to time, we may experience events with respect to our investments that may have a material impact on our NAV. For example, and not by way of limitation, changes in governmental rules, regulations and fiscal policies, environmental legislation, acts of God, terrorism, social unrest, civil disturbances and major disturbances in financial markets may cause the value of a property to change materially. Similarly, negotiations, disputes and litigation that involve us and other parties may ultimately have a positive or negative impact on our NAV. The NAV per share of each class of our common stock as published for any given month may not reflect such extraordinary events to the extent that their financial impact is not immediately quantifiable. As a result, the NAV per share that we publish may not necessarily reflect changes in our NAV that are not immediately quantifiable, and the NAV per share of each class published after the announcement of a material event may differ significantly from our actual NAV per share for such class until such time as the financial impact is quantified and our NAV is appropriately adjusted in accordance with our valuation guidelines. The resulting potential disparity in our NAV may inure to the benefit of stockholders submitting for repurchase or stockholders not submitting for repurchase and new purchasers of our common stock, depending on whether our published NAV per share for such class is overstated or understated.

The realizable value of specific properties may change before the value is adjusted by the Independent Valuation Advisor and reflected in the calculation of our NAV.

Our valuation guidelines generally provide that the Independent Valuation Advisor will adjust a real property's valuation, as necessary, based on known events that have a material impact on the most recent value (adjustments for non-material events may also be made). We are dependent on our advisor to be reasonably aware of material events specific to our properties (such as tenant disputes, damage, litigation and environmental issues, as well as positive events) that may cause the value of a property to change materially and to promptly notify the Independent Valuation Advisor so that the information may be reflected in our real property portfolio valuation. Events may transpire that, for a period of time, are unknown to us or the Independent Valuation Advisor that may affect the value of a property, and until such information becomes known and is processed, the value of such asset may differ from the value used to determine our NAV. In addition, although we may have information that suggests a change in value of a property may have occurred, there may be a delay in the resulting change in value being reflected in our NAV until such information is appropriately reviewed, verified and processed. For example, we may receive an unsolicited offer, from an unrelated third party, to sell one of our assets at a price that is materially different than the price included in our NAV. Or, we may be aware of a change in collection, or a potential contract for capital expenditure. Where possible, adjustments generally are made based on events evidenced by proper final documentation. It is possible that an adjustment to the valuation of a property may occur prior to final documentation if the Independent Valuation Advisor determines that events warrant adjustments to certain assumptions that materially affect value. However, to the extent that an event has not yet become final based on proper documentation, its impact on the value of the applicable property may not be reflected (or may be only partially reflected) in the calculation of our NAV.

NAV calculations are not governed by governmental or independent securities, financial or accounting rules or standards. Our board of directors, including a majority of our independent directors, may adopt changes to the valuation guidelines.

The methods used by our advisor to calculate our NAV, including the components used in calculating our NAV, is not prescribed by rules of the SEC or any other regulatory agency. Further, there are no accounting rules or standards that prescribe which components should be used in calculating NAV, and our NAV is not audited by our independent registered public accounting firm. We calculate and publish our NAV solely for purposes of establishing the price at which we sell and repurchase shares of our common stock, and you should not view our NAV as a measure of our historical or future financial condition or performance. The components and methodology used in calculating our NAV may differ from those used by other companies now or in the future.

In addition, calculations of our NAV, to the extent that they incorporate valuations of our assets and liabilities, are not prepared in accordance with generally accepted accounting principles. These valuations may differ from liquidation values that could be realized in the event that we were forced to sell assets.

Additionally, errors may occur in calculating our NAV, which could impact the price at which we sell and repurchase shares of our common stock and the amount of the advisor's management fee and the Special Limited Partner's performance participation interest. If such errors were to occur, our advisor, depending on the circumstances surrounding each error and the extent of any impact the error has on the price at which shares of our common stock were sold or repurchased or on the amount of our advisor's management fee or the Special Limited Partner's performance participation interest, may determine in its sole discretion to take certain corrective actions in response to such errors, including, subject to our advisor's policies and procedures, making adjustments to prior NAV calculations.

Each year our board of directors, including a majority of our independent directors, will review the appropriateness of our valuation guidelines and may, at any time, adopt changes to the valuation guidelines.

You should carefully review the disclosure of our valuation policies and how our NAV is calculated under Part II, Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Net Asset Value".

We will face significant competition for multifamily apartment communities and multifamily real estate-related assets, which may limit our ability to acquire suitable investments and achieve our investment objectives or make distributions.

We compete to acquire multifamily apartment communities and multifamily real estate-related assets with other REITs, real estate limited partnerships, pension funds and their advisors, bank and insurance company investment accounts, and other entities. Many of our competitors have greater financial resources, and a greater ability to borrow funds to acquire properties, than we do. We cannot be sure that the board of directors and our advisor will be successful in obtaining suitable investments on financially attractive terms or that, if investments are made, our objectives will be achieved.

If we are unable to find suitable investments or if we raise substantial offering proceeds in a short period of time and are unable to invest all of the offering proceeds promptly, we may not be able to achieve our investment objectives or make distributions.

The more money we raise, the greater our challenge will be to invest all of our offering proceeds on attractive terms. If we are unable to promptly find suitable multifamily apartment communities or multifamily real estate-related assets, we will hold the proceeds from our offerings in an interest-bearing account, invest the proceeds in short-term investments, or pay down lines of credit. We could also suffer from delays in locating suitable investments. Our reliance on our advisor and sponsor and the real estate professionals that such persons retain to identify suitable investments for us at times when such persons are simultaneously seeking to identify suitable investments for other affiliated programs could also delay the investment of the proceeds of our offerings. Delays we encounter in the selection and acquisition of income-producing multifamily apartment communities or the acquisition or origination of multifamily real estate-related assets would likely limit our ability to make distributions to you and reduce your overall returns.

Furthermore, where we acquire properties prior to the start of construction or during the early stages of construction, it will typically take several years to complete construction and rent available space. Therefore, you could suffer delays in the receipt of distributions attributable to those particular properties.

Our success is dependent on general market and economic conditions.

The real estate industry generally and the success of our investment activities in particular will both be affected by global and national economic and market conditions generally and by the local economic conditions where our properties are located. These factors may affect the level and volatility of real estate prices, which could impair our profitability or result in losses. In addition, general fluctuations in the market prices of securities and interest rates may affect our investment opportunities and the value of our investments. Our sponsor's financial condition may be adversely affected by a significant economic downturn and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on its businesses and operations (including our advisor).

A recession, slowdown and/or sustained downturn in the U.S. real estate market, and to a lesser extent, the global economy (or any particular segment thereof) would have a pronounced impact on us, the value of our assets and our profitability, impede the ability of our assets to perform under or refinance their existing obligations, and impair our ability to effectively deploy our capital or realize upon investments on favorable terms. We could also be affected by any overall weakening of, or disruptions in, the financial markets. Any of the foregoing events could result in substantial losses to our business, which losses will likely be exacerbated by the presence of leverage in our investments capital structures.

For example, during the financial crisis, the availability of debt financing secured by commercial real estate was significantly restricted as a result of a prolonged tightening of lending standards. Due to the uncertainties created in the credit market, real estate investors were unable to obtain debt financing on attractive terms, which adversely affected investment returns on acquisitions and their ability to even make acquisitions or tenant improvements to existing holdings. Most recently, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. Although the Department of the Treasury, the Federal Reserve and the FDIC issued a joint statement on March 12, 2023 that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts, if another depository institution is subject to other adverse conditions in the financial or credit markets, it could impact access to our cash or cash equivalents and could adversely impact our operating liquidity and financial performance. In addition, if any parties with whom we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. Any future financial market disruptions may force us to use a greater proportion of our offering proceeds to finance our acquisitions and fund tenant improvements, reducing the number of acquisitions we would otherwise make.

Recent macroeconomic trends, including inflation and rising interest rates, may adversely affect our business, financial condition and results of operations.

During the year ended December 31, 2022, inflation in the United States accelerated and is currently expected to continue at an elevated level in the near-term. Beginning in 2022, in an effort to combat inflation and restore price stability, the Federal Reserve significantly raised its benchmark federal funds rate, which led to increases in interest rates in the credit markets. The Federal Reserve may continue to raise the federal funds rate, which will likely lead to higher interest rates in the credit markets and the possibility of slowing economic growth and/or a recession. Additionally, U.S. government policies implemented to address inflation, including actions by the Federal Reserve to increase interest rates, could negatively impact consumer spending and adversely impact the broader economy, resulting in job losses for many of our residents.

Rising inflation could also have an adverse impact on our financing costs (either through near-term borrowings on our variable rate debt, including our credit facilities, or refinancing of existing debt at higher interest rates), and general and administrative expenses and property operating expenses, as these costs could increase at a rate higher than our rental and other revenue. To the extent our exposure to increases in interest rates is not eliminated through interest rate caps or other protection agreements, such increases may also result in higher debt service costs, which will adversely affect our cash flows. Historically, during periods of increasing interest rates, real estate valuations have generally decreased due to rising capitalization rates, which tend to move directionally with interest rates. Consequently, prolonged periods of higher interest rates may negatively impact the valuation of our real estate assets. Although the extent of any prolonged periods of higher interest rates remains unknown at this time, negative impacts to our cost of capital may adversely affect our future business plans and growth, at least in the near term.

We may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our stockholders.

We cannot assure you that we will be able to operate our business successfully or implement our operating policies and strategies. We can provide no assurance that our performance will replicate the past performance of CROP, Cottonwood

Residential, CRII or any program sponsored by CROP, Cottonwood Residential, or CRII. Our investment returns could be substantially lower than the returns achieved by CROP, Cottonwood Residential, and CRII. The results of our operations depend on several factors, including the availability of opportunities for the acquisition of target assets, the level and volatility of interest rates, the availability of short and long-term financing, and conditions in the financial markets and economic conditions.

We are dependent upon our advisor and its affiliates and any adverse changes in the financial health of our advisor or its affiliates or our relationship with them could hinder our operating performance and the return on our stockholders' investment.

We are dependent on our advisor to manage our operations and our portfolio of multifamily apartment communities and multifamily real estate-related assets. Any adverse change in the financial condition of our advisor or our relationship with our advisor could hinder its ability to successfully manage our operations and our portfolio of investments.

Our ability to achieve our investment objectives and to conduct our operations is dependent upon the performance of our advisor. Our advisor's business is sensitive to trends in the general economy, as well as the commercial real estate and credit markets. To the extent any decline in our sponsor's revenues and operating results impacts the performance of our advisor, our results of operations and financial condition could also suffer. If our relationship with our advisor, its affiliates and their real estate professionals is terminated for any reason, it will be difficult for us to implement our business strategy or manage our portfolio unless we engage another party to provide the services to be provided by our advisor, its affiliates and employees.

We have paid distributions from offering proceeds. In the future we may continue to fund distributions with offering proceeds. To the extent we fund distributions from sources other than our cash flow from operations, we will have less funds available for investment in multifamily apartment communities and multifamily real estate-related assets and the overall return to our stockholders may be reduced.

Our charter permits us to make distributions from any source, including offering proceeds or borrowings (which may constitute a return of capital), and our charter does not limit the amount of funds we may use from any source to pay such distributions. We intend to make distributions on our common stock on a per share basis with each share receiving the same distribution, subject to any class-specific expenses such as distribution fees on our Class T and Class D shares. If we fund distributions from financings, our offerings or other sources, we will have less funds available for investment in multifamily apartment communities and other multifamily real estate-related assets and the number of real estate properties that we invest in and the overall return to our stockholders may be reduced. If we fund distributions from borrowings, our interest expense and other financing costs, as well as the repayment of such borrowings, will reduce our earnings and cash flow from operations available for distribution in future periods. If we fund distributions from the sale of assets or the maturity, payoff or settlement of multifamily real estate-related assets, this will affect our ability to generate cash flows from operations in future periods.

During the early stages of our operations, it is likely that we will use sources of funds, which may constitute a return of capital to fund distributions. During our offering stage, when we may raise capital more quickly than we acquire income-producing assets, and for some period after, we may not be able to make distributions solely from our cash flow from operations. Further, because we may receive income from our investments at various times during our fiscal year and because we may need cash flow from operations during a particular period to fund capital expenditures and other expenses, we expect that at least during the early stages of our existence and from time to time during our operational stage, we will declare distributions in anticipation of cash flow that we expect to receive during a later period and we will make these distributions in advance of our actual receipt of these funds. In addition, to the extent our investments are in development or redevelopment projects or in properties that have significant capital requirements, our ability to make distributions may be negatively impacted, especially during our early periods of operation. In these instances, we expect to look to third party borrowings to fund our distributions. We may also fund such distributions from the sale of assets. To the extent distributions exceed cash flow from operations, a stockholder's basis in our stock will be reduced and, to the extent distributions exceed a stockholder's basis, the stockholder may recognize capital gain.

For the years ended December 31, 2022 and 2021, we paid aggregate distributions to common stockholders and limited partnership unitholders of $44.4 million and $20.2 million, including $42.2 million and $20.1 million of distributions paid in cash and $2.2 million and $0.1 million of distributions reinvested through our distribution reinvestment plan, respectively. Our net loss for the years ended December 31, 2022 and 2021 was $34.0 million and $106.9 million. Cash flows provided by operating activities were $3.8 million (restated) and $5.4 million for the years ended December 31, 2022 and 2021. We funded our total distributions paid during 2022, which includes net cash distributions and distributions reinvested by stockholders, with $18.6 million (restated) prior period cash provided by operating activities, $14.0 million (restated) from

additional borrowings, and $9.6 million of offering proceeds. We funded our total distributions paid during 2021, which includes net cash distributions and distributions reinvested by stockholders, with $11.0 million prior period cash provided by operating activities, $5.0 million from additional borrowings, and $4.0 million of offering proceeds.

Generally, for purposes of determining the source of our distributions paid, we assume first that we use cash flow from operating activities from the relevant or prior periods to fund distribution payments. To the extent that we pay distributions from sources other than our cash flow from operating activities, we will have less funds available for the acquisition of real estate investments, the overall return to our stockholders may be reduced and subsequent investors will experience dilution. In addition, to the extent distributions exceed cash flow from operating activities, a stockholder's basis in our stock will be reduced and, to the extent distributions exceed a stockholder's basis, the stockholder may recognize capital gain.

Our rights and the rights of our stockholders to recover claims against our officers and directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.

Maryland law provides that an officer or director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter provides that our officers and directors will not be liable to us or our stockholders for monetary damages and that we will generally indemnify them for losses unless our directors are negligent or engage in misconduct or our independent directors are grossly negligent or engage in willful misconduct. As a result, you and we may have more limited rights against our officers and directors than might otherwise exist under common law, which could reduce our and your recovery from these persons if they act in a negligent manner. Our charter also requires us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of the final disposition of a proceeding to any individual who is a present or former director or officer and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or any individual who, while a director or officer and at our request, serves or has served as a director, officer, partner, member, manager or trustee of another corporation, partnership, limited liability company, joint venture, trust, employment benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

CROP may be subject to tax indemnification obligations upon the taxable sale of certain of its properties. CROP will not have control of the assets that will be subject to an in-kind redemption transaction under the CROP Tax Protection Agreement.

Pursuant to the tax protection agreement between CROP and High Traverse Holdings, LLC ("HT Holdings"), a Delaware limited liability company, which is beneficially owned by Daniel Shaeffer, Chad Christensen, Gregg Christensen and Eric Marlin, each of who are our executive officers and some of whom are our directors, (the "CROP Tax Protection Agreement"), CROP has agreed, until May 7, 2031, to indemnify HT Holdings (including Daniel Shaeffer, Chad Christensen, Gregg Christensen and Eric Marlin, as beneficial owners of HT Holdings, and their affiliated trusts and certain other entities) (collectively, the "protected partners") against certain tax consequences of a taxable transfer of all or any portion of the properties that are owned by CROP or any of its subsidiaries as of the closing date of the CROP Merger, subject to certain conditions and limitations. We estimate the maximum potential liability associated with the CROP Tax Protection Agreement to be approximately $39.9 million. Although this estimate has been made based on the best judgment of our management assuming current tax rates as well as the current state of residence of indemnified parties, both of which may change in the future, no assurances can be provided that the actual amount of any indemnification obligation would not exceed this estimate. These indemnification obligations could prevent CROP from selling its properties at times and on terms that are in the best interest of CROP, us and the respective equity owners of CROP and us and any indemnification payments that may become payable could be a significant expense for CROP and us. In addition, at any time after the closing (including after expiration of the tax protection term), each protected partner and CROP will have the right to exercise an in-kind redemption transaction (i.e., a redemption of all of the protected partner's interest in CROP in exchange for one or more assets of CROP at the then-current market price). This would eliminate CROP's indemnification obligations to the protected partner(s). The protected partners will have the right to select the assets of CROP necessary to effectuate the in-kind redemption transaction, subject to certain limitations. If an in-kind redemption transaction is effectuated, CROP's portfolio may become less geographically diverse and thus subject to greater market risk, and CROP may be required to transfer some of its prime assets to the protected partner(s).

In addition, CROP has entered and may in the future enter into tax indemnification agreements with certain persons who contributed their interests in properties to CROP in exchange for CROP Common Units. Generally, these current agreements provide that CROP will indemnify such contributors against certain tax consequences of a taxable sale of the property contributed by such contributors through 2025, subject to certain conditions and limitations. We estimate the maximum potential liability associated with these tax indemnification agreements to be approximately $31.5 million. Although

this estimate has been made based on the best judgment of our management assuming current tax rates as well as the current state of residence of indemnified parties, both of which may change in the future, no assurances can be provided that the actual amount of any indemnification obligation would not exceed this estimate. Future tax indemnification agreements entered by CROP may extend such obligations beyond 2025. The obligations of CROP under these and future indemnification agreements may constrain CROP with respect to deciding to dispose of a particular property and may also result in financial obligations for us.

We may change our targeted investments and our policies without stockholder consent.

We invest in multifamily apartment communities (including certain multifamily apartment communities that include certain retail or other commercial uses) and multifamily real estate-related assets. Except under certain circumstances, we are not restricted as to the following:

- where we may acquire multifamily apartment communities in the United States;
- the percentage of our proceeds that may be invested in properties as compared with the percentage of our proceeds that we may invest in multifamily real estate-related assets; investment in direct interests in real estate and multifamily real estate-related assets will have differing risks and profit potential; or
- the percentage of our proceeds that we may invest in any one real estate investment (the greater the percentage of our offering proceeds invested in one asset, the greater the potential adverse effect on us if that asset is unprofitable).

We may make adjustments to our target portfolio based on real estate market conditions and investment opportunities and we may change our targeted investments and investment guidelines at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, the investments described in Part II, Item 7. "Management's Discussion and Analysis". A change in our targeted investments or investment guidelines could adversely affect the value of our common stock and our ability to make distributions to you.

Our board of directors determines our major policies, including our policies regarding financing, growth, REIT qualification, NAV methodologies and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under Maryland General Corporation Law and our charter, our stockholders have a right to vote only on limited matters. Our board of director's broad discretion in setting policies and our stockholders' inability to exert control over those policies increases the uncertainty and risks you face as a stockholder.

Our board of directors may change our investment objectives, targeted investments, borrowing policies or other corporate policies without stockholder approval. In addition, we may change the way our fees and expenses are incurred and allocated to different classes of stockholders. Our board of directors may decide that certain significant transactions that require stockholder approval such as dissolution, merger into another entity, consolidation or the sale or other disposition of all or substantially all of our assets, are in the best interests of our stockholders. Holders of all classes of our common stock have equal voting rights with respect to such matters and will vote as a single group rather than on a class-by-class basis. Accordingly, investors in our common stock are subject to the risk that our offering, business and operating plans may change.

If our investments and future investments fail to perform as expected, cash distributions to our stockholders may decline.

As December 31, 2022, we had a portfolio of $2.6 billion in total assets, with 84.8% of our equity value in operating properties, 10.9% in development and 4.3% in real estate-related investments. Each of our investments was based on an underwriting analysis with respect to each investment. If our investments do not perform as expected, whether as a result of the impact of the COVID-19 virus on the U.S. and world economies, or otherwise, or future acquisitions do not perform as expected, we may have less cash flow from operations available to fund distributions and investor returns may be reduced.

We have restated our financial statements and as part of that process, have identified a material weakness in our internal control over financial reporting as of December 31, 2022. The Restatement has consumed a significant amount of management time and resources and may continue to do so. In addition, the Restatement, as well as the identification of a material weakness in our internal controls, will subject us to a number of additional risks and uncertainties, including the increased possibility of legal proceedings and could adversely impact our operations.

As discussed in the Explanatory Note to this Amendment, we determined to restate certain financial information in our previously issued financial statements for the Affected Periods. The Restatement has resulted in substantial costs in the form of accounting, legal fees, and similar professional fees, in addition to the substantial diversion of time and attention of our senior management and members of our accounting team in preparing the Restatement.

In addition, as a result of the Restatement we have identified a material weakness related to an assessment of the incremental risk of noncash activities on the consolidated statement of cash flows that was not effective. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. While we have undertaken substantial work to try to maintain effective internal controls and have taken action to remediate the material weakness identified in connection with the Restatement, we cannot be certain that we will be successful in our remediation efforts or in maintaining adequate internal controls over our financial reporting and financial processes going forward. As a result of the material weakness, management determined that our internal controls were ineffective as of December 31, 2022. If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial results, which could harm our business and the value of our shares.

Further, as a result of the Restatement and the identification of a material weakness in our internal controls, we face the potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the Restatement, material weaknesses in our internal control over financial reporting, and the preparation of our financial statements. As of the date of this filing, we have no knowledge of any such litigation or dispute resulting from the Restatement or the material weaknesses in our internal control over financial reporting. However, we can provide no assurance that litigation or disputes will not arise in the future. Any such litigation or dispute, whether successful or not, could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Conflicts of Interest

Our advisor faces a conflict of interest because the fees it receives and the distributions to be received by the Special Limited Partner, an affiliate of our advisor, with respect to the Special Limited Partner's performance participation interest in the Operating Partnership are based in part on our NAV, which our advisor is responsible for determining.

Our advisor is paid a management fee for its services based on our NAV, which is calculated by our advisor, based on valuations provided by independent appraisal firms. In addition, the allocation to be received by the Special Limited Partner with respect to its performance participation interest in the Operating Partnership will be based in part upon the Operating Partnership's net assets. The calculation of our NAV includes certain subjective judgments with respect to estimating, for example, the value of our portfolio and our accrued expenses, net portfolio income and liabilities, and therefore, our NAV may not correspond to realizable value upon a sale of those assets. In order to avoid a reduction in our NAV, the advisor may benefit by us retaining ownership of our assets at times when our stockholders may be better served by the sale or disposition of our assets. If our NAV is calculated in a way that is not reflective of our actual NAV, then the transaction price of shares of our common stock or the price paid for the repurchase of your shares of common stock on a given date may not accurately reflect the value of our portfolio, and your shares may be worth less than the transaction price or more than the repurchase price.

Our advisor's management fee and the Special Limited Partner's performance participation interest may not create proper incentives or may induce our advisor and its affiliates to make certain investments or retain certain investments, including speculative investments, that increase the risk of our real estate portfolio.

We pay our advisor a management fee regardless of the performance of our portfolio. Our advisor's entitlement to a management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. We may be required to pay our advisor a management fee in a particular period despite experiencing a net loss or a decline in the value of our portfolio during that period.

The existence of the Special Limited Partner's performance participation interest in the Operating Partnership, which is based on our total distributions plus the change in NAV per share, may create an incentive for our advisor to make riskier or more speculative investments on our behalf than it would otherwise make in the absence of such performance-based compensation. In addition, the change in NAV per share will be based on the value of our investments on the applicable measurement dates and not on realized gains or losses. As a result, the performance participation interest may receive distributions based on unrealized gains in certain assets at the time of such distributions and such gains may not be realized when those assets are eventually disposed of.

Because the management fee and performance participation are based on our NAV, our advisor may also be motivated to delay or curtail repurchases to maintain a higher NAV, which could increase amounts payable to our advisor and the Special Limited Partner. In order to avoid a reduction in our NAV, the advisor may also benefit by us retaining ownership of our assets at times when our stockholders may be better served by the sale or disposition of our assets.

Our advisor, our officers and the real estate, debt finance, legal, management and accounting professionals we retain will face competing demands on their time and this may cause our operations and our stockholders' investment to suffer.

Subject to the supervision of our board of directors, we rely on our advisor, our officers, and the real estate, debt finance, and management professionals that we retain to provide services to us for the management of our business. Our advisor and its affiliates may advise other real estate programs and rely on many of the same real estate, debt finance, and management professionals. As a result of their interests in other programs sponsored by our sponsor and their obligations to other investors, these professionals will likely face conflicts of interest in allocating their time among us and other programs sponsored by our advisor and its affiliates, as well as other business activities in which they are involved. During times of intense activity in other programs and ventures, these individuals may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. If these events occur, the returns on our investments, and the value of your investment, may decline.

All of our executive officers, some of our directors and the key real estate and debt finance professionals we retain face conflicts of interest related to their positions and/or significant ownership interests in our sponsor and advisor, which could hinder our ability to implement our business strategy and to generate returns to our stockholders.

All of our executive officers, some of our directors, and the key real estate and debt finance professionals we retain are also executive officers, directors and/or key professionals of our advisor and sponsor. As a result, they owe fiduciary or other duties to each of these entities, their members and limited partners, which fiduciary or other duties may from time to time conflict with the fiduciary or other duties that they owe to us and our stockholders. Their loyalties to these other entities and investors could result in action or inaction that is detrimental to our business, which could harm the implementation of our business strategy and our investment and leasing opportunities. If we do not successfully implement our business strategy, we may be unable to generate the cash needed to make distributions to our stockholders and to maintain or increase the value of our assets. Because some of our officers and directors have a significant ownership interest in our sponsor and advisor, they may make decisions regarding the management of the properties which are not in the best interests of our stockholders.

Conflicts of interest could result in our management acting other than in our stockholders' best interest.

We are party to an advisory agreement with CC Advisors III. CC Advisors III is owned by CCA which is currently beneficially owned and controlled by Daniel Shaeffer, Chad Christensen and Gregg Christensen who currently own 73.5% of CCA. Because our affiliated directors and certain of our officers have a significant ownership interest in and control our sponsor and advisor and have an indirect interest in the performance participation interest in the Operating Partnership they may make decisions regarding the advisory agreement or the Operating Partnership agreement which are not in the best interests of our stockholders.

CCA may sponsor or advise future real estate programs. We may compete with future programs and other affiliates of our advisor for opportunities to acquire or sell multifamily apartment communities and multifamily real estate-related assets, which may have an adverse impact on our operations. We may also buy or sell multifamily apartment communities and multifamily real estate-related assets at the same time as affiliates of our advisor. There may be a conflict of interest with respect to the selection of multifamily apartment communities and multifamily real estate-related assets to be purchased by us and/or our advisor and its affiliates. Affiliates of our advisor may own competing properties in the markets in which our multifamily apartment communities are located which may lead to conflicts of interests with respect to the operations and management of our multifamily apartment communities.

The compensation we pay to our advisor and the Special Limited Partner in connection with the management of our business were determined without the benefit of arm's-length negotiations of the type normally conducted between unrelated parties.

The fees, including the performance allocation, paid to our advisor and its affiliates for services provided by our advisor to us were determined without the benefit of arm's-length negotiations of the type normally conducted between unrelated parties, may be in excess of amounts that we would otherwise pay to third parties for such services and may reduce the amount of cash that would otherwise be available for investments in multifamily apartment communities and multifamily real estate-related assets and distributions to our stockholders.

Our advisor faces conflicts of interest relating to the fees that we may pay to it and its affiliates, which could result in actions that are not necessarily in the long-term best interests of our stockholders.

Pursuant to our operating partnership agreement, the Special Limited Partner is entitled to receive an allocation from the Operating Partnership with respect to its performance participation interest in the Operating Partnership. This participation interest is structured to provide incentive to our advisor to perform in our best interests and in the best interests of our stockholders. The amount of such compensation has not been determined as a result of arm's-length negotiations, and such amounts may be greater than otherwise would be payable to independent third parties. Because, however, our advisor is entitled to receive substantial minimum compensation regardless of performance, the interests of our advisor and its affiliates is not wholly aligned with those of our stockholders. In that regard, our advisor could be motivated to recommend riskier or more speculative investments in order for us to generate the specified levels of performance or sales proceeds that would entitle our advisor and its affiliates to additional compensation.

Affiliates of our advisor have sponsored other entities and offerings and may sponsor additional entities and offerings in the future.

It is possible that our advisor or its affiliates may form future REITs and sponsor other entities and offerings that may invest in assets that are similar to the multifamily apartment communities and multifamily real estate-related assets we intend to acquire. As a result, conflicts of interest with respect to time, selection of investments and management of our investments may occur if our advisor or its affiliates sponsor additional programs.

If the advisory agreement with our advisor is terminated other than for cause (or non-renewal or termination by our advisor) on or before May 7, 2031, we will be required to pay a certain portion of the contingent acquisition fees and contingent financing fees provided for in our advisory agreement previously in effect.

Our advisor was entitled to receive contingent acquisition fees related to our purchase of multifamily apartment communities and multifamily real estate-related assets and contingent financing fees related to our financing of multifamily apartment communities and multifamily real estate-related assets. Our advisor agreed to defer the payment of any acquisition fee or financing fee until our common stockholders' receipt of certain specified returns. In connection with the entry into the amended and restated advisory agreement on May 7, 2021, we eliminated our obligation to pay our advisor contingent acquisition fees and contingent financing fees except in the circumstance in which our advisory agreement is terminated other than for cause (or non-renewal or termination by our advisor) before May 7, 2031. If the advisory agreement is terminated other than for cause (or non-renewal or termination by our advisor), the contingent acquisition fees and contingent financing fees provided for in the previous advisory agreement will be due and payable in an amount equal to approximately $19.8 million ($22 million if the termination had occurred in year one reduced by 10% each year thereafter). Thus, there may be conflicts of interest with respect to the termination of the advisory agreement and the payment of the contingent acquisition fees and contingent financing fees.

Our advisor may assign its obligations under the advisory agreement to its affiliates, who may not have the same expertise or provide the same level of service as our advisor.

Under the advisory agreement, our advisor may assign its responsibilities under the agreement to any of its affiliates with the approval of the conflicts committee. If there is such an assignment or transfer, the assignee may not have comparable operational expertise, have sufficient personnel or manage our company as well as our advisor.

Risks Related to Our Offering and Our Corporate Structure

Our charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price to our stockholders.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. To help us comply with the REIT ownership requirements of the Internal Revenue Code, our charter prohibits a person from directly or constructively owning more than 9.8% of our outstanding shares, unless exempted by our board of directors. This restriction may have the effect of delaying, deferring, or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Our charter permits our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders.

Our board of directors may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

Holders of our preferred stock will have dividend, liquidation and other rights that are senior to the rights of the holders of our common stock.

Our board of directors has the authority to designate and issue preferred stock with liquidation, dividend and other rights that are senior to those of our common stock. We have classified and designated 10,000,000 and 12,800,000 shares of our authorized but unissued preferred stock as shares of non-voting Series 2023 Preferred Stock and non-voting Series 2019 Preferred Stock, respectively. The outstanding shares of our Series 2023 Preferred Stock are entitled to receive a preferential dividend equal to a 6.0% cumulative but not compounded annual return (subject to an increase up to 6.5% in certain circumstances). The outstanding shares of our Series 2019 Preferred Stock are entitled to receive a preferred dividend equal to a 5.5% per annum cumulative but not compounded return (subject to an increase to 6.0% in certain circumstances). As of March 21, 2023, we had 2,761,203 and 12,637,166 shares of our Series 2023 Preferred Stock and Series 2019 Preferred Stock outstanding.

Holders of Series 2023 Preferred Stock and Series 2019 Preferred Stock are entitled to cumulative dividends before any dividends may be declared or set aside on our common stock, or the redemption of our common stock and a liquidation preference of $10.00 per share plus any accrued and unpaid distributions before any payment is made to holders of our common stock upon our voluntary or involuntary liquidation, dissolution or winding up. This will reduce the remaining amount of our assets, if any, available to distribute to holders of our common stock.

Our charter designates the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our charter provides that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action or proceeding asserting a claim of breach of any duty owed by any of our directors or officers or other employees to us or to our stockholders, (c) any action or proceeding asserting a claim arising pursuant to any provision of the Maryland General Corporation Law or our charter or our bylaws, or (d) any action or proceeding asserting a claim that is governed by the internal affairs doctrine, and any of our record or beneficial stockholders who is a party to such an action or proceeding shall cooperate in any request that we may make that the action or proceeding be assigned to the Court's Business and Technology Case Management Program. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that the stockholder believes is favorable for disputes with us or our directors, officers or employees, which may discourage meritorious claims from being asserted against us and our directors, officers and employees. Alternatively, if a court were to find this provision of our charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

We adopted this provision because we believe it makes it less likely that we will be forced to incur the expense of defending duplicative actions in multiple forums and less likely that plaintiffs' attorneys will be able to employ such litigation to coerce us into otherwise unjustified settlements, and we believe the risk of a court declining to enforce this provision is remote, as the General Assembly of Maryland has specifically amended the Maryland General Corporation Law to authorize the adoption of such provisions. The exclusive forum provision of our charter does not establish exclusive jurisdiction in the Circuit Court for Baltimore City, Maryland for claims that arise under the Securities Act, the Exchange Act or other federal securities laws if there is exclusive or concurrent jurisdiction in the federal courts or for claims under state securities laws.

Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act; if our subsidiaries or we become an unregistered investment company, then we could not continue our business.

Neither we nor any of our subsidiaries intend to register as investment companies under the Investment Company Act. If we or our subsidiaries were obligated to register as investment companies, then we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase our operating expenses.

Under the relevant provisions of Section 3(a)(1) of the Investment Company Act, an investment company is any issuer that:

- pursuant to Section 3(a)(1)(A), is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities (the "primarily engaged test"); or
- pursuant to Section 3(a)(1)(C), is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire "investment securities" having a value exceeding 40% of the value of such issuer's total assets (exclusive of United States government securities and cash items) on an unconsolidated basis (the "40% test"). "Investment securities" excludes United States government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) (relating to private investment companies).

Neither we nor the Operating Partnership should be required to register as an investment company under either of the tests above. With respect to the 40% test, most of the entities through which we and the Operating Partnership will own our assets will be majority-owned subsidiaries that will not themselves be investment companies and will not be relying on the exceptions from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) (relating to private investment companies).

