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

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# FORM 10-K

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

**For the fiscal year ended December 31, 2023**

☐ 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**

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# Cottonwood Communities, Inc.

(Exact name of Registrant as specified in its charter)

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|---|---|
| **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)

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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 cannot be calculated because no established market exists for the registrant’s common stock.

As of March 25, 2024, there were 3,916,171 shares of the registrant’s Class T common stock, 205,489 shares of the registrant’s Class D common stock, 4,606,302 shares of the registrant’s Class I common stock, and 22,742,743 shares of the registrant’s Class A common stock outstanding.

# Cottonwood Communities, Inc.
# Form 10-K
# For the Year Ended December 31, 2023

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## Part I

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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 (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 us. 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.

- 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.

- 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 and stock market volatility, 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, increases in interest rates and significant inflation 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 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. These distributions may constitute a return of capital.

- All of our officers and certain of our directors are also officers of our sponsor, advisor and their affiliates and, as a result, are subject to conflicts of interest, including conflicts arising from time constraints and the fact that the fees our advisor receives for services rendered to us are based on our NAV, which our advisor is responsible for determining.

- 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 as well as the impact of rising costs associated with increased inflation, all of which could result in unanticipated 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.

- There are limits on the ownership and transferability of our shares.

- If we fail to continue to qualify as a 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.

- We restated our previously issued financial statements for the year ended December 31, 2022 and for each of the quarterly periods therein (the "Restatement"). As a result of the Restatement, we identified a material weakness in our internal control over financial reporting, and solely as a result of the material weakness on the statement of cash flows, our management 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.

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

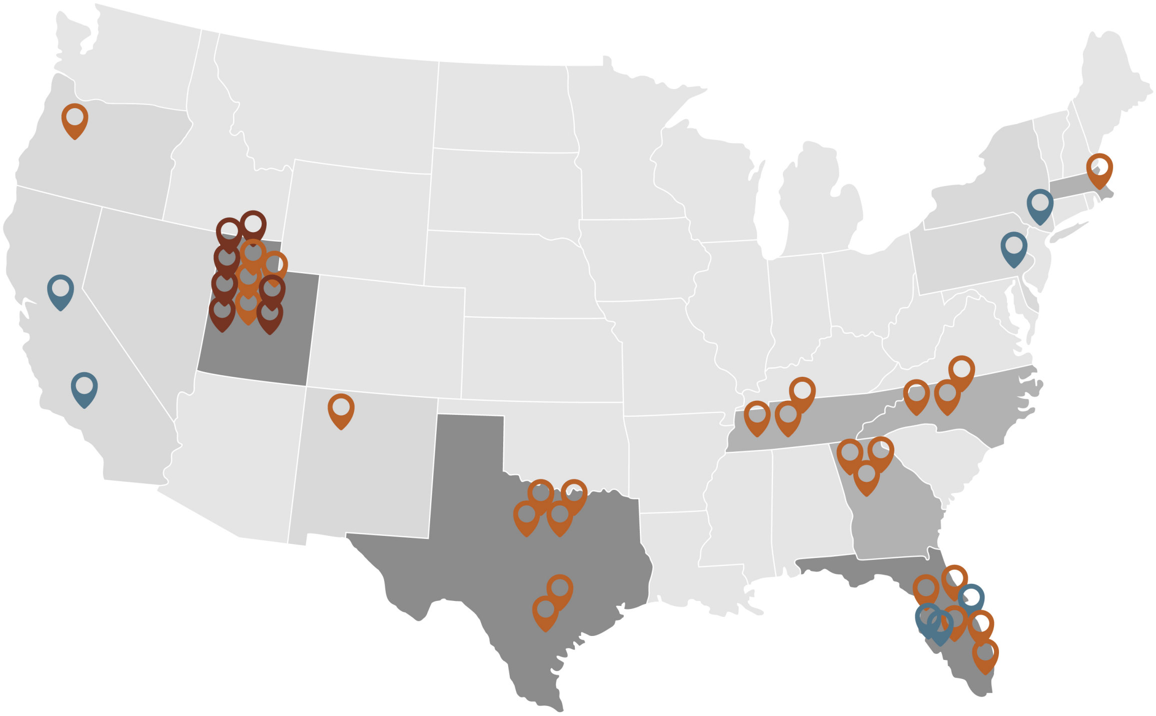
Cottonwood Communities, Inc. is a non-listed perpetual-life, net asset value (“NAV”), real estate investment trust (“REIT”). We qualified as a REIT for U.S. federal income tax purposes beginning with the taxable year ended December 31, 2019. We generally will not be subject to U.S. federal income taxes 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.