With respect to the primarily engaged test, we and the Operating Partnership will be holding companies and do not intend to invest or trade in securities ourselves. Rather, through the majority-owned subsidiaries of the Operating Partnership, we and the Operating Partnership will be primarily engaged in the non-investment company businesses of these subsidiaries, namely the business of purchasing or otherwise acquiring real estate and real estate-related assets.

If any of the subsidiaries of the Operating Partnership fail to meet the 40% test, then we believe they will often be able to rely on Section 3(c)(5)(C) of the Investment Company Act for an exception from the definition of an investment company. As reflected in no-action letters, the SEC staff's position on Section 3(c)(5)(C) generally requires that an issuer maintain at least 55% of its assets in "mortgages and other liens on and interests in real estate" or qualifying assets; at least 80% of its assets in qualifying assets plus real estate-related assets; and no more than 20% of the value of its assets in other than qualifying assets and real estate-related assets. To constitute a qualifying asset under this 55% requirement, a real estate interest must meet various criteria based on no-action letters. We expect that any of the subsidiaries of the Operating Partnership relying on Section 3(c)(5)(C) will invest at least 55% of its assets in qualifying assets, with substantially all of its remaining assets in other types of real estate-related assets. If any subsidiary relies on Section 3(c)(5)(C), then we expect to rely on guidance published by the SEC staff or on our analyses of guidance published with respect to types of assets to determine which assets are qualifying real estate assets and real estate-related assets.

To maintain compliance with the Investment Company Act, our subsidiaries may be unable to sell assets we would otherwise want them to sell and may need to sell assets we would otherwise wish them to retain. In addition, our subsidiaries may have to acquire additional assets that they might not otherwise have acquired or may have to forego opportunities to make investments that we would otherwise want them to make and would be important to our investment strategy. Moreover, the SEC or its staff may issue interpretations with respect to various types of assets that are contrary to our views and current SEC staff interpretations are subject to change, which increases the risk of non-compliance and the risk that we may be forced to make adverse changes to our portfolio. In this regard, we note that in 2011 the SEC issued a concept release indicating that the SEC and its staff were reviewing interpretive issues relating to Section 3(c)(5)(C) and soliciting views on the application of Section 3(c)(5)(C) to companies engaged in the business of acquiring mortgages and mortgage related instruments. If we were

required to register as an investment company but failed to do so, we would be prohibited from engaging in our business and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement and a court could appoint a receiver to take control of us and liquidate our business.

Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exception from the definition of an investment company under the Investment Company Act.

If the market value or income potential of our qualifying real estate assets changes as compared to the market value or income potential of our non-qualifying assets, or if the market value or income potential of our assets that are considered “real estate-related assets” under the Investment Company Act or REIT qualification tests changes as compared to the market value or income potential of our assets that are not considered “real estate-related assets” under the Investment Company Act or REIT qualification tests, whether as a result of increased interest rates, prepayment rates or other factors, we may need to modify our investment portfolio in order to maintain our REIT qualification or exception from the definition of an investment company. If the decline in asset values or income occurs quickly, this may be especially difficult, if not impossible, to accomplish. This difficulty may be exacerbated by the illiquid nature of many of the assets that we may own. We may have to make investment decisions that we otherwise would not make absent REIT and Investment Company Act considerations.

Actions of our potential future joint venture partners could reduce the returns on joint venture investments and decrease our stockholders’ overall return.

We may enter into joint ventures with third parties or affiliates to acquire assets. We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present with other methods of investment, including, for example, the following risks:

- that our co-venturer, co-tenant or partner in an investment could become insolvent or bankrupt;
- that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals that are or that become inconsistent with our business interests or goals;
- that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives; or
- that disputes between us and our co-venturer, co-tenant or partner may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our operations.

Any of the above might subject a property to liabilities in excess of those contemplated and thus reduce our returns on that investment and the value of our stockholders’ investment in us.

If funds are not available from our distribution reinvestment plan offering for general corporate purposes, then we may have to use a greater proportion of our cash flow from operations to meet our general cash requirements, which would reduce cash available for distributions and could limit our ability to repurchase shares under our share repurchase program.

We depend on the proceeds from our distribution reinvestment plan offering for general corporate purposes including, but not limited to: the repurchase of shares under our share repurchase program; capital expenditures, tenant improvement costs and leasing costs related to our real estate properties; reserves required by any financings of our real estate investments; the acquisition or origination of real estate investments; and the repayment of debt. We cannot predict with any certainty how much, if any, distribution reinvestment plan proceeds will be available for general corporate purposes. If such funds are not available from our distribution reinvestment plan offering, then we may have to use a greater proportion of our cash flow from operations to meet our general cash requirements, which would reduce cash available for distributions and could limit our ability to repurchase shares under our share repurchase program.

Your interest in us will be diluted if we issue additional shares. Your interest in our assets will also be diluted if the Operating Partnership issues additional units.

Holders of our common stock will not have preemptive rights to any shares we issue in the future. Under our charter, we have the authority to issue a total of 1,100,000,000 shares of capital stock. Of the total shares of stock authorized, 1,000,000,000 shares are classified as common stock with a par value of $0.01 per share, 125,000,000 of which are classified as Class A shares, 50,000,000 of which are classified as Class TX shares, 275,000,000 of which are classified as Class T shares, 275,000,000 of which are classified as Class D shares, 275,000,000 of which are classified as Class I shares, and 100,000,000 shares are classified as preferred stock with a par value of $0.01 per share, 12,800,000 of which are classified as Series 2019 and 10,000,000 of which are classified as Series 2023.

Our board of directors may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of capital stock or the number of authorized shares of capital stock of any class or series without stockholder approval. After you purchase shares of common stock in our offering, our board of directors may elect, without stockholder approval, to: (1) sell additional shares in this or future public offerings; (2) issue shares of our common stock or CROP Units in private offerings; (3) issue shares of our common stock or units in the Operating Partnership to the advisor or the Special Limited Partner, or their successors or assigns, in payment of an outstanding obligation to pay fees for services rendered to us or the performance participation allocation; or (4) issue shares of our common stock or CROP Units to sellers of properties we acquire.

To the extent we issue additional shares of common stock after you purchase shares of common stock in our offering, your percentage ownership interest in us will be diluted. Because we hold all of our assets through the Operating Partnership, to the extent we issue additional units of the Operating Partnership after you purchase in our offering, your percentage ownership interest in our assets will be diluted. Because certain classes of the units of the Operating Partnership may, in the discretion of our board of directors, be exchanged for shares of our common stock, any merger, exchange or conversion between the Operating Partnership and another entity ultimately could result in the issuance of a substantial number of shares of our common stock, thereby diluting the percentage ownership interest of other stockholders. Because of these and other reasons, our stockholders may experience substantial dilution in their percentage ownership of our shares or their interests in the underlying assets held by the Operating Partnership. CROP Units may have different and preferential rights to the claims of common units of the Operating Partnership which correspond to the common stock held by our stockholders.

If we are unable to obtain funding for future cash needs, cash distributions to our stockholders could be reduced and the value of our investments could decline.

If we need additional capital in the future to improve or maintain our multifamily apartment communities or for any other reason, we may have to obtain financing from sources beyond our cash flow from operations, such as borrowings, sales of assets or future equity offerings. These sources of funding may not be available on attractive terms or at all. If we cannot procure additional funding for capital improvements, our investments may generate lower cash flows or decline in value, or both, which would limit our ability to make distributions to you and could reduce the value of your investment.

Our UPREIT structure may result in potential conflicts of interest with limited partners in the Operating Partnership whose interests may not be aligned with those of our stockholders.

Our directors and officers have duties to our corporation and our stockholders under Maryland law and our charter in connection with their management of the corporation. At the same time, we, as the sole member of the sole general partner, have fiduciary duties under Delaware law to the Operating Partnership and to the limited partners in connection with the management of the Operating Partnership. Our duties as general partner of the Operating Partnership and its partners may come into conflict with the duties of our directors and officers to the corporation and our stockholders. Under Delaware law, a general partner of a Delaware limited partnership owes its limited partners the duties of good faith and fair dealing. Other duties, including fiduciary duties, may be modified or eliminated in the partnership's Partnership Agreement. The Partnership Agreement of the Operating Partnership provides that, for so long as we own a controlling interest in the Operating Partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners may be resolved in favor of our stockholders.

Additionally, the Partnership Agreement expressly limits our liability by providing that we and our officers, directors, agents and employees will not be liable or accountable to the Operating Partnership for losses sustained, liabilities incurred or benefits not derived if we or our officers, directors, agents or employees acted in good faith. In addition, the Operating Partnership is required to indemnify us and our officers, directors, employees, agents and designees to the extent permitted by applicable law and to the extent indemnification is not prohibited under Article XVI of our charter, from and against any and all

claims arising from operations of the Operating Partnership, unless it is established that: (1) the act or omission was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (2) the indemnified party received an improper personal benefit in money, property or services; or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful.

The provisions of Delaware law that allow the fiduciary duties of a general partner to be modified by a partnership agreement have not been tested in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the Partnership Agreement that purport to waive or restrict our fiduciary duties.

Although we will not currently be afforded the protection of the Maryland General Corporation Law relating to deterring or defending hostile takeovers, our board of directors could opt into these provisions of Maryland law in the future, which may discourage others from trying to acquire control of us and may prevent our stockholders from receiving a premium price for their shares in connection with a business combination.

Under Maryland law, "business combinations" between a Maryland corporation and certain interested stockholders or affiliates of interested stockholders are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. Also under Maryland law, control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, an officer of the corporation, or an employee of the corporation who is also a director of the corporation are excluded from the vote on whether to accord voting rights to the control shares. Should our board of directors opt into these provisions of Maryland law, it may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. Similarly, provisions of Title 3, Subtitle 8 of the Maryland General Corporation Law could provide similar anti-takeover protection.

Because Maryland law permits our board of directors to adopt certain anti-takeover measures without stockholder approval, investors may be less likely to receive a "control premium" for their shares.

In 1999, the State of Maryland enacted legislation that enhances the power of Maryland corporations to protect themselves from unsolicited takeovers. Among other things, the legislation permits our board, without stockholder approval, to amend our charter to:

- stagger our board of directors into three classes;
- require a two-thirds stockholder vote for removal of directors;
- provide that only the board can fix the size of the board;
- provide that all vacancies on the board, however created, may be filled only by the affirmative vote of a majority of the remaining directors in office; and
- require that special stockholder meetings may only be called by holders of a majority of the voting shares entitled to be cast at the meeting.

Under Maryland law, a corporation can opt to be governed by some or all of these provisions if it has a class of equity securities registered under the Exchange Act, and has at least three independent directors. Our charter does not prohibit our board from opting into any of the above provisions permitted under Maryland law. Becoming governed by any of these provisions could discourage an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our securities.

We could be negatively impacted by changes in our relationship with Fannie Mae or Freddie Mac, changes in the condition of Fannie Mae or Freddie Mac and by changes in government support for multi-family housing.

Fannie Mae and Freddie Mac have been a major source of financing for multi-family real estate in the United States and we have used loan programs sponsored by these agencies to finance most of our acquisitions of multi-family properties. There have been ongoing discussion by the government and other interested parties with regard to the long term structure and viability of Fannie Mae and Freddie Mac, which could result in adjustments to guidelines for their loan products. Should these agencies have their mandates changed or reduced, lose key personnel, be disbanded or reorganized by the government or otherwise discontinue providing liquidity for the multi-family sector, our ability to obtain financing through loan programs sponsored by the agencies could be negatively impacted. In addition, changes in our relationships with Fannie Mae and Freddie Mac, and the lenders that participate in these loan programs, with respect to our existing mortgage financing could impact our ability to obtain comparable financing for new acquisitions or refinancing for our existing multi-family real estate investments. Should our access to financing provided through Fannie Mae and Freddie Mac loan programs be reduced or impaired, it would

significantly reduce our access to debt capital and/or increase borrowing costs and could significantly limit our ability to acquire properties on acceptable terms and reduce the values to be realized upon property sales.

Breaches of our data security could materially harm us, including our business, financial performance and reputation.

We collect and retain certain personal information provided by our residents and employees. Security measures we have implemented to protect the confidentiality of this information may not prevent unauthorized access to this information. Any breach of our data security measures and loss of this information may result in legal liability and costs (including damages and penalties), as well as damage to our reputation, that could materially and adversely affect us, including our business and financial performance.

We are an "emerging growth company" under the federal securities laws and are subject to reduced public company reporting requirements.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, and are eligible to take advantage of certain exemptions from, or reduced disclosure obligations relating to, various reporting requirements that are normally applicable to public companies. We may retain our status as an "emerging growth company" for a maximum of five years, or until the earliest of (i) the last day of the first fiscal year in which it has total annual gross revenue of $1.07 billion or more, (ii) December 31 of the fiscal year that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act (which would occur if the market value of our common stock held by non-affiliates exceeds $700 million, measured as of the last business day of our most recently completed second fiscal quarter, and we have been publicly reporting for at least 12 months) or (iii) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three-year period.

Under the JOBS Act, emerging growth companies (a) are permitted to provide audited financial statements for two fiscal years instead of three fiscal years required for other reporting companies, (b) are not required to provide certain disclosures relating to executive compensation generally required for larger public companies, (c) are not required to provide an auditor's attestation report on management's assessment of the effectiveness of internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act, (d) are not required to comply with the audit rules adopted by the Public Company Accounting Oversight Board ("PCAOB") after April 5, 2012 (unless the SEC determines otherwise) and (e) do not have to hold shareholder advisory votes on executive compensation. Taking advantage of any of these reduced requirements may make our common stock less attractive.

Additionally, the JOBS Act provides that an "emerging growth company" may take advantage of an extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies. This means an "emerging growth company" can delay adopting certain accounting standards until such standards are otherwise applicable to private companies. However, we have elected to "opt out" of such extended transition period and will therefore comply with new or revised accounting standards on the applicable dates on which the adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of such extended transition period for compliance with new or revised accounting standards is irrevocable.

We will lose our emerging growth company status on December 31, 2023. Accordingly, we will become subject to certain disclosure and compliance requirements that apply to other public companies but did not previously apply to us due to our status as an emerging growth company. We expect that the loss of emerging growth company status and compliance with the additional requirements of not being an emerging growth company will increase our legal and financial compliance costs and cause management and other personnel to divert attention from operational and other business matters to devote substantial time to public company reporting requirements.

General Risks Related to Investments in Real Estate

We will not be diversified with respect to the class of assets that we own.

We will invest, through the Operating Partnership, solely in multifamily apartment communities and multifamily real estate-related assets. While we intend to invest in a significant number of properties across several geographical locations and markets, we will not invest in a diverse set of asset classes. Further, we have no plans to acquire any assets other than assets consisting of multifamily apartment communities and multifamily real estate-related assets. Therefore, each of our investments could be subject to the same or similar rental property related risks and a decline in real estate values in general or a change in economic conditions which affects real property investment and rental markets could have a substantial adverse effect on our financial performance.

If we fail to diversify our investment portfolio, downturns relating to certain geographic regions, types of assets, industries or business sectors may have a more significant adverse impact on our assets and our ability to make distributions than if we had a diversified investment portfolio.

While we intend to diversify our portfolio of investments, we are not required to observe specific diversification criteria. Therefore, our investments in multifamily apartment communities and multifamily real estate-related assets may be concentrated in assets that are subject to higher risk of foreclosure or concentrated in a limited number of geographic locations. To the extent that our portfolio is concentrated in limited geographic regions, downturns relating generally to such region may result in a reduction in our net income and the value of our common stock and accordingly limit our ability to make distributions to you.

There are risks inherent in the acquisition and management of multifamily apartment communities.

There are risks associated with the operation of multifamily apartment communities, including, but not limited to, vacillations in the demand for residential space; risk of loss or damage to the improvements or property of tenants; environmental risks and other risks associated with ownership of real estate. Any of the above factors, or a combination thereof, could result in a decrease in the value of our investments which would have an adverse effect on our results of operations, reduce the cash flow available for distributions and the return on your investment.

Rental levels at the multifamily apartment communities that we acquire can vary over time and we may not be able to maintain the occupancy rates we anticipate.

We will make our determination regarding the acquisition of multifamily apartment communities that we acquire based, among other things, on the property's projected rent levels. However, there can be no assurance that a multifamily apartment community will continue to be occupied at the projected rents. It is anticipated that leases with the tenants at our multifamily apartment communities will generally be for terms of one year or less. If the tenants of the properties do not renew or extend their leases, if tenants default under their leases at the properties, if issues arise with respect to the permissibility of certain uses at the properties, if tenants of the properties terminate their leases, or if the terms of any renewal (including concessions to the tenants) are less favorable than existing lease terms, the operating results of the properties could be substantially affected. As a result, we may not be able to make distributions to the stockholders at the anticipated levels.

We rely on our employees as well as third parties to provide property management services to our properties, should the staff of a particular property perform poorly, our operating results for that property will similarly be hindered and our net income may be reduced.

We depend upon our employees as well as the performance of our third-party property managers to effectively manage our properties and real estate-related assets. Rising vacancies across real estate properties have resulted in increased pressure on real estate investors and their property managers to maintain adequate occupancy levels. In order to do so, we may have to offer inducements, such as free rent and resident amenities, to compete for residents. In addition, our property managers may be unsuccessful in their ability to collect rent resulting in increased collection loss and evict tenants for non-payment of rent permitting us to lease their space. Poor performance by those sales, leasing and other management staff members operating a particular property will necessarily translate into poor results of operations for that particular property. Should we or third parties fail to identify problems in the day-to-day management of a particular property or fail to take the appropriate corrective action in a timely manner, our operating results may be hindered and our net income reduced.

It may be difficult for us to attract new tenants to our multifamily apartment communities.

There can be no assurance that we will be able to maintain the occupancy rates at our multifamily apartment communities. The tenants at any multifamily apartment communities may have the right to terminate their leases upon the occurrence of specified events. The majority of leases at the properties are for terms of one year or less.

Rent control and other changes in applicable laws, or noncompliance with applicable laws, could adversely affect our portfolio of residential properties.

Lower revenue growth or significant unanticipated expenditures may result from changes in rent control or rent stabilization laws or other residential landlord/tenant laws. Municipalities may implement, consider or be urged by advocacy groups to consider rent control or rent stabilization laws and regulations or take other actions that could limit our ability to raise rents based on market conditions. These initiatives and any other future enactments of rent control or rent stabilization laws or other laws regulating residential housing, as well as any lawsuits against us arising from such rent control or other laws, may reduce rental revenues or increase operating costs. Such laws and regulations may limit our ability to charge market rents, increase rents, evict tenants or recover increases in our operating costs and could make it more difficult for us to dispose of properties in certain circumstances. Expenses associated with investments in residential properties, such as debt service, real estate taxes, insurance and maintenance costs, are generally not reduced when circumstances cause a reduction in rental income from such properties.

Our inability to sell a multifamily apartment community at the time and on the terms we want could limit our ability to pay cash distributions to our stockholders.

Many factors that are beyond our control affect the real estate market and could affect our ability to sell multifamily apartment communities for the price, on the terms or within the time frame that we desire. These factors include general economic conditions, the availability of financing, interest rates and other factors, including supply and demand. Because real estate investments are relatively illiquid, we have a limited ability to vary our portfolio in response to changes in economic or other conditions. Further, before we can sell a multifamily apartment community on the terms we want, it may be necessary to expend funds to correct defects or to make improvements. However, we can give no assurance that we will have the funds available to correct such defects or to make such improvements. We may be unable to sell our multifamily apartment communities at a profit. Our inability to sell multifamily apartment communities at the time and on the terms we want could reduce our cash flow and limit our ability to make distributions to our stockholders and could reduce the value of your investment.

We may have no or only limited recourse for any problems later identified for multifamily apartment communities we acquire, which could materially and adversely affect us, including our results of operations.

We anticipate sellers of multifamily apartment communities will sell such properties "as is," "where is" and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase and sale agreements may contain limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of multifamily apartment communities with no or limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental income from that multifamily apartment community, which could materially and adversely affect us.

Costs imposed pursuant to governmental laws and regulations may reduce our net income and the cash available for distributions to our stockholders.

Real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to protection of the environment and human health. We could be subject to liability in the form of fines, penalties or damages for noncompliance with these laws and regulations. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, the remediation of contamination associated with the release or disposal of solid and hazardous materials, the presence of toxic building materials and other health and safety-related concerns.

Some of these laws and regulations may impose joint and several liability on the tenants, owners or operators of real property for the costs to investigate or remediate contaminated properties, regardless of fault, whether the contamination occurred prior to purchase, or whether the acts causing the contamination were legal. Activities of our tenants, the condition of

properties at the time we buy them, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties.

The presence of hazardous substances, or the failure to properly manage or remediate these substances, may hinder our ability to sell, rent, or pledge such property as collateral for future borrowings. Any material expenditures, fines, penalties or damages we must pay will reduce our ability to make distributions and may reduce the value of your investment.

Potential liability for environmental matters could adversely affect our financial condition.

Although we intend to subject our multifamily apartment communities to an environmental assessment prior to acquisition, we may not be made aware of all the environmental liabilities associated with a property prior to its purchase. There may be hidden environmental hazards that may not be discovered prior to acquisition. The costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of our properties, or the failure to properly remediate a contaminated property, could adversely affect our ability to sell or rent the property or to borrow using the property as collateral.

Various federal, state and local environmental laws impose responsibilities on an owner or operator of real estate and subject those persons to potential joint and several liabilities. Typical provisions of those laws include:

- responsibility and liability for the costs of investigation, removal, or remediation of hazardous substances released on or in real property, generally without regard to knowledge of or responsibility for the presence of the contaminants;
- liability for claims by third parties based on damages to natural resources or property, personal injuries, or costs of removal or remediation of hazardous or toxic substances in, on, or migrating from our property;
- responsibility for managing asbestos-containing building materials, and third-party claims for exposure to those materials; and
- environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require expenditures.

Costs associated with complying with the Americans with Disabilities Act and the Fair Housing Amendment Act may decrease cash available for distributions.

Our properties may be subject to the Americans with Disabilities Act of 1990, as amended, or the Disabilities Act and the Fair Housing Amendment Act, as amended, or the Fair Housing Act. Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons and may require owners of multifamily dwellings to make reasonable exceptions in their policies and operations to afford people with disabilities equal housing opportunities. The Disabilities Act has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services be made accessible and available to people with disabilities. The Disabilities Act's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties, or, in some cases, an award of damages. The Fair Housing Act requires multifamily dwellings first occupied after March 13, 1991 to comply with design and construction requirements related to access and use by disabled persons. Any funds used for Disabilities Act and Fair Housing Act compliance will reduce our net income and the amount of cash available for distributions to you.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage could reduce our cash flows and the return on our stockholders' investment.

There are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution, or environmental matters that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential acts of terrorism could sharply increase the premiums we pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases have begun to insist that commercial property owners purchase coverage against terrorism as a condition for providing mortgage loans. Such insurance policies may not be available at reasonable costs, which may increase our cost of obtaining financing. We may not have adequate coverage for such losses. If any of our properties incurs a casualty loss that is not fully insured, the value of our assets will be reduced by any such uninsured loss, which may reduce the value of your investment. In addition, other than any working capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured property. Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that would result in lower distributions to you.

The properties will include certain amenities for the residents at the properties that could increase the potential liabilities at the properties.

In addition to the apartment buildings, the properties will be improved with various amenities, such as swimming pools, exercise rooms, playgrounds, laundry facilities, business centers and/or rentable club houses. Certain claims could arise in the event that a personal injury, death, or injury to property should occur in, on, or around any of these improvements. In addition, certain of the multifamily apartment communities may be located in areas where dangerous wildlife live which could pose dangers to the residents at the applicable property. There can be no assurance that particular risks pertaining to these improvements that currently may be insured will continue to be insurable on an economical basis or that current levels of coverage will continue to be available. If a loss occurs that is partially or completely uninsured, we may lose all or part of the investment. We may be liable for any uninsured or underinsured personal injury, death or property damage claims. Liability in such cases may be unlimited but stockholders will not be personally liable.

Competition and any increased affordability of single-family residential homes could limit our ability to lease our apartments or maintain or increase rents, which may materially and adversely affect us, including our financial condition, cash flows, results of operations and growth prospects.

The multifamily industry is highly competitive, and we face competition from many sources, including from other multifamily apartment communities both in the immediate vicinity and the geographic markets where our properties are and will be located. If so, this would increase the number of apartment units available and may decrease occupancy and unit rental rates. Furthermore, multifamily apartment communities we acquire compete, or will compete, with numerous housing alternatives in attracting residents, including owner occupied single and multifamily homes available to rent or purchase. The number of competitive properties and/or condominiums in a particular area, or any increased affordability of owner occupied single and multifamily homes caused by declining housing prices, mortgage interest rates and government programs to promote home ownership, could adversely affect our ability to retain our residents, lease apartment units and maintain or increase rental rates. These factors could materially and adversely affect us.

Increased construction of similar multifamily apartment communities that compete with our properties in any particular location may materially and adversely affect us, including our results of operations and our cash available for distribution to our stockholders.

We may acquire multifamily apartment communities in locations that experience increases in construction of properties that compete with our properties. This increased competition and construction could make it more difficult for us to find residents to lease units in our multifamily apartment communities and/or force us to lower our rental rates in order to lease units in our properties, which could substantially reduce our revenues and could have a material adverse effect on us. In addition, overbuilding of multifamily apartment communities may occur.

We may be unable to secure funds for future capital improvements, which could adversely impact our ability to make cash distributions to our stockholders.

When residents do not renew their leases or otherwise vacate their apartment unit, in order to attract replacement residents, we may be required to expend funds for capital improvements to the vacated apartment homes. In addition, we may require substantial funds to renovate a multifamily apartment community in order to sell it, upgrade it or reposition it in the market. If we have insufficient capital reserves, we will have to obtain financing from other sources. We intend to establish capital reserves in an amount we, in our discretion, believe is necessary. A lender also may require escrow of capital reserves in excess of any established reserves. If these reserves or any reserves otherwise established are designated for other uses or are insufficient to meet our cash needs, we may have to obtain financing from either affiliated or unaffiliated sources to fund our cash requirements. We cannot assure our stockholders that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to us. Moreover, certain reserves required by lenders may be designated for specific uses and may not be available for capital purposes such as future capital improvements. Additional borrowing for capital needs and capital improvements will increase our interest expense, and therefore our financial condition and our ability to make cash distributions to our stockholders may be adversely affected.

Our multifamily apartment communities are subject to property taxes that may increase in the future, which could adversely affect our cash flow.

Our multifamily apartment communities are subject to real and personal property taxes that may increase as tax rates change and as the multifamily apartment communities are assessed or reassessed by taxing authorities. As the owner of the multifamily apartment communities, we are ultimately responsible for payment of the taxes to the applicable government authorities. If we fail to pay any such taxes, the applicable taxing authority may place a lien on the real property and the real property may be subject to a tax sale.

Increases in costs to own and maintain our properties may materially and adversely affect us, including our results of operations and cash flows.

We may experience increased costs associated with operating expenses, including capital improvements, routine property maintenance, real estate taxes and utility expenses. Any increases in our expenses to own and maintain our properties would consequently reduce our results of operations and cash flows.

Potential development and construction delays and resultant increased costs and risks may hinder our operating results and decrease our net income.

We may acquire unimproved real property or properties that are under development or construction. Investments in such properties will be subject to the uncertainties associated with the development and construction of real property, including those related to re-zoning land for development, environmental concerns of governmental entities and/or community groups and our builders' ability to build in conformity with plans, specifications, budgeted costs and timetables. If a builder fails to perform, we may resort to legal action to rescind the purchase or the construction contract or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control. Delays in completing construction could also give tenants the right to terminate preconstruction leases. We may incur additional risks when we make periodic progress payments or other advances to builders before they complete construction. These and other factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a purchase price at the time we acquire the property. If our projections are inaccurate, we may pay too much for a property, and the return on our investment could suffer.

Supply chain disruptions could create unexpected renovation or maintenance costs or delays and/or could impact our development projects, any of which could have a negative effect on our results of operations.

The construction and building industry, similar to many other industries, has recently experienced worldwide supply chain disruptions due to a multitude of factors that are beyond our control, including the COVID-19 pandemic, and such disruptions may continue to occur. Materials, parts and labor have also increased in cost over the recent past, sometimes significantly and over a short period of time. Our development projects as well as small-scale construction projects, such as building renovations and maintenance or and tenant improvements required under leases are a routine and necessary part of our business. We may incur costs for our development projects or routine maintenance at our properties that exceeds our original estimates due to increased costs for materials or labor or other costs that are unexpected. We also may be unable to complete our development projects on schedule due to supply chain disruptions or labor shortages.

Risks Related to Multifamily Real Estate-Related Assets

Our investments in multifamily real estate-related assets will be subject to the risks typically associated with real estate.

Our investments in mortgage, mezzanine or other real estate loans will generally be directly or indirectly secured by a lien on real property (or the equity interests in an entity that owns real property) that, upon the occurrence of a default on the loan, could result in our taking ownership of the entity that owns the real estate. We will not know whether the values of the multifamily apartment communities ultimately indirectly securing our loans will remain at the levels existing on the dates of origination or acquisition of those loans. If the values of the underlying multifamily apartment communities drop, our risk will increase because of the lower value of the security associated with such loans. In this manner, real estate values could impact the values of our loan investments. Therefore, our multifamily real estate-related assets will be subject to the risks typically associated with real estate, which are described above under the heading "General Risks Related to Investments in Real Estate."

Any mortgage loans we acquire or originate and the mortgage loans underlying any mortgage securities we may invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.

Commercial real estate loans generally are secured by commercial real estate properties and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, occupancy rates, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expenses or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, fiscal policies and regulations (including environmental legislation), natural disasters, terrorism, social unrest and civil disturbances.

In the event of any default under any mortgage loan held by us, we will bear a risk of loss of principal and accrued interest to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. Foreclosure on a property securing a mortgage loan can be an expensive and lengthy process that could have a substantial negative effect on our anticipated return on the foreclosed investment. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Delays in liquidating defaulted mortgage loans could reduce our investment returns.

If there are defaults under any mortgage loan we acquire or originate, we may not be able to repossess and sell the underlying properties quickly. The resulting time delay could reduce the value of our investment in the defaulted mortgage loans. An action to foreclose on a property securing a mortgage loan is regulated by state statutes and regulations and is subject to many of the delays and expenses of other lawsuits if the borrower raises defenses or counterclaims. In the event of default by a borrower, these restrictions, among other factors, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage loan.

The mezzanine and bridge loans in which we may invest would involve greater risks of loss than loans secured by a first deed of trust or mortgage on property.

We may invest in mezzanine and bridge loans that take the form of subordinated loans secured by a pledge of the ownership interests of either the entity owning (directly or indirectly) the real property or the entity that owns the interest in the entity owning the real property. These types of investments may involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the real property and increasing the risk of loss of principal.

The B Notes in which we invest may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us.

We have previously invested in a B Note and may do so again in the future. A B Note is a mortgage loan typically (i) secured by a first mortgage on a single large commercial property or group of related properties and (ii) subordinated to an A Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B Note holders after payment to the A Note holders. Since each transaction is privately negotiated, B Notes can vary in their structural characteristics and risks. For example, under the agreement between the A Note holders and the B Note holders, the A Note holders, whose economic interests may not align with the economic interests of the B Note holders, typically are empowered to take the lead on loan administration, on decisions whether to enforce or negotiate a work-out of a defaulted or stressed loan, and on pricing and market timing for the sale of foreclosed property. While the B Note holders can

exercise some influence over those decisions through consent rights, the B Note holders typically lose their consent rights under certain circumstances, including if the liquidation value of the B Note, based on an appraisal, falls below an agreed threshold. We cannot predict the terms of each B Note investment. Further, B Notes typically are secured by a single property, and so reflect the increased risks associated with a single property compared to a pool of properties.

We have invested in and may continue to invest in real estate-related equity, which is subordinate to any indebtedness, but involves different rights.

We have invested in and may continue to invest in noncontrolling equity positions and other real estate-related interests. Preferred equity investments are subordinate to any indebtedness obtained by the entity, but senior to the owners' common equity. These interests are not secured by the underlying real estate, but upon the occurrence of a default, the preferred equity provider has the right to effectuate a change of control in certain circumstances with respect to the ownership of the property. Preferred equity investments typically earn a preferred return rather than interest payments and often have the right for such preferred return to accrue if there is insufficient cash flow to pay currently. The preferred return provided as a term of our preferred equity investments is not a measure of our investment performance and is not indicative of distributions that we may provide to investors. It should not be relied on to predict an investor's returns and is subject to the development and performance of the project for which the preferred equity is being provided. Furthermore, the preferred return is only a contractual preference on allocations, and is subordinate to any construction debt and senior preferred equity and there is no guarantee that it will be achieved or paid.

We have invested in the preferred equity of other entities, the management of which may adversely affect our business.

We have invested in the preferred equity of other entities. However, we will not control the management, investment decisions, or operations of these companies. Management of those enterprises may decide to change the nature of their assets, or management may otherwise change in a manner that is not satisfactory to us. We will have no ability to affect these management decisions and we may have only limited ability to dispose of our investments.

Risks Associated with Debt Financing

We have obtained and are likely to continue to obtain mortgage indebtedness and other borrowings, which increases our risk of loss due to potential foreclosure.

We have obtained and plan to continue obtain long-term financing that is secured by our multifamily apartment communities. In some instances, we may acquire multifamily apartment communities by financing a portion of the price of the multifamily apartment communities and mortgaging or pledging some or all of the multifamily apartment communities purchased as security for that debt. We may also incur mortgage debt on multifamily apartment communities that we already own in order to obtain funds to acquire additional multifamily apartment communities, to fund property improvements and other capital expenditures, to make distributions, and for other purposes. In addition, we may borrow as necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes, including borrowings to satisfy the REIT requirement that we distribute at least 90% of our annual REIT taxable income to our stockholders (computed without regard to the dividends-paid deduction and excluding net capital gain). We, however, can give our stockholders no assurance that we will be able to obtain such borrowings on satisfactory terms.

Incurring mortgage debt increases the risk of loss of a multifamily apartment community since defaults on indebtedness secured by a multifamily apartment community may result in lenders initiating foreclosure actions. In that case, we could lose the multifamily apartment community securing the loan that is in default, reducing the value of our stockholders' investment. For tax purposes, a foreclosure of any of our multifamily apartment communities would be treated as a sale of the multifamily apartment community for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure even though we would not necessarily receive any cash proceeds. We may give full or partial guaranties to lenders of mortgage debt on behalf of the entities that own our multifamily apartment communities as well as with respect to debt associated with our preferred equity investments, mezzanine loans or equity investments in a property or land which will be developed into a multifamily apartment community. When we give a guaranty on behalf of an entity that owns one of our multifamily apartment communities or real estate-related assets, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single multifamily apartment community could affect many multifamily apartment communities.

Our multifamily apartment communities and multifamily real estate-related assets may be cross-collateralized.

At December 31, 2022, we had $528.3 million of fixed rate debt and $575.5 million of variable rate debt, including our revolving credit facility and including $95.3 million of variable rate debt related to construction loans; $318.7 million, or 55.4% of our variable rate debt is accompanied by interest rate cap hedging instruments as required by the lenders. In addition, CROP has issued unsecured promissory notes in several private placement offerings, in an aggregate amount of $43.0 million at December 31, 2022. We may obtain additional lines of credit or other debt financing, or take additional advances on our existing lines of credit, which we may utilize to acquire multifamily apartment communities and multifamily real estate-related assets and fund our operations. Thus, our assets may be cross-collateralized. Information about the amount and terms of any new lines of credit are uncertain and will be negotiated by our officers. No assurance can be given that future cash flow will be sufficient to make the debt service payments on any loans and to cover all operating expenses.

If our revenues are insufficient to pay debt service and operating costs, we may be required to seek additional working capital. There can be no assurance that such additional funds will be available. The degree to which we are leveraged could have an adverse impact on us, including (i) increased vulnerability to adverse general economic and market conditions, (ii) impaired ability to expand and to respond to increased competition, (iii) impaired ability to obtain additional financing for future working capital, capital expenditures, general corporate or other purposes and (iv) requiring that a significant portion of cash provided by operating activities be used for the payment of debt obligations, thereby reducing funds available for operations and future business opportunities.

High mortgage rates or changes in underwriting standards may make it difficult for us to finance or refinance multifamily apartment communities, which could reduce the number of multifamily apartment communities we can acquire, our cash flows from operations and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of multifamily apartment communities. If we place mortgage debt on a multifamily apartment community, we run the risk of being unable to refinance part or all of the multifamily apartment community when the debt becomes due or of being unable to refinance on favorable terms. If interest rates are higher when we refinance our multifamily apartment communities, our income could be reduced. We may be unable to refinance or may only be able to partly refinance our multifamily apartment communities if underwriting standards, including loan to value ratios and yield requirements, among other requirements, are stricter than when we originally financed the multifamily apartment communities. If any of these events occurs, our cash flow could be reduced and/or we might have to pay down existing mortgages. This, in turn, would reduce cash available for distribution to our stockholders, could cause us to require additional capital and may hinder our ability to raise capital by issuing more shares or by borrowing more money.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders or replace our advisor.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan agreements we enter into may contain covenants that limit our ability to further mortgage a property or that prohibit us from discontinuing insurance coverage or impose reserve requirements. In addition, our JP Morgan Credit Facility restricts our ability to remove our affiliated directors which may make it more difficult to replace our advisor. These or other limitations would decrease our operating flexibility and our ability to achieve our operating objectives.

Our derivative financial instruments may not adequately offset interest rate volatility and require us to contribute more equity to our properties, which could reduce the number of multifamily apartment communities we can acquire, our cash flows from operations and the amount of cash distributions we can make.

We may use derivative financial instruments, such as interest rate cap or collar agreements and interest rate swap agreements, to hedge exposures to changes in interest rates on loans secured by its assets, but no hedging strategy can protect us completely. These agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements and that these arrangements may not be effective in reducing our exposure to interest rate changes. Interest rates are currently increasing. In addition, interest rate caps and the replacement of our expiring interest rate caps may be more expensive as a result of increasing interest rates. Further, in the event interest rates increase for any of our financings, we may be required to rebalance such financings by contributing more equity to our properties in order to comply with debt-service coverage ratios required by such financings. We cannot assure you that its hedging strategy and the derivatives that it uses will adequately offset the risk of interest rate volatility or that its hedging transactions will not result in losses. In addition, the use of such instruments may reduce the overall return on our investments. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT gross income tests.

Increases in interest rates and the future discontinuation of LIBOR could increase the amount of our interest payments and could reduce the amount of distributions our stockholders receive.

At December 31, 2022, we had $575.5 million of variable rate debt, including our revolving credit facility and including $95.3 million of variable rate debt related to construction loans; $318.7 million, or 55.4% of our variable rate debt is accompanied by interest rate cap hedging instruments as required by the lenders. We may incur additional indebtedness in the future. Interest we pay reduces our cash flows. Since we have incurred and may continue to incur variable rate debt, increases in interest rates raise our interest costs, which reduces our cash flows. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to sell one or more of our properties at times or on terms which may not permit realization of the maximum return on such investments. Increases in interest rates may cause our operations to suffer and the amount of distributions our stockholders receive and their overall return on investment may decline.

Certain of our variable rate debt historically has borne interest at an interest rate determined based on a US Dollar London Interbank Offered Rate ("LIBOR"). On March 5, 2021, the United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative (i) immediately after December 31, 2021, in the case of the 1-week and 2-month US dollar settings; and (ii) immediately after June 30, 2023, in the case of the remaining US dollar settings. The tenors that were extended to June 30, 2023 are more widely used and are the tenors used in our LIBOR-based debt. We may convert some of our LIBOR-based debt into debt based on the Secured Overnight Financing Rate ("SOFR"), which is the interest rate recommended by the Alternative Reference Rates Committee ("ARRC"), a steering committee comprised of U.S. financial market participants convened by the Federal Reserve Board and the New York Federal Reserve to help ensure a successful transition from LIBOR to a more robust reference rate.

SOFR is a broad measure of the cost of borrowing cash in the overnight U.S. treasury repo market and is a rate published by the Federal Reserve Bank of New York. On July 29, 2021, ARRC formally recommended CME Group's forward-looking Term SOFR as a benchmark rate for use in transition away from LIBOR. Term SOFR is a forward-looking rate based on SOFR futures. We may convert some of our LIBOR-based debt into debt based on Term SOFR. In order to convert LIBOR debt into SOFR or Term SOFR, based on ARRC recommendations and market practice, we generally are required by our lenders to pay a spread adjustment to LIBOR. This spread adjustment may increase our borrowing costs. Where we maintain hedge positions, we may be able to recover some of that spread adjustment by converting hedge positions. However, the spread adjustment recovered on hedge positions may be insufficient to cover our increased floating rate debt obligations resulting from the spread adjustment we pay for a conversion to SOFR.

We may be unable to convert all of our debt instruments to SOFR or Term SOFR prior to June 30, 2023. If we are unable to effect such conversions, our lenders may force conversions to a SOFR-based rate under any applicable LIBOR transition legislation or to a SOFR-based rate or another interest rate under the terms of our debt agreements. These forced conversions could result in higher all-in interest costs and could hinder our ability to maintain effective hedges, which could impact our financial performance.

We have broad authority to incur debt and high debt levels could hinder our ability to make distributions and decrease the value of our stockholders' investment.

Our charter limits our leverage to 300% of our net assets, and we may exceed this limit with the approval of the conflicts committee of our board of directors. High debt levels would cause us to incur higher interest charges and higher debt service payments and may also be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of our stockholders' investment.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

Certain of our debt obligations that require interest-only payments for a number of years before we are required to make payments on the principal. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest- only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum, or "balloon," payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount

of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

We are uncertain of our sources for funding our future capital needs. If we do not have sufficient funds from operations to cover our expenses or to fund improvements to our multifamily apartment communities and cannot obtain debt or equity financing on acceptable terms, our ability to cover our expenses or to fund improvements to our multifamily apartment communities may be adversely affected.

The proceeds from our offering will be used primarily for investments in multifamily apartment communities and multifamily real estate-related assets. In the event that we develop a need for additional capital in the future for the improvement of our multifamily apartment communities or for any other reason, sources of funding may not be available to us. If we do not have sufficient funds from cash flow generated by our assets or out of net sale proceeds, or cannot obtain debt or equity financing on acceptable terms, our financial condition and ability to make distributions may be adversely affected.

Federal Income Tax Risks

Failure to qualify as a REIT would reduce our net earnings available for investment or distribution.

Our qualification as a REIT will depend upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets and other tests imposed by the Internal Revenue Code. If we fail to qualify as a REIT for any taxable year after electing REIT status, we will be subject to federal income tax on our taxable income at corporate rates (a maximum rate of 35% applied through 2017, with a 21% rate beginning for 2018). In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we lost our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends-paid deduction and we would no longer be required to pay distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Failure to qualify as a REIT would subject us to U.S. federal income tax, which would reduce the cash available for distribution to our stockholders.

We believe that we have operated and will continue to operate in a manner that will allow us to continue to qualify as a REIT for federal income tax purposes, commencing with the taxable year ended December 31, 2019. However, the U.S. federal income tax laws governing REITs are extremely complex, and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Qualifying as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis. Accordingly, we cannot be certain that we will be successful in operating so we can remain qualified as a REIT. While we intend to continue to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the tax treatment of certain investments we may make, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year.

If we fail to qualify as a REIT in any calendar year and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income. We might need to borrow money or sell assets to pay that tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT and we do not qualify for certain statutory relief provisions, we no longer would be required to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT were excused under federal tax laws, we would be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost.

Our stockholders may have current tax liability on distributions they elect to reinvest in our common stock.

If our stockholders participate in our distribution reinvestment plan, they will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in shares of our common stock to the extent the amount reinvested was not a tax-free return of capital. In addition, our stockholders will be treated for tax purposes as having received an additional distribution to the extent the shares are purchased at a discount to fair market value, if any. As a result, unless our stockholders are tax-exempt entities, they may have to use funds from other sources to pay their tax liability on the value of the shares of common stock received.

Even if we qualify as a REIT for U.S. federal income tax purposes, we may be subject to federal, state, local or other tax liabilities that reduce our cash flow and our ability to pay distributions to our stockholders.

Even if we qualify as a REIT for U.S. federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property. For example:

- In order to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income to our stockholders (which is determined without regard to the dividends-paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income (and any net capital gain), we will be subject to federal corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.
- If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or certain leasehold terminations as "foreclosure property," we may avoid the 100% tax on the gain from a resale of that property, but the income from the sale or operation of that property may be subject to corporate income tax at the highest applicable rate.
- If we sell an asset, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain would be subject to the 100% "prohibited transaction" tax unless such sale were made by one of our taxable REIT subsidiaries or the sale met certain "safe harbor" requirements under the Internal Revenue Code.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain, in order for federal corporate income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income (and any net capital gain), we will be subject to federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws. We also may decide to retain net capital gain we earn from the sale or other disposition of our property and pay U.S. federal income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and thereon seek a refund of such tax. We also will be subject to corporate tax on any undistributed REIT taxable income. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code.

From time to time, we may generate taxable income greater than our income for financial reporting purposes, or our taxable income may be greater than our cash flow available for distribution to stockholders (for example, where a borrower defers the payment of interest in cash pursuant to a contractual right or otherwise). If we do not have other funds available in these situations we could be required to borrow funds, sell investments at disadvantageous prices or find another alternative source of funds to pay distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirements and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

To maintain our REIT status, we may be forced to forego otherwise attractive business or investment opportunities, which may delay or hinder our ability to meet our investment objectives and reduce our stockholders' overall return.

To qualify as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our stockholders. We may be required to pay distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits and reduce the value of our stockholders' investment.

If the Operating Partnership fails to maintain its status as a partnership for U.S. federal income tax purposes, its income would be subject to taxation and our REIT status would be terminated.

We intend to maintain the status of the Operating Partnership as a partnership for U.S. federal income tax purposes. However, if the Internal Revenue Service ("Internal Revenue Service" or "IRS") were to successfully challenge the status of the

Operating Partnership as a partnership, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that the Operating Partnership could make to us. This would also result in our losing REIT status and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the return on your investment. In addition, if any of the entities through which the Operating Partnership owns its properties, in whole or in part, loses its characterization as a partnership for U.S. federal income tax purposes, the underlying entity would become subject to taxation as a corporation, thereby reducing distributions to the Operating Partnership and jeopardizing our ability to maintain REIT status.

Potential characterization of distributions or gain on sale may be treated as unrelated business taxable income to tax-exempt investors.

If (i) all or a portion of our assets are subject to the rules relating to taxable mortgage pools, (ii) we are a "pension-held REIT," (iii) a tax-exempt stockholder has incurred debt to purchase or hold our common stock, or (iv) the residual Real Estate Mortgage Investment Conduit interests, or REMICs, we buy (if any) generate "excess inclusion income," then a portion of the distributions to and, in the case of a stockholder described in clause (iii), gains realized on the sale of common stock by such tax-exempt stockholder may be subject to U.S. federal income tax as unrelated business taxable income under the Internal Revenue Code.

The tax on prohibited transactions will limit our ability to engage in transactions that would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of assets, other than foreclosure property, deemed held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to dispose of loans in a manner that was treated as a sale of the loans for U.S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us.

It may be possible to reduce the impact of the prohibited transaction tax by conducting certain activities through taxable REIT subsidiaries. However, to the extent that we engage in such activities through taxable REIT subsidiaries, the income associated with such activities may be subject to full corporate income tax.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To qualify as a REIT, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and residential and commercial mortgage-backed securities. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, no more than 20% of the value of our total assets can be represented by securities of one or more taxable REIT subsidiaries and no more than 25% of the value of our total assets can be represented by "non-qualified publicly offered REIT debt instruments." If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Liquidation of assets may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate, inflation and/or currency

risks will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the purpose of the instrument is to (i) hedge interest rate risk on liabilities incurred to carry or acquire real estate, (ii) hedge risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the REIT 75% or 95% gross income tests, or (iii) manage risk with respect to the termination of certain prior hedging transactions described in (i) and/or (ii) above and, in each case, such instrument is properly identified under applicable Department of the Treasury regulations ("Treasury Regulations"). Income from hedging transactions that do not meet these requirements will generally constitute nonqualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

Our ownership of and relationship with our taxable REIT subsidiaries will be limited and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more taxable REIT subsidiaries. A taxable REIT subsidiary may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a taxable REIT subsidiary. A corporation of which a taxable REIT subsidiary directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a taxable REIT subsidiary. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more taxable REIT subsidiaries. A domestic taxable REIT subsidiary will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's-length basis. We cannot assure our stockholders that we will be able to comply with the 20% value limitation on ownership of taxable REIT subsidiary stock and securities on an ongoing basis so as to maintain REIT status or to avoid application of the 100% excise tax imposed on certain non-arm's length transactions.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may subject us to U.S. federal income tax and reduce distributions to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. While we believe we have qualified and intend to continue to qualify to be taxed as a REIT, we may terminate our REIT election if we determine that qualifying as a REIT is no longer in our best interests. If we cease to be a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders and on the market price of our common stock.

Dividends payable by REITs do not qualify for the reduced tax rates.

In general, the maximum tax rate for dividends payable to domestic stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, are generally not eligible for this reduced rate; provided under current law, individuals may be able to deduct 20% of income received as ordinary REIT dividends, thus reducing the maximum effective U.S. federal income tax rate on such dividend. In addition, Treasury Regulations impose a minimum holding period for the 20% deduction that was not set forth in the Internal Revenue Code. Under the Treasury Regulations, in order for a REIT dividend with respect to a share of REIT stock to be treated as a qualified REIT dividend, the U.S. stockholder (i) must have held the share for more than 45 days during the 91-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend and (ii) cannot have been under an obligation to make related payments with respect to positions in substantially similar or related property, e.g., pursuant to a short sale. While this tax treatment does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts or estates to perceive investments in REITs to be relatively less attractive than investments in stock of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to

satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

The taxation of distributions to our stockholders can be complex; however, distributions that we make to our stockholders generally will be taxable as ordinary income, which may reduce your anticipated return from an investment in us.

Distributions that we make to our taxable stockholders to the extent of our current and accumulated earnings and profits (and not designated as capital gain dividends or qualified dividend income) generally will be taxable as ordinary income. However, a portion of our distributions may (i) be designated by us as capital gain dividends generally taxable as long-term capital gain to the extent that they are attributable to net capital gain recognized by us, (ii) be designated by us as qualified dividend income generally to the extent they are attributable to dividends we receive from non-REIT corporations, such as our taxable REIT subsidiaries, or (iii) constitute a return of capital generally to the extent that they exceed our current and accumulated earnings and profits as determined for U.S. federal income tax purposes. A return of capital distribution is not taxable, but has the effect of reducing the basis of a stockholder's investment in our common stock.

We may be required to pay some taxes due to actions of a taxable REIT subsidiary which would reduce our cash available for distribution to you.

Any net taxable income earned directly by a taxable REIT subsidiary, or through entities that are disregarded for U.S. federal income tax purposes as entities separate from our taxable REIT subsidiaries, will be subject to federal and possibly state corporate income tax. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of U.S. federal income taxation. For example, a taxable REIT subsidiary may be limited in its ability to deduct certain interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax on some payments that it receives or on some deductions taken by or payments made to a taxable REIT subsidiary if the economic arrangements between the REIT, the REIT's customers, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to U.S. federal income tax on that income because not all states and localities follow the U.S. federal income tax treatment of REITs. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to you.

We may distribute our common stock in a taxable distribution, in which case you may sell shares of our common stock to pay tax on such distributions, and you may receive less in cash than the amount of the dividend that is taxable.

We may make taxable distributions that are payable in cash and common stock. Under IRS Revenue Procedure 2017-45, as a publicly offered REIT, we may give stockholders a choice, subject to various limits and requirements, of receiving a dividend in cash or in common stock of the REIT. As long as at least 20% of the total dividend is available in cash and certain other requirements are satisfied, the IRS will treat the stock distribution as a dividend (to the extent applicable rules treat such distribution as being made out of the REIT's earnings and profits). This threshold has been temporarily reduced in the past, and may be reduced in the future, by IRS guidance. Taxable stockholders receiving stock will be required to include in income, as a dividend, the full value of such stock, to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay income tax with respect to such distributions in excess of the cash distributions received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount recorded in earnings with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock.

Investments in other REITs and real estate partnerships could subject us to the tax risks associated with the tax status of such entities.

We may invest in the securities of other REITs and real estate partnerships. Such investments are subject to the risk that any such REIT or partnership may fail to satisfy the requirements to qualify as a REIT or a partnership, as the case may be, in any given taxable year. In the case of a REIT, such failure would subject such entity to taxation as a corporation, may require such REIT to incur indebtedness to pay its tax liabilities, may reduce its ability to make distributions to us, and may render it ineligible to elect REIT status prior to the fifth taxable year following the year in which it fails to so qualify. In the case of a partnership, such failure could subject such partnership to an entity level tax and reduce the entity's ability to make distributions to us. In addition, such failures could, depending on the circumstances, jeopardize our ability to qualify as a REIT.

Non-U.S. stockholders will be subject to U.S. federal withholding tax and may be subject to U.S. federal income tax on distributions received from us and upon the disposition of our shares.

Subject to certain exceptions, distributions received from us will be treated as dividends of ordinary income to the extent of our current or accumulated earnings and profits. Such dividends ordinarily will be subject to U.S. withholding tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as "effectively connected" with the conduct by the non-U.S. stockholder of a U.S. trade or business. Pursuant to the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, capital gain distributions attributable to sales or exchanges of "U.S. real property interests," or USRPIs, generally (subject to certain exceptions for "qualified foreign pension funds," entities all the interests of which are held by "qualified foreign pension funds," and certain "qualified shareholders") will be taxed to a non-U.S. stockholder as if such gain were effectively connected with a U.S. trade or business unless FIRPTA provides an exemption. However, a capital gain dividend will not be treated as effectively connected income if (i) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the United States and (ii) the non-U.S. stockholder does not own more than 10% of the class of our stock at any time during the one-year period ending on the date the distribution is received. We do not anticipate that our shares will be "regularly traded" on an established securities market for the foreseeable future, and therefore, this exception is not expected to apply.

Gain recognized by a non-U.S. stockholder upon the sale or exchange of our common stock generally will not be subject to U.S. federal income taxation unless such stock constitutes a USRPI under FIRPTA (subject to specific FIRPTA exemptions for certain non-U.S. stockholders). Our common stock will not constitute a USRPI so long as we are a "domestically-controlled qualified investment entity." A domestically-controlled qualified investment entity includes a REIT if at all times during a specified testing period, less than 50% in value of such REIT's stock is held directly or indirectly by non-U.S. stockholders. We believe, but cannot assure you, that we will be a domestically-controlled qualified investment entity.

Even if we do not qualify as a domestically-controlled qualified investment entity at the time a non-U.S. stockholder sells or exchanges our common stock, gain arising from such a sale or exchange would not be subject to U.S. taxation under FIRPTA as a sale of a USRPI if: (a) our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and (b) such non-U.S. stockholder owned, actually and constructively, 10% or less of our common stock at any time during the five-year period ending on the date of the sale. However, it is not anticipated that our common stock will be "regularly traded" on an established market. We encourage you to consult your tax advisor to determine the tax consequences applicable to you if you are a non-U.S. stockholder.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the price of our common stock.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation. Although REITs generally receive certain tax advantages compared to entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a corporation. As a result, our charter authorizes our board of directors to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to qualify as a REIT. The impact of tax reform on an investment in our shares is uncertain.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, or the IRA. The IRA includes numerous tax provisions that impact corporations, including the implementation of a corporate alternative minimum tax as well as a 1% excise tax on certain stock repurchases and economically similar transactions. However, REITs are excluded from the definition of an "applicable corporation" and therefore are not subject to the corporate alternative minimum tax. Additionally, the 1% excise tax specifically does not apply to stock repurchases by REITs. We will continue to analyze and monitor the application of the IRA to our business; however, the effect of these changes on the value of our assets, shares of our common stock or market conditions generally, is uncertain.

Retirement Plan Risks

If you fail to meet the fiduciary and other standards under the Employee Retirement Income Security Act of 1974, as amended, or "ERISA," or the Internal Revenue Code as a result of an investment in our stock, you could be subject to criminal and civil penalties.

There are special considerations that apply to employee benefit plans subject to ERISA (such as profit-sharing, section 401(k) or pension plans) and other retirement plans or accounts subject to Section 4975 of the Internal Revenue Code (such as an IRA) or any entity whose assets include such assets (each a "Benefit Plan") that are investing in our shares. If you are investing the assets of such a plan or account in our common stock, you should satisfy yourself that:

- your investment is consistent with your fiduciary and other obligations under ERISA and the Internal Revenue Code;
- your investment is made in accordance with the documents and instruments governing the plan or IRA, including the plan's or account's investment policy;
- your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Internal Revenue Code;
- your investment in our shares, for which no trading market may exist, is consistent with the liquidity needs of the plan or IRA;
- your investment will not produce an unacceptable amount of "unrelated business taxable income" for the plan or IRA;
- you will be able to comply with the requirements under ERISA and the Internal Revenue Code to value the assets of the plan or IRA annually; and
- your investment will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

With respect to the annual valuation requirements described above, we expect to provide an estimated value of our net assets per share annually to those fiduciaries (including IRA trustees and custodians) who request it. Although this estimate will be based upon determinations of the NAV of our shares in accordance with our valuation guidelines, no assurance can be given that such estimated value will satisfy the applicable annual valuation requirements under ERISA and the Internal Revenue Code. The Department of Labor or the Internal Revenue Service may determine that a plan fiduciary or a fiduciary acting for an IRA is required to take further steps to determine the value of our common shares. In the absence of an appropriate determination of value, a plan fiduciary or a fiduciary acting for an IRA may be subject to damages, penalties or other sanctions.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Internal Revenue Code may result in the imposition of civil and criminal penalties, and can subject the fiduciary to claims for damages or for equitable remedies, including liability for investment losses. In addition, if an investment in our shares constitutes a non-exempt prohibited transaction under ERISA or the Internal Revenue Code, the fiduciary or IRA owner who authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested. Additionally, the investment transaction may have to be undone. In the case of a prohibited transaction involving an IRA owner, the IRA may be disqualified as a tax-exempt account and all of the assets of the IRA may be deemed distributed and subjected to tax. ERISA plan fiduciaries and IRA owners should consult with counsel before making an investment in our shares.

If our assets are deemed to be plan assets, our advisor and we may be exposed to liabilities under Title I of ERISA and the Internal Revenue Code.

In some circumstances where an ERISA plan holds an interest in an entity, the assets of the entity are deemed to be ERISA plan assets unless an exception applies. This is known as the "look-through rule." Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Title I of ERISA and Section 4975 of the Internal Revenue Code, as applicable, may be applicable, and there may be liability under these and other provisions of ERISA and the Internal Revenue Code. We believe that our assets should not be treated as plan assets because the shares should qualify as "publicly-offered securities" that are exempt from the look-through rules under applicable Treasury Regulations. We note, however, that because certain limitations are imposed upon the transferability of shares so that we may qualify as a REIT, and perhaps for other reasons, it is possible that this exemption may not apply. If that is the case, and if CC Advisors III or we are exposed to liability under ERISA or the Internal Revenue Code, our performance and results of operations could be adversely affected. Prior to making an investment in us, you should consult with your legal and other advisors concerning the impact of ERISA and the Internal Revenue Code on your investment and our performance.

We do not intend to provide investment advice to any potential investor for a fee. However, we, CC Advisors III and our respective affiliates receive certain fees and other consideration disclosed herein in connection with an investment. If it were determined we provided a Benefit Plan investor with investment advice for a fee, it could give rise to a determination that we constitute an investment advice fiduciary under ERISA. Such a determination could give rise to claims that our fee arrangements constitute non-exempt prohibited transactions under ERISA or the Internal Revenue Code and/or claims that we have breached a fiduciary duty to a Benefit Plan investor. Adverse determinations with respect to ERISA fiduciary status or non-exempt prohibited transactions could result in significant civil penalties and excise taxes.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

See Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Our Investments” for an overview of our real estate investments.

Item 3. Legal Proceedings

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. Management is not aware of any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on our results of operations or financial condition, nor are we aware of any such legal proceedings contemplated by government authorities.

Item 4. Mine Safety Disclosures

Not applicable.

Part II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Offering of Common Stock

We are offering up to $900.0 million of Class T, Class D and Class I shares of our common stock through our Primary Offering and up to $100.0 million of Class T, Class D, Class I, and Class A shares of our common stock through our DRP Offering. Other than differences in upfront selling commissions, dealer manager fees, and ongoing distribution fees, each class of common stock has the same economics and voting rights. There is currently no public market for our shares and we currently have no plans to list our shares on a securities exchange.

The following table summarizes the upfront selling commission and dealer manager fee paid for each applicable share class in the Primary Offering as a percentage of the transaction price, which will generally be the most recently disclosed monthly NAV per share.

	Class T [(1)]	Class D	Class I
Maximum Upfront Selling Commissions as a % of Transaction Price	up to 3.0%	—	—
Maximum Upfront Dealer Manager Fees as a % of Transaction Price	0.5%	—	—

[(1)] Such amounts may vary at certain participating broker-dealers, provided that the sum will not exceed 3.5% of the transaction price.

In addition, we will pay a wholesaling fee of up to 1.85% of the transaction price for all shares sold in the Primary Offering.

Subject to FINRA limitations on underwriting compensation and certain other limitations, the following table shows the distribution fees we pay the dealer manager with respect to the Class T, Class D and Class I on an annualized basis as a percentage of our NAV.

	Class T [(1)]	Class D	Class I
Distribution Fee as a % of NAV	0.85%	0.25%	None

[(1)] Consists of an advisor distribution fee of 0.65% per annum and a dealer distribution fee of 0.20% per annum of the aggregate NAV for the Class T shares, however, with respect to Class T shares sold through certain participating broker-dealers, the advisor distribution fee and the dealer distribution fee may be other amounts, provided that the sum of such fees will always equal 0.85% per annum of the NAV of such shares.

The distribution fee is subject to a cap based on the total upfront selling commissions, dealer manager fees, and distribution fees paid in connection with the sale of the share in our primary offering. For Class T shares the cap is 8.5% and for Class D shares the cap is 8.0%. A lower cap may be agreed upon between the dealer manager and a participating broker-dealer. Once the cap is met, the Class T shares or Class D shares in each respective stockholder's account (including shares purchased through the distribution reinvestment plan or received as a stock dividend) will convert into a number of Class I shares (including any fractional shares) with an equivalent aggregate NAV as such shares.

The dealer manager for the public offering anticipates that all or a portion of the upfront selling commissions, dealer manager and distribution fees will be retained by, or reallowed (paid) to, participating broker-dealers and certain wholesalers, some of which are internal to our advisor and its affiliates. For the year ended December 31, 2022, the costs of raising capital in the Follow-on Offering represented 5.96% of the capital raised.

The purchase price per share for each class of common stock will vary and will generally equal our prior month's NAV per share, as determined monthly, plus applicable upfront selling commissions and dealer manager fees. Please see "Net Asset Value Calculation and Valuation Guidelines" in our prospectus for a detailed description of our valuation guidelines.

The following table presents our historical monthly NAV per share for our outstanding classes of shares and our CROP Units since we began reporting an NAV. Previously, we sold Class A and Class TX shares in our primary public offering at a fixed offering price of $10.00 per share.

	Class					
Date	T	D	I	A	TX	OP
May 7, 2021 [1]	[2]	[2]	[2]	$ 10.8315	$ 10.8315	$ 10.8315
May 31, 2021	[2]	[2]	[2]	10.8488	10.8488	10.8488
June 30, 2021	[2]	[2]	[2]	11.7865	11.7865	11.7865
July 31, 2021	[2]	[2]	[2]	12.5373	12.5373	12.5373
August 31, 2021	[2]	[2]	[2]	12.8855	12.8855	12.8855
September 30, 2021	[2]	[2]	[2]	15.4799	15.4799	15.4799
October 31, 2021	[2]	[2]	[2]	16.3305	16.3305	16.3305
November 30, 2021	[2]	[2]	[2]	16.9316	16.9316	16.9316
December 31, 2021	[2]	[2]	17.2839	17.2839	17.2839	17.2839
January 31, 2022	18.4071	[2]	18.4071	18.4071	18.4071	18.4071
February 28, 2022	18.9882	[2]	18.9882	18.9882	18.9882	18.9882
March 31, 2022	19.6324	[2]	19.6324	19.6324	19.6324	19.6324
April 30, 2022	20.0794	[2]	20.0794	20.0794	20.0794	20.0794
May 31, 2022	20.6297	20.6297	20.6297	20.6297	20.6297	20.6297
June 30, 2022	20.7202	20.7202	20.7202	20.7202	20.7202	20.7202
July 31, 2022	20.6991	20.6991	20.6991	20.6991	20.6991	20.6991
August 31, 2022	20.7007	20.7007	20.7007	20.7007	20.7007	20.7007
September 30, 2022	20.7056	20.7056	20.7056	20.7056	[2]	20.7056
October 31, 2022	20.5722	20.5722	20.5722	20.5722	[2]	20.5722
November 30, 2022	19.9945	19.9945	19.9945	19.9945	[2]	19.9945
December 31, 2022	19.5788	19.5788	19.5788	19.5788	[2]	19.5788

[1] All components of NAV are as of May 7, 2021 with the exception of the investments in multifamily operating properties, development properties and real-estate related structured investments which are based on information as of April 30, 2021.

[2] No shares were outstanding for this class of share as of the valuation date.

Net Asset Value

We calculate NAV per share in accordance with the valuation guidelines that have been approved by our board of directors. As described in those guidelines, each real property is appraised at least once per calendar year by a third-party appraiser and reviewed by our advisor and our independent valuation advisor. Additionally, the real property assets not appraised in a given calendar month by a third-party appraiser will be appraised for that calendar month by our independent valuation advisor, and such appraisals are reviewed by our advisor.

CROP has classes or series of OP units held by parties other than us that are economically equivalent to a corresponding class of shares and have the same value as our common stock. Our NAV is the value of CROP. Our NAV per share is calculated on a fully dilutive basis whereby outstanding classes or shares of CROP Units, including LTIP units that would be earned as of the valuation date, are included in fully-diluted shares/units outstanding.

The components of our NAV as of December 31, 2022 are as follows ($ and shares/units in thousands):

Components of NAV*	December 31, 2022
Investments in Multifamily Operating Properties	$ 2,372,787
Investments in Multifamily Development Properties	130,206
Investments in Real-estate Related Structured Investments	60,821
Investments in Land Held for Development	78,032
Operating Company and Other Net Current Assets	12,034
Cash and Cash Equivalents	9,461
Secured Real Estate Financing	(1,158,364)
Subordinated Unsecured Notes	(42,953)
Preferred Equity	(127,065)
Accrued Performance Participation Allocation	(20,688)
Net Asset Value	$ 1,314,271
Fully-diluted Shares/Units Outstanding	67,127

** Presented as adjusted for our economic ownership percentage in each asset.*

The following table provides a breakdown of our total NAV and NAV per share/unit by class as of December 31, 2022 ($ and shares/units in thousands, except per share/unit data):

	Class					
	T	D	I	A	OP[1]	Total
As of December 31, 2022						
Monthly NAV	$ 94,274	$ 1,266	$ 76,246	$ 520,892	$ 621,593	$ 1,314,271
Fully-diluted Outstanding Shares/Units	4,815	65	3,894	26,605	31,748	67,127
NAV per Fully-diluted Share/Unit	$ 19.5788	$ 19.5788	$ 19.5788	$ 19.5788	$ 19.5788	$ 19.5788

[1] Includes the partnership interests of the Operating Partnership held by High Traverse Holdings, an entity beneficially owned by Daniel Shaeffer, Chad Christensen, Gregg Christensen and Eric Marlin and other Operating Partnership interests, including LTIP Units as described above, held by parties other than us.

Below are the weighted averages of the key assumptions that were used by our independent appraisal advisor in the discounted cash flow methodology used in the December 31, 2022, valuations of our real property assets, based on property types.