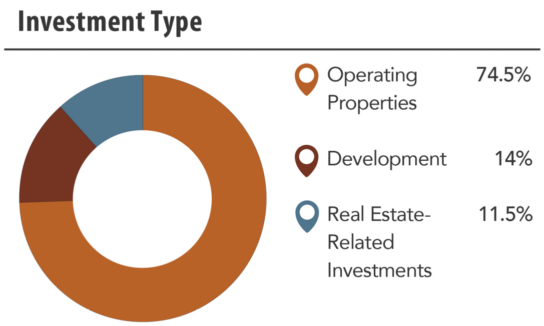
We invest in a diverse portfolio of multifamily apartment communities and multifamily real estate-related assets throughout the United States. As of December 31, 2023, our portfolio consisted of 27 operating multifamily apartment communities with a total of 7,761 units, four development projects with a total of 987 units to be built, six structured investments with a total of 1,868 units and four land sites held for future development projects with an expected total of 852 units to be built. As of December 31, 2023, our portfolio had a value of $2.3 billion in total assets, with 74.5% of our equity value in operating properties, 14.0% in development related projects and land, and 11.5% in real estate-related investments. We also manage approximately 8,600 units in stabilized assets, including the 7,761 units in stabilized properties we own or have ownership interests in, and approximately 500 units in two developments we have ownership interest in that are in lease-up. Riverfront is a development project which we had a preferred equity interest in as of December 31, 2023 and obtained a controlling equity interest in on January 24, 2024. The Riverfront units are included in the 987 of development units above while the value of the Riverfront preferred equity investment is in the 11.5% real estate-related investment number.

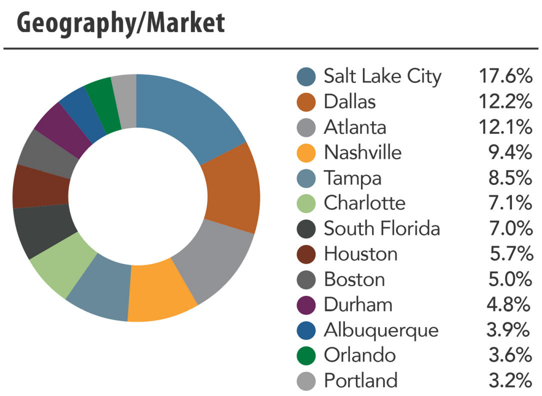
We own substantially all of our assets and conduct our operations through Cottonwood Residential O.P., LP (the “Operating Partnership” or “CROP”). Our wholly owned subsidiary is the General Partner of the Operating Partnership. As a result, we control the operations of the Operating Partnership. We have contributed the proceeds from our offerings (as described below) to the Operating Partnership in exchange for a corresponding number of mirrored OP Units in the Operating Partnership (the “CROP Units”). The General Partner owns general partner interests in the Operating Partnership alongside third-party limited partners.

The Advisor, CC Advisors III, LLC, is our external advisor which selects our investments and manages our business through its team of real estate professionals, which include our Chief Executive Officer, Chief Financial Officer and President, subject to the direction and oversight of the board of directors. In addition, as of March 25, 2024, we employed 263 individuals, including our Chief Legal Officer, Chief Operating Officer, Chief Accounting Officer and Chief Development Officer with 188 employees serving as “site” employees at our properties responsible for maintenance and leasing. The remaining employees are corporate-level employees supporting our operations.

The following presents our real estate portfolio by market and investment type by fair value as of December 31, 2023:







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.

### Our Offerings

We have conducted best-efforts offerings of preferred and common stock. Our preferred share offerings have been conducted as private placements pursuant to an exemption from registration available under Rule 506(b) of the Securities Act. Our common stock offerings have been conducted as public offerings and registered with the Securities and Exchange Commission (the "SEC"). As an NAV-based perpetual-life REIT, we intend to conduct ongoing public primary offerings of our common stock on a perpetual basis. We also intend to conduct an ongoing distribution reinvestment plan offering for our stockholders to reinvest distributions in our shares. The following table summarizes these offerings ($ in thousands):

| Offering | Shares Issued | Commencement | Price Per Share | Distribution Rate [1] | Maximum Offering Amount | Amount Raised through December 31, 2023 | Status |
|---|---|---|---|---|---|---|---|
| *Public* | | | | | | | |
| Initial [2] | Common Stock - Class TX [3] and A | August 2018 | $ 10.00 | Various | $ 750,000 | $ 121,997 | Closed |
| Follow-on | | | | | | | |
| Primary | Common Stock - Class T, D and I | November 2021 | NAV | Various | $ 900,000 | $ 198,284 | Open |
| Distribution Reinvestment | Common Stock - Class T, D, I and A | November 2021 | NAV | Various | $ 100,000 | $ 4,718 | Open |
| Total Public | | | | | $ 1,750,000 | $ 324,999 | |
| *Private* | | | | | | | |
| 2019 Preferred | Series 2019 Preferred Stock | November 2019 | $ 10.00 | 6.0% | $ 128,000 | $ 126,985 | Closed |
| 2023 Preferred | Series 2023 Preferred Stock | December 2022 | $ 10.00 | 6.0% | $ 150,000 | $ 83,511 | Open |
| 2023-A Preferred | Series 2023-A Preferred Stock | July 2023 | $ 10.00 | 7.0% | $ 10,000 | $ 2,850 | Open |
| Series A Convertible Preferred | Series A Convertible Preferred Stock | December 2023 | $ 10.00 | 8.0% | $ 150,000 | $ 2,140 | Open |
| Total Private | | | | | $ 438,000 | $ 215,486 | |
| Total All Offerings | | | | | $ 2,188,000 | $ 540,485 | |

(1) Distribution rates for the preferred stock are established pursuant to the Articles Supplementary designating the class and reflect the current rate. Distribution rates will increase if extension options on redemption dates are exercised. Distributions are not guaranteed for either preferred stock or common stock. We have not established a minimum distribution level for common stock, and our charter does not require that we make distributions to our common stockholders.