	Discount Rate	Exit Capitalization Rate
Operating Assets	6.18%	4.81%
Development Assets	6.00%	4.50%

** Presented as adjusted for our economic ownership percentage in each asset, weighted by gross value.*

A change in these assumptions would impact the calculation of the value of our operating and development assets. For example, assuming all other factors remain unchanged, the changes listed below would result in the following effects on our operating and development asset values:

Sensitivities	Change	Operating Asset Values	Development Asset Values
Discount Rate	0.25% decrease	2.4%	2.2%
	0.25% increase	(2.3)%	(2.2)%
Exit Capitalization Rate	0.25% decrease	4.1%	4.4%
	0.25% increase	(3.5)%	(3.9)%

** Presented as adjusted for our economic ownership percentage in each asset.*

The following table reconciles stockholders' equity and CROP partners' capital per our consolidated balance sheet to our NAV (in thousands):

	December 31, 2022
Stockholders' equity	$ 304,932
Non-controlling interests attributable to limited partners	272,536
	577,468
Adjustments at share:	
Accumulated depreciation and amortization, consolidated and unconsolidated entities	140,850
Goodwill	(439)
Deferred tax liability	9,741
Discount on preferred stock	(5,675)
Unrealized net real estate and debt appreciation	592,326
NAV	$ 1,314,271

The following describes the adjustments to reconcile GAAP stockholders' equity and CROP partners' capital per our consolidated balance sheet to our NAV:

- We depreciate our investments in real estate and amortize certain other assets and liabilities in accordance with GAAP. Such depreciation and amortization is not recorded for purposes of determining our NAV.
- We recorded goodwill for the difference between the transaction price of the CRII Merger and the fair value of identifiable assets acquired, liabilities assumed, and non-controlling interests. Goodwill was not included for purposes of determining our NAV.
- We recorded certain deferred tax liabilities for the tax effects on the difference in the value of certain assets recorded with the CRII Merger and their underlying tax basis. These deferred tax liabilities are excluded for purposes of determining our NAV.
- Our preferred stock is accounted for as a liability with associated issuance costs deferred and amortized under GAAP. These issuance costs are excluded for purposes of determining our NAV.
- Our investments in real estate are presented under historical cost in our GAAP consolidated financial statements. Additionally, our mortgage notes, revolving credit facility and construction loans ("Debt") are presented at their carrying value in our consolidated GAAP financial statements. As such, any increases or decreases in the fair market value of our investments in real estate or our Debt are not included in our GAAP results. For purposes of determining our NAV, our investments in real estate and our Debt are recorded at fair value.

Distributions

We expect to pay distributions to holders of our common and preferred stock on a monthly basis based on monthly record dates. We have not established a minimum distribution level for holders of our common stock and are not required to make distributions to our common stockholders. Distributions are authorized and declared in the sole discretion of our board of directors. We have two classes of preferred stock outstanding. Each class of preferred stock is entitled to a fixed preferred dividend based on a cumulative, but not compounded, annual return. We may also issue stock dividends. Distributions for stockholders who elect to participate in our distribution reinvestment plan are reinvested into shares of the same class of our common stock as the shares to which the distributions relate.

To maintain our qualification as a REIT, we are required to make aggregate annual distributions to our common stockholders of at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding net capital gain). Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant.

Our board of directors considers many factors before authorizing a distribution, including current and projected cash flow from operations, capital expenditure needs, general financial conditions and REIT qualification requirements. Our board may declare cash distributions that will be paid in advance of our receipt of cash flow that we expect to receive during a later period. We are not limited in the amount of distributions we can fund from sources other than cash flows from operations. Where we do not have sufficient cash flows from operations to cover our distributions, we may borrow funds, issue new securities or sell assets to make and cover our declared distributions, all or a portion of which could be deemed a return of capital.

For more information with respect to our distributions paid, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Distributions."

Funds from Operations

We believe funds from operations, or FFO, is a beneficial indicator of the performance of an equity REIT and of our company. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, as net income or loss (computed in accordance with GAAP), excluding gains or losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), gains and losses from change in control, impairment losses on real estate assets, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization, and after adjustments for our share of unconsolidated partnerships and joint ventures.

We believe FFO facilitates comparisons of operating performance between periods and among other REITs. However, our computation of FFO may not be comparable to other REITs that do not define FFO in accordance with the NAREIT definition or that interpret the current NAREIT definition differently than we do. Our management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the use of FFO, together with the required GAAP presentations, provides a more complete understanding of our performance relative to our competitors and provides a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities.

We adjust FFO by the items below to arrive at Core FFO. Our management uses Core FFO as a measure of our operating performance. Prior to June 30, 2023, the performance participation allocation was excluded from Core FFO. Beginning June 30, 2023 and going forward, the performance participation allocation is and will be included in Core FFO. Core FFO in this Form 10-K/A for the years ended December 31, 2022 and 2021 has been adjusted to reflect this change. Our calculation of Core FFO may differ from the methodology used for calculating Core FFO by other REITs and, accordingly, our Core FFO may not be comparable. We believe these measures are useful to investors because they facilitate an understanding of our operating performance after adjusting for non-cash expenses and other items not indicative of ongoing operating performance.

Neither FFO nor Core FFO is equivalent to net income or cash generated from operating activities determined in accordance with U.S. GAAP. Furthermore, FFO and Core FFO do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Neither FFO nor Core FFO should be considered as an alternative to net income as an indicator of our operating performance.

The following table presents a reconciliation of FFO and Core FFO to net loss attributable to CROP ($ in thousands, except share and per share data):

	Year Ended December 31,	
	2022	2021
Net loss attributable to common stockholders	$ (15,649)	$ (43,916)
Adjustments to arrive at FFO:		
Real estate related depreciation and amortization	51,265	61,254
Depreciation and amortization from unconsolidated real estate entities	7,768	11,973
Gain on sale of real estate assets	—	(10,912)
Gain on sale of investments in unconsolidated real estate entities	(8,129)	—
Loss allocated to noncontrolling interests - limited partners	(17,594)	(58,923)
Amount attributable to above from noncontrolling interests - partially owned entities	(888)	(5,858)
Funds from operations attributable to common stockholders and unit holders	16,773	(46,382)
Adjustments:		
Amortization of intangible assets	3,330	2,143
Accretion of discount on preferred stock	5,406	2,350
Accretion of below market leases	(555)	(834)
Share based compensation [(1)]	3,774	1,570
Promote from incentive allocation agreement (tax effected)	(23,334)	—
Gains on derivatives	(4,048)	—
Acquisition fees and expenses [(2)]	1,824	3,826
Legal costs and settlements, net [(1)]	(7)	839
Other adjustments	(466)	(517)
Amount attributable to above from noncontrolling interests	(1,290)	1,133
Core funds from operations attributable to common stockholders and unit holders [(3)]	$ 1,407	$ (35,872)
FFO per common share and unit - basic and diluted	$ 0.28	$ (1.22)
Core FFO per common share and unit - basic and diluted	$ 0.02	$ (0.94)
Weighted-average diluted common shares and units outstanding	60,705,718	38,076,120

[(1)] Core FFO was adjusted for these items beginning in 2022. Core FFO for 2021 was also adjusted by these items for comparability.

[(2)] Acquisition fees and expenses include costs associated with the CMOF Merger and the 2021 Mergers.

[(3)] Core FFO for the years ended December 31, 2022 and 2021 was adjusted to include $20,320 and $51,761 of performance participation allocation expense, respectively.

Unregistered Sale of Equity Securities

During the year ended December 31, 2022, we sold equity securities that were not registered under the Securities Act as described below.

On November 8, 2019, we launched the 2019 Private Offering, a best-efforts private placement offering exempt from registration pursuant to Rule 506(b) of Regulation D of the Securities Act. During the year ended December 31, 2022, we issued and sold 1,547,184 shares of our Series 2019 Preferred Stock in the Private Offering and received aggregate proceeds of $15.4 million. In connection with the sale of these shares in the 2019 Private Offering, we paid aggregate selling commissions of $1.0 million and placement fees of $0.3 million. In March 2022, the 2019 Private Offering was fully subscribed.

On December 13, 2022, we launched the 2023 Private Offering, a best-efforts private placement offering exempt from registration pursuant to Rule 506(b) of Regulation D of the Securities Act. No shares of our Series 2023 Preferred Stock had been sold as of December 31, 2022. Additional information about the 2023 Private Offering and sales of Series 2023 Preferred Stock in the 2023 Private Offering are disclosed under Item 3.02 in our Current Reports on Form 8-K.

During the year ended December 31, 2022, we issued 280,889 shares of Class I common stock upon exchange of 280,889 CROP Units held by various limited partners. The issuance of such shares of common stock was effected in reliance upon an exemption from registration provided by Section 4(a)(2) under the Securities Act and the rules and regulations promulgated thereunder. We relied on the exemption based on representations given by the holders of the CROP Units.

On January 7, 2022 and February 4, 2022, we granted an aggregate of 11,296 and 14,754 LTIP Units, respectively, to our three independent directors as compensation for serving as directors. The LTIP Units have a one-year vesting schedule. The issuance of such shares of units was effected in reliance upon an exemption from registration provided by Section 4(a)(2) under the Securities Act and the rules and regulations promulgated thereunder.

On January 7, 2022, we granted an aggregate of 94,531 LTIP Units to our executive officers and certain of our employees as equity compensation. The LTIP Units vest over four years in equal installments on a quarterly basis, subject to continued service. In addition, on January 7, 2022, the compensation committee determined that 57,746 LTIP Units were earned by certain executive officers under performance unit awards made in January 2019. The earned LTIP units fully vest on the one-year anniversary of the last day of the performance period, subject to continued employment with us or our advisor and its affiliates. The issuance of such shares of units was effected in reliance upon an exemption from registration provided by Section 4(a)(2) under the Securities Act and the rules and regulations promulgated thereunder.

Over time, the LTIP Units can achieve full parity with CROP Units for all purposes. If such parity is reached, non-forfeitable LTIP Units may be converted into CROP Units. CROP Units may be redeemed for cash equal to the then-current market value of one share of Class I common stock or, at our election, for shares of our Class I common stock on a one-for-one basis.

On September 19, 2022, CROP issued 141,543 CROP Units in exchange for the 9.55% outstanding tenant-common-interests in Cottonwood Ridgeview. The issuance of such shares of units was effected in reliance upon an exemption from registration provided by Section 4(a)(2) under the Securities Act and the rules and regulations promulgated thereunder.

On March 22, 2022, the compensation committee of the Company approved the grant of 7,767 restricted shares of Class I common stock to non-executive level employees of the Company and of CC Advisors III and its affiliates for past and future services for the Company in a private transaction exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

Share Repurchase Program

Under our share repurchase program, to the extent we choose to repurchase shares in any particular month, we will only repurchase shares as of the opening of the last calendar day of that month (a “Repurchase Date”). Repurchases will be made at the transaction price in effect on the Repurchase Date (which will generally be equal to our prior month’s NAV per share), except that depending on the class of shares requested to be repurchased and how long the shares have been outstanding, the shares may be repurchased at a discount to the transaction price (an “Early Repurchase Deduction”) as described in the Share Repurchase Program which is filed as exhibit 99.1 to this report, subject to certain limited exceptions. Settlements of share repurchases will generally be made within three business days of the Repurchase Date.

The total amount of aggregate repurchases of our Class T, Class D, Class I, Class A and Class TX shares (all of our classes of common stock) is limited to no more than 2% of the aggregate NAV of our common stock outstanding per month and no more than 5% of our aggregate NAV of our common stock outstanding per calendar quarter.

Should repurchase requests, in our judgment, place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on the company as a whole, or should we otherwise determine that investing our liquid assets in real properties or other investments rather than repurchasing our shares is in the best interests of the company as a whole, we may choose to repurchase fewer shares in any particular month than have been requested to be repurchased, or none at all. Further, our board of directors may modify and suspend our share repurchase plan if it deems such action to be in our best interest and the best interest of our stockholders. In the event that we determine to repurchase some but not all of the shares submitted for repurchase during any month, shares repurchased at the end of the month will be repurchased on a pro rata basis.

All unsatisfied repurchase requests must be resubmitted after the start of the next month or quarter, or upon the recommencement of the share repurchase plan, as applicable.

If the transaction price for the applicable month is not made available by the tenth business day prior to the last business day of the month (or is changed after such date), then no repurchase requests will be accepted for such month and stockholders who wish to have their shares repurchased the following month must resubmit their repurchase requests.

During the three months ended December 31, 2022, we repurchased shares of our common stock in the following amounts at the then-applicable transaction price (reduced as applicable by the Early Repurchase Deduction):

Month of:	Total Number of Shares Repurchased [1]	Repurchases as a Percentage of NAV [2]	Average Price Paid per Share	Maximum Number of Shares Pending Repurchase Pursuant to Publicly Announced Plans or Programs [3]
October 2022	65,524	0.1732167 %	$18.9811	—
November 2022	289,665	0.7682443 %	$19.1651	—
December 2022	309,134	0.7936880 %	$18.0979	—
Total	664,323			

[1] All shares have been repurchased pursuant to our share purchase program.

[2] Represents aggregate NAV of the shares repurchased under our share repurchase plan over aggregate NAV of all shares of our common stock outstanding, in each case, based on our NAV as of the last calendar day of the prior month. Pursuant to our share repurchase program, we may repurchase up to 2% of the aggregate NAV of our common stock outstanding per month and 5% of the aggregate NAV of our common stock outstanding per calendar quarter.

[3] All repurchase requests under our share repurchase plan were satisfied. We funded our repurchases with cash available from operations, financing activities and capital raising activities.

Holders

The following tables shows the number of shares and holders of each class of common equity outstanding as of March 21, 2023, including shares held by our affiliates:

	Class			
	T	D	I	A
Outstanding shares	5,109,646	165,927	4,113,814	26,173,599
Number of stockholders	1,385	50	1,069	5,112

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K/A. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those in this discussion as a result of various factors, including but not limited to those discussed under "Cautionary Note Regarding Forward Looking Statements" and in Item 1A, "Risk Factors."

Overview

Cottonwood Communities, Inc. invests in a diverse portfolio of multifamily apartment communities and multifamily real estate-related assets throughout the United States. We are externally managed by our advisor, CC Advisors III, a wholly owned subsidiary of our sponsor, Cottonwood Communities Advisors, LLC. We were incorporated in Maryland in 2016. We hold all of our assets through the Operating Partnership. Our operating partnership was Cottonwood Communities O.P., LP ("CCOP") prior to the CRII Merger and is Cottonwood Residential O.P., LP after the CRII Merger. We are the sole member of the sole general partner of the Operating Partnership and own general partner interests in the Operating Partnership alongside third party limited partners.

Cottonwood Communities, Inc. is a non-traded perpetual-life, NAV REIT. We qualified as a REIT for U.S. federal income tax purposes beginning with the taxable year ended December 31, 2019. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT.

As December 31, 2022, we had received net proceeds of $295.5 million from the sale of common stock and $127.0 million from the sale of Series 2019 Preferred Stock. We have contributed our net proceeds to CROP in exchange for a corresponding number of mirrored OP units in CROP. CROP has primarily used the net proceeds to make investments in real estate, multifamily real estate-related assets, and real estate related operations.

As of December 31, 2022, we had a portfolio of $2.6 billion in total assets, with 84.8% of our equity value in operating properties, 10.9% in development and 4.3% in real estate-related investments. Refer to the section "Our Investments" below for further description of our portfolio.

Restatement

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" has been amended and restated to give effect to the Restatement as more fully described in the Explanatory Note above. Other than to give effect to the Restatement, this section does not substantively amend, update or change any disclosures or analysis contained in the Original Filing, and accordingly, does not reflect any information or events occurring after March 24, 2023, the filing date of the Original Filing, or modify or update those disclosures affected by events that occurred at a later date or facts that subsequently became known to us, except to the extent they are otherwise required to be included and discussed herein.

2022 Activities

The following highlights activities that occurred during the year ended December 31, 2022.

Operating Results and Net Asset Value

- Attained net loss attributable to common stockholders of $0.53 per diluted share compared to $2.49 for same period in the prior year.
- Achieved funds from operations attributable to common stockholders and unit holders ("FFO") of $0.28 per diluted share/unit. In addition, Core FFO was $0.02 per diluted share/unit, compared to $(0.94) per share/unit for the same period in the prior year. Core FFO has been adjusted from the Original Filing to include the performance participation allocation expense, consistent with the policy change as described under the section "Funds from Operations" in Item 5 of this report.
- Achieved stabilization of two developments, Sugarmont and Park Avenue.
- Determined net asset value of $19.5788 per share/unit at December 31, 2022, compared to $17.2839 per share/unit at December 31, 2021.

Transaction Activity

- Merged with Cottonwood Multifamily Opportunity Fund, Inc., acquiring the remaining interests in two development properties and an additional interest in a joint venture holding land for development.
- Acquired Cottonwood Lighthouse Point, a 243-unit apartment community in Pompano Beach, FL, for $95.5 million.
- Acquired Cottonwood Clermont, a 230-unit apartment community in Clermont, FL, for $85.0 million, through a 1031 exchange with the sale of our interest in 3800 Main.
- Acquired the remaining tenant-in-common interests of Cottonwood Ridgeview.
- Acquired a 26-acre complex called Galleria in Salt Lake City, UT, for $28.5 million with the intent to re-develop.
- Committed $33.4 million of preferred equity to 417 Callowhill, a multifamily development in Philadelphia, PA, funding $8.7 million in 2022.
- Received repayment of principal and accrued interest plus a $1.8 million minimum make-whole payment with the prepayment of our Integra Peaks mezzanine loan investment.
- Sold equity method investments in 3800 Main and Alpha Mill, recognizing $8.1 million of gains from these investments.
- Recapitalized Block C and Jasper (developments now known as Westerly, Millcreek North and The Archer), receiving $10.9 million from affiliated investors.

Financing and Capital Raise Activity

- Obtained an aggregate of $464.4 million in property-level financing, of which $264.5 million was at a fixed rate of 3.40%, and repaid $231.2 million.
- Increased the capacity of our revolving credit facility from $74.9 million to $125.0 million.
- Fully redeemed our Series 2016 Preferred Stock and Series 2017 Preferred Stock for $139.8 million and $2.6 million, respectively.
- Executed additional draws of $38.3 million on construction loans to further the completion of our development projects and refinanced $59.7 million of construction loans with permanent debt.
- Raised $15.5 million from the sale of Series 2019 Preferred Stock.
- Launched the Series 2023 Preferred Stock best efforts, private placement offering.
- Raised $170.8 million from the sale of common stock.
- Repurchased $28.4 million of common stock and CROP Units at an average discount of 8% to NAV.
- Distributed $20.0 million and $22.2 million to common stockholders and limited partners, respectively.

Our Investments

Our portfolio of investments consists of ownership interests or structured investment interests in 34 multifamily apartment communities in 12 states with approximately 9,800 units, including approximately 1,300 units in four multifamily apartment communities in which we have a structured investment interest and approximately 500 units in two multifamily apartment communities under construction. In addition, we have an ownership interest in four land sites planned for development.

Information regarding our investments as of December 31, 2022 is as follows:

Stabilized Properties ($ in thousands, except net effective rents)

Property Name	Market	Number of Units	Average Unit Size (Sq Ft)	Purchase Date	Purchase Price	Mortgage Debt Outstanding [1]	Net Effective Rent	Physical Occupancy Rate	Percentage Owned by CROP
Alpha Mill	Charlotte, NC	267	830	May 2021	$ 69,500	$ 39,044	$ 1,657	97.00%	28.29%
Cason Estates	Murfreesboro, TN	262	1,078	May 2021	51,400	33,594	1,449	95.04%	100.00%
Cottonwood Apartments	Salt Lake City, UT	264	834	May 2021	47,300	35,430	1,388	92.42%	100.00%
Cottonwood Bayview	St. Petersburg, FL	309	805	May 2021	95,900	46,209	2,490	93.85%	71.00%
Cottonwood Clermont	Clermont, FL	230	1,111	Sept 2022	85,000	35,411	2,082	86.52%	100.00%
Cottonwood Lighthouse Point	Pompano Beach, FL	243	996	June 2022	95,500	47,964	2,157	91.77%	100.00%
Cottonwood One Upland	Boston, MA	262	1,160	Mar 2020	103,600	32,400	2,728	96.18%	100.00%
Cottonwood Reserve	Charlotte, NC	352	1,021	May 2021	77,500	37,817	1,468	95.00%	91.14%
Cottonwood Ridgeview	Plano, TX	322	1,156	May 2021	72,930 [2]	65,300	1,804	96.58%	100.00%
Cottonwood West Palm	West Palm Beach, FL	245	1,122	May 2019	66,900	47,978	2,332	95.10%	100.00%
Cottonwood Westside	Atlanta, GA	197	860	May 2021	47,900	25,020	1,736	93.40%	100.00%
Enclave on Golden Triangle	Keller, TX	273	1,048	May 2021	51,600	48,400	1,681	97.44%	98.93%
Fox Point	Salt Lake City, UT	398	841	May 2021	79,400	46,000	1,431	92.71%	52.75%
Heights at Meridian	Durham, NC	339	997	May 2021	79,900	45,341	1,547	94.99%	100.00%
Melrose	Nashville, TN	220	951	May 2021	67,400	56,600	1,879	95.91%	100.00%
Melrose Phase II	Nashville, TN	139	675	May 2021	40,350	32,400	1,675	91.37%	79.82%
Parc Westborough	Boston, MA	249	1,008	May 2021	74,000	21,600	2,306	93.98%	100.00%
Park Avenue	Salt Lake City, UT	234	714	May 2021	67,031 [3]	37,000	1,899	94.44%	100.00%
Pavilions	Albuquerque, NM	240	1,162	May 2021	61,100	58,500	1,797	90.00%	96.35%
Raveneaux	Houston, TX	382	1,065	May 2021	57,500	47,400	1,370	95.03%	96.97%
Regatta	Houston, TX	490	862	May 2021	48,100	35,367	1,049	93.46%	100.00%
Retreat at Peachtree City	Peachtree City, GA	312	980	May 2021	72,500	48,719	1,675	95.19%	100.00%
Scott Mountain	Portland, OR	262	927	May 2021	70,700	48,373	1,661	87.79%	95.80%
Stonebriar of Frisco	Frisco, TX	306	963	May 2021	59,200	53,600	1,540	96.73%	84.19%
Sugarmont	Salt Lake City, UT	341	904	May 2021	139,473 [4]	105,000	2,236	91.20%	99.00% [5]
Summer Park	Buford, GA	358	1,064	May 2021	75,500	44,620	1,533	94.97%	98.68%
The Marq Highland Park [6]	Tampa, FL	239	999	May 2021	65,700	34,005	2,059	97.49%	100.00%
Toscana at Valley Ridge	Lewisville, TX	288	738	May 2021	47,700	30,700	1,279	98.26%	58.60%
Total / Weighted-Average		8,023	963		$1,970,584	$ 1,239,792	$ 1,742	94.17%	86.59%

[1] Mortgage debt outstanding is shown as if CROP owned 100% of the property.

[2] We acquired 90.45% of Cottonwood Ridgeview with the CRII Merger at a value of $70.0 million. The remaining 9.55% was acquired through the issuance of CROP Units valued at $2.9 million on the close date in September 2022.

[3] We acquired a partial interest in the Park Avenue development joint venture with the CRII Merger at a value of $42.3 million and acquired the remaining ownership interest in the Park Avenue development joint venture with the CMOF Merger. The $67.0 million above represents the total capitalized costs on the project placed in service through December 31, 2022.

[4] We acquired the Sugarmont development with the CRII Merger at a value of $112.5 million. The $139.5 million above represents the total capitalized costs on the project placed in service through December 31, 2022.

[5] The one percent interest not owned by us has limited rights, including the right to control on behalf of the joint venture the prosecution and resolution of all litigation, claims, or causes of action that the joint venture has or may have against certain third parties associated with the design and construction of Sugarmont, as well as the obligation to defend any cross claims resulting from these actions.

[6] Excludes the commercial data in units count and physical occupancy.

Development Properties ($ in thousands)

Property Name	Market	Units to be Built	Average Unit Size (Sq Ft)	Purchase Date	Completion Date	Total Project Investment	Construction Debt Outstanding [1]	Percentage Owned by CROP
Cottonwood Broadway	Salt Lake City, UT	254	817	May 2021	1Q2023	$ 71,703	$ 39,728	100.00%
Cottonwood Highland [2]	Salt Lake City, UT	250	757	May 2021	2Q2023	43,894	18,599	36.93% [2]
Total		504				$ 115,597	$ 58,327	

[1] Construction debt outstanding is shown as if CROP owned 100% of the development property.

[2] Intended to qualify as a qualified opportunity zone investment. Excludes the commercial data in unit count. CROP's percentage ownership is not proportionate to the total amount CROP invested in the project.

Structured Investments ($ in thousands)

Property Name	Market	Investment Type	Date of Initial Investment	Number of Units	Funding Commitment	Amount Funded to Date
Lector85	Ybor City, FL	Preferred Equity	August 2019	254	$ 9,900	$ 9,900
Astoria West (formerly Vernon)	Queens, NY	Preferred Equity	July 2020	534	15,000	15,000
801 Riverfront	West Sacramento, CA	Preferred Equity	November 2020	285	15,092	15,092
417 Callowhill	Philadelphia, PA	Preferred Equity	November 2022	220	$ 33,413	$ 8,746
Total				1,293	$ 73,405	$ 48,738

Land Held for Development ($ in thousands)

Property Name	Market	Acreage	Purchase Date	Total Investment Amount	Percentage Owned by CROP
Block C (now known as Westerly and Millcreek North)	Salt Lake City, UT	2.84 acres	May 2021	$ 37,838	78.99% [1]
Jasper (now known as The Archer)	Salt Lake City, UT	0.79 acres	June 2021	11,889	79.90% [2]
3300 Cottonwood	Salt Lake City, UT	1.76 acres	October 2021	7,521	100.00%
Galleria	Salt Lake City, UT	26.07 acres	September 2022	28,593	100.00%
Total				$ 85,841	

[1] On June 28, 2022, Block C, the joint venture owning land for the development of Westerly and Millcreek North, was recapitalized. We provided additional capital contributions and obtained a majority interest, and subsequently increased our ownership interest again when we merged with CMOF on September 27, 2022. At the time of recapitalization, we admitted two affiliated entities as members in the joint venture (the "Affiliated Members"). The Affiliated Members are owned directly or indirectly by certain officers or directors, as well as certain employees of CROP and our advisor or its affiliates.

[2] On June 28, 2022, the Affiliated Members were admitted as members in the The Archer joint venture and provided a capital contribution.

Results of Operations

Our results of operations for the years ended December 31, 2022 and 2021 are as follows ($ in thousands, except share and per share data):

	Year Ended December 31,		
	2022	2021	Change
Revenues			
Rental and other property revenues	$ 123,627	$ 73,129	$ 50,498
Property management revenues	11,131	8,597	2,534
Other revenues	3,544	1,455	2,089
Total revenues	138,302	83,181	55,121
Operating expenses			
Property operations expense	44,846	27,759	17,087
Property management expense	17,839	11,302	6,537
Asset management fee	17,786	8,052	9,734
Performance participation allocation	20,320	51,761	(31,441)
Depreciation and amortization	54,595	63,397	(8,802)
General and administrative expenses	11,876	10,211	1,665
Total operating expenses	167,262	172,482	(5,220)
Loss from operations	(28,960)	(89,301)	60,341
Equity in earnings (losses) of unconsolidated real estate entities	12,393	(533)	12,926
Interest income	92	207	(115)
Interest expense	(52,310)	(26,954)	(25,356)
Gain on sale of real estate assets	—	10,912	(10,912)
Gain on sale of unconsolidated real estate entities	8,129	—	8,129
Promote from incentive allocation agreement	30,702	—	30,702
Other income	3,883	2	3,881
Loss before income taxes	(26,071)	(105,667)	79,596
Income tax expense	(7,959)	(1,238)	(6,721)
Net loss	(34,030)	(106,905)	72,875
Net loss attributable to noncontrolling interests:			
Limited partners	17,594	58,923	(41,329)
Partially owned entities	787	4,066	(3,279)
Net loss attributable to common stockholders	$ (15,649)	$ (43,916)	$ 28,267
Weighted-average common shares outstanding	29,274,236	17,603,981	11,670,255
Net loss per common share - basic and diluted	$ (0.53)	$ (2.49)	$ 1.96

Rental and Other Property Revenues, Property Operations Expense

Rental and other property revenues increased $50.5 million and property operations expense increased $17.1 million. Additional rental and property revenues of $41.4 million and additional property operations expense of $13.9 million are attributable to a full year of activity in 2022 from the properties acquired with the 2021 Mergers compared to less than eight months of activity in 2021. The acquisitions of Cottonwood Clermont, Cottonwood Lighthouse, and Cottonwood Ridgeview in 2022 also contributed $7.6 million of rental and property revenues and $2.9 million of additional operations expense. In general, we had higher rents and higher operating costs across our portfolio.

Property Management Revenues and Property Management Expenses

Property management revenues and property management expenses increased $2.5 million and $6.5 million, respectively. The increase was due to a full year of activity in 2022 from the property management business acquired with the CRII Merger compared to less than eight months of activity in 2021. This was offset by the loss in February 2022 of a portfolio of 12 properties which we managed for a third party. Our consolidated properties are managed by us. The property management income received from our consolidated properties is eliminated with the associated expense at those properties.

Asset Management Fee

Asset management fees increased $9.7 million due to the increase in assets acquired through the 2021 Mergers, the increase in other assets and capital raised, and overall increases in real estate values and NAV combined with a revised fee structure in 2021. Asset management fees prior to May 7, 2021 were 1.25% of gross book value. After May 7, 2021 the asset management fee was the lesser of 0.0625% gross asset value or 0.125% of net asset value each month (0.75% and 1.5% annually), with values updated monthly.

Performance Participation Allocation

The performance participation allocation expense was $20.3 million for the year ended December 31, 2022 compared to $51.8 million for the year ended December 31, 2021. The performance participation allocation, as defined in our operating partnership agreement, is based on the total return to unit holders each year and paid to an affiliate of our advisor. Total return is primarily driven by appreciation to NAV. The performance participation allocation expense was lower in 2022 compared to 2021 as the total return was higher in 2021 compared to 2022. The total return for 2021 was calculated for the period from May 7, 2021, the effective date of the amended and restated operating agreement of CROP, to December 31, 2021. Refer to Note 11 of the consolidated financial statements for additional information about the performance participation allocation.

Depreciation and Amortization

Depreciation and amortization decreased $8.8 million primarily due to certain intangible assets from the CRII Merger being fully amortized in 2021. Amortization expense for these intangible assets in 2021 was $31.8 million. This was offset by an increase of $15.9 million of depreciation due to a full year of depreciation in 2022 on properties acquired with the CRII Merger compared to less than eight months of depreciation in 2021. The acquisition of Cottonwood Lighthouse, Cottonwood Clermont, and Cottonwood Ridgeview in 2022 also contributed depreciation and amortization of $7.1 million.

Equity in Earnings (Losses) of Unconsolidated Real Estate Entities

Equity in earnings of unconsolidated real estate entities increased $12.9 million due to a full year of earnings in 2022 from the underlying properties of the equity method investments acquired with the CRII Merger compared to less than eight months of earnings in 2021. This is combined with the absence in 2022 of amortization from intangible assets acquired with the CRII Merger and increased rents. We also had increases in income on our preferred equity investments and other investments.

Interest Expense

Interest expense increased $25.4 million. Debt acquired with the CRII Merger accounted for $19.4 million of the increase due to a full year of interest in 2022 compared to less than eight months of interest in 2021 combined with higher interest rates and increased leverage on certain properties acquired. Other larger increases include $2.4 million from the acquisition of Cottonwood Lighthouse, Cottonwood Clermont, and Cottonwood Ridgeview in 2022 and $6.3 million from additional Series 2019 Preferred Stock issued. These increases were offset by a $3.5 million reduction in interest from our Series 2016 Preferred Stock that was redeemed in April 2022 and $1.2 million fewer prepayment penalties incurred in 2022.

Gain on Sale of Real Estate Assets

The $10.9 million gain on sale of real estate assets in 2021 is primarily from the sale of a 43% interest in Alpha Mill.

Gain on Sale of Unconsolidated Real Estate Entities

The gain on sale of unconsolidated real estate entities of $8.1 million in 2022 is from the sale of additional interests in Alpha Mill and the sale of 3800 Main to a third party.

Promote from Incentive Allocation Agreement

In 2018, CROP sold a portfolio of 12 properties to an unrelated real estate firm. Under the sales arrangement, CROP entered into an incentive allocation agreement that entitled CROP to participate in distributions from the portfolio should returns exceed certain amounts. During the first quarter of 2022 the real estate firm sold the portfolio of properties. Our taxable REIT subsidiary realized a promote distribution of $30.7 million from the sale. We managed the portfolio on behalf of the real estate firm prior to the portfolio being sold.

Income Tax Expense

Income tax expense increased $6.7 million primarily due to the tax liability on the $30.7 million promote distribution combined with higher income at our taxable REIT subsidiary.

Other Income

Other income increased $3.9 million primarily due to gains from increases in the fair value of our interest rate caps.

Policies Regarding Operating Expenses

Our advisor must reimburse us the amount by which our aggregate total operating expenses for the four fiscal quarters then ended exceed the greater of 2% of our average invested assets or 25% of our net income (the 2%/25% Limitation), unless the conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. For the four consecutive quarters ended December 31, 2022, our total operating expenses exceeded the 2%/25% Limitation.

Based upon a review of unusual and non-recurring factors, including but not limited to the performance participation allocation expense and the costs of the CMOF Merger, our independent directors determined that the excess expenses were justified.

Liquidity and Capital Resources

Our principal demands for funds during the short and long-term are and will be for the acquisition of multifamily apartment communities and investments in multifamily real estate-related assets; operating expenses, including the management fee we pay to our advisor and the performance participation allocation; capital expenditures, including those on our development projects; general and administrative expenses; payments under debt obligations; repurchases of common and preferred stock; and payments of distributions to stockholders. We will obtain the capital required to purchase multifamily apartment communities and make investments in multifamily real estate-related assets and conduct our operations from the proceeds of the 2023 Private Offering, the Follow-on Offering, from our credit facilities, other secured or unsecured financings from banks and other lenders, and from any undistributed funds from our operations.

We intend to strengthen our capital and liquidity positions by continuing to focus on our core fundamentals at the property level. Factors which could increase or decrease our future liquidity include but are not limited to operating performance of the properties, the rising interest rate environment, and the satisfaction of REIT dividend requirements.

As of December 31, 2022, we have $528.3 million of fixed rate debt and $575.5 million of variable rate debt, which includes $95.3 million of construction loans. We have interest rate cap hedging instruments on $318.7 million, or 55.4% of our variable rate debt. In addition, CROP has issued unsecured promissory notes in several private placement offerings, in an aggregate amount of $43.0 million as of December 31, 2022.

We have various credit facilities in place that provide us with additional liquidity. Our JP Morgan Revolving Credit Facility has a variable rate and is secured by Cottonwood One Upland and Parc Westborough. We may obtain advances secured against Cottonwood One Upland and Parc Westborough up to $125.0 million on the JP Morgan Revolving Credit Facility. We can draw upon or pay down the JP Morgan Revolving Credit Facility at our discretion, subject to loan-to-value requirements, debt service coverage ratios and other covenants and restrictions as set forth in the loan documents. As of December 31, 2022, we had advances of $54.0 million on the JP Morgan Revolving Credit Facility, with the amount we could borrow capped at $112.0 million primarily due to the rising interest rate environment. Additionally, we have three other facilities through Fannie Mae that may provide additional liquidity if necessary as long as we maintain certain loan-to-value ratios and other requirements as set forth in the loan documents.

We must redeem the Series 2019 Preferred Stock for cash at a redemption price per share equal to $10.00 plus any accrued and unpaid dividends, to the extent there are funds legally available, on December 31, 2023. This date may be extended by two one-year extension options. As of December 31, 2022, we had $127.0 million of our Series 2019 Preferred Stock outstanding. Our Series 2017 Preferred Stock was fully redeemed in the first quarter of 2022 immediately following the January 31, 2022 redemption date for $2.6 million. On April 18, 2022, we fully redeemed the Series 2016 Preferred Stock for $139.8 million.

In addition to making investments in accordance with our investment objectives, we expect to use our capital resources to pay offering costs in connection with the Follow-on Offering and the 2023 Private Offering, as well as make certain payments to our advisor pursuant to the terms of our advisory management agreement.

To maintain our qualification as a REIT, we will be required to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income (computed without regard to the dividends-paid deduction and excluding net capital gain). Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant.

Material Cash Requirements

Our expected material cash requirements for the 12 months ended December 31, 2023 and thereafter are comprised of (i) contractually obligated expenditures; (ii) other required expenditures; and (iii) capital expenditures.

Contractually Obligated Expenditures

The following table summarizes our debt payments (excluding extension options), redeemable preferred stock (excluding extension options, deferred financing costs and offering costs), interest payment obligations (excluding debt premiums and discounts, unused fees and deferred financing costs), remaining commitments on our preferred equity investments, obligations under non-cancelable operating leases (excluding renewal options), and obligations under our advisory agreement (excluding renewal options) as of December 31, 2022 ($ in thousands):

	Twelve Months Ended December 31, 2023	Thereafter
Debt repayments [(1)]	$ 230,187	$ 916,531
Preferred stock redemptions [(2)]	127,065	—
Interest payments [(3)]	60,601	230,494
Preferred equity investments	24,666	—
Operating leases	142	—
Asset management fee [(4)]	6,552	—
	$ 449,213	$ 1,147,025

(1) Includes mortgages notes, unsecured promissory notes, revolving credit facilities, and construction loans. Of the amounts maturing in 2023, $20.7 million relates to our 2017 6% Unsecured Promissory Notes, which can be extended to December 31, 2024, $22.2 million relates to our 2019 6% Unsecured Promissory Notes, which can be extended to December 31, 2025, $54.0 million relates to our variable rate revolving credit facility, which can be extended to March 19, 2025, subject to the satisfaction of certain conditions, and $55.5 million relates to mortgage notes that were refinanced in February 2023.

(2) The Series 2019 Preferred stock can be extended to December 31, 2025.

(3) Scheduled interest payments included in these amounts for variable rate loans are presented using rates (including the impact of interest rate swaps) as of December 31, 2022.

(4) Estimate based on the value of the portfolio as of December 31, 2022 with fees through May 7, 2023, the advisory agreement renewal date. In addition, as long as the advisory agreement is in effect, we are obligated to pay an affiliate of the advisor a Performance Participation Allocation should certain return hurdles be met. Refer to Note 11 of the consolidated financial statements. For the year ended December 31, 2022 the asset management fee was $17.8 million and the performance participation allocation was $20.3 million.

Refer to subsequent events below for information on refinances, redemptions, or exercised extension options after December 31, 2022.

Other Required Expenditures

We incur certain other required expenditures in the ordinary course of business, such as utilities, insurance, real estate taxes, third-party management fees, certain capital expenditures related to the maintenance of our properties, and corporate level expenses. Additionally, we carry comprehensive insurance to protect our properties against various losses. The amount of insurance expense that we incur depends on the assessed value of our properties, prevailing market rates, changes in risk. Furthermore, we incur real estate taxes in the various jurisdictions in which we operate. The amount of real estate taxes that we incur depends on changes in the assessed value of our properties and changes in tax rates assessed by certain jurisdictions.

In order to continue to qualify as a REIT for federal income tax purposes, we must meet several organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. We intend to continue to satisfy this requirement and maintain our REIT status.

The following table shows distributions paid and cash flow provided by operating activities during the years ended December 31, 2022 and 2021 ($ in thousands):

	December 31,				
	2022			2021	
Distributions paid in cash - common stockholders	$	20,032		$	9,482
Distributions paid in cash to noncontrolling interests - limited partners		22,198			10,591
Distributions of DRP (reinvested)		2,219			141
Total distributions [1]	$	44,449		$	20,214
Source of distributions [2]					
Paid from cash flows provided by operations	$	18,574	[3]	$	11,044
Paid from additional borrowings		14,022	[3]		5,000
Paid from offering proceeds		9,634			4,029
Offering proceeds from issuance of common stock pursuant to the DRP		2,219			141
Total sources	$	44,449		$	20,214
Net cash provided by operating activities [2]	$	3,768	[3]	$	5,424

[1] Distributions are paid on a monthly basis. In general, distributions for all record dates of a given month are paid on or about the fifth business day of the following month.

[2] The allocation of total sources is calculated on a quarterly basis. Generally, for purposes of determining the source of our distributions paid, we assume first that we use positive cash flow from operating activities from the relevant or prior quarter to fund distribution payments. As such, amounts reflected above as distributions paid from cash flows provided by operations may be from prior quarters which had positive cash flow from operations. Due to the Restatement and corrections to our cash flow from operations as discussed in Note 3 to the consolidated financial statements included in this Amendment, we have restated the information regarding the source of funding for distributions provided as of December 31, 2022 to reflect the correction for the change to our cash flow from operations.

[3] 2022 as restated.

For the year ended December 31, 2022, distributions declared to common stockholders and limited partners were $20.8 million and $22.3 million, respectively. For the year ended December 31, 2022, we paid cash distributions to common stockholders of $20.0 million and limited partners of $22.2 million. For the year ended December 31, 2022, our net loss was $34.0 million. Cash flows provided by operating activities for the year ended December 31, 2022 was $3.8 million (restated).

Quarterly Distributions

As discussed in the Explanatory Note, we have restated our unaudited consolidated quarterly financial information for the periods ended March 31, 2022, June 30, 2022 and September 30, 2022. Information about the restatement of our consolidated quarterly financial statements is provided in Note 15 of the consolidated financial statements.

The following tables show the distributions paid and cash flow provided by (used in) operating activities as restated for the periods presented (in thousands):

	Three Months Ended March 31, 2022	Six Months Ended June 30, 2022	Nine Months Ended September 30, 2022
Distributions paid in cash - common stockholders	$ 4,174	$ 8,774	$ 13,842
Distributions paid in cash to noncontrolling interests - limited partners	5,460	11,018	16,507
Distributions of DRP (reinvested)	466	979	1,563
Total distributions [1]	$ 10,100	$ 20,771	$ 31,912
Source of distributions [2]			
Paid from cash flows provided by operations	$ —	$ 4,537 [3]	$ 12,003 [3]
Paid from additional borrowings	—	5,621 [3]	8,712 [3]
Paid from offering proceeds	9,634	9,634	9,634
Offering proceeds from issuance of common stock pursuant to the DRP	466	979	1,563
Total sources	$ 10,100	$ 20,771	$ 31,912
Net cash used in operating activities [2]	$ (16,398) [3]	$ (10,269) [3]	$ (2,803) [3]

[1] Distributions are paid on a monthly basis. In general, distributions for all record dates of a given month are paid on or about the fifth business day of the following month.

[2] The allocation of total sources is calculated on a quarterly basis. Generally, for purposes of determining the source of our distributions paid, we assume first that we use positive cash flow from operating activities from the relevant or prior quarter to fund distribution payments. As such, amounts reflected above as distributions paid from cash flows provided by operations may be from prior quarters which had positive cash flow from operations. Due to the Restatement and corrections to our cash flow from operations as discussed in Note 15 to the consolidated financial statements included in this Amendment, we have restated the quarterly 2022 information in the table above to reflect the correction for the change to our cash flow from operations.

[3] As restated.

Capital Expenditures

We deployed $88.6 million during the year ended December 31, 2022 for capital expenditures, funded by debt, proceeds from our offerings and sale of assets, joint venture partners, and property operations and have $52.4 million of capital expenditures budgeted for 2023. The properties in which we deployed the most capital during the year ended December 31, 2022, which were all under development in 2022, are listed separately and the capital expenditures made on all other properties are aggregated in "All other properties" below ($ in thousands):

	2022		2023	
Property Name	Total Capital Deployed	CCI/CROP Funded	Capital Budgeted	CCI/CROP Funded
Cottonwood Broadway	$ 13,493	$ 1,095	$ 5,850	$ 1,165
Sugarmont	5,869	5,869	700	700
Park Avenue	7,506	1,858	50	50
Cottonwood Highland	20,439	—	18,000	—
Galleria	28,593	28,593	1,500	1,500
All other properties	12,728	12,206	26,280	22,680
	$ 88,628	$ 49,621	$ 52,380	$ 26,095

Cash Flows

The net change in our cash and cash equivalents and restricted cash is summarized as follows ($ in thousands):

	For the Year Ended December 31,	
	2022	2021
Net cash provided by operating activities	$ 3,768 [1]	$ 5,424
Net cash used in investing activities	(161,120)	(44,297)
Net cash provided by financing activities	207,486 [1]	79,630
Net increase in cash and cash equivalents and restricted cash	50,134	40,757

[1] 2022 as restated.

Cash flows provided by operating activities decreased $1.7 million (restated) primarily due to the $51.8 million payment of the 2021 performance allocation in 2022 and the increase in interest paid on our debt, partially offset by a full year of activity from the properties acquired with the 2021 Mergers in 2022 compared to less than eight months of activity in 2021, the acquisitions of Cottonwood Clermont, Cottonwood Lighthouse, and Cottonwood Ridgeview in 2022, and income generated from our preferred equity investments and other investments.

Cash flows used in investing activities increased $116.8 million primarily due to $144.1 million of cash used in acquisitions in 2022, $3.9 million of additional cash used in development activities, and $78.0 million of cash provided by investing activities in 2021 that did not occur in 2022, which included $51.9 million from the CRII Merger. These increases were offset by fewer investments in unconsolidated real estate entities of $14.6 million, $28.8 million received from sales of unconsolidated real estate investments, $38.8 million of distributions received from unconsolidated real estate investments as a return of capital, $13.0 million from the payoff of a debt-related real estate investment, and $15.6 million of cash used in investing activities in 2021 that did not occur in 2022.

Cash flows provided by financing activities increased $127.9 million (restated) due to an increase of $197.8 million in mortgage notes, credit facilities, and construction loans, net of repayments and issuance costs, an increase of $160.4 million (restated) in net proceeds from the issuance of common stock, $11.9 million received from noncontrolling interests, and fewer repurchases of unsecured promissory notes of $4.5 million. This was offset by fewer issuances of preferred stock of $57.0 million, an increase of $141.4 million in preferred stock redemptions, an increase of $23.4 million in common stock and OP unit redemptions, and an increase of $25.0 million in distributions.

Quarterly Cash Flows

As discussed in the Explanatory Note, we have restated our unaudited consolidated quarterly financial information for the periods ended March 31, 2022, June 30, 2022 and September 30, 2022. Information about the restatement of our consolidated quarterly financial statements is provided in Note 15 of the consolidated financial statements.

The following tables show the net change in our cash and cash equivalents and restricted cash (in thousands) as restated for the periods presented (in thousands):

	Three Months Ended March 31,	
	2022	2021
Net cash used in operating activities	$ (16,398) [1]	$ (202)
Net cash provided by (used in) investing activities	20,084	(3,372)
Net cash provided by financing activities	101,109 [1]	6,360
Net increase in cash and cash equivalents and restricted cash	$ 104,795	$ 2,786

[1] Three months ended March 31, 2022 as restated.

	Six Months Ended June 30,	
	2022	2021
Net cash (used in) provided by operating activities	$ (10,269) [1]	$ 5,807
Net cash (used in) provided by investing activities	(58,020)	21,550
Net cash provided by financing activities	163,608 [1]	25,293
Net increase in cash and cash equivalents and restricted cash	$ 95,319	$ 52,650

[1] Six months ended June 30, 2022 as restated.

	Nine Months Ended September 30,	
	2022	2021
Net cash (used in) provided by operating activities	$ (2,803) [1]	$ 10,842
Net cash used in investing activities	(140,835)	(12,189)
Net cash provided by financing activities	194,802 [1]	59,748
Net increase in cash and cash equivalents and restricted cash	$ 51,164	$ 58,401

[1] Nine months ended September 30, 2022 as restated.

Given that the changes in cash flows for the quarterly periods are the result of largely similar events, we determined that a comprehensive discussion of changes in cash flows for each quarterly period was not as meaningful to the reader of the financial statements and have provided the following summary.

The changes in cash flows provided by (used in) operating activities for the three months ended March 31, 2022, six months ended June 30, 2022 and nine months ended September 30, 2022 when compared to the same periods in the prior year are primarily due to the $51.8 million payment of the 2021 performance allocation in 2022 and the increase in interest paid on our debt, partially offset by a full year of activity from the properties acquired with the 2021 Mergers in 2022 compared to less than eight months of activity in 2021, three acquisitions which occurred in 2022, and income generated from our preferred equity investments and other investments.

The changes in cash flows provided by (used in) investing activities for the three months ended March 31, 2022, six months ended June 30, 2022 and nine months ended September 30, 2022 when compared to the same periods in the prior year are primarily due to the change in investment activity for preferred equity investments, development projects, and real estate acquisitions. In addition, events such as sales of unconsolidated real estate investments, distributions received from unconsolidated real estate investments as a return of capital, and the payoff of debt-related real estate investments contribute to cash provided by investing activities.

The changes in cash flows provided by financing activities for the three months ended March 31, 2022, six months ended June 30, 2022 and nine months ended September 30, 2022 when compared to the same periods in the prior year are primarily due to the net changes in our debt, proceeds received from the issuance of preferred stock, proceeds received from the issuance of common stock, distributions, redemptions, and repurchases.

Critical Accounting Estimates

A critical accounting estimate is one that is both important to our financial condition and results of operations and that involves some degree of uncertainty. The preceding discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and the notes thereto, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances; however, actual results may differ from these estimates and assumptions.

We believe that the estimates and assumptions summarized below are most important to the portrayal of our financial condition and results of operations because they involve a significant level of estimation uncertainty and they have had, or are reasonably likely to have, a material impact on our financial condition or results of operations. For a discussion of all of our significant accounting policies, refer to Note 2 of the consolidated financial statements in this Annual Report on Form 10-K/A.

Investments in Real Estate

In accordance with Accounting Standards Codification Topic 805, *Business Combinations*, we determine whether an acquisition qualifies as a business combination or as an asset acquisition. We account for business combinations by recognizing assets acquired and liabilities assumed at their fair values as of the acquisition date. We account for asset acquisitions by allocating the total cost to the individual assets acquired and liabilities assumed on a relative fair value basis. Acquired assets and liabilities include land, building, furniture, fixtures and equipment, identified intangible assets, and debt.

We may use significant subjective inputs in determining fair values. The methods we use are similar to those used by independent appraisers, and include using replacement cost estimates less depreciation, discounted cash flows, market comparisons, and direct capitalization of net operating income. The fair value of debt is a present value application which discounts the difference between the remaining contractual and market debt service payments at an equity discount rate. The equity discount rate is an estimated levered return and is calculated using the loan to value, unlevered property discount rate, and a market rate.

Subsequent Events

Cottonwood Lighthouse Point Tenant In Common Sale

On February 14, 2023 we sold tenant in common interests in Cottonwood Lighthouse Point for $13.6 million, reducing our ownership from 100% to 86.8%. As a result of this transaction, Cottonwood Lighthouse Point will be deconsolidated on February 14, 2023 and our remaining ownership interest in this property will be recorded as an investment in unconsolidated real estate.

Financing Activity

On February 28, 2023, we refinanced seven properties through individual, uncrossed loans with one lender for $326.0 million, receiving net proceeds of $58.0 million. The loans have a weighted average term of 6.8 years with a weighted average fixed rate of 5.08%. Two of the properties are unconsolidated.

On March 17, 2023, we exercised one of our two extension options on the JP Morgan Revolving Credit Facility and extended the maturity date of the credit facility to March 19, 2024.

On March 22, 2023, we entered a loan modification agreement with respect to the mortgage loan on Sugarmont to reduce the loan to $91.2 million and convert the interest rate from a floating rate to a fixed rate of 5.9%.

Performance Participation Allocation Payment

On March 2, 2023, we paid the $20.3 million owed to an affiliate of our advisor for the 2022 performance participation allocation.

Status of the 2023 Private Offering

As of March 21, 2023, we sold 2,761,203 shares of Series 2023 Preferred Stock for aggregate gross offering proceeds of $27.6 million. In connection with the sale of these shares in the 2023 Private Offering, the Company paid aggregate selling commissions of $1.6 million and placement fees of $0.8 million.

Status of the Follow-on Offering

We sold the following through our Follow-on Offering after December 31, 2022 ($ in thousands):

	Class				
	T	D	I	A	Total
Shares issued through Primary Offering	312,220	101,083	257,426	—	670,729
Shares issued through DRP Offering	7,428	171	6,210	21,751	35,560
Gross Proceeds	$ 6,326	$ 2,014	$ 5,069	$ —	$ 13,409

Distributions Declared - Common Stock

The following monthly distributions have record dates after December 31, 2022:

Stockholder Record Date	Monthly Rate	Annually
January 31, 2023	$ 0.06083333	$ 0.73
February 28, 2023	$ 0.06083333	$ 0.73
March 31, 2023	$ 0.06083333	$ 0.73

Grant of LTIP Unit Awards

On January 6, 2023, we issued LTIP Units from the Operating Partnership to our executive officers and certain employees as approved by our compensation committee. The compensation committee approved awards of time-based LTIP Units in an aggregate amount of $1,556,557. Each award will vest approximately one-quarter of the awarded amount on January 1, 2024, 2025, 2026 and 2027.

The compensation committee also approved awards of performance-based LTIP Units to our executive officers and certain of our employees in an aggregate target amount of $2,890,745. The actual amount of each performance-based LTIP Unit award will be determined at the conclusion of a three-year performance period and will depend on the internal rate of return as defined in the award agreement. The earned LTIP Units will become fully vested on the first anniversary of the last day of the performance period, subject to continued employment with the advisor or its affiliates. The number of units granted were valued by reference to our November 30, 2022 NAV per share as announced on December 16, 2022 of $19.9945.

Equity Incentive Plan

On January 6, 2023, we issued an aggregate grant of 15,723 restricted stock units with a four-year vesting schedule. Of this amount, 11,722 were issued pursuant to the Cottonwood Communities, Inc. 2022 Equity Incentive Plan.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk have been omitted as permitted under rules applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item and the report of the independent accountants thereon required by Item14(a)(2) appear as a separate section of this Annual Report on Form 10-K/A. See the accompanying Index to the Consolidated Financial Statements on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, and summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022 was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, at the time the Original Filing was made, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures (a) were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) included, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Subsequent to the original evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022 and during the Affected Periods, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described below.

Management believes that the consolidated financial statements, including restatements of previous periods, and related notes thereto included in this Annual Report on Form 10-K/A fairly present, in all material aspects, the Company's financial condition, results of operations and cash flows for the periods presented and restated.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Cottonwood Communities, Inc.; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on its consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the oversight of our board of directors, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework (2013 Framework). Based on this assessment, at the time the Original Filing was filed, management concluded that our internal control over financial reporting was effective as of December 31, 2022. Subsequent to that assessment, management identified a material weakness in internal controls described below. Consequently, management determined that our internal control over financial reporting as of December 31, 2022, was not effective as a consequence of the material weakness identified in connection with the Restatement described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified a material weakness in the design of our review control over the statement of cash flows, specifically in identifying, evaluating, and addressing noncash components. This was due to an ineffective risk assessment regarding the impact of noncash activities on the consolidated statement of cash flows. Because of this ineffective risk assessment, the cash flow review control, which is at the process level, was not designed with an attribute to address the incremental risk of noncash transactions. This ineffective design resulted in errors in the presentation of the consolidated statement of cash flows.

Management is taking steps to remediate this material weakness as described below.

Remediation Efforts to Address the Material Weakness

To remediate this deficiency, we will add an attribute to our cash flow review control to identify noncash components quarterly. Noncash components identified will be evaluated and addressed for presentation in the statement of cash flows. The review of the cash flow and changes within will be documented by the control owner and reviewed by the Chief Accounting Officer.

Until the material weakness is remediated, we will continue to perform these procedures to ensure that our consolidated financial statements are prepared in accordance with U.S. GAAP. The material weakness will not be considered remediated until the control is operating for a sufficient period of time and management has concluded, through testing, that this control is effective.

Changes in Internal Control Over Financial Reporting

Other than the changes in internal control over financial reporting described above, there have been no changes in the Company's internal control over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

See the accompanying Index to Financial Statement at page F-1 of this report.

(a)(2) Financial Statement Schedules

Schedule III - Real Estate and Accumulated Depreciation is included at page F-40 of this report.

(a)(3) Exhibits

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger by and among the Company Cottonwood Communities O.P., LP, Cottonwood Communities GP Subsidiary, LLC, Cottonwood Residential O.P., LP and Cottonwood Residential II, Inc. dated as of January 26, 2021 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed February 1, 2021)
2.2	Agreement and Plan of Merger by and among the Company, Cottonwood Communities O.P, LP, Cottonwood Communities GP Subsidiary, LLC, Cottonwood Multifamily REIT I O.P., LP and Cottonwood Multifamily REIT I, Inc. dated as of January 26, 2021 (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed February 1, 2021)
2.3	Agreement and Plan of Merger by and among the Company, Cottonwood Communities O.P., LP, Cottonwood Communities GP Subsidiary, LLC, Cottonwood Multifamily REIT II O.P., LP and Cottonwood Multifamily REIT II, Inc. dated as of January 26, 2021 (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K filed February 1, 2021)
2.4	Agreement and Plan of Merger dated July 8, 2022, by and among CCI, Merger Sub, CROP, CMOF, and CMOF OP (incorporated by reference to Exhibit 2.1 to CCI's Current Report on Form 8-K filed July 13, 2022)
3.1	Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-11 (No. 333-215272) filed June 27, 2018)
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-11 (No. 333-215272) filed December 22, 2016)
3.3	Articles Supplementary - Class A Common Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 19, 2019)
3.4	Articles Supplementary - Class T Common Stock (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed August 19, 2019)
3.5	Articles of Amendment (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed August 19, 2019)
3.6	Articles Supplementary - Preferred Stock (incorporated by reference to Exhibit 3.6 to the Company's Quarterly Report on Form 10-Q filed November 13, 2019)
3.7	Articles Supplementary for the Series 2019 Preferred Stock (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed April 2, 2021)
3.8	Articles of Amendment for the Class TX shares of common stock (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K filed April 2, 2021)
3.9	Articles Supplementary for the Class D, Class I and Class T shares of common stock (incorporated by reference to Exhibit 3.5 to the Company's Current Report on Form 8-K filed April 2, 2021)
3.10	Articles Supplementary for the Class D shares of common stock (incorporated by reference to Exhibit 3.12 to the Company's Registration Statement on Form S-4/A (No. 333-255171) filed May 13, 2021)
3.11	Articles Supplementary for the Class D and Class T shares of common stock (incorporated by reference to Exhibit 3.1 to the Company's Post-Effective Amendment no. 7 to its Registration Statement on Form S-11 (No. 333-215272) filed August 11, 2021)
3.12	Articles Supplementary for the Series 2019 Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 18, 2021)
3.13	Articles of Amendment (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 20, 2021)
3.14	Articles Supplementary for the Series 2019 Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed February 7, 2022)
3.15	Articles Supplementary for the Series 2023 Preferred Stock of Cottonwood Communities, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 16, 2022)
4.1	Form of Subscription Agreement (incorporated by reference to Appendix B to the prospectus included in the Company's Amendment no. 1 to the Registration Statement on Form S-11 (No. 333-258754) filed October 21, 2021)
4.2	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-11 (No. 333-215272) filed June 27, 2018)
4.3	Distribution Reinvestment Plan (incorporated by reference to Appendix A to the prospectus included in the Company's Amendment No. 1 to the Company's Registration Statement on Form S-11 (No. 333-258754) filed October 21, 2021)

4.4*	Description of the Company's Securities
4.5	Multiple Class Plan (incorporated by reference to Exhibit 4.1 to the Company's Post-Effective Amendment no. 7 to its Registration Statement on Form S-11 (No. 333-215272) filed August 11, 2021)
10.1	Form of Performance-Based LTIP Unit Award Agreement (incorporated by reference to Exhibit 10.19 to the Company's Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (No. 333-215272) filed April 20, 2020)
10.2	Form of Time-Based LTIP Unit Award Agreement (incorporated by reference to Exhibit 10.20 to the Company's Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (No. 333-215272) filed April 20, 2020)
10.3	Trademark License Agreement dated May 7, 2021, by and among the Company, Cottonwood Residential O.P., LP and CC Advisors III, LLC (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-4/A (No. 333-255171) filed May 12, 2021)
10.4	Reimbursement and Cost Sharing Agreement dated May 7, 2021, by and among Cottonwood Capital Management, Inc. and Cottonwood Communities Advisors, LLC (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-4/A (No. 333-255171) filed May 12, 2021)
10.5	Master Credit Facility Agreement by and among CW Apartments, LLC, CW Alpha Mills Apartments, LLC, CW Westside Apartments, LLC and Berkadia Commercial Mortgage, LLC dated August 3, 2016 (incorporated by reference to Exhibit 1U-6 to Cottonwood Multifamily REIT I, Inc.'s Current Report on Form 1-U (No. 24R-00023) filed August 9, 2016)
10.6	Tax Protection Agreement between Cottonwood Residential O.P., LP and High Traverse Holdings, LLC dated January 26, 2021 (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-4/A (No. 333-255171) filed May 12, 2021)
10.7	Form of Performance-Based CROP LTIP Unit Award Agreement (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-4/A (No. 333-255171) filed May 12, 2021)
10.8	Form of Time-Based CROP LTIP Unit Award Agreement (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-4/A (No. 333-255171) filed May 12, 2021)
10.9	Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP dated July 15, 2021 (incorporated by reference to Exhibit 10.11 to the Company's Post-Effective Amendment no. 6 to its Registration Statement on Form S-11 (No. 333-215272) filed August 2, 2021)
10.10	Dealer Manager Agreement (including the form of Soliciting Dealer Agreement) by and between the Company and Orchard Securities, LLC dated November 4, 2021 (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed November 10, 2021)
10.11	First Amendment to the Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP dated October 20, 2021 (incorporated by reference to Exhibit 10.15 to the Company's Amendment no. 1 to the Registration Statement on Form S-11 (No. 333-258754) filed October 21, 2021)
10.12	Cottonwood Communities, Inc. 2022 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (No. 333-263982) filed March 30, 2022)
10.13	Second Amendment to the Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP dated as of January 1, 2022 and effective as of November 12, 2021 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 12, 2022)
10.14	Third Amendment to the Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP entered into effective as of February 7, 2022 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed May 12, 2022
10.15	Amended and Restated Advisory Agreement by and among the Company, Cottonwood Residential O.P., LP and CC Advisors III, LLC dated May 7, 2022, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed May 12, 2022
10.16	Renewal Agreement dated May 7, 2022 by and among Cottonwood Capital Management, Inc. and Cottonwood Communities Advisors, LLC with respect to Reimbursement and Cost Sharing Agreement dated May 7, 2021, incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed May 12, 2022
10.17	Second Amended and Restated Limited Liability Company Agreement of CW Block C, LLC by and among Cottonwood Block C QOF, LLC, Cottonwood Residential O.P., LP, Cottonwood Multifamily Opportunity Fund O.P., LP, Brickyard QOF, LLC and HV Millcreek, LLC effective as of August 11, 2022, and First Amendment to the Second Amended and Restated Limited Liability Company Agreement of CW Block C, LLC effective as of September 28, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 9, 2022)
10.18	Amended and Restated Limited Liability Company Agreement of CW Jasper, LLC by and among Cottonwood Block C QOF, LLC, Brickyard QOF, LLC and HV Millcreek, LLC effective as of August 11, 2022 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 9, 2022)

10.19	Form of Coworking Space Design Agreement by and among property owning entity and APT Cowork, LLC (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed November 9, 2022)
10.20*	Form Services Agreement by and between Cottonwood Capital Management, Inc. and APT Cowork, LLC
10.21*	Fourth Amendment to the Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP entered into effective as of December 1, 2022
10.22*	Managing Broker-Dealer Agreement
10.23	Revolving Loan and Security Agreement (One Upland) between KRE JAG One Upload Owner LLC and JPMorgan Chase Bank, N.A. dated March 19, 2020 (incorporated by reference to Exhibit 10.16 to the Company's Post-Effective Amendment no. 5 to its Registration Statement on Form S-11 as filed with the SEC on April 20, 2020)
10.24	Promissory Note between KRE JAG One Upland Owner LLC and JPMorgan Chase Bank, N.A. dated March 19, 2020 (incorporated by reference to Exhibit 10.17 to the Company's Post-Effective Amendment no. 5 to its Registration Statement on Form S-11 as filed with the SEC on April 20, 2020)
21.1*	Subsidiaries of the Company
23.1**	Consent of KPMG LLP
31.1**	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2**	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Share Repurchase Program Effective as of October 7, 2021 (incorporated by reference to Exhibit 99.1 to the Company's Amendment no. 1 to its Registration Statement on Form S-11 (No. 333-258754) filed October 21, 2021
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase

*Filed with the Original Filing.
** Filed herewith

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COTTONWOOD COMMUNITIES, INC.

October 13, 2023	/s/ Adam Larson
Date	Adam Larson, Chief Financial Officer (Principal Financial Officer)
October 13, 2023	/s/ Susan Hallenberg
Date	Susan Hallenberg, Chief Accounting Officer and Treasurer (Principal Accounting Officer)

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Consolidated Financial Statements

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Financial Statement Schedule

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Cottonwood Communities, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cottonwood Communities, Inc. and subsidiaries (the Company) as of December 31, 2022 and December 31, 2021, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 31, 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Correction of a Misstatement

As discussed in Note 3 to the consolidated financial statements, the 2022 consolidated financial statements have been restated to correct a misstatement.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/KPMG LLP

We have served as the Company's auditor since 2016.

Denver, Colorado
March 24, 2023, except for Note 3, as to which the date is October 13, 2023

Cottonwood Communities, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 31,	
	2022	2021
Assets		
Real estate assets, net	$ 1,697,607	$ 1,408,483
Investments in unconsolidated real estate entities	133,207	190,733
Investments in real-estate related loans	—	13,035
Cash and cash equivalents	63,173	27,169
Restricted cash	32,351	18,221
Other assets	29,299	29,249
Total assets	$ 1,955,637	$ 1,686,890
Liabilities, Equity, and Noncontrolling Interests		
Liabilities		
Mortgage notes and revolving credit facility, net	$ 1,000,137	$ 642,107
Construction loans, net	95,327	116,656
Preferred stock, net	121,390	245,268
Unsecured promissory notes, net	42,953	43,543
Performance participation allocation due to affiliate	20,320	51,761
Accounts payable, accrued expenses and other liabilities	65,611	46,886
Total liabilities	1,345,738	1,146,221
Commitments and contingencies (Note 13)		
Equity and noncontrolling interests		
Stockholders' equity		
Common stock, Class T shares, $0.01 par value, 275,000,000 shares authorized; 4,815,122 shares issued and outstanding at December 31, 2022. No Class T shares were outstanding at December 31, 2021.	48	—
Common stock, Class D shares, $0.01 par value, 275,000,000 shares authorized; 64,673 shares issued and outstanding at December 31, 2022. No Class D shares were outstanding at December 31, 2021.	1	—
Common stock, Class I shares, $0.01 par value, 275,000,000 shares authorized; 3,861,049 and 151,286 shares issued and outstanding at December 31, 2022 and 2021, respectively.	39	2
Common stock, Class A shares, $0.01 par value, 125,000,000 shares authorized; 26,604,864 and 23,445,174 shares issued and outstanding at December 31, 2022 and 2021, respectively.	266	234
Common stock, Class TX shares, $0.01 par value, 50,000,000 shares authorized; zero and 17,520 shares issued and outstanding at December 31, 2022 and 2021, respectively.	—	—
Additional paid-in capital	414,140	275,821
Accumulated distributions	(38,049)	(17,273)
Accumulated deficit	(71,513)	(55,864)
Total stockholders' equity	304,932	202,920
Noncontrolling interests		
Limited partners	272,536	267,472
Partially owned entities	32,431	70,277
Total noncontrolling interests	304,967	337,749
Total equity and noncontrolling interests	609,899	540,669
Total liabilities, equity and noncontrolling interests	$ 1,955,637	$ 1,686,890

See accompanying notes to consolidated financial statements

Cottonwood Communities, Inc.