(2) Includes shares sold pursuant to the primary offering and distribution reinvestment plan.

(3) The Class TX was named Class T during the offering period and renamed as Class TX on March 31, 2021.

### 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 add negative pressure on 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, other than those acquired by virtue of a non-performing debt investment, 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. Those employed by us serve as “site” employees at our properties, responsible for maintenance and leasing, and 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. Our employees have been employed by us or involved in our operations through their employment with our advisor, affiliated property manager and their affiliates for an average of over five years. Approximately 48% of our employees are women and approximately 48% 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 and the telephone number is (801) 278-0700. Our website address is www.cottonwoodcommunities.com.

### Available Information

Access to copies of our annual report on Form 10-K, 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, *https://www.sec.gov/edgar/browse/?CIK=1692951*. 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

***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 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 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 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 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 our 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. 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, 2023 and 2022, we had consolidated net losses of $44.9 million and $34.0 million, respectively. As of December 31, 2023 and 2022, we had accumulated deficits of $94.8 million and $71.5 million, respectively. These amounts largely reflect the expense of real estate depreciation and amortization in accordance with GAAP, which was $59.0 million and $54.6 million during these periods. In addition, the year ended December 31, 2022 also included $20.3 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.***

Events affecting the U.S. economy, such as the general negative performance of the real estate sector (including as a result of inflation or higher interest rates), the actual or perceived instability in the U.S. banking system or market volatility), 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 or a large amount of 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 received by our advisor or the Special Limited Partner in lieu of fees or distributions will reduce cash available for distribution to our stockholders.***

Our advisor or the Special Limited Partner, an affiliate of our advisor, 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 at any time 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 at any time 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. In addition, multifamily investment volume year-to-date (as of December 31, 2023) is down materially and accurate valuations are more difficult to obtain in times of low transaction volume because there are fewer market transactions that can be considered in the context of the appraisal. 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 included 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 regardless of how the acquisition is funded, whether cash, equity, debt 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 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 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 have held certain 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 certain 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. As a result, 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.

***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 development projects 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. More 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. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. 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 recent increases in inflation and interest rates, may adversely affect our business, financial condition and results of operations.***

Beginning in 2021 and continuing into the year ended December 31, 2023, inflation in the United States accelerated and, while moderating compared to year-over-year increases in 2021 and 2022, may continue at a relatively 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, Cottonwood Residential II, Inc. ("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.

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 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. 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, 2023 and 2022, we paid aggregate distributions to convertible preferred stockholders, common stockholders and limited partnership unitholders of $47.5 million and $42.2 million, including $45.1 million and $40.0 million of distributions paid in cash and $2.4 million and $2.2 million of distributions reinvested through our distribution reinvestment plan, respectively. Our net loss for the years ended December 31, 2023 and 2022 was $44.9 million and $34.0 million. Cash flows used in operating activities were $22.6 million for the year ended December 31, 2023 and cash flows provided by operating activities were $1.7 million for the year ended December 31, 2022. We funded our total distributions paid during 2023, which includes net cash distributions and distributions reinvested by stockholders, with $4.7 million prior period cash provided by operating activities and $40.4 million from additional borrowings. We funded our total distributions paid during 2022, which includes net cash distributions and distributions reinvested by stockholders, with $23.0 million prior period cash provided by operating activities, $7.9 million from additional borrowings, and $9.1 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.

***We disclose funds from operations ("FFO"), a non-GAAP financial measure, in communications with investors, including documents filed with the Commission. However, FFO is not equivalent to our net income or loss as determined under GAAP, and is not a complete measure of our financial position and results of operations.***

We use, and we disclose to investors, FFO, which is considered a non-GAAP financial measure. See "Selected Information Regarding Our Operations." FFO is not equivalent to our net income or loss as determined in accordance with

GAAP. FFO and GAAP net income differ because FFO excludes gains or losses from sales of property and impairment of depreciable real estate, and adds back real estate-related depreciation and amortization.

No single measure can provide investors with sufficient information and investors should consider all of our disclosures as a whole in order to adequately understand our financial position, liquidity and results of operations. Because of the differences between FFO and GAAP net income or loss, FFO may not be an accurate indicator of our operating performance, especially during periods in which we are acquiring properties. In addition, FFO is not necessarily indicative of cash flow available to fund cash needs and investors should not consider FFO as an alternative to cash flows from operations or an indication of our liquidity, or indicative of funds available to fund our cash needs, including our ability to make distributions to our stockholders. Neither the Commission nor any other regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO. Also, because not all companies calculate this type of measure the same way, comparisons with other companies may not be meaningful.

***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 May 7, 2021, the closing date of the merger of our operating partnership with and into CROP, 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 Units. Generally, these current agreements as of

December 31, 2023 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. As of December 31, 2023, we estimate the maximum potential liability associated with these tax indemnification agreements to be approximately $41.5 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 of December 31, 2023, we had a portfolio of $2.3 billion in total assets, with 74.5% of our equity value in operating properties, 14.0% in development and 11.5% 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 recent economic trends, including increased interest rates and inflation, 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 restated our financial statements and as part of that process, identified a material weakness in our internal control over financial reporting as of December 31, 2022. The restatement of our financial statements, 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.***

We determined to restate our 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 (the "Restatement"). The Restatement 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.