Consolidated Statements of Operations

(in thousands, except share and per share data)

	Year Ended December 31,	
	2022	**2021**
Revenues		
Rental and other property revenues	$ 123,627	$ 73,129
Property management revenues	11,131	8,597
Other revenues	3,544	1,455
Total revenues	138,302	83,181
Operating expenses		
Property operations expense	44,846	27,759
Property management expense	17,839	11,302
Asset management fee	17,786	8,052
Performance participation allocation	20,320	51,761
Depreciation and amortization	54,595	63,397
General and administrative expenses	11,876	10,211
Total operating expenses	167,262	172,482
Loss from operations	(28,960)	(89,301)
Equity in earnings (losses) of unconsolidated real estate entities	12,393	(533)
Interest income	92	207
Interest expense	(52,310)	(26,954)
Gain on sale of real estate assets	—	10,912
Gain on sale of unconsolidated real estate entities	8,129	—
Promote from incentive allocation agreement	30,702	—
Other income	3,883	2
Loss before income taxes	(26,071)	(105,667)
Income tax expense	(7,959)	(1,238)
Net loss	(34,030)	(106,905)
Net loss attributable to noncontrolling interests:		
Limited partners	17,594	58,923
Partially owned entities	787	4,066
Net loss attributable to common stockholders	$ (15,649)	$ (43,916)
Weighted-average common shares outstanding	29,274,236	17,603,981
Net loss per common share - basic and diluted	$ (0.53)	$ (2.49)

See accompanying notes to consolidated financial statements

Cottonwood Communities, Inc.
Consolidated Statements of Stockholders’ Equity
(in thousands)

	Cottonwood Communities, Inc. Stockholders’ Equity									Noncontrolling interests		
	Par Value											
	Common Stock Class T	Common Stock Class D	Common Stock Class I	Common Stock Class A	Common Stock Class TX	Additional Paid-In Capital	Accumulated Distributions	Accumulated Deficit	Total Stockholders’ Equity	Limited Partners	Partially Owned Entities	Total Equity and Noncontrolling Interests
Balance at December 31, 2020	$ —	$ —	$ —	$ 122	$ —	$ 121,677	$ (7,768)	$ (11,948)	$ 102,083	$ —	$ —	$ 102,083
Issuance of common stock	—	—	2	—	—	2,532	—	—	2,534	—	—	2,534
Offering costs	—	—	—	—	—	(1,705)	—	—	(1,705)	—	—	(1,705)
Distribution reinvestment	—	—	—	—	—	141	—	—	141	—	—	141
Common stock/OP Units repurchased	—	—	—	(2)	—	(2,624)	—	—	(2,626)	(2,386)	—	(5,012)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	—	869	869
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	—	—	(1,271)	(280)	(1,551)
CRII Merger	—	—	—	4	—	4,654	—	—	4,658	363,278	210,371	578,307
CMRI Merger	—	—	—	58	—	70,036	—	—	70,094	—	(73,862)	(3,768)
CMRII Merger	—	—	—	52	—	57,324	—	—	57,376	—	(61,328)	(3,952)
Other	—	—	—	—	—	—	—	—	—	1,570	—	1,570
Distributions to investors	—	—	—	—	—	—	(9,505)	—	(9,505)	(11,010)	(1,427)	(21,942)
Net loss	—	—	—	—	—	—	—	(43,916)	(43,916)	(58,923)	(4,066)	(106,905)
Reallocation of stockholders' equity and noncontrolling interests	—	—	—	—	—	23,786	—	—	23,786	(23,786)	—	—
Balance at December 31, 2021	—	—	2	234	—	275,821	(17,273)	(55,864)	202,920	267,472	70,277	540,669
Issuance of common stock	48	1	36	—	—	168,392	—	—	168,477	—	—	168,477
Offering costs	—	—	—	—	—	(14,376)	—	—	(14,376)	—	—	(14,376)
Distribution reinvestment	—	—	—	1	—	2,363	—	—	2,364	—	—	2,364
Exchanges and transfers	—	—	3	—	—	5,816	—	—	5,819	(5,818)	—	1
OP Units issued for real estate interests	—	—	—	—	—	—	—	—	—	2,930	—	2,930
CMOF Merger	—	—	—	43	—	39,393	—	—	39,436	8,273	(49,178)	(1,469)
Common stock/OP Units repurchased	—	—	(2)	(12)	—	(26,883)	—	—	(26,897)	(1,482)	—	(28,379)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	—	(210)	16,491	16,281
Other	—	—	—	—	—	1,257	—	—	1,257	3,670	—	4,927
Distributions to investors	—	—	—	—	—	—	(20,776)	—	(20,776)	(22,348)	(4,372)	(47,496)
Net loss	—	—	—	—	—	—	—	(15,649)	(15,649)	(17,594)	(787)	(34,030)
Reallocation of stockholders' equity and noncontrolling interests	—	—	—	—	—	(37,643)	—	—	(37,643)	37,643	—	—
Balance at December 31, 2022	$ 48	$ 1	$ 39	$ 266	$ —	$ 414,140	$ (38,049)	$ (71,513)	$ 304,932	$ 272,536	$ 32,431	$ 609,899

See accompanying notes to consolidated financial statements

Cottonwood Communities, Inc.

Consolidated Statements of Cash Flows

(in thousands)

	For the Year Ended December 31,	
	2022	**2021**
	(As Restated)	
Cash flows from operating activities:		
Net loss	$ (34,030)	$ (106,905)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	54,595	63,397
Gain on sale of real estate assets	—	(10,912)
Gain on sale of investments in unconsolidated real estate entities	(8,129)	—
Share-based compensation	3,670	1,570
Deferred taxes	7,622	60
Other operating	7,104	1,932
Equity in earnings (losses) of unconsolidated real estate entities	(12,393)	533
Distributions from unconsolidated real estate entities - return on capital	14,678	5,429
Changes in operating assets and liabilities:		
Other assets	(727)	(862)
Performance participation allocation	20,320	51,761
Performance participation allocation payment	(51,761)	—
Accounts payable, accrued expenses and other liabilities	2,819 [1]	(579)
Net cash provided by operating activities	3,768 [1]	5,424
Cash flows from investing activities:		
Acquisitions of real estate, net of cash acquired	(142,613)	—
Settlement of related party notes and liabilities assumed with the CMOF Merger	(1,469)	—
Cash, cash equivalents and restricted cash acquired in connection with the CRII Merger	—	51,943
Capital expenditures and development activities	(88,628)	(84,692)
Proceeds from sale of real estate assets	—	16,812
Investments in unconsolidated real estate entities	(8,943)	(23,545)
Proceeds from sale of investments in unconsolidated real estate entities	28,764	—
Distributions from unconsolidated real estate entities - return of capital	38,769	—
Contributions to investments in real-estate related loans	—	(14,173)
Proceeds from settlement of investments in real-estate related loans	13,000	9,332
Other investing activities	—	26
Net cash used in investing activities	(161,120)	(44,297)

Cottonwood Communities, Inc.

Consolidated Statements of Cash Flows (continued)

(in thousands)

	For the Year Ended December 31,	
	2022	**2021**
	(As Restated)	
Cash flows from financing activities:		
Principal payments on mortgage notes	(1,702)	(642)
Borrowings from revolving credit facility	175,000	8,500
Repayments on revolving credit facility	(141,000)	(24,000)
Borrowings under mortgage notes and term loans	464,373	5,310
Repayments of mortgage notes and term loans	(231,177)	—
Deferred financing costs on mortgage notes and term loans	(5,071)	(385)
Borrowings from construction loans	38,331	52,542
Repayments of construction loans	(59,660)	—
Proceeds from issuance of Series 2019 Preferred Stock	15,472	78,593
Redemption of preferred stock	(142,830)	(1,421)
Offering costs paid on issuance of preferred stock	(1,899)	(8,065)
Repurchase of unsecured promissory notes	(561)	(5,092)
Proceeds from issuance of common stock	170,841	2,534
Repurchase of common stock/OP Units	(28,379)	(5,012)
Offering costs paid on issuance of common stock	(9,585) [1]	(1,705)
Contributions from noncontrolling interests	11,935	—
Distributions to common stockholders	(20,032)	(9,482)
Distributions to noncontrolling interests - limited partners	(22,198)	(10,591)
Distributions to noncontrolling interests - partially owned entities	(4,372)	(1,454)
Net cash provided by financing activities	207,486 [1]	79,630
Net increase in cash and cash equivalents and restricted cash	50,134	40,757
Cash and cash equivalents and restricted cash, beginning of period	45,390	4,633
Cash and cash equivalents and restricted cash, end of period	$ 95,524	$ 45,390
Reconciliation of cash and cash equivalents and restricted cash to the consolidated balance sheets:		
Cash and cash equivalents	$ 63,173	$ 27,169
Restricted cash	32,351	18,221
Total cash and cash equivalents and restricted cash	$ 95,524	$ 45,390

Cottonwood Communities, Inc.

Consolidated Statements of Cash Flows (continued)

(in thousands)

	For the Year Ended December 31,	
	2022	**2021**
	(As Restated)	
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 45,183	$ 24,659
Income taxes paid	$ 1,314	$ 1,068
Supplemental disclosure of non-cash investing and financing activities:		
Increase in accrued deferred offering costs	$ 4,791 [1]	$ —
CMOF Merger		
CMOF related party notes assumed	$ 1,327	$ —
Net other liabilities assumed	$ 142	$ —
Cottonwood Ridgeview Acquisition		
Real estate assets, net of cash acquired	$ 68,167	$ —
Mortgage note	$ 63,795	$ —
Other assets and liabilities assumed, net	$ 642	$ —
Value of OP Units issued for real estate assets	$ 2,930	$ —
Cottonwood Clermont Acquisition		
Assumption of mortgage note	$ 35,521	$ —
CRII Merger		
Fair value of assets acquired and liabilities assumed with the CRII Merger:		
Real estate assets	$ —	$ 1,291,030
Investments in unconsolidated real estate entities	$ —	$ 120,775
Intangibles	$ —	$ 24,113
Debt	$ —	$ 734,852
Preferred stock	$ —	$ 143,979
Other assets acquired	$ —	$ 62,147
Other liabilities assumed	$ —	$ 40,926
Fair value of equity issued to CRII Shareholders in the CRII Merger	$ —	$ 4,658
Fair value of noncontrolling interests from the CRII Merger	$ —	$ 573,650
CMRI Merger		
Settlement of CMRI promissory notes and interest with CROP	$ —	$ 1,545
Net liabilities assumed with the CMRI Merger	$ —	$ 2,223
CMRII Merger		
Settlement of CMRII promissory notes and interest with CROP	$ —	$ 2,475
Net liabilities assumed with the CMRII Merger	$ —	$ 1,477

[1] Restatement related to this line item.

See accompanying notes to consolidated financial statements

Cottonwood Communities, Inc.
Notes to Consolidated Financial Statements

1. Organization and Business

Cottonwood Communities, Inc. (the "Company," "we," "us," or "our") invests in a diverse portfolio of multifamily apartment communities and multifamily real estate-related assets throughout the United States. We are externally managed by our advisor, CC Advisors III, LLC ("CC Advisors III"), a wholly owned subsidiary of our sponsor, Cottonwood Communities Advisors, LLC ("CCA"). We were incorporated in Maryland in 2016. We own all of our assets through our operating partnership. Our operating partnership was Cottonwood Communities O.P., LP ("CCOP") prior to the CRII Merger (defined below) and is Cottonwood Residential O.P., LP ("CROP" or the "Operating Partnership") after the CRII Merger. We are the sole member of the sole general partner of the Operating Partnership and own general partner interests in the Operating Partnership alongside third party limited partners.

Cottonwood Communities, Inc. is a non-traded, perpetual-life, net asset value ("NAV"), real estate investment trust ("REIT"). We qualified as a REIT for U.S. federal income tax purposes beginning with the taxable year ended December 31, 2019. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT.

We conducted our initial public offering of common stock (the "Initial Offering") from August 13, 2018 to December 22, 2020, for which we received gross proceeds of $122.0 million. The Initial Offering ended December 2020 as we pursued the 2021 Mergers described below. On November 4, 2021, after the 2021 Mergers were completed, we registered with the SEC an offering of up to $1.0 billion of shares of common stock (the "Follow-on Offering"), consisting of up to $900.0 million in shares of common stock offered in a primary offering (the "Primary Offering") and $100.0 million in shares under our distribution reinvestment plan (the "DRP Offering"). As of December 31, 2022, we have raised gross proceeds of $173.5 million from the Follow-on Offering, including $2.5 million proceeds from the DRP Offering.

On November 8, 2019, we commenced a private placement offering exempt from registration under the Securities Act pursuant to which we offered a maximum of $128.0 million in shares of Series 2019 Preferred Stock to accredited investors at a purchase price of $10.00 per share (the "2019 Private Offering"). The Private Offering was fully subscribed in March 2022, having received gross proceeds of $127.0 million.

On December 13, 2022, we commenced a second private placement offering exempt from registration under the Securities Act pursuant to which we are offering a maximum of $100.0 million in shares of our Series 2023 Preferred Stock to accredited investors at a purchase price of $10.00 per share (the "2023 Private Offering" and together with the 2019 Private Offering, the "Private Offerings").

We own and operate a diverse portfolio of investments in multifamily apartment communities located in targeted markets throughout the United States. As of December 31, 2022, our portfolio consists of ownership interests or structured investment interests in 34 multifamily apartment communities in 12 states with 9,820 units, including 1,293 units in four multifamily apartment communities in which we have a structured investment interest and another 504 units in two multifamily apartment communities under construction. In addition, we have an ownership interest in four land sites planned for development.

Cottonwood Multifamily Opportunity Fund, Inc. Merger

On July 8, 2022, we entered into an agreement and plan of merger with Cottonwood Multifamily Opportunity Fund, Inc. ("CMOF") and its operating partnership (the "CMOF OP") to merge CMOF with and into our wholly owned subsidiary and the CMOF OP with and into CROP through the exchange of stock-for-stock and units-for-units (the "CMOF Merger"). The CMOF Merger closed on September 27, 2022.

CMOF stockholders received 0.8669 shares of our Class A common stock in exchange for each share of their CMOF common stock. We issued 4,335,367 shares of Class A common stock in connection with the CMOF Merger, at an aggregate value of $89.7 million on the close date.

In connection with the merger of the CMOF OP with and into CROP, the CMOF OP partnership units outstanding held by third parties were converted into CROP common units at the same ratio as the common stock.

CROP was a joint venture partner with CMOF in all three of CMOF's investments: Park Avenue (development project), Cottonwood on Broadway (development project) and Block C, a joint venture owning land held for development in two projects called Westerly and Millcreek North. Following the CMOF Merger, we acquired CMOF's interest in these joint ventures, increasing our percentage ownership interest in the joint ventures as follows: Park Avenue, 100.0%, Cottonwood on Broadway, 100.0% and Block C, 79.0%. The remaining interests in the Block C joint venture are held either directly or indirectly by certain officers or directors, as well as certain employees of CROP and our advisor or its affiliates as discussed in Note 11. The three development projects we acquired additional interests in as a result of the CMOF Merger were already consolidated by us.

The 2021 Mergers

On January 26, 2021, we entered into stock-for-stock and unit-for unit merger agreements with three affiliated REITs and their operating partnerships. The merger with Cottonwood Residential II, Inc. ("CRII") and its operating partnership, CROP, (the "CRII Merger") closed on May 7, 2021. The merger with Cottonwood Multifamily REIT I, Inc. ("CMRI") and its operating partnership (the "CMRI Merger") closed on July 15, 2021. The merger with Cottonwood Multifamily REIT II, Inc. ("CMRII") and its operating partnership (the "CMRII Merger") also closed on July 15, 2021. We refer to the CRII Merger, the CMRI Merger and the CMRII Merger as the "2021 Mergers."

CRII stockholders received (i) 2.015 shares of our Class A common stock in exchange for their shares of common stock, (ii) one share of our Series 2016 Preferred Stock in exchange for their CRII Series 2016 Preferred Stock, and (iii) one share of our Series 2017 Preferred Stock in exchange for their CRII Series 2017 Preferred Stock.

CROP, the Operating Partnership of CRII, replaced CCOP as our operating partnership. The participating partnership units of CROP, which excluded preferred units, were split by a ratio of 2.015 ("CROP Unit Split"). Issued and outstanding partnership units of CCOP, which included Series 2019 Preferred Units, LTIP units, Special LTIP units, general partner units and common limited partnership units converted into corresponding units at CROP, the terms of which were identical to the converted CCOP partnership unit.

After giving effect of the CROP Unit Split, each preferred unit, general partner unit, common limited partnership unit, and LTIP unit of CROP remained issued and outstanding.

CMRI stockholders received 1.175 shares of our Class A common stock in exchange for their CMRI common stock. CMRII's stockholders received 1.072 shares of our Class A common stock in exchange for their CMRII common stock. In connection with the mergers of the operating partnerships of each of CMRI and CMRII with and into CROP, the partnership units outstanding, which were split to equal the amount of the common stock outstanding and were converted into CROP common units at the same ratio as the common stock. Each asset held by CMRI and CMRII was owned through joint ventures with CROP. As a result of the consummation of the CMRI Merger and the CMRII Merger, our ownership interest in the properties held through joint ventures with CMRI and CMRII increased to 100% on July 15, 2021.

Through the 2021 Mergers we acquired interests in 22 stabilized multifamily apartment communities, four multifamily development projects, one structured investment, and land held for development. We also acquired CRII's property management business and its employees, an advisory contract with CMOF, and personnel who performed certain administrative and other services for us on behalf of CC Advisors III.

CC Advisors III continues to manage our business as our external advisor pursuant to an amended and restated advisory agreement. With the exception of our Chief Legal Officer, Chief Operating Officer, Chief Accounting Officer and Chief Development Officer, we do not employ our executive officers.

Much of our structure and agreements have changed materially as a result of the 2021 Mergers. Accordingly, information presented in these consolidated financial statements may not be directly comparable to prior periods.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, the accompanying consolidated financial statements contain all adjustments and eliminations, consisting only of normal recurring adjustments necessary for a fair presentation in conformity with GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries under its control. The Operating Partnership and its subsidiaries are consolidated as they are controlled by CCI. All intercompany balances and transactions have been eliminated in consolidation.

Some of our partially owned and unconsolidated properties are owned through a tenant in common ("TIC interest") structure. TIC interests constitute separate and undivided interests in real property. TIC interests in properties for which we exercise significant influence are accounted for using the equity method of accounting until we have acquired a 100% interest in the property.

Number of units and certain other measures used to describe real estate assets included in the notes to the consolidated financial statements are presented on an unaudited basis.

Certain amounts in the prior year consolidated financial statements and notes to the consolidated financial statements have been reclassified to conform to the current year presentation. Such reclassifications did not impact previously reported net loss or accumulated deficit or change net cash provided by or used in operating, investing or financing activities.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Variable Interest Entities

We invest in entities that qualify as variable interest entities ("VIEs"). All VIEs for which we are the primary beneficiary are consolidated. VIEs for which we are not the primary beneficiary are accounted for under the equity method. A VIE is a legal entity in which the equity investors at risk lack sufficient equity to finance the entity's activities without additional subordinated financial support or, as a group, the equity investors at risk lack the power to direct the entity's activities and the obligation to absorb the entity's expected losses or the right to receive the entity's expected residual returns. Qualitative and quantitative factors are considered in determining whether we are the primary beneficiary of a VIE, including, but not limited to, which activities most significantly impact economic performance, which party controls such activities, the amount and characteristics of our investments, the obligation or likelihood for us or other investors to provide financial support, and the management relationship of the property.

CROP is a VIE as the limited partners lack substantive kick-out rights and substantive participating rights. We are the primary beneficiary of CROP as we have the power to direct the activities that most significantly impact economic performance and the rights to receive economic benefits. Substantially all of our assets and liabilities are held in CROP.

In cases where we become the primarily beneficiary of a VIE, we recognized a gain or loss for the difference between the sum of (1) the fair value of any consideration paid, the fair value of the noncontrolling interest, and the reported amount of our equity method investment and (2) the net fair value of identifiable assets and liabilities of the VIE.

Investments in Real Estate

In accordance with Accounting Standards Codification Topic 805, *Business Combinations*, we determine whether an acquisition qualifies as a business combination or as an asset acquisition.

We account for business combinations by recognizing assets acquired and liabilities assumed at their fair values as of the acquisition date and expensing transaction costs. Differences between the transaction price and the fair value of identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, are accounted for as goodwill, or conversely, as a gain on bargain purchase. Transaction costs are included within general and administrative expenses on our consolidated statements of operations as incurred. The CRII Merger was accounted for as a business combination.

We account for asset acquisitions by allocating the total cost to the individual assets acquired and liabilities assumed on a relative fair value basis. Real estate assets and liabilities include land, building, furniture, fixtures and equipment, other personal property, in-place lease intangibles and debt. Asset acquisition accounting is also used when we acquire a controlling interest through the acquisition of additional interests in partially owned real estate.

Fair values are determined using methods similar to those used by independent appraisers, and include using replacement cost estimates less depreciation, discounted cash flows, market comparisons, and direct capitalization of net operating income. The fair value of debt assumed is determined using a discounted cash flow analysis based on remaining loan terms and principal. Discount rates are based on management's estimates of current market interest rates for instruments with similar characteristics, and consider remaining loan term and loan-to-value ratio. The fair value of debt is a present value application which discounts the difference between the remaining contractual and market debt service payments at an equity discount rate. The equity discount rate is an estimated levered return and is calculated using the LTV, unlevered property discount rate, and a market rate.

Real Estate Assets, Net

We state real estate assets at cost, less accumulated depreciation and amortization. We capitalize costs related to the development, construction, improvement, and significant renovation of properties, which include capital replacements such as scheduled carpet replacement, new roofs, HVAC units, plumbing, concrete, masonry and other paving, pools and various exterior building improvements. We also capitalize salary costs directly attributable to significant renovation work.

We compute depreciation on a straight-line basis over the estimated useful lives of the related assets. Intangible lease assets are amortized to depreciation and amortization over the remaining lease term. The useful lives of our real estate assets are as follows (in years):

Land improvements	5 - 15
Buildings	30
Building improvements	5 - 15
Furniture, fixtures and equipment	5 - 15
Intangible lease assets	Over lease term

We expense ordinary maintenance and repairs to operations as incurred. We capitalize significant renovations and improvements that improve and/or extend the useful life of an asset and amortize over their estimated useful life, generally five to 15 years.

Impairment of Long-Lived Assets

Long-lived assets include real estate assets, acquired intangible assets, and investments in real-estate related loans. Intangible assets are amortized on a straight-line basis over their estimated useful lives. On an annual basis, we assess potential impairment indicators of long-lived assets. We also review for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Indicators that may cause an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results and significant market or economic trends. When we determine the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators, we determine recoverability by comparing the carrying amount of the asset to the net future undiscounted cash flows the asset is expected to generate. We recognize, if appropriate, an impairment equal to the

amount by which the carrying amount exceeds the fair value of the asset. No impairment losses were recognized for the years ended December 31, 2022 and 2021 related to our long-lived assets.

Investments in Unconsolidated Real Estate Entities

Real estate investments where we have significant noncontrolling influence and VIEs where we are not the primary beneficiary are accounted for under the equity method.

Equity method investments in unconsolidated real estate entities are recorded at cost, adjusted for our share of net earnings or losses each period, and reduced by distributions. Equity in earnings or losses is generally recognized based on our ownership interest in the earnings or losses of the unconsolidated real estate entities. We follow the "look through" approach for classification of distributions from unconsolidated real estate entities in the consolidated statements of cash flows. Under this approach, distributions are reported under operating cash flow unless the facts and circumstances of a specific distribution clearly indicate that it is a return of capital (e.g., a liquidating dividend or distribution of the proceeds from the entity's sale of assets), in which case it is reported as an investing activity.

We assess potential impairment of investments in unconsolidated real estate entities whenever events or changes in circumstances indicate that the fair value of the investment is less than its carrying value. To the extent impairment has occurred, and is not considered temporary, the impairment is measured as the excess of the carrying amount of the investment over the fair value of the investment. No impairment losses were recognized for the years ended December 31, 2022 and 2021 related to our investments in unconsolidated real estate entities.

Cash and Cash Equivalents

We consider all cash on deposit, money market funds and short-term investments with original maturities of three months or less to be cash and cash equivalents. We maintain cash in demand deposit accounts at several major commercial banks where balances in individual accounts at times exceeds FDIC insured amounts. To reduce the risk associated with the failure of such financial institutions, we periodically evaluate the credit quality of the financial institutions in which we hold deposits. We have not experienced any losses in such accounts.

Restricted Cash

Restricted cash includes a construction bond, residents' security deposits, cash in escrow for self-insurance retention, cash in escrow for acquisitions, escrow deposits held by title companies or by lenders for property taxes, insurance, debt service and replacement reserves, and utility deposits.

Other Assets

Other assets consist primarily of intangible assets acquired in connection with the CRII Merger, as well as receivables, interest rate caps, prepaid expenses, related party receivables and other assets.

Unsecured Promissory Notes

The 2017 6% Notes and the 2019 6% Notes are unsecured notes issued to investors outside of the United States. These unsecured promissory notes are described in Note 6. These instruments are similar in nature, have fixed interest rates and maturity dates, and are denominated in U.S. dollars.

Preferred Stock

Series 2016 Preferred Stock, Series 2017 Preferred Stock, Series 2019 Preferred Stock, and our recently designated Series 2023 Preferred Stock are described in Note 8. These instruments are similar in nature and are classified as liabilities on the consolidated balance sheet due to the mandatory redemption of these instruments on a fixed date for a fixed amount. Preferred stock distributions are recorded as interest expense.

Debt Financing Costs

Debt financing costs are presented as a direct deduction from the carrying amount of the associated debt liability, which includes mortgage notes, unsecured promissory notes, our revolving credit facility and preferred stock. Debt financing costs are amortized over the life of the related liability through interest expense.

Revenue Recognition

We lease our multifamily residential units with rents generally due on a monthly basis. Terms are one year or less, renewable upon consent of both parties on an annual or monthly basis. Rental and other property revenues is recognized in accordance with Accounting Standards Codification ("ASC") No. 842, *Leases* ("Topic 842"). Rental and other property revenues represented 89% of our total revenue for the year ended December 31, 2022.

Our non-lease related revenue consists of income earned from our property management, development, asset management and interest income from our investments in real-estate related loans. Property management and development revenue is derived primarily from our property management services, development and construction work, and internet services. Other revenues consists of interest revenue from our investments in real-estate related loans and asset management revenue from CMOF prior to the closing of the CMOF Merger on September 27, 2022.

Non-lease revenues are recognized in accordance with Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606") ("ASU 2014-09"), as subsequently amended. The guidance requires that revenue (outside of the scope of Topic 842) is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

Performance Participation Allocation

Under the terms of our operating partnership agreement, the Special Limited Partner, an affiliate of our advisor, is entitled to an allocation of CROP's total return to its capital account. The receipt of the performance participation allocation is subject to the ongoing effectiveness of our advisory agreement. As the performance participation allocation is associated with the performance of a service by the advisor, it is expensed in our consolidated statements of operations. Refer to Note 11.

Income Taxes

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, beginning with the year ending December 31, 2019. The Company, as a REIT, is not subject to federal income tax with respect to that portion of its income that meets certain criteria and is distributed annually to stockholders. To continue to qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of the REIT's taxable income, excluding net capital gains, to stockholders. We have adhered to, and intend to continue to adhere to, these requirements to maintain REIT status.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the Internal Revenue Service grants relief under certain statutory provisions. As a qualified REIT, we are still subject to certain state and local taxes and may be subject to federal income and excise taxes on undistributed taxable income. In addition, taxable income from activities managed through our taxable REIT subsidiary ("TRS") are subject to federal, state and local income taxes. Provision for such taxes has been included in income tax expense on our consolidated statements of operations.

CROP is generally not subject to federal and state income taxes. OP Unit holders, including CCI, are subject to tax on their respective allocable shares of CROP's taxable income. However, there are certain states that require an entity level tax on CROP.

We determine deferred tax assets and liabilities applicable to the TRS based on differences between financial reporting and tax bases of existing assets and liabilities. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is more likely than not that future taxable profits will be available against which they can be utilized. We recognize interest and penalties relating to uncertain tax positions in income tax expense when incurred.

In 2022 we had $37.7 million of net Section 1231 gains allocated to our TRS, primarily from a promote received from an incentive allocation agreement. Refer to Note 10. We recorded deferred tax liabilities of $9.2 million related to these gains in 2022. They are deferred as these Section 1231 gains have been or will be contributed to a Qualified Opportunity Zone fund, which provides tax benefits for development programs located in designated areas. We expect that these deferred tax liabilities will be realized in 2026.

For the year ended December 31, 2022, we had an income tax provision of $8.0 million, of which $0.4 million was current and $7.6 million was deferred. For the year ended December 31, 2021, we had an income tax provision of $1.2 million of which $1.1 million was current and $0.1 million was deferred. As of December 31, 2022 and 2021, our net deferred tax liability was $9.7 million and $2.1 million, respectively, and is included in accounts payable, accrued expenses and other liabilities on the consolidated balance sheet.

Noncontrolling Interests

The portion of ownership interests in consolidated entities not held by CCI are reported as noncontrolling interests. Equity and net income (loss) attributable to CCI and to noncontrolling interests are presented separately on the consolidated financial statements. Changes in noncontrolling ownership interests, as in the case of the CMRI Merger and CMRII Merger, are accounted for as equity transactions.

Noncontrolling interest – limited partners – These noncontrolling interests represent ownership interest in CROP ("CROP Unit") not held by CCI, the general partner. Net income or loss is allocated to these limited partners of CROP based on their ownership percentage. Issuance of additional common stock by CCI or CROP Units to limited partners changes the ownership interests of both CCI and the limited partners of CROP.

Consistent with the one-for-one relationship between the CROP Units issued to CCI, limited partners are attributed a share of net income or loss in CROP based on their weighted-average ownership interest in CROP during the period.

Noncontrolling interest – partially owned entities – These noncontrolling interests represent ownership interests that are not held by us in consolidated entities. Net income (loss) is allocated to noncontrolling interests in partially owned entities based on ownership percentage in those entities.

Refer to Note 12 for more information on our noncontrolling interests.

Organization and Offering Costs

Organization and offering costs in the Follow-on Offering are paid by purchasers of the shares through an adjustment to the purchase price of the share or their distribution (depending on the class of share purchased) or by us. They are recorded as an offset to equity. As of December 31, 2022, we had incurred $16.1 million of organization and offering costs with the Follow-on Offering.

Organization and offering costs in the 2019 Private Offering were paid by us. Offering costs are deferred and amortized up to the redemption date through interest expense. We incurred $13.2 million of organization and offering costs related to the 2019 Private Offering, which was fully subscribed and terminated in March 2022. Organization and offering costs in the 2023 Private Offering are paid by us and will be deferred and amortized up to the redemption date through interest expense. We incurred $0.2 million of organization and offering costs related to the 2023 Private Offering as of December 31, 2022.

Recent Accounting Pronouncements

The following table provides a brief description of recent accounting pronouncements that could have a material effect on our consolidated financial statements:

Standard	Description	Required date of adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*	This ASU requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables and other long-term financings including available for sale and held-to-maturity debt securities, and loans. Subsequently, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, which amends the scope of ASU 2016-13 and clarified that receivables arising from operating leases are not within the scope of the standard and should continue to be accounted for in accordance with the leases standard (Topic 842).	January 1, 2023	ASU 2016-13 affects entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments in ASU 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. We have evaluated the impact of adopting the new standard and do not expect significant adjustments to the consolidated financial statements as a result of adoption of this standard.

3. Restatement of Previously Issued Consolidated Financial Statements

On September 1, 2023, the audit committee of the board of directors of the Company concluded, after discussion with management, that the previously issued unaudited consolidated financial statements for the periods ended March 31, 2022, June 30, 2022 and September 30, 2022, included in the Company's Quarterly Reports on Form 10-Q filed with the SEC on May 12, 2022, August 12, 2022, and November 9, 2022, respectively, and the audited consolidated financial statements for the year ended December 31, 2022 included in the Annual Report on Form 10-K as filed with the SEC on March 24, 2023, and each as included in any reports, presentations or similar communications of the Company's financial results, should no longer be relied upon due to a material error related to an inaccurate presentation of the change in cash flows ascribed to financing and operating activities in the consolidated statement of cash flows. As a result of the error, the aforementioned financial statements have been restated in accordance with Accounting Standards Codification ("ASC") Topic 250, *Accounting Changes and Error Corrections.*

We have restated our audited consolidated financial statements for the year ended December 31, 2022, as described in this note; and our unaudited consolidated financial statements for the periods ended March 31, 2022, June 30, 2022 and September 30, 2022 as described in Note 15; collectively referred to as the "Restatement". We have also updated all accompanying footnotes and disclosures affected by the Restatement and other immaterial corrections discussed below. Amounts depicted as "As Restated" in the consolidated financial statements and footnotes include the impact of the Restatement.

The Restatement corrects the inaccurate presentation of the change in cash flows ascribed to financing and operating activities in the consolidated statement of cash flows due to the incorrect inclusion of accrued deferred offering costs in the financing activity section of the consolidated statement of cash flows and in the changes in accounts payable, accrued expenses, and other liabilities in the operating activity section of the consolidated statement of cash flows. The adjustment to the consolidated statement of cash flows is as follows (in thousands):

	Year Ended December 31, 2022			
	As Previously Reported	Restatement Adjustment	Other Adjustments [1]	As Restated
Cash flows from operating activities:				
Deferred taxes	$ —	$ —	$ 7,622	$ 7,622
Accounts payable, accrued expenses and other liabilities	$ 15,232	$ (4,791)	$ (7,622)	$ 2,819
Net cash provided by operating activities	$ 8,559	$ (4,791)	$ —	$ 3,768
Cash flows from investing activities:				
Acquisitions of real estate, net of cash acquired	$ (148,216)	$ —	$ 5,603	$ (142,613)
Net cash used in investing activities	$ (166,723)	$ —	$ 5,603	$ (161,120)
Cash flows from financing activities:				
Borrowings under mortgage notes and term loans	$ 469,976	$ —	$ (5,603)	$ 464,373
Offering costs paid on issuance of common stock	$ (14,376)	$ 4,791	$ —	$ (9,585)
Net cash provided by financing activities	$ 208,298	$ 4,791	$ (5,603)	$ 207,486
Supplemental disclosure of non-cash investing and financing activities:				
Increase in accrued deferred offering costs	$ —	$ 4,791	$ —	$ 4,791
Cottonwood Ridgeview Acquisition				
Real estate assets, net of cash acquired	$ 62,636	$ —	$ 5,531	$ 68,167
Mortgage note	$ 58,192	$ —	$ 5,603	$ 63,795

[1] Other adjustments include moving $7.6 million for the change in deferred tax liabilities from accounts payable, accrued expenses and other liabilities to a separate line within cash flows from operating activities titled "Deferred taxes" and moving $5.6 million from borrowings under mortgage notes and term loans in cash flows from financing activities to acquisitions of real estate, net of cash acquired, in cash flows from investing activities. These other adjustments are immaterial and do not change overall cash flows from operating activities. The Restatement adjustment reduced the amount for changes in accounts payable, accrued expenses and other liabilities to $10.4 million. The $2.8 million ending number includes the impact of the Restatement adjustment and the other adjustment for deferred taxes. See Note 15 for the presentation of the other adjustments on the quarterly periods in 2022, where applicable.

We have included immaterial adjustments to the partnership equity amounts between us and our limited partners to align the net equity carrying balance to the respective partners' ownership percentage. Each period the ownership of CROP varies between us, as the general partner, and the limited partners of CROP. This happens for variety of reasons, including the issuance of common stock at NAV, the redemption of common stock (often at a discount to NAV), the exchange or transfer of OP Units, the issuance of LTIP Units, and the issuance of common stock or OP Units to facilitate mergers and acquisitions. Transactions that change our ownership interest in CROP are accounted for as equity transactions if we retain our controlling financial interest in CROP and no gain or loss is recognized in net income. Accordingly, the net equity balance in CROP should be adjusted to reflect the changes in ownership of the operating partnership between us and the limited partners. These adjustments are based on their respective ownership at the end of each period and reflected as a reallocation between additional paid-in capital and noncontrolling interest - limited partners within our equity section on our Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity. These immaterial reallocations have no impact on our net income, cash flows or the value of our OP Units. The following table shows the effect of this reallocation for the years ended December 31, 2022 and 2021 (in thousands):

	As Previously Reported	Reallocation Adjustment	As Adjusted
As of December 31, 2021			
Additional paid-in capital	$ 252,035	$ 23,786	$ 275,821
Noncontrolling interests - limited partners	$ 291,258	$ (23,786)	$ 267,472
As of December 31, 2022			
Additional paid-in capital	$ 427,997	$ (13,857)	$ 414,140
Noncontrolling interests - limited partners	$ 258,679	$ 13,857	$ 272,536

The effect of the reallocation for the periods ended March 31, 2022, June 30, 2022 and September 30, 2022 is described in Note 15.

We have also included an immaterial adjustment to the consolidated statement of stockholder's equity for the year ended December 31, 2021 to adjust the fair value of noncontrolling interest for CMRI and CMRII recorded with the CRII Merger in 2021 as follows (in thousands):

	Noncontrolling interests - partially owned entities			Total Equity and Noncontrolling Interests		
	As Previously Reported	Adjustment	As Adjusted	As Previously Reported	Adjustment	As Adjusted
CRII Merger	$ 218,380	$ (8,009)	$ 210,371	$ 586,316	$ (8,009)	$ 578,307
CMRI Merger	$ (79,447)	$ 5,585	$ (73,862)	$ (9,353)	$ 5,585	$ (3,768)
CMRII Merger	$ (63,752)	$ 2,424	$ (61,328)	$ (6,376)	$ 2,424	$ (3,952)

The correction decreased intangible assets recorded with the CRII Merger and reduced the fair value of noncontrolling interest recorded for CMRI and CMRII. These adjustments are reflected in the footnote disclosures for the CRII Merger, CMRI Merger and CMRII Merger found in Note 4 below and in the supplemental disclosure of non-cash investing and financing activities for the year ended 2021.

4. Real Estate Assets, Net

The following table summarizes the carrying amounts of our consolidated real estate assets ($ in thousands):

	December 31, 2022	December 31, 2021
Land	$ 267,876	$ 202,531
Building and improvements	1,348,019	1,074,126
Furniture, fixtures and equipment	54,067	37,463
Intangible assets	40,692	34,905
Construction in progress [(1)]	106,223	127,493
	1,816,877	1,476,518
Less: Accumulated depreciation and amortization	(119,270)	(68,035)
Real estate assets, net	$ 1,697,607	$ 1,408,483

[(1)] Includes construction in progress for our development projects and capitalized costs for improvements not yet placed in service at our stabilized properties.

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CMOF Merger

The acquisition of an additional ownership interest of a consolidated entity is accounted for as an equity transaction. The three development projects we acquired additional interests in as a result of the CMOF Merger were already consolidated by us. Accordingly, CMOF's noncontrolling interest in the three investments was reduced by its carrying amount, and the difference between the carrying amount and the consideration paid was recorded as an adjustment to our equity through additional paid-in capital as follows (in thousands, except share and per share data):

2022 Consideration	CMOF Merger
Common stock issued and outstanding	5,001,000
Exchange ratio	0.8669
CCI common stock issued as consideration	4,335,367
Per share value of CCI Common Stock	$ 20.7007
Fair value of CCI Common Stock issued	$ 89,745
Fair value of CROP Units issued	8,273
Settlement of CMOF related party notes and interest	1,327
Settlement of net other liabilities of CMOF	142
Total consideration	$ 99,487

2022 Change in equity	CMOF Merger
Carrying amount of noncontrolling interest	$ 49,178
Total consideration	99,487
Additional paid in capital adjustment	$ (50,309)
Fair value of CCI Common Stock issued	$ 89,745
Additional paid in capital adjustment	(50,309)
Total change in equity	$ 39,436

Asset acquisitions

The following table summarizes the purchase price allocation of the real estate assets acquired or consolidated via asset acquisitions during the year ended December 31, 2022 (in thousands):

			Allocated Amounts					
Property	Location	Date Consolidated	Building	Land	Furniture, Fixtures, and Equipment	Lease Intangibles	Debt Fair Value Adjustment	Total
Cottonwood Lighthouse Point	Pompano Beach, FL	6/22/22	$ 76,322	$ 13,647	$ 3,854	$ 1,783	$ —	$ 95,606
Cottonwood Ridgeview	Plano, TX	9/19/22	54,337	9,275	3,383	1,603	1,504	70,102
Cottonwood Clermont	Clermont, FL	9/21/22	67,400	5,705	7,561	1,792	3,428	85,886
			$ 198,059	$ 28,627	$ 14,798	$ 5,178	$ 4,932	$ 251,594

The acquisition of Cottonwood Lighthouse Point was funded with debt of $48.0 million and available cash.

Cottonwood Ridgeview was consolidated when we issued 141,543 CROP Units to acquire the remaining 9.5% tenant-in-common interests in the property. The value of the CROP Units was $2.9 million on the close date based on the net asset value of CROP Units as of August 31, 2022. Cottonwood Ridgeview was previously accounted for as an equity method investment.

The acquisition of Cottonwood Clermont was funded through an assumed loan of $35.5 million and available cash, including Section 1031 exchange proceeds from the sale of 3800 Main.

In asset acquisitions, assets and liabilities are recorded at relative fair value. The weighted-average amortization period for the intangible lease assets acquired in connection with these acquisition was 0.5 years.

Galleria Land Purchase

On September 20, 2022, we acquired 26 acres of land for future development in Murray, Utah for $28.5 million.

Block C

On June 28, 2022, Block C, an early-stage development joint venture with CMOF, was recapitalized. Block C owns land for the development of two projects called Westerly and Millcreek North. Entities affiliated with us and our advisor contributed capital to the joint venture and were admitted as members. We contributed additional funds to obtain a controlling interest and consolidated the joint venture, which had previously been recorded as an equity method investment. On September 27, 2022, we acquired CMOF's interest in Block C as a result of the CMOF Merger. The joint venture consists of cash, land held for development, and payables. Refer to Note 11 for further information on the Block C recapitalization.

Alpha Mill Transaction

On November 2, 2021, we sold TIC interests in Alpha Mill totaling 43% to certain unaffiliated third parties through a private offering for $34.8 million. Under the terms of the private offering, we have the option to re-acquire the TIC interests at fair value beginning on the second anniversary after the sale. The purchaser may elect to receive limited partnership units in the Operating Partnership or cash in the event we exercise our option.

As a result of this transaction, Alpha Mill was deconsolidated and we recorded a gain on sale of $10.8 million. After November 2, 2021, our remaining ownership interest in Alpha Mill is recorded as an investment in unconsolidated real estate. Refer to Note 5.

CRII Merger

On May 7, 2021, we completed the CRII Merger, which was accounted for as a business combination in accordance with ASC 805, *Business Combinations* ("ASC 805"). Based on an evaluation of the relevant factors and the guidance in ASC 805, CCI was determined to be both the legal and accounting acquirer. In order to make this determination, various factors were analyzed including which entity issued its equity interests, relative voting rights, existence of noncontrolling interests, control of the board of directors, management composition, relative size, transaction initiation, operational structure, relative composition of employees, and other factors. The most significant factor identified was the relative voting rights, as CCI stockholders hold the majority of the controlling financial (voting) interests. CCI also initiated the transaction and was the entity issuing common equity interests in the merger.

The consideration given in exchange for CRII was as follows ($ in thousands, except share and per share data):

CRII Common stock issued and outstanding		213,434
Exchange ratio		2.015
CCI common stock issued as consideration		430,070
CCI's estimated value per share as of May 7, 2021	$	10.83
Value of CCI common stock issued as consideration	$	4,658

The allocation of the purchase price below required significant judgment and represented management's best estimate of the fair value as of the acquisition date. The following table shows the purchase price allocation of CRII's identifiable assets and liabilities assumed as of May 7, 2021 ($ in thousands):

Assets		
Real estate assets [1]	$	1,291,030
Investments in unconsolidated real estate entities		120,775
Cash and cash equivalents		31,799
Restricted cash		20,144
Other assets [2]		34,317
Total assets acquired	$	1,498,065
Liabilities		
Mortgage notes, net	$	622,095
Construction loans		64,114
Preferred stock		143,979
Unsecured promissory notes		48,643
Accounts payable, accrued expenses and other liabilities		40,926
Total liabilities assumed		919,757
Consolidated net assets acquired		578,308
Noncontrolling interests [3]		(573,650)
Net assets acquired	$	4,658

[1] Real estate assets acquired in connection with the CRII Merger include $33.2 million of intangible lease assets, which have a weighted-average amortization period of 0.5 years. As such, based on the May 7, 2021 merger date, the intangible lease assets acquired from the CRII Merger have been fully amortized by December 31, 2021.

[2] Other assets includes $24.1 million of intangible assets from the CRII Merger. The $24.1 million of intangible assets have a weighted-average amortization period of 8.8 years, and include $22.2 million related to the acquisition of CRII's property management and ancillary businesses (with a weighted-average amortization period of 9.2 years) and $1.9 million related to acquired disposition fees on certain properties and promotes on development assets (with a weighted-average amortization period of 3.8 years).

[3] The fair value of noncontrolling interests is based on the fair value of assets and liabilities held by the noncontrolling interests at their ownership share. These values were determined using methods similar to those used by independent appraisers, and include using replacement cost estimates less depreciation, discounted cash flows, market comparisons, and direct capitalization of net operating income.

As a result of the CRII Merger we consolidated 17 multifamily apartment communities and four development properties as well as added six multifamily apartment communities accounted for under the equity method of accounting.

The results of operations for the CRII Merger are included in the Company's statements of operations beginning on the May 7, 2021 merger closing date onward. The accompanying statements of operations include the following revenue and net income (loss) generated from the assets acquired and liabilities assumed with the CRII Merger (in thousands):

	Year Ended December 31, 2022		Period From May 7, 2021 to December 31, 2021	
Revenue	$	114,474	$	70,211
Net income (loss) [1]	$	29,912	$	(36,830)

[1] The primary reasons for the changes in net income (loss) related to asset acquired and liabilities assumed with the CRII Merger for the year ended December 31, 2022 compared to the prior year are the $30.7 million incentive allocation promote recognized in 2022, the burn off of amortization in 2021 from the CRII Merger related intangibles, and a full year of income from the acquired assets in 2022 compared to less than eight months of income in 2021.

Pro Forma Financial Information (unaudited)

The following condensed pro forma operating information is presented as if the CRII Merger occurred in 2020 and had been included in operations as of January 1, 2020. The pro forma operating information excludes certain nonrecurring adjustments, such as acquisition fees and expenses incurred, to reflect the pro forma impact the acquisition would have on earnings on a continuous basis (in thousands):

	Year Ended December 31,	
	2022	2021
Pro forma revenue:		
Historic results	$ 138,302	$ 83,181
CRII Merger (excluding those in historic results)	—	34,140
Total	$ 138,302	$ 117,321
Pro forma net loss:		
Historic results	$ (34,030)	$ (106,905)
CRII Merger (excluding those in historic results)	—	(13,298)
Total	$ (34,030)	$ (120,203)

The pro forma information is not necessarily indicative of the results which actually would have occurred if the business combination had occurred on the first day of the periods presented, nor does the pro forma financial information purport to represent the results of operations for future periods.

CMRI Merger and CMRII Merger

With the closing of the CRII Merger in May 2021, we consolidated the properties that CMRI and CMRII invested in through joint ventures with CROP. As a result of the consummation of the CMRI Merger and the CMRII Merger in July 2021, our ownership interest in these properties increased to 100%. The acquisition of an additional ownership interest of a consolidated entity is accounted for as an equity transaction. Accordingly, CMRI's and CMRII's noncontrolling interest in the properties was reduced by its carrying amount, and the difference between the carrying amount and the consideration paid was recorded as an adjustment to our equity through additional paid-in capital. Information regarding these equity transactions is as follows (in thousands, except share and per share data):

2021 Consideration	**CMRI Merger**	**CMRII Merger**
Common stock issued and outstanding	4,904,045	4,881,490
Exchange ratio	1.175	1.072
CCI common stock issued as consideration	5,762,253	5,232,957
Per share value of CCI Common Stock	$ 11.7865	$ 11.7865
Fair value of CCI Common Stock issued	$ 67,917	$ 61,678
Settlement of CMRI and CMRII promissory notes and interest with CROP	1,545	2,475
Net liabilities assumed	2,223	1,477
Total consideration	$ 71,685	$ 65,630

2021 Change in equity	**CMRI Merger**	**CMRII Merger**
Carrying amount of noncontrolling interest	$ 73,862	$ 61,328
Total consideration	71,685	65,630
Additional paid in capital adjustment	$ 2,177	$ (4,302)
Fair value of CCI Common Stock issued	$ 67,917	$ 61,678
Additional paid in capital adjustment	2,177	(4,302)
Total change in equity	$ 70,094	$ 57,376

5. Investments in Unconsolidated Real Estate Entities

Our investments in unconsolidated real estate entities consist of ownership interests in stabilized properties and preferred equity investments as follows as of December 31, 2022 and 2021 (in thousands):

			Balance at December 31,	
Property / Development	**Location**	**% Owned**	**2022**	**2021**
Stabilized Properties				
3800 Main [1]	Houston, TX	0% [1]	$ —	$ 10,347
Alpha Mill [2] [3]	Charlotte, NC	28.3%	10,470	22,034
Cottonwood Bayview [2]	St. Petersburg, FL	71.0%	30,792	31,399
Cottonwood Ridgeview [4]	Plano, TX	100% [4]	—	34,352
Fox Point [2]	Salt Lake City, UT	52.8%	14,794	16,056
Toscana at Valley Ridge [2]	Lewisville, TX	58.6%	9,382	9,370
Melrose Phase II [2] [5]	Nashville, TN	79.8% [5]	6,185	15,523
Preferred Equity Investments				
Lector85 [6]	Ybor City, FL		10,006	13,010
Astoria West (formerly Vernon)	Queens, NY		20,567	18,079
801 Riverfront	West Sacramento, CA		20,259	16,884
417 Callowhill	Philadelphia, PA		9,949	—
Other			803	3,679
Total			$ 133,207	$ 190,733

[1] On June 23, 2022, 3800 Main was sold. We received $16.8 million in cash for the sale and recognized a gain of $7.3 million.

[2] We account for our tenant in common interests in these properties as equity method investments. Refer to Note 2.

[3] On April 7, 2022, we sold 28.9% of our ownership interest in Alpha Mill for $11.9 million to certain third parties and recognized a gain of $0.8 million. Our remaining ownership in Alpha Mill is 28.3%.

[4] On September 19, 2022, we issued 141,543 CROP Units for the remaining 9.5% tenant-in-common interests in Cottonwood Ridgeview, resulting in the consolidation of the property from that date onward. The value of the CROP Units on the close date was $2.9 million based on the net asset value of CROP Units as of August 31, 2022.

[5] On December 28, 2021, we bought an additional 54.9% interest in Melrose Phase II for $10.6 million, increasing our ownership to 79.8%.

[6] On December 2, 2022, we received a distribution of $4.8 million from our Lector85 preferred equity investment as payment for interest accrued.

With the exception of Alpha Mill, our investments in unconsolidated real estate entities for the stabilized properties above were acquired with the CRII Merger. Alpha Mill was 100% owned by us and consolidated at the time of the CRII Merger but was subsequently deconsolidated in November 2021 when we sold a portion of our interest in the property. Refer to Note 4. Equity in earnings for our stabilized assets for the year ended December 31, 2022 was $3.6 million. Equity in losses for our stabilized assets during the period from the CRII Merger closing on May 7, 2021 to December 31, 2021 was $6.1 million. During March 2022, we received $30.4 million and $8.3 million in distributions as a return of capital from debt refinances at Cottonwood Ridgeview and Melrose Phase II, respectively.

The following is a summary of certain balance sheet and operating data for our stabilized properties ($ in thousands):

Operating data:	**2022 - For the Period Held as Equity Method Investments**	**2021 - For the Period Held as Equity Method Investments**
Total revenues	$ 35,514	$ 23,514
Total operating expenses	14,258	9,941
Total other expenses	(18,871)	(24,672)
Net income (loss)	2,385	(11,099)
Balance sheet data:	**December 31, 2022**	**December 31, 2021**
Real estate assets	$ 309,404	$ 440,853
Cash and cash equivalents	4,270	6,361
Total assets	319,734	452,972
Mortgage notes, net	193,939	250,224
Total liabilities	197,365	255,768

Our preferred equity investments are development projects with liquidation rights and priorities that are different from ownership percentages. As such, equity in earnings is determined using the hypothetical liquidation book value ("HLBV") method. Income or loss is recorded based on changes in what would be received should the entity liquidate all of its assets (as valued in accordance with GAAP) and distribute the resulting proceeds based on the terms of the respective agreements. The HLBV method is a balance sheet focused approach commonly applied to equity investments where cash distribution percentages vary at different points in time and are not directly linked to an equity holder's ownership percentage.

Equity in earnings for our preferred equity investments for the years ended December 31, 2022 and 2021 were $8.8 million and $5.6 million, respectively. During the year ended December 31, 2022, we funded $8.7 million towards the 417 Callowhill preferred equity investment and had a remaining commitment of $24.7 million. During the year ended December 31, 2021, we funded the remaining $12.4 million commitment on our 801 Riverfront preferred equity investment. As of December 31, 2022, we had fully funded our commitments on the Lector85, Astoria West and 801 Riverfront preferred equity investments.

6. Debt

Mortgage Notes and Revolving Credit Facility

The following table is a summary of the mortgage notes and revolving credit facility secured by our properties as of December 31, 2022 and 2021 ($ in thousands):

			Principal Balance Outstanding	
Indebtedness	**Weighted-Average Interest Rate**	**Weighted-Average Remaining Term [1]**	**December 31, 2022**	**December 31, 2021**
Fixed rate loans				
Fixed rate mortgages	3.62%	5.2 Years	$ 528,308	$ 213,009
Total fixed rate loans			528,308	213,009
Variable rate loans [2]				
Floating rate mortgages	5.52% [3]	6.7 Years	426,130	407,022
Variable rate revolving credit facility [4]	5.79%	2.2 Years	54,000	20,000
Total variable rate loans			480,130	427,022
Total secured loans			1,008,438	640,031
Unamortized debt issuance costs			(4,878)	(940)
Premium on assumed debt, net			(3,423)	3,016
Mortgage notes and revolving credit facility, net			$ 1,000,137	$ 642,107

[1] For loans where we have the ability to exercise extension options at our own discretion, the maximum maturity date has been assumed.

[2] The interest rate of our variable rate loans is primarily based on one-month LIBOR or one-month SOFR.

[3] Includes the impact of interest rate caps in effect on December 31, 2022.

[4] We may obtain advances secured against Cottonwood One Upland and Parc Westborough up to $125.0 million on our variable rate revolving credit facility, as long as certain loan-to-value ratios and other requirements are maintained. At December 31, 2022 the amount on our variable rate revolving credit facility was capped at $112.0 million primarily due to the interest rate environment.

We are in compliance with all covenants associated with our mortgage notes and revolving credit facility as of December 31, 2022.

Construction Loans

Information on our construction loans are as follows ($ in thousands):

Development	Interest Rate	Final Expiration Date	Loan Amount	Amount Drawn at December 31, 2022	Amount Drawn at December 31, 2021
Sugarmont [1]	[1]	[1]	[1]	$ —	$ 59,660
Park Avenue	One-Month USD SOFR + 1.75%	November 30, 2023 [2]	37,000	37,000	29,520
Cottonwood Broadway	One-Month USD Libor + 1.9%	May 15, 2024	44,625	39,728	27,476
Cottonwood Highland	One-Month USD SOFR + 2.55%	May 1, 2029	44,250	18,599	—
			$ 125,875	$ 95,327	$ 116,656

[1] The Sugarmont construction loan was refinanced in January 2022 with a $105.0 million floating rate mortgage.

[2] It is expected the Park Avenue loan will be refinanced in 2023.

Unsecured Promissory Notes, Net

CROP issued notes to foreign investors outside of the United States. These notes are unsecured and subordinate to all of CROP's debt. Each note has extension options during which the interest rate will increase 0.25% each year.

Information on our unsecured promissory notes are as follows ($ in thousands):

	Offering Size	Interest Rate	Maturity Date	Maximum Extension Date	December 31, 2022	December 31, 2021
2017 6% Notes [1]	$ 35,000	6.00%	December 31, 2023	December 31, 2024	$ 20,718	$ 20,918
2019 6% Notes	25,000	6.00%	December 31, 2023	December 31, 2025	22,235	22,625
	$ 60,000				$ 42,953	$ 43,543

[1] We exercised the option to extend the maturity date on our 2017 6% Notes for one additional year to December 31, 2023, which increased the interest rate to 6.25% for the period from January 1, 2023 to December 31, 2023.

Our previously issued 2017 6.25% Notes were fully redeemed in December 2021 for $5.0 million prior to their December 31, 2021 maturity date.

The aggregate maturities, including amortizing principal payments on our debt for years subsequent to December 31, 2022 are as follows (in thousands):

Year	Mortgage Notes and Revolving Credit Facility	Construction Loans	Unsecured Promissory Notes	Total
2023 [1]	$ 110,506	$ 76,728	$ 42,953	$ 230,187
2024	1,008	—	—	1,008
2025	3,353	—	—	3,353
2026	143,696	—	—	143,696
2027	369,821	—	—	369,821
Thereafter	380,054	18,599	—	398,653
	$ 1,008,438	$ 95,327	$ 42,953	$ 1,146,718

[1] Of the amounts maturing in 2023, $20.7 million relates to our 2017 6% Unsecured Promissory Notes, which can be extended to December 31, 2024, $22.2 million relates to our 2019 6% Unsecured Promissory Notes, which can be extended for two one-year periods to December 31, 2025, $54.0 million relates to our variable rate revolving credit facility, which can be extended for two one-year periods to March 19, 2025, subject to the satisfaction of certain conditions, and $55.5 million relates to mortgage notes that were refinanced in February 2023 as discussed in Note 14.

7. Fair Value of Financial Instruments

We estimate the fair value of our financial instruments using available market information and valuation methodologies we believe to be appropriate. As of December 31, 2022 and 2021, the fair values of cash and cash equivalents, restricted cash, other assets, related party payables, and accounts payable, accrued expenses and other liabilities approximate their carrying values due to the short-term nature of these instruments.

Fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. Fair value measurements are categorized into one of three levels of the fair value hierarchy based on the lowest level of significant input used. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Considerable judgment and a high degree of subjectivity are involved in developing these estimates. These estimates may differ from the actual amounts that we could realize upon settlement.

The fair value hierarchy is as follows:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2 - Other observable inputs, either directly or indirectly, other than quoted prices included in Level 1, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets/liabilities in non-active markets (e.g., few transactions, limited information, non-current prices, high variability over time);
- Inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves, volatilities, default rates); and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

The table below includes the carrying value and fair value for our financial instruments for which it is practicable to estimate fair value (in thousands):

	As of December 31, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset:				
Investments in real-estate related loans	$ —	$ —	$ 13,035	$ 13,035
Financial Liability:				
Fixed rate mortgages	$ 528,308	$ 509,134	$ 213,009	$ 216,566
Floating rate mortgages	$ 426,130	$ 421,189	$ 407,022	$ 409,377
Variable rate revolving credit facility	$ 54,000	$ 54,000	$ 20,000	$ 20,000
Construction loans	$ 95,327	$ 95,327	$ 116,656	$ 116,656
Series 2016 Preferred Stock	$ —	$ —	$ 139,996	$ 139,996
Series 2017 Preferred Stock	$ —	$ —	$ 2,586	$ 2,586
Series 2019 Preferred Stock	$ 127,065	$ 127,065	$ 111,863	$ 111,863
Unsecured promissory notes, net	$ 42,953	$ 42,953	$ 43,543	$ 43,543

Our investments in real-estate related loans, fixed and floating rate mortgages, variable rate revolving credit facility, construction loans, preferred stock and unsecured promissory notes are categorized as Level 3 in the fair value hierarchy.

8. Preferred Stock

We have (or had) various classes of preferred stock: Series 2016, Series 2017, Series 2019 and Series 2023, each of which were or will be (with respect to Series 2023 Preferred Stock) offered at a price of $10.00 per share. Our Series 2016 Preferred Stock and the Series 2017 Preferred Stock were issued in connection with the CRII Merger in exchange for the corresponding series of preferred stock held at CRII and were both fully redeemed during 2022. In November 2019, we commenced the 2019 Private Offering for our Series 2019 Preferred Stock, and it was fully subscribed and terminated in March 2022. In December 2022, we commenced the 2023 Private Offering for our Series 2023 Preferred Stock. At December 31, 2022, no shares of Series 2023 Preferred Stock had been issued.

Each class of preferred stock outstanding receives a fixed preferred dividend based on a cumulative, but not compounded, annual return. Each class has a fixed redemption date with extension options at our discretion, subject to an increase in the preferred dividend rate, and is classified as a liability on the consolidated balance sheets. We can also redeem our preferred stock early for cash plus all accrued and unpaid dividends. Our preferred stock ranks senior to our common stock and on parity with each other with respect to distribution rights and rights upon liquidation, dissolution or winding up.

Information on our preferred stock designated as of December 31, 2022 and 2021 is as follows:

	Dividend Rate	Extension Dividend Rate	Redemption Date	Maximum Extension Date	Shares Outstanding at	
					December 31, 2022	December 31, 2021
Series 2016 Preferred Stock [1]	6.5%	7.0%	January 31, 2022	January 31, 2023	—	13,999,560
Series 2017 Preferred Stock [2]	7.5%	8.0%	January 31, 2022	January 31, 2024	—	258,550
Series 2019 Preferred Stock	5.5%	6.0%	December 31, 2023	December 31, 2025	12,706,485	11,186,301
Series 2023 Preferred Stock	6.0%	6.5% [3]	June 30, 2027	June 30, 2029	—	—

(1) We fully redeemed our Series 2016 Preferred Stock on April 18, 2022 for $139.8 million.

(2) We fully redeemed our Series 2017 Preferred Stock immediately after the January 31, 2022 redemption date for $2.6 million.

(3) Represents the fully extended dividend rate. During the first-year extension the dividend rate is 6.25%.

We issued $15.5 million of our Series 2019 Preferred Stock in the first quarter of 2022 prior to the termination of the Private Offering in March 2022. During the year ended December 31, 2021 we issued $78.9 million of Series 2019 Preferred Stock. During the years ended December 31, 2022 and 2021, we incurred $6.9 million and $3.6 million in dividends on our Series 2019 Preferred Stock, respectively. During 2022, we incurred $2.9 million in dividends on our Series 2016 Preferred Stock prior to their full redemption on April 18, 2022, and we incurred an insignificant amount in dividends on our Series 2017 Preferred Stock prior to their full redemption immediately after the January 31, 2022 redemption date. During the period from the CRII Merger closing on May 7, 2021 to December 31, 2021, we incurred $6.4 million and $0.1 million in dividends on our Series 2016 Preferred Stock and Series 2017 Preferred Stock, respectively.

During the year ended December 31, 2022, we repurchased 27,000 shares of Series 2019 Preferred Stock for $0.3 million. Additionally, we fully redeemed our Series 2017 Preferred Stock immediately after the January 31, 2022 redemption date for $2.6 million and we fully redeemed our Series 2016 Preferred Stock on April 18, 2022 for $139.8 million. During the year ended December 31, 2021, we repurchased 10,000 shares of Series 2019 Preferred Stock for $0.1 million and during the period from the CRII Merger closing on May 7, 2021 to December 31, 2021 we repurchased 139,740 shares of Series 2016 Preferred Stock for $1.3 million.

9. Stockholders' Equity

Common Stock

The following table summarizes the changes in the shares outstanding for each class of outstanding common stock for the periods presented below:

	Class					
	T	D	I	A	TX	Total
Balance at December 31, 2020	—	—	—	12,214,771	17,518	12,232,289
Issuance of common stock	—	—	151,286	—	—	151,286
Distribution reinvestment	—	—	—	8,660	2	8,662
Repurchases of common stock	—	—	—	(203,537)	—	(203,537)
CRII Merger	—	—	—	430,070	—	430,070
CMRI Merger	—	—	—	5,762,253	—	5,762,253
CMRII Merger	—	—	—	5,232,957	—	5,232,957
Balance at December 31, 2021	—	—	151,286	23,445,174	17,520	23,613,980
Issuance of common stock	4,814,430	64,645	3,579,515	—	—	8,458,590
Distribution reinvestment	10,832	28	8,334	93,768	13	112,975
Exchanges and transfers [1]	—	—	280,889	17,533	(17,533)	280,889
CMOF Merger	—	—	—	4,335,367	—	4,335,367
Repurchases of common stock	(10,140)	—	(158,975)	(1,286,978)	—	(1,456,093)
Balance at December 31, 2022	4,815,122	64,673	3,861,049	26,604,864	—	35,345,708

[1] Exchanges represent the number of shares OP Unit holders have exchanged for Class I shares during the period. Transfers represent Class TX shares that were converted to Class A shares during the period.

Common Stock Distributions

Distributions on our common stock are determined by the board of directors based on our financial condition and other relevant factors. Common stockholders may choose to receive cash distributions or purchase additional shares through our distribution reinvestment plan. For the year ended December 31, 2022, we paid aggregate distributions of $22.2 million, including $20.0 million distributions paid in cash and $2.2 million of distributions reinvested through our distribution reinvestment plan. For the year ended December 31, 2021, we paid aggregate distributions of $9.6 million, including $9.5 million distributions paid in cash and $0.1 million of distributions reinvested through our distribution reinvestment plan.

Distributions were at a daily rate of $0.00013699, or $0.50 annually, per common share for the period of January 1, 2021 through August 30, 2021. In September 2021, we began declaring monthly distributions for each share of our common stock as shown in the table below:

Stockholder Record Date	Monthly Rate	Annually
September 25, 2021	$ 0.04333333	$ 0.52
October 29, 2021	$ 0.04333333	$ 0.52
November 30, 2021	$ 0.05416667	$ 0.65
December 31, 2021	$ 0.05666667	$ 0.68
January 31, 2022	$ 0.05833333	$ 0.70
February 28, 2022	$ 0.05916667	$ 0.71
March 31, 2022	$ 0.05916667	$ 0.71
April 30, 2022	$ 0.05916667	$ 0.71
May 31, 2022	$ 0.06000000	$ 0.72
June 30, 2022	$ 0.06083333	$ 0.73
July 31, 2022	$ 0.06083333	$ 0.73
August 31, 2022	$ 0.06083333	$ 0.73
September 30, 2022	$ 0.06083333	$ 0.73
October 31, 2022	$ 0.06083333	$ 0.73
November 30, 2022	$ 0.06083333	$ 0.73
December 31, 2022	$ 0.06083333	$ 0.73

For the year ended December 31, 2022, 100% (unaudited) of distributions to stockholders were reported as a return of capital or, to the extent they exceed a stockholder's adjusted tax basis, as gains from the sale or exchange of property.

Repurchases

During the year ended December 31, 2022, we repurchased 1,456,093 shares of common stock pursuant to our share repurchase program for $26.9 million, at an average repurchase price of $18.47. During the year ended December 31, 2021, we repurchased 203,537 shares of common stock pursuant to our share repurchase program for $2.6 million, at an average repurchase price of $12.90.

10. Promote from Incentive Allocation Agreement

In 2018, CROP sold a portfolio of 12 properties to an unrelated real estate firm, retaining management of the portfolio on behalf of the real estate firm. Under the sales arrangement, CROP entered into an incentive allocation agreement that entitled CROP to participate in distributions from the portfolio should returns exceed certain amounts. During the first quarter of 2022, the real estate firm sold this portfolio of properties. Our TRS realized a promote distribution of $30.7 million from the sale. As a result of the sale, we no longer manage this portfolio.

11. Related-Party Transactions

Advisor Compensation

CC Advisors III manages our business as our external advisor and, under the terms of our advisory agreement, performs certain services for us, including the identification, evaluation, negotiation, origination, acquisition and disposition of investments; and the management of our business. These activities are all subject to oversight by our board of directors. Our advisor is entitled to receive fees and compensation for services provided as mentioned below.

Asset Management Fee. Under the amended and restated advisory agreement entered May 7, 2021 and renewed for an additional one-year term as of May 7, 2022, CROP pays our advisor a monthly management fee equal to 0.0625% of GAV (gross asset value of CROP, calculated pursuant to our valuation guidelines and reflective of the ownership interest held by CROP in such gross assets), subject to a cap of 0.125% of net asset value of CROP. Prior to May 7, 2021, we paid our advisor an annual asset management fee in an amount equal to 1.25% per annum (paid monthly) of the gross book value of our assets as of the last day of the prior month.

Asset management fees to our advisor for the years ended December 31, 2022 and 2021 were $17.8 million and $8.1 million, respectively.

Acquisition Expense Reimbursement. We will reimburse our advisor for out-of-pocket expenses in connection with the selection, evaluation, structuring, acquisition, financing and development of investments, whether or not such investments are acquired, and make payments to third parties or possibly certain of our advisor's affiliates in connection with providing services to us.

Performance Participation Allocation. In addition to the fees paid to our advisor for services provided pursuant to the advisory agreement, the Special Limited Partner holds a performance participation interest in CROP that entitles it to receive an allocation of CROP's total return to its capital account. CC Advisors III was initially the Special Limited Partner. Effective November 12, 2021, CC Advisors III assigned its special limited partner interest to its affiliate, CC Advisors – SLP, LLC. The performance participation allocation is an incentive fee indirectly paid to our advisor and receipt of the allocation is subject to the ongoing effectiveness of the advisory agreement. As the performance participation allocation is associated with the performance of a service by the advisor, it is expensed in our consolidated statements of operations.

Total return is defined as all distributions accrued or paid (without duplication) on Participating Partnership units (all units in CROP with the exception of preferred units and the Special Limited Partner Interest) plus the change in the aggregate net asset value of such Participating Partnership units. The annual total return will be allocated solely to the Special Limited Partner only after the other unit holders have received a total return of 5% (after recouping any loss carryforward amount) and such allocation will continue until the allocation between the Special Limited Partner and all other unit holders is equal to 12.5% and 87.5%, respectively. Thereafter, the Special Limited Partner will receive an allocation of 12.5% of the annual total return. The performance participation allocation is ultimately determined at the end of each calendar year, accrues monthly and will be paid in cash or Class I units at the election of the Special Limited Partner after the completion of each calendar year.

During the year ended December 31, 2022, we recognized $20.3 million of expense for the performance participation allocation as a result of the increase in the value of our net assets and dividends paid to stockholders, which was paid in cash on March 2, 2023. During the period from May 7, 2021, the date our operating partnership agreement was amended to provide the performance participation allocation, to December 31, 2021, we recognized $51.8 million of expense for the performance participation allocation, which was paid in cash in January 2022.