As a result of the Restatement we identified a material weakness related to an assessment of the incremental risk of noncash activities on the consolidated statement of cash flows. Solely as a result of the material weakness identified, management determined that internal control over financial reporting and disclosure controls and procedures were not effective as of the year ended December 31, 2022 and September 30, 2023. 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 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. 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 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 finance professionals we retain are also executive officers and/or key professionals of our advisor and sponsor. As a result, they may 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 Cottonwood Communities Advisors, LLC ("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.

In 2019 CROP sponsored the formation of a qualified opportunity fund under the Tax Cuts and Jobs Act of 2017 ("Cottonwood on Highland") to raise money from third party investors and be a member of a joint venture with CROP that acquired and will develop multifamily apartment communities in Millcreek, Utah. In addition, High Traverse Holdings, LLC, which is beneficially owned by Daniel Shaeffer, Chad Christensen, Gregg Christensen and Eric Marlin sponsored Cottonwood at Millcreek QOF, LLC ("Cottonwood at Millcreek"), also a qualified opportunity fund. Cottonwood at Millcreek was formed to be a member of a joint venture that will acquire and develop a multifamily apartment community in Millcreek, Utah, referred to as "The Richmond" and raised money from third party investors. Our officers and directors serve as officers and directors of these funds. In addition, CCA or affiliates of our sponsor 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.

***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.***

Prior to the amendment and restatement of our advisory agreement in May 2021, 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 an 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 $17.6 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 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 that has 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 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 15,000,000, 1,000,000, 15,000,000, and 12,800,000 shares of our authorized but unissued preferred stock as shares of Series A Convertible Preferred Stock, Series 2023-A Preferred Stock, Series 2023 Preferred Stock and Series 2019 Preferred Stock, respectively. The shares of our preferred stock are entitled to receive a preferential dividend equal to an annual rate of 8.0%, subject to increase by our board of directors in its sole discretion, for our Series A Convertible Preferred Stock, 7.0% for our Series 2023-A Preferred Stock, 6.0% (subject to an increase up to 6.5% in certain circumstances) for our Series 2023 Preferred Stock and 5.5% (subject to an increase to 6.0% in certain circumstances) for our Series 2019 Preferred Stock. As of December 31, 2023, we had 215,277, 285,000, 8,356,724 and 12,426,596 shares of our Series A Convertible Preferred Stock, Series 2023-A Preferred Stock, Series 2023 Preferred Stock and Series 2019 Preferred Stock outstanding, respectively. We are currently conducting separate, best-efforts private offerings of our Series A Convertible Preferred Stock, Series 2023-A Preferred Stock and Series 2023 Preferred Stock to accredited investors only for up to the maximum amount of preferred stock designated and can provide no assurances regarding how many shares of such preferred stock we may issue.

Holders of our designated 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.***

We intend to conduct our operations so that neither we, nor our Operating Partnership nor the subsidiaries of our Operating Partnership are investment companies under the Investment Company Act. However, there can be no assurance that we and our subsidiaries will be able to successfully avoid operating as an investment company.

A change in the value of any of our assets could negatively affect our ability to avoid registration under the Investment Company Act. To avoid registration, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional assets that we might not otherwise have acquired or may have to forego opportunities to acquire assets that we would otherwise want to acquire and would be important to our investment strategy.

If we were required to register as an investment company but failed to do so, we would become subject to substantial regulation with respect to our capital structure (including our ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), and portfolio composition, including disclosure requirements and restrictions with respect to diversification and industry concentration, and other matters. Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to restructure our business plan, which could materially adversely affect our NAV and our ability to pay distributions to our stockholders.

***Actions of our joint venture or future joint venture partners could reduce the returns on joint venture investments and decrease our stockholders' overall return.***

We have entered into joint ventures with third parties and affiliates to acquire assets and may in the future enter into new joint ventures with third parties or affiliates to acquire assets. We have purchased and developed and may in the future 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 15,000,000 of which are classified as Series 2023, 1,000,000 of which are classified as Series 2023-A and 15,000,000 are classified as Series A Convertible (which are convertible into our Class I shares upon certain terms and conditions).

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, our board of directors may elect, without stockholder approval, to: (1) sell additional shares in 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, or shares of our convertible preferred stock convert into common stock after you purchase shares of common stock, 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 shares of our common stock, 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.

## 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. As of December 31, 2023, our portfolio had a value of $2.3 billion in total assets, with 74.5% of our equity value in operating properties, 14.0% in development and 11.5% in real estate-related investments. 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 capitalization rates increase the value of our assets may decrease and we may not be able to sell our assets at anticipated prices.***

The value of real estate is generally based on capitalization rates. Capitalization rates generally trend with interest rates. Consequently, if interest rates go up, so do capitalization rates. Currently interest rates and capitalization rates are increasing. If interest rates continue to rise in the future, it is likely that capitalization rates will also continue to rise and, as a result, the value of real estate will decrease. If capitalization rates continue to increase, our investments will likely realize lower sales prices than anticipated, resulting in reduced returns.

***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. Specifically, as of December 31, 2023, 17.6% of our portfolio was concentrated in the Salt Lake City, Utah region. 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 or attract new tenants.***

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 or that we will be able to attract new tenants when leases are terminated. 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.

***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, other than those acquired by virtue of a non-performing debt investment, 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.

***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.

***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 lives 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 acquire unimproved real property or properties that are under development or construction and as of December 31, 2023, our portfolio had 14.0% of our equity value in development investments. 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: 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 as was the case with our 805 Riverfront preferred equity investment. 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 expect 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, 2023, we had $891.3 million of fixed rate debt and $273.5 million of variable rate debt, including our revolving credit facility and including $130.0 million of variable rate debt related to construction loans; $179.5 million, or 65.6% 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 $41.9 million at December 31, 2023. 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 credit facility with J.P. Morgan, (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 could increase the amount of our interest payments and could reduce the amount of distributions our stockholders receive.***

At December 31, 2023, we had $273.5 million of variable rate debt, including our revolving credit facility and including $130.0 million of variable rate debt related to construction loans; $179.5 million, or 65.6% 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.

***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. 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. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in stock as taxable distributions that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but we could request a similar ruling from the IRS. Accordingly, it is unclear whether and to what extent we will be able to make taxable distributions payable in cash and common stock. If we made a taxable dividend payable in cash and common stock, taxable stockholders receiving such distributions will be required to include the dividend as taxable income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, you 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.***

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.

## 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.

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 at any time are deemed to constitute "plan assets" under ERISA, that may lead to the rescission of certain transactions, tax or fiduciary liability and our being held in violation of certain ERISA and Code requirements.***

Stockholders subject to ERISA should consult their own advisors as to the effect of ERISA on an investment in our shares. If our assets are deemed to constitute "plan assets" of stockholders that are Covered Plans (as defined below) (i) certain transactions that we might enter into in the ordinary course of our business might have to be rescinded and may give rise to certain excise taxes and fiduciary liability under Title I of ERISA or Section 4975 of the Code; (ii) our management, as well as various providers of fiduciary or other services to us (including the Advisor), and any other parties with authority or control with respect to us or our assets, may be considered fiduciaries or otherwise parties in interest or disqualified persons for purposes of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code; and (iii) the fiduciaries of stockholders that are Covered Plans would not be protected from "co-fiduciary liability" resulting from our decisions and could be in violation of certain ERISA requirements.

Accordingly, prospective investors that are (i) "employee benefit plans" (within the meaning of Section 3(3) of ERISA), which are subject to Title I of ERISA; (ii) "plans" defined in Section 4975 of the Code, which are subject to Section 4975 of the Code (including "Keogh" plans and "individual retirement accounts"); or (iii) entities whose underlying assets are deemed to include plan assets within the meaning of Section 3(42) of ERISA and the regulations thereunder (e.g., an entity of which 25% or more of the total value of any class of equity interests is held by "benefit plan investors") (each such plan, account and entity described in clauses (i), (ii) and (iii) we refer to as "Covered Plans") should consult with their own legal, tax, financial and other advisors prior to investing to review these implications in light of such investor's particular circumstances. The sale of our common stock to any Covered Plan is in no respect a representation by us or any other person associated with the offering of our shares of common stock that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan.

## Item 1B. Unresolved Staff Comments

None.

## Item 1C. Cybersecurity

### Risk Management and Strategy

Under the oversight of our Executive Security Council, which is chaired by our Senior Vice President of Technology (Certified Information Systems Security Professional), and is also comprised of our Chief Legal Officer, Chief Operating Officer, Chief Accounting Officer and Treasurer and Chief Financial Officer, we have developed and implemented a cybersecurity risk management governance, risk, and compliance ("GRC") program that applies to us as well as our advisor and its affiliates. The GRC program is used to identify, assess, and mitigate findings and risks to our operations from cybersecurity threats. Our GRC program employs qualitative and quantitative assessments of the cybersecurity risk landscape impacting our operations, as identified by our Information Technology ("IT") and Security team to determine likelihood and potential impact. The analysis is evaluated by our Executive Security Council, and subject to the oversight of our board of directors to assess and prioritize potential risk to our information security. We consider cybersecurity, along with other top risks, within our enterprise risk management and GRC framework.

We have established a multilayer cyber threat defense program that enables us to identify, protect, detect, respond, and recover from cyber threat findings, taking appropriate action to prevent these threats from turning into risk. Part of this security program is an incident response plan, the goal of which is to provide a timely response, mitigate any damage, restore services, preserve evidence, evaluate risk impact, communicate effectively to all stakeholders, and ultimately reduce the likelihood of an incident recurrence through proper containment and retrospective.

We engage third party consultants to conduct cybersecurity assessments and help mature the information security program. We regularly review our cybersecurity program to help identify areas for continued focus, improvement and/or compliance. We engage third parties to perform assessments on our cybersecurity measures, including information security maturity assessments, audits and independent reviews of our information security control environment and operating effectiveness. The results of such assessments, audits and reviews are reported to the board of directors, and we may adjust our cybersecurity program and practices as necessary based on the information provided by these assessments, audits and reviews. We review and test our information security systems, including regular penetration tests of our network. We also use third-party systems to monitor our information security continually.

For any of our critical hosted applications we require the vendor to maintain a System and Organization Controls (“SOC”) 1 or SOC 2 report. If a third-party vendor is not able to provide a SOC 1 or SOC 2 report, or the report is qualified, we take additional steps to assess their cybersecurity preparedness and assess our relationship on that basis. Our assessment of risks associated with the use of third-party providers is part of our overall cybersecurity risk management framework.

We regularly evaluate our overall security risk posture to ensure appropriate security controls are in place to ensure confidentiality, integrity, and availability of the firms processing environment, including our business strategy, results of operations or financial condition, to ensure that we have an appropriate security program in place in order to manage materiality. We are not aware of any risks from cybersecurity threats, including as a result of any cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition. For additional information, see “Item 1A. Risk Factors – Breaches of our data security could materially harm us, including our business, financial performance and reputation.”

## Governance

Our audit committee has primary responsibility for oversight and review of guidelines and policies with respect to risk assessment and risk management, including cybersecurity. The Executive Security Council periodically reports to our audit committee as well as our full board of directors, as appropriate, on cybersecurity matters. Such reporting includes updates on our cybersecurity program, the external threat environment, and programs in place to address and mitigate the risks associated with the evolving cybersecurity threat landscape. These reports also include updates on our preparedness, prevention, detection, responsiveness, and recovery with respect to any cybersecurity incidents. Material cybersecurity events, if any, are escalated to our full board of directors on an ongoing basis as necessary.

Our Executive Security Council governs our overall cybersecurity function and is responsible for developing and implementing our information risk program and managing our response to threats in collaboration with our IT and Security team, subject to oversight by our board of directors. Our Executive Security Council meets regularly regarding the risks of any cybersecurity incidents which are reported pursuant to (i) criteria set forth in our information risk program, (ii) notification criteria set forth in our contracts with third-party service providers and (iii) reports prepared by consultants, auditors, and other third parties retained by us, if necessary, to investigate cybersecurity incidents. In addition to our in-house cybersecurity capabilities, at times we also engage third parties to assist with assessing, identifying, and managing cybersecurity risks. Members of our IT and Security team, including the third-party security firms we utilize as part of our program, have cybersecurity experience or certifications, such as the Certified Information Systems Security Professional certification.

The Company’s Senior Vice President of Technology’s relevant cybersecurity expertise includes Certified Information Systems Security Professional designation (CISSP), ISO 27001 as well as over 20 years of experience as a technology and security professional.

## 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 public offering (the “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 registered distribution reinvestment plan offering (the “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 the 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, all of whom are internal to our advisor and its affiliates. For the year ended December 31, 2023, the costs of raising capital in in our ongoing public follow-on offering represented 6.37% 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 for the two years ended December 31, 2023.

| | Class | | | | | |
|---|---|---|---|---|---|---|
| **Date** | **T** | **D** | **I** | **A** | **TX** | **OP** |
| January 31, 2022 | 18.4071 | (1) | 18.4071 | 18.4071 | 18.4071 | 18.4071 |
| February 28, 2022 | 18.9882 | (1) | 18.9882 | 18.9882 | 18.9882 | 18.9882 |
| March 31, 2022 | 19.6324 | (1) | 19.6324 | 19.6324 | 19.6324 | 19.6324 |
| April 30, 2022 | 20.0794 | (1) | 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 | (1) | 20.7056 |
| October 31, 2022 | 20.5722 | 20.5722 | 20.5722 | 20.5722 | (1) | 20.5722 |
| November 30, 2022 | 19.9945 | 19.9945 | 19.9945 | 19.9945 | (1) | 19.9945 |
| December 31, 2022 | 19.5788 | 19.5788 | 19.5788 | 19.5788 | (1) | 19.5788 |
| January 31, 2023 | 19.2193 | 19.2193 | 19.2193 | 19.2193 | (1) | 19.2193 |
| February 28, 2023 | 18.6488 | 18.6488 | 18.6488 | 18.6488 | (1) | 18.6488 |
| March 31, 2023 | 18.4600 | 18.4600 | 18.4600 | 18.4600 | (1) | 18.4600 |
| April 30, 2023 | 18.1155 | 18.1155 | 18.1155 | 18.1155 | (1) | 18.1155 |
| May 31, 2023 | 17.7619 | 17.7619 | 17.7619 | 17.7619 | (1) | 17.7619 |
| June 30, 2023 | 17.4638 | 17.4638 | 17.4638 | 17.4638 | (1) | 17.4638 |
| July 31, 2023 | 17.1191 | 17.1191 | 17.1191 | 17.1191 | (1) | 17.1191 |
| August 31, 2023 | 16.6224 | 16.6224 | 16.6224 | 16.6224 | (1) | 16.6224 |
| September 30, 2023 | 15.8195 | 15.8195 | 15.8195 | 15.8195 | (1) | 15.8195 |
| October 31, 2023 | 15.2815 | 15.2815 | 15.2815 | 15.2815 | (1) | 15.2815 |
| November 30, 2023 | 14.4754 | 14.4754 | 14.4754 | 14.4754 | (1) | 14.4754 |
| December 31, 2023 | 13.4538 | 13.4538 | 13.4538 | 13.4538 | (1) | 13.4538 |

(1) 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 Appraisal Firm 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 Appraisal Firm 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, 2023 are as follows ($ and shares/units in thousands):

| **Components of NAV*** | **December 31, 2023** |
|---|---|
| Investments in Multifamily Operating Properties | $ 1,978,055 |
| Investments in Multifamily Development Properties | 167,567 |
| Investments in Real Estate-Related Structured Investments | 125,703 |
| Investments in Land Held for Development | 43,738 |
| Operating Company and Other Net Current Assets | 2,830 |
| Cash and Cash Equivalents | 7,692 |
| Secured Real Estate Financing | (1,210,684) |
| Subordinated Unsecured Notes | (41,883) |
| Preferred Equity | (210,683) |
| Convertible Preferred Equity | (2,153) |
| Accrued Performance Participation Allocation | — |
| Net Asset Value | $ 860,182 |
| Fully-diluted Shares/Units Outstanding | 63,936 |

** 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, 2023 ($ and shares/units in thousands, except per share/unit data):

| | **Class** | | | | | |
|---|---|---|---|---|---|---|
| | **T** | **D** | **I** | **A** | **OP[1]** | **Total** |
| **As of December 31, 2023** | | | | | | |
| Monthly NAV | $ 52,701 | $ 2,728 | $ 58,656 | $ 312,557 | $ 433,540 | $ 860,182 |
| Fully-diluted Outstanding Shares/Units | 3,917 | 203 | 4,360 | 23,232 | 32,224 | 63,936 |
| NAV per Fully-diluted Share/Unit | $ 13.4538 | $ 13.4538 | $ 13.4538 | $ 13.4538 | $ 13.4538 | $ 13.4538 |

[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.

Set forth below are the weighted averages of the key assumptions that were used by the independent appraisal firms in the discounted cash flow methodology used in the December 31, 2023, valuations of our real property assets, based on property types.

| | **Discount Rate** | **Exit Capitalization Rate** |
|---|---|---|
| Operating Assets | 6.76% | 5.47% |
| Development Assets | 6.78% | 5.25% |

** Presented as adjusted for our economic ownership percentage in each asset, weighted by gross value. The weighted averages were calculated by our advisor based on the information provided by the independent appraisal firms.*

A change in these assumptions would impact the calculation by the independent appraisal firms 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% | 3.2% |
| | 0.25% increase | (2.3)% | (1.6)% |
| Exit Capitalization Rate | 0.25% decrease | 3.2% | 4.9% |
| | 0.25% increase | (2.9)% | (2.9)% |

** 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, 2023** |
|---|---|
| Stockholders’ equity | $ 218,944 |
| Non-controlling interests attributable to limited partners | 221,617 |
| Total partners’ capital of CROP under U.S. GAAP | 440,561 |
| Adjustments at share: | |
| Accumulated depreciation and amortization, consolidated and unconsolidated entities | 190,530 |
| Deferred tax liability | 620 |
| Discount on preferred stock | (9,062) |
| Derivative assets | (4,235) |
| Convertible preferred shares | (2,153) |
| Unrealized net real estate and debt appreciation | 243,921 |
| NAV | $ 860,182 |

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. Accumulated depreciation and amortization associated with our investments in unconsolidated real estate entities is also not recorded for purposes of determining our NAV.
- We exclude deferred tax assets and liabilities unless a refund or payment is likely or probable.
- Derivative assets and liabilities are not included in NAV until the settlement of the derivative is likely to occur.
- Convertible preferred shares are treated as a reduction to NAV.
- Our preferred stock that is mandatorily redeemable 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 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 instruments are not included in our GAAP results. For purposes of determining our NAV, our investments in real estate and our instruments are recorded at fair value.

## Distributions

We expect to pay monthly distributions to holders of our common and preferred stock. We have not established a minimum distribution level for holders of our common stock. Distributions on our preferred stock are a fixed preferred dividend based on a cumulative, but not compounded, annual return and are paid in accordance with the articles supplementary setting forth the terms of the class of preferred. 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. Distributions are not guaranteed and are authorized and declared in the sole discretion of our board of directors.

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 funds 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. 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, | |
|---|---|---|
| | 2023 | 2022 |
| Net loss attributable to common stockholders | $ (23,248) | $ (15,649) |
| Adjustments to arrive at FFO: | | |
| Real estate-related depreciation and amortization | 55,882 | 51,265 |
| Depreciation and amortization from unconsolidated real estate entities | 8,808 | 7,768 |
| Gain on sale of real estate assets | (24,075) | — |
| Gain on consolidation of development | (4,225) | — |
| Gain on sale of investments in unconsolidated real estate entities | — | (8,129) |
| Loss allocated to noncontrolling interests - limited partners | (21,355) | (17,594) |
| Amount attributable to above from noncontrolling interests - partially owned entities | (850) | (888) |
| Funds from operations attributable to common stockholders and unit holders | (9,063) | 16,773 |
| Adjustments: | | |
| Amortization of intangible assets | 3,159 | 3,330 |
| Amortization of debt issuance costs | 2,405 | 1,238 |
| Accretion of discount on preferred stock | 7,243 | 5,406 |
| Share based compensation | 3,011 | 3,774 |
| Promote from incentive allocation agreement (tax effected) | (91) | (23,334) |
| Loss on debt extinguishment | 1,037 | 481 |
| Losses (gains) on derivatives | 2,162 | (4,048) |
| Legal costs and settlements, net | 1,494 | (7) |
| Other adjustments | 558 | (916) |
| Amount attributable to above from noncontrolling interests and unconsolidated entities | 1,533 | (1,290) |
| Core funds from operations attributable to common stockholders and unit holders (1) | $ 13,448 | $ 1,407 |
| | | |
| FFO per common share and unit - diluted | $ (0.14) | $ 0.28 |
| Core FFO per common share and unit - diluted | $ 0.20 | $ 0.02 |
| Weighted-average diluted common shares and units outstanding | 66,416,610 | 60,705,718 |

(1) Core FFO for the year ended December 31, 2022 includes $20,320 of performance participation expense. There was no performance participation expense during the year ended December 31, 2023.

## Unregistered Sale of Equity Securities

During the fourth quarter ended December 31, 2023, we sold equity securities that were not registered under the Securities Act and not previously included in a Quarterly Report on Form 10-Q or Current Report on Form 8-K as described below.

During the quarter ended December 31, 2023, we issued 80,169 shares of Class I common stock upon exchange of corresponding 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.

## 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 last calendar day of that month (a "Repurchase Date"). Effective for repurchases as of November 2023 we amended our share repurchase program to provide that repurchased shares will remain outstanding on the Repurchase Date and will no longer be outstanding on the day following the Repurchase Date. Previously we repurchased shares as of the opening of the 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, and Class A shares (all of our outstanding 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, 2023, 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 2023 | 578,569 | 1.6971558 % | $15.3580 | — |
| November 2023 | 453,342 | 1.3606729 % | $14.9147 | — |
| December 2023 | 659,448 | 1.9898887 % | $14.0333 | — |
| Total | 1,691,359 | | | |

[1] All shares were repurchased through 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 table shows the number of shares and holders of each class of common equity outstanding as of March 25, 2024, including shares held by our affiliates:

| | Class | | | |
|---|---|---|---|---|
| | T | D | I | A |
| Outstanding shares | 3,916,171 | 205,489 | 4,606,302 | 22,742,743 |
| Number of stockholders | 1,475 | 68 | 1,182 | 4,624 |

## 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. 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, LLC ("CC Advisors III"), a wholly-owned subsidiary of our sponsor, Cottonwood Communities Advisors, LLC ("CCA"). We were incorporated in Maryland in 2016. We hold all of our assets through Cottonwood Residential O.P., LP ("CROP"), our operating partnership. We are the sole member of the sole general partner of CROP and own general partner interests in CROP alongside third party limited partners.

We are a non-listed 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.

As of December 31, 2023, we raised $325.0 million from the sale of common stock in our public offerings and $215.5 million from the sale of our preferred stock in periodic private offerings to accredited investors (the "Private Offerings"). We have contributed our net proceeds to CROP in exchange for a corresponding number of mirrored OP units in CROP.

As of December 31, 2023, we had a portfolio of $2.3 billion in total assets, with 74.5% of our equity value in operating properties, 14.0% in development and 11.5% in real estate-related investments. Refer to the section "Our Investments" below for further description of our portfolio.

### 2023 Activities

The following highlights activities that occurred during the year ended December 31, 2023.

*Operating Results and Net Asset Value*

- Net loss attributable to common stockholders was $0.68 per diluted share compared to $0.53 for the same period in the prior year.
- Same store net operating income ("Same Store NOI") was $80.9 million compared to $77.6 million for the same period in the prior year.
- Funds from operations attributable to common stockholders and unit holders ("FFO") was $(0.14) per diluted share/unit, compared to $0.28 per diluted share/unit for the same period in the prior year. Core FFO was $0.20 per diluted share compared to $0.02 per diluted share/unit for the same period in the prior year.
- Two development projects were completed and are currently in lease-up, Cottonwood Highland and Cottonwood Broadway.
- Net asset value was $13.4538 per share/unit at December 31, 2023, compared to $19.5788 per share/unit at December 31, 2022.

*Transaction Activity*

- Funded $2.0 million of our $10.0 million mezzanine loan investment in the 2215 Hollywood development.
- Funded $23.4 million of our $33.4 million preferred equity investment in the 417 Callowhill development.
- Funded $11.4 million in our preferred equity investment in the Infield development.
- Acquired 45.4% of tenant-in-common interests in Alpha Mill through the issuance of CROP Units, increasing our ownership to 73.7%.
- Acquired the remaining tenant-in-common interests of Melrose Phase II.
- Sold tenant-in-common interests in Cottonwood Lighthouse Point for $7.2 million.
- Sold Cottonwood One Upland for net proceeds of $38.8 million, recording a net gain on sale of $23.0 million.

*Financing and Capital Raise Activity*

- Refinanced ten properties for $471.0 million, receiving net proceeds of $85.8 million and obtaining a weighted average term and rate of 6.6 years and 5.25%, respectively. Two of the properties are unconsolidated.
- Modified the mortgage loan on Sugarmont, reducing the loan to $91.2 million and converting the interest rate from a floating rate to a fixed rate of 5.9%.
- Executed additional draws of $22.1 million on construction loans to further the completion of our development projects and refinanced $37.0 million of construction loans with permanent debt.
- Raised $76.1 million of net proceeds from the sale of Series 2023 and Series 2023-A Preferred Stock.
- Launched our offering of Series A Convertible Preferred Stock in December 2023 and raised net proceeds of $1.6 million.
- Raised $24.0 million of net proceeds from the sale of our common stock issued under our registered follow-on public offering.
- Redeemed $2.6 million of preferred stock.
- Repurchased $95.4 million of common stock and CROP Units at an average discount