Block C (now known as Westerly and Millcreek North) and Jasper (now known as The Archer) Investments

On June 28, 2022, we, through our indirect subsidiaries, admitted entities affiliated with us and our advisor, Brickyard QOF, LLC ("Brickyard QOF") and HV Millcreek, LLC ("Millcreek," and together with Brickyard QOF, the "Affiliated Members") as members in CW Block C, LLC, a development joint venture with CMOF ("Block C"), and CW Jasper, LLC, a development project owned 100% by CROP ("The Archer"). Block C owns land held for development of two projects called Westerly and Millcreek North. The Affiliated Members are owned directly or indirectly by our officers or directors, as well as certain employees of CROP and our advisor or its affiliates. In connection with their admission as members, the Affiliated Members made an aggregate capital contribution of $8.5 million and $2.4 million to Block C and The Archer, respectively. The Affiliated Members participate in the economics of Block C and The Archer on the same terms and conditions as us. The operating agreements of Block C and The Archer were amended in August 2022 to reflect additional terms related to the admission of the Affiliated Members. Block C and The Archer are located in an Opportunity Zone, which provides tax benefits for development programs located in designated areas as established by Congress in the Tax Cuts and Jobs act of 2017. As of December 31, 2022, our ownership in The Archer was 79.9%. As a result of the consummation of the CMOF Merger on September 27, 2022, we acquired CMOF's joint venture interests in Block C, increasing our ownership interest to 79.0%.

Reimbursable Operating Expenses

Our advisor must reimburse us the amount by which our aggregate total operating expenses for the four fiscal quarters then ended exceed the greater of 2% of our average invested assets or 25% of our net income, unless the conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. Our conflicts committee determined that no reimbursement was required as of December 31, 2022 and 2021.

Alpha Mill Transaction

On April 7, 2022, we sold a 10.3% interest in Alpha Mill to a trust established by the father of Chad Christensen, one of our directors and Executive Chairman, and Gregg Christensen, our Chief Legal Officer and Secretary (the "Christensen Trust") for $8.2 million.

Independent Director Compensation

Annually, each independent director is paid a cash retainer of $50,000 for their service (prorated in 2021) and a grant of time-based LTIP Units with a value of $85,000 at the time of grant. The LTIP Units have a one-year vesting schedule. Independent board members serving as chairperson of each of the audit, compensation and conflicts committees receive an additional annual cash retainer of $15,000, $10,000 and $10,000, respectively.

12. Noncontrolling Interests

Noncontrolling Interests - Limited Partners

Common Limited OP Units and LTIP Units are CROP units not owned by us and collectively referred to as "Noncontrolling Interests – Limited Partners."

Common Limited OP Units - Common Limited OP Units share in the profits, losses and cash distributions of CROP as defined in the partnership agreement, subject to certain special allocations and receive distributions equivalent to distributions declared to the holders of CCI common stock.

During the year ended December 31, 2022, we paid aggregate distributions to noncontrolling OP Unit holders of $22.2 million. During the period from the CRII Merger on May 7, 2021 to December 31, 2021, we paid aggregate distributions to noncontrolling OP Unit holders of $10.6 million.

LTIP Units - Certain executives, directors and key employees receive LTIP Units in CROP as equity incentive compensation. LTIP Units are a separate series of limited partnership units, which are convertible into Common Limited OP Units upon achieving certain time vesting and performance requirements. Unless otherwise provided, the time vesting LTIP Units (whether vested or unvested) entitle the holder to receive current distributions from CROP, and the performance LTIP Units (whether vested or unvested) entitle the holder to receive 10% of the current distributions from CROP during the applicable performance period. When the LTIP Units have vested and sufficient income has been allocated to the holder of the vested LTIP Units, the LTIP Units will automatically convert to Common Limited OP Units in CROP on a one-for-one basis. LTIP Units constitute profits interests and have no voting rights in CROP.

As of December 31, 2022, there were 673,780 unvested time LTIP awards and 548,138 unvested performance LTIP awards outstanding. Share-based compensation, included within other in the consolidated statement of stockholders' equity, was $3.7 million and $1.6 million for the years ended December 31, 2022 and 2021, respectively. Total unrecognized compensation expense for LTIP Units at December 31, 2022 is $8.0 million and is expected to be recognized on a straight-line basis through December 2025.

Noncontrolling Interests - Partially Owned Entities

As of December 31, 2022, noncontrolling interests in entities not wholly owned by us ranged from 1% to 63%, with the average being 12%.

On June 28, 2022, Block C was recapitalized. We contributed additional funds and obtained a controlling interest and consolidated the Block C joint venture, recording the Block C membership interests owned by CMOF and Affiliated Members at that time as noncontrolling interests. Upon recapitalization, additional noncontrolling interests were recorded with the Affiliated Members contribution to The Archer, an entity that was already consolidated.

With the CMOF Merger on September 27, 2022, we acquired the noncontrolling interest in Broadway, Park Ave, and Block C that were previously owned by CMOF. The remaining portion of Block C not owned by us continues to be recorded as noncontrolling interest.

13. Commitments and Contingencies

417 Callowhill

As of December 31, 2022, we had a remaining commitment of up to $24.7 million on the 417 Callowhill preferred equity investment.

Economic Dependency

We are dependent on our advisor and its affiliates and the dealer manager for certain services that are essential to us, including the sale of our shares in our public and private offering; the identification, evaluation, negotiation, origination, acquisition and disposition of investments; management of the daily operations of our investment portfolio; and other general and administrative responsibilities. In the event that these companies are unable to provide the respective services, we will be required to obtain such services from other sources.

Litigation

We are subject to a variety of legal actions in the ordinary course of our business, most of which are covered by liability insurance. While the resolution of these matters cannot be predicted with certainty, as of December 31, 2022, we believe the final outcome of such legal proceedings and claims will not have a material adverse effect on our liquidity, financial position or results of operations.

Richmond Guaranty

At the closing of the CRII Merger, the Company assumed a 50% payment guarantee provided by CRII and CROP, for certain obligations of Villas at Millcreek, LLC ("Richmond Borrower") with respect to a construction loan in the amount of $53.6 million obtained in connection with the development of Richmond at Millcreek, a development project sponsored by High Traverse Development, LLC. Certain of our officers and directors own an aggregate 13.91% of Richmond Borrower. A wholly owned subsidiary of CROP receives fees from High Traverse Development, LLC related to the development of Richmond at Millcreek.

Environmental

As an owner of real estate, we are subject to various federal, state and local environmental laws. Compliance with existing laws has not had a material adverse effect on us. However, we cannot predict the impact of new or changed laws or regulations on our properties or on properties that we may acquire in the future.

Distribution Reinvestment Plan

Our distribution reinvestment plan allows common stockholders to apply their dividends and other distributions towards the purchase of additional shares of common stock. The purchase price for shares purchased pursuant to our distribution reinvestment plan is the transaction price for such shares in effect on the distribution date, which is generally the most recently disclosed NAV per share. We suspended our distribution reinvestment plan in December 2020 and resumed our distribution reinvestment plan on November 4, 2021 when the SEC declared the Follow-on Offering effective.

Share Repurchase Programs

Preferred Stock

Our board of directors has adopted a share repurchase program with respect to our preferred stock whereby, upon the request of a holder of our Series 2019 Preferred Stock and Series 2023 Preferred Stock, we may, at the sole discretion of the board of directors, repurchase their shares at the following prices, which are dependent on how long such preferred stockholder has held each share:

	Repurchase Price	
Share Purchase Anniversary	**Series 2019**	**Series 2023**
Less than 1 year	$8.80	$9.00
1 year	$9.00	$9.00
2 years	$9.20	$9.20
3 years	$9.40	$9.40
4 years	$9.60	$9.60
5 years	$9.80	$9.80
A stockholder's death or complete disability, 2 years or more	$10.00	$10.00

Repurchase information on our preferred stock is disclosed in Note 8 above.

Common Stock

We suspended our share repurchase program in December 2020. Our board of directors approved the resumption of the share repurchase program effective for repurchases for the month ended June 30, 2021 onward.

Our share repurchase program provides that we may make repurchases, at our discretion, with an aggregate value of up to 2% of our aggregate net asset value or "NAV" each month and up to 5% of our NAV each quarter. We have no restrictions on the source of funds used to repurchase shares pursuant to our share repurchase program.

For our Class T, Class D and Class I shares, the repurchase price is equal to the transaction price at the date of repurchase, or 95% of the transaction price on the repurchase date if the shares have been held for less than a year. For our Class A shares, the repurchase price will be equal to the transaction price at the date of repurchase, subject to the following: (i) shares that have been outstanding six years or more will be repurchased at 100% of the transaction price, (ii) shares that have been outstanding for at least five years and less than six years will be repurchased at 95.0% of the transaction price, (iii) shares that have been outstanding for at least three years and less than five years will be repurchased at 90.0% of the transaction price and (iv) shares that have been outstanding for at least one year and less than three years will be repurchased at 85.0% of the transaction price. The transaction price is the then-current offering price per share, which is generally the most recently disclosed NAV per share.

Common Limited OP Units

Beginning one year after acquiring any Common Limited OP Units, common limited partners have the right to request CROP repurchase their Common Limited OP Units as described below. We may, in our sole discretion, honor the repurchase request at the following prices:

1. Beginning one year after acquisition of a Common Limited OP Unit and continuing for the three-year period thereafter, the purchase price for the repurchased Common Limited OP Unit shall be equal to 80% of the NAV of the Common Limited OP Units.
2. Beginning four years after acquisition of a Common Limited OP Unit and continuing for the two-year period thereafter, the purchase price for the repurchased Common Limited OP Units shall be equal to 85% of the NAV of the CROP Common Units.
3. Beginning six years after acquisition of a Common Limited OP Unit and continuing thereafter, the purchase price for the repurchased Common Limited OP Unit shall be equal to 90% of the NAV of the Common Limited OP Units.

Subject to our sole discretion, in the case of the death or complete disability of a limited partner, the repurchase of the Common Limited OP Units may occur at any time after acquisition of a Common Limited OP Unit and, if accepted by us, the purchase price for the repurchased Common Limited OP Units will be equal to 95% of the NAV of the Common Limited OP Units.

14. Subsequent Events

Cottonwood Lighthouse Point Tenant In Common Sale

On February 14, 2023 we sold tenant in common interests in Cottonwood Lighthouse Point for $13.6 million, reducing our ownership from 100% to 86.8%. As a result of this transaction, Cottonwood Lighthouse Point will be deconsolidated on February 14, 2023 and our remaining ownership interest in this property will be recorded as an investment in unconsolidated real estate.

Financing Activity

On February 28, 2023, we refinanced seven properties through individual, uncrossed loans with one lender for $326.0 million, receiving net proceeds of $58.0 million. The loans have a weighted average term of 6.8 years with a weighted average fixed rate of 5.08%. Two of the properties are unconsolidated.

On March 17, 2023, we exercised one of our two extension options on the JP Morgan Revolving Credit Facility and extended the maturity date of the credit facility to March 19, 2024.

On March 22, 2023, we entered a loan modification agreement with respect to the mortgage loan on Sugarmont to reduce the loan to $91.2 million and convert the interest rate from a floating rate to a fixed rate of 5.9%.

Performance Participation Allocation Payment

On March 2, 2023, we paid the $20.3 million owed to an affiliate of our Advisor for the 2022 performance participation allocation.

Status of the 2023 Private Offering

As of March 21, 2023, we sold 2,761,203 shares of Series 2023 Preferred Stock for aggregate gross offering proceeds of $27.6 million. In connection with the sale of these shares in the 2023 Private Offering, the Company paid aggregate selling commissions of $1.6 million and placement fees of $0.8 million.

Status of the Follow-on Offering

We sold the following through our Follow-on Offering after December 31, 2022 ($ in thousands):

	Class				
	T	**D**	**I**	**A**	**Total**
Shares issued through Primary Offering	312,220	101,083	257,426	—	670,729
Shares issued through DRP Offering	7,428	171	6,210	21,751	35,560
Gross Proceeds	$ 6,326	$ 2,014	$ 5,069	$ —	$ 13,409

Distributions Declared - Common Stock

We declared the following monthly distributions after December 31, 2022:

Stockholder Record Date	Monthly Rate	Annually
January 31, 2023	$ 0.06083333	$ 0.73
February 28, 2023	$ 0.06083333	$ 0.73
March 31, 2023	$ 0.06083333	$ 0.73

Grant of LTIP Unit Awards

On January 6, 2023, we issued LTIP Units from the Operating Partnership to our executive officers and certain employees as approved by our compensation committee. The compensation committee approved awards of time-based LTIP Units in an aggregate amount of $1,556,557. Each award will vest approximately one-quarter of the awarded amount on January 1, 2024, 2025, 2026 and 2027.

The compensation committee also approved awards of performance-based LTIP Units to our executive officers and certain of our employees in an aggregate target amount of $2,890,745. The actual amount of each performance-based LTIP Unit award will be determined at the conclusion of a three-year performance period and will depend on the internal rate of return as defined in the award agreement. The earned LTIP Units will become fully vested on the first anniversary of the last day of the performance period, subject to continued employment with the advisor or its affiliates. The number of units granted were valued by reference to our November 30, 2022 NAV per share as announced on December 16, 2022 of $19.9945.

Equity Incentive Plan

On January 6, 2023, we issued an aggregate grant of 15,723 restricted stock units with a four-year vesting schedule. Of this amount, 11,722 were issued pursuant to the Cottonwood Communities, Inc. 2022 Equity Incentive Plan.

15. Restatement of Previously Issued Interim Consolidated Financial Statements (unaudited)

As described in Note 3, we have restated our unaudited consolidated financial statements for the periods ended March 31, 2022, June 30, 2022 and September 30, 2022 due to the inaccurate presentation of the change in cash flows ascribed to financing and operating activities in the consolidated statement of cash flows. The following tables present the effect of the Restatement on the consolidated statement of cash flows for these quarterly periods (in thousands):

	Three Months Ended March 31, 2022		
	As Previously Reported	Restatement Adjustment	As Restated
Cash flows from operating activities:			
Net loss	$ (6,888)	$ —	$ (6,888)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	11,268	—	11,268
Share-based compensation	865	—	865
Other operating	1,312	—	1,312
Loss on debt extinguishment	551	—	551
Equity in earnings of unconsolidated real estate entities	(2,670)	—	(2,670)
Distributions from unconsolidated real estate entities - return on capital	2,235	—	2,235
Changes in operating assets and liabilities:			
Other assets	(1,170)	—	(1,170)
Performance participation allocation	19,934	—	19,934
Performance participation allocation payment	(51,761)	—	(51,761)
Accounts payable, accrued expenses and other liabilities	11,518	(1,592)	9,926
Net cash used in operating activities	(14,806)	(1,592)	(16,398)
Cash flows from investing activities:			
Capital expenditures and development activities	(18,488)	—	(18,488)
Investments in unconsolidated real estate entities	(197)	—	(197)
Distributions from unconsolidated real estate entities - return on capital	38,769	—	38,769
Contributions to investments in real-estate related loans	—	—	—
Net cash provided by investing activities	20,084	—	20,084
Cash flows from financing activities:			
Principal payments on mortgage notes	(404)	—	(404)
Borrowings from revolving credit facility	52,800	—	52,800
Repayments on revolving credit facility	(72,800)	—	(72,800)
Borrowings under mortgage notes and term loans	369,500	—	369,500
Repayments of mortgage notes and term loans	(218,693)	—	(218,693)
Deferred financing costs on mortgage notes and term loans	(4,036)	—	(4,036)
Borrowings from construction loans	9,178	—	9,178
Repayments of construction loans	(59,660)	—	(59,660)
Proceeds from issuance of Series 2019 Preferred Stock	14,162	—	14,162
Redemption of preferred stock	(2,738)	—	(2,738)
Offering costs paid on issuance of preferred stock	(1,693)	—	(1,693)
Repurchase of unsecured promissory notes	(96)	—	(96)
Proceeds from issuance of common stock	33,395	—	33,395
Repurchase of common stock/OP Units	(3,394)	—	(3,394)
Offering costs paid on issuance of common stock	(2,959)	1,592	(1,367)
Contributions from noncontrolling interests	662	—	662
Distributions to common stockholders	(4,174)	—	(4,174)
Distributions to noncontrolling interests - limited partners	(5,460)	—	(5,460)
Distributions to noncontrolling interests - partially owned entities	(4,073)	—	(4,073)
Net cash provided by financing activities	99,517	1,592	101,109
Net increase in cash and cash equivalents and restricted cash	104,795	—	104,795
Cash and cash equivalents and restricted cash, beginning of period	45,390	—	45,390
Cash and cash equivalents and restricted cash, end of period	$ 150,185	$ —	$ 150,185
Reconciliation of cash and cash equivalents and restricted cash to the condensed consolidated balance sheets:			
Cash and cash equivalents	$ 121,890	$ —	$ 121,890
Restricted cash	28,295	—	28,295
Total cash and cash equivalents and restricted cash	$ 150,185	$ —	$ 150,185
Supplemental disclosure of non-cash investing and financing activities:			
Increase in accrued deferred offering costs	$ —	$ 1,592	$ 1,592

	Six Months Ended June 30, 2022			
	As Previously Reported	**Restatement Adjustment**	**Other Adjustment [1]**	**As Restated**
Cash flows from operating activities:				
Net loss	$ (19,882)	$ —	$ —	$ (19,882)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	23,259	—	—	23,259
Gain on sale of investments in unconsolidated real estate entities	(7,634)	—	—	(7,634)
Share-based compensation	1,596	—	—	1,596
Deferred taxes	—	—	7,262	7,262
Other operating	3,014	—	—	3,014
Loss on debt extinguishment	481	—	—	481
Equity in earnings of unconsolidated real estate entities	(6,723)	—	—	(6,723)
Distributions from unconsolidated real estate entities - return on capital	6,423	—	—	6,423
Changes in operating assets and liabilities:				
Other assets	(3,498)	—	—	(3,498)
Performance participation allocation	30,078	—	—	30,078
Performance participation allocation payment	(51,761)	—	—	(51,761)
Accounts payable, accrued expenses and other liabilities	17,439	(3,061)	(7,262)	7,116
Net cash used in operating activities	(7,208)	(3,061)	—	(10,269)
Cash flows from investing activities:				
Acquisitions of real estate, net of cash acquired	(93,985)	—	—	(93,985)
Capital expenditures and development activities	(31,341)	—	—	(31,341)
Investments in unconsolidated real estate entities	(197)	—	—	(197)
Proceeds from sale of investments in unconsolidated real estate entities	28,734	—	—	28,734
Distributions from unconsolidated real estate entities - return on capital	38,769	—	—	38,769
Net cash provided by investing activities	(58,020)	—	—	(58,020)
Cash flows from financing activities:				
Principal payments on mortgage notes	(793)	—	—	(793)
Borrowings from revolving credit facility	138,000	—	—	138,000
Repayments on revolving credit facility	(98,000)	—	—	(98,000)
Borrowings under mortgage notes and term loans	464,372	—	—	464,372
Repayments of mortgage notes and term loans	(231,177)	—	—	(231,177)
Deferred financing costs on mortgage notes and term loans	(4,931)	—	—	(4,931)
Borrowings from construction loans	22,915	—	—	22,915
Repayments of construction loans	(59,660)	—	—	(59,660)
Proceeds from issuance of Series 2019 Preferred Stock	15,472	—	—	15,472
Redemption of preferred stock	(142,616)	—	—	(142,616)
Offering costs paid on issuance of preferred stock	(1,708)	—	—	(1,708)
Repurchase of unsecured promissory notes	(96)	—	—	(96)
Proceeds from issuance of common stock	87,600	—	—	87,600
Repurchase of common stock/OP Units	(9,432)	—	—	(9,432)
Offering costs paid on issuance of common stock	(7,170)	3,061	—	(4,109)
Contributions from noncontrolling interests	11,758	—	—	11,758
Distributions to common stockholders	(8,774)	—	—	(8,774)
Distributions to noncontrolling interests - limited partners	(11,018)	—	—	(11,018)
Distributions to noncontrolling interests - partially owned entities	(4,195)	—	—	(4,195)
Net cash provided by financing activities	160,547	3,061	—	163,608
Net increase in cash and cash equivalents and restricted cash	95,319	—	—	95,319
Cash and cash equivalents and restricted cash, beginning of period	45,390	—	—	45,390
Cash and cash equivalents and restricted cash, end of period	$ 140,709	$ —	$ —	$ 140,709
Reconciliation of cash and cash equivalents and restricted cash to the condensed consolidated balance sheets:				
Cash and cash equivalents	$ 72,640	$ —	$ —	$ 72,640
Restricted cash	68,069	—	—	68,069
Total cash and cash equivalents and restricted cash	$ 140,709	$ —	$ —	$ 140,709
Supplemental disclosure of non-cash investing and financing activities:				
Increase in accrued deferred offering costs	$ —	$ 3,061	$ —	$ 3,061

[1] The change in deferred tax liabilities was moved from accounts payable, accrued expenses and other liabilities to a separate line within cash flows from operating activities titled "Deferred taxes". This other adjustment is immaterial and does not change overall cash flows from operating activities. The other adjustment changed the ending amount for changes in accounts payable, accrued expenses and other liabilities from $14.4 million to $7.1 million.

	Nine Months Ended September 30, 2022			
	As Previously Reported	Restatement Adjustment	Other Adjustments [1]	As Restated
Cash flows from operating activities:				
Net loss	$ (32,209)	$ —	$ —	$ (32,209)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	37,549	—	—	37,549
Gain on sale of investments in unconsolidated real estate entities	(7,810)	—	—	(7,810)
Share-based compensation	2,743	—	—	2,743
Deferred taxes	—	—	7,262	7,262
Other operating	4,802	—	—	4,802
Loss on debt extinguishment	481	—	—	481
Equity in earnings of unconsolidated real estate entities	(8,705)	—	—	(8,705)
Distributions from unconsolidated real estate entities - return on capital	8,389	—	—	8,389
Changes in operating assets and liabilities:				
Other assets	(2,647)	—	—	(2,647)
Performance participation allocation	31,160	—	—	31,160
Performance participation allocation payment	(51,761)	—	—	(51,761)
Accounts payable, accrued expenses and other liabilities	19,609	(4,404)	(7,262)	7,943
Net cash provided by (used in) operating activities	1,601	(4,404)	—	(2,803)
Cash flows from investing activities:				
Acquisitions of real estate, net of cash acquired	(148,216)	—	5,603	(142,613)
Settlement of related party notes and liabilities assumed with the CMOF Merger	(1,469)	—	—	(1,469)
Capital expenditures and development activities	(77,235)	—	—	(77,235)
Investments in unconsolidated real estate entities	(197)	—	—	(197)
Proceeds from sale of investments in unconsolidated real estate entities	28,910	—	—	28,910
Distributions from unconsolidated real estate entities - return on capital	38,769	—	—	38,769
Proceeds from settlement of investments in real-estate related loans	13,000	—	—	13,000
Net cash provided by investing activities	(146,438)	—	5,603	(140,835)
Cash flows from financing activities:				
Principal payments on mortgage notes	(1,186)	—	—	(1,186)
Borrowings from revolving credit facility	168,000	—	—	168,000
Repayments on revolving credit facility	(141,000)	—	—	(141,000)
Borrowings under mortgage notes and term loans	469,976	—	(5,603)	464,373
Repayments of mortgage notes and term loans	(231,177)	—	—	(231,177)
Deferred financing costs on mortgage notes and term loans	(5,067)	—	—	(5,067)
Borrowings from construction loans	30,642	—	—	30,642
Repayments of construction loans	(59,660)	—	—	(59,660)
Proceeds from issuance of Series 2019 Preferred Stock	15,472	—	—	15,472
Redemption of preferred stock	(142,720)	—	—	(142,720)
Offering costs paid on issuance of preferred stock	(1,708)	—	—	(1,708)
Proceeds from issuance of common stock	145,008	—	—	145,008
Repurchase of common stock/OP Units	(15,840)	—	—	(15,840)
Offering costs paid on issuance of common stock	(11,918)	4,404	—	(7,514)
Contributions from noncontrolling interests	11,935	—	—	11,935
Distributions to common stockholders	(13,842)	—	—	(13,842)
Distributions to noncontrolling interests - limited partners	(16,507)	—	—	(16,507)
Distributions to noncontrolling interests - partially owned entities	(4,311)	—	—	(4,311)
Other financing activities	(96)	—	—	(96)
Net cash provided by financing activities	196,001	4,404	(5,603)	194,802
Net increase in cash and cash equivalents and restricted cash	51,164	—	—	51,164
Cash and cash equivalents and restricted cash, beginning of period	45,390	—	—	45,390
Cash and cash equivalents and restricted cash, end of period	$ 96,554	$ —	$ —	$ 96,554

[1] Other adjustments include the $7.3 million change in deferred tax liabilities move from accounts payable, accrued expenses and other liabilities to a separate line within cash flows from operating activities titled “Deferred taxes” and the movement of $5.6 million from borrowings under mortgage notes and term loans in cash flows from financing activities to acquisitions of real estate, net of cash acquired, in cash flows from investing activities. These other adjustments are immaterial and do not change overall cash flows from operating activities. The other adjustment for deferred taxes changed the ending amount for changes in accounts payable, accrued expenses and other liabilities from $15.2 million to $7.9 million.

	Nine Months Ended September 30, 2022 (Continued)			
	As Previously Reported	Restatement Adjustment	Other Adjustment	As Restated
Reconciliation of cash and cash equivalents and restricted cash to the condensed consolidated balance sheets:				
Cash and cash equivalents	$ 63,045	$ —	$ —	$ 63,045
Restricted cash	33,509	—	—	33,509
Total cash and cash equivalents and restricted cash	$ 96,554	$ —	$ —	$ 96,554
Supplemental disclosure of non-cash investing and financing activities:				
Increase in accrued deferred offering costs	$ —	$ 4,404	$ —	$ 4,404
CMOF Merger				
CMOF related party notes assumed	$ 1,327	$ —	$ —	$ 1,327
Net other liabilities assumed	$ 142	$ —	$ —	$ 142
Cottonwood Ridgeview Acquisition				
Real estate assets, net of cash acquired	$ 62,636	$ —	$ 5,531	$ 68,167
Mortgage note	$ 58,192	$ —	$ 5,603	$ 63,795
Other assets and liabilities assumed, net	$ 642	$ —	$ —	$ 642
Value of OP Units issued for real estate assets	$ 2,930	$ —	$ —	$ 2,930
Cottonwood Clermont Acquisition				
Assumption of mortgage note	$ 35,521	$ —	$ —	$ 35,521

Also as described in Note 3, the following table summarizes immaterial adjustments to the partnership equity amounts between us and our limited partners to align the net equity carrying balance to the respective partners' ownership percentage for the quarterly periods indicated (in thousands):

	As Previously Reported	Adjustment	As Adjusted
As of March 31, 2022			
Additional paid-in capital	$ 279,347	$ 15,778	$ 295,125
Noncontrolling interests - limited partners	$ 282,549	$ (15,778)	$ 266,771
As of June 30, 2022			
Additional paid-in capital	$ 323,723	$ 3,292	$ 327,015
Noncontrolling interests - limited partners	$ 270,525	$ (3,292)	$ 267,233
As of September 30, 2022			
Additional paid-in capital	$ 413,328	$ (9,394)	$ 403,934
Noncontrolling interests - limited partners	$ 266,836	$ 9,394	$ 276,230

Cottonwood Communities, Inc.
Schedule III - Real Estate and Accumulated Depreciation as of December 31, 2022 ($ in thousands)

Description	Location	Ownership Percent	Number of Units	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings, Intangibles and Improvements	Cost Capitalized Subsequent to Acquisition	Gross Amount Carried as of December 31, 2022: Land	Gross Amount Carried as of December 31, 2022: Buildings, Intangibles and Improvements	Gross Amount Carried as of December 31, 2022: Total [(1)]	Accumulated Depreciation and Amortization [(2)]	Year(s) Built	Date Acquired
Stabilized Multifamily Apartment Communities:													
Cason Estates	Murfreesboro, TN	100.0%	262	$ (33,594)	$ 4,806	$ 46,666	$ 542	$ 4,806	$ 47,208	$ 52,014	$ (4,578)	2005	5/7/2021
Cottonwood Apartments	Salt Lake City, UT	100.0%	264	(35,430)	6,556	40,745	1,283	6,556	42,028	48,584	(3,782)	1986	5/7/2021
Cottonwood Clermont	Clermont, FL	100.0%	230	(35,411)	5,705	76,805	124	5,705	76,929	82,634	(1,799)	2020	9/21/2022
Cottonwood Lighthouse Point	Pompano Beach, FL	100.0%	243	(47,964)	13,647	82,447	443	13,647	82,890	96,537	(3,871)	2015	6/22/2022
Cottonwood One Upland	Boston, MA	100.0%	262	(32,400)	14,515	89,428	687	14,515	90,115	104,630	(11,426)	2016	3/19/2020
Cottonwood Reserve	Charlotte, NC	91.1%	352	(37,817)	12,634	64,986	804	12,634	65,790	78,424	(6,522)	2004, 2017	5/7/2021
Cottonwood Ridgeview	Plano, TX	100.0%	322	(65,300)	9,275	59,392	303	9,275	59,695	68,970	(1,607)	2004	9/19/2022
Cottonwood West Palm	West Palm Beach, FL	100.0%	245	(47,978)	9,380	57,073	657	9,380	57,730	67,110	(9,062)	2018	5/30/2019
Cottonwood Westside	Atlanta, GA	100.0%	197	(25,020)	8,641	39,324	247	8,641	39,571	48,212	(3,738)	2014	5/7/2021
Enclave on Golden Triangle	Keller, TX	98.9%	273	(48,400)	4,888	46,712	559	4,888	47,271	52,159	(4,090)	2006	5/7/2021
Heights at Meridian	Durham, NC	100.0%	339	(45,341)	5,971	74,022	573	5,971	74,595	80,566	(6,815)	2015	5/7/2021
Melrose	Nashville, TN	100.0%	220	(56,600)	8,822	58,676	226	8,822	58,902	67,724	(6,097)	2015	5/7/2021
Parc Westborough	Boston, MA	100.0%	249	(21,600)	12,759	61,302	405	12,759	61,707	74,466	(6,302)	2016	5/7/2021
Park Avenue [(3)]	Salt Lake City, UT	100.0%	234	(37,000)	12,369	29,931	25,419	12,369	55,350	67,719	(1,464)	2022	5/7/2021
Pavilions	Albuquerque, NM	96.4%	240	(58,500)	5,924	55,177	500	5,924	55,677	61,601	(4,732)	1992	5/7/2021
Raveneaux	Houston, TX	97.0%	382	(47,400)	6,249	51,251	594	6,249	51,845	58,094	(4,842)	2000	5/7/2021
Regatta	Houston, TX	100.0%	490	(35,367)	8,449	39,651	924	8,449	40,575	49,024	(4,226)	1968-1976	5/7/2021
Retreat at Peachtree City	Peachtree City, GA	100.0%	312	(48,719)	5,669	66,888	707	5,669	67,595	73,264	(6,677)	1999	5/7/2021
Scott Mountain	Portland, OR	95.8%	262	(48,373)	6,952	63,758	403	6,952	64,161	71,113	(5,330)	1997, 2000	5/7/2021
Stonebriar of Frisco	Frisco, TX	84.2%	306	(53,600)	5,737	53,463	1,171	5,737	54,634	60,371	(4,667)	1999	5/7/2021
Sugarmont [(3), (4)]	Salt Lake City, UT	99.0%	341	(105,000)	17,838	94,662	27,304	17,838	121,966	139,804	(5,193)	2022	5/7/2021
Summer Park	Buford, GA	98.7%	358	(44,620)	9,474	66,200	495	9,474	66,695	76,169	(6,450)	2001	5/7/2021
The Marq Highland Park	Tampa, FL	100.0%	239	(34,005)	6,280	59,424	439	6,280	59,863	66,143	(6,000)	2015	5/7/2021
Development Projects:													
Cottonwood Broadway	Salt Lake City, UT	100.0%	254	(39,728)	11,042	30,958	33,519	11,042	64,477	75,519	—	N/A	5/7/2021
Cottonwood Highland	Millcreek, UT	36.9%	250	(18,598)	7,405	1,695	36,235	7,405	37,930	45,335	—	N/A	5/7/2021
Other Developments	Various	Various	N/A	—	46,889	1,150	2,652	46,889	3,802	50,691	—	N/A	Various
		Total	**7,126**	**$ (1,103,765)**	**$ 267,876**	**$ 1,411,786**	**$ 137,215**	**$ 267,876**	**$ 1,549,001**	**$ 1,816,877**	**$ (119,270)**		

(1) The aggregate cost of real estate for federal income tax purposes was $1.3 billion (unaudited) as of December 31, 2022.

(2) Depreciation is recognized on a straight-line basis over the estimated useful asset lives of the related assets, which is 30 years for buildings and ranges from five to 15 years for land improvements, building improvements and furniture, fixtures and equipment. Intangible assets are amortized to depreciation and amortization over the remaining lease term.

(3) Park Avenue and Sugarmont were previously both development projects acquired and consolidated as part of the CRII Merger on May 7, 2021, but which have since been placed into service and reached stabilization. The costs capitalized subsequent to acquisition for these two properties above represent the development costs incurred to complete the projects since the initial acquisition date.

(4) We own 99.0% of Sugarmont and the remaining one percent interest not owned by us has limited rights, including the right to control on behalf of the joint venture the prosecution and resolution of all litigation, claims, or causes of action that the joint venture has or may have against certain third parties associated with the design and construction of Sugarmont, as well as the obligation to defend any crossclaims resulting from these actions.

The following table summarized the changes in our consolidated real estate assets and accumulated depreciation for the years ended December 31, 2022 and 2021 (in thousands):

	2022	2021
Real estate assets:		
Balance at beginning of the year	$ 1,476,518	$ 170,796
Additions during the year:		
Acquisitions	284,138	1,295,086 [1]
Improvements and development costs	56,221	80,775
Dispositions and deconsolidations during the year:		
Dispositions and deconsolidations	—	(70,139)
Balance at end of the year	$ 1,816,877	$ 1,476,518
Accumulated depreciation and amortization:		
Balance at beginning of the year	$ (68,035)	$ (9,704)
Depreciation and amortization	(51,235)	(61,243)
Dispositions and deconsolidations	—	2,912
Balance at end of the year	$ (119,270)	$ (68,035)

[1] Aside from a portion of the other development real estate assets, all of our 2021 acquisitions of real estate were from the merger with CRII, which was an affiliated entity. The CRII Merger was accounted for as a business combination in accordance with ASC 805. See Note 4 for additional information regarding the CRII Merger including the amount of real estate assets acquired as part of the merger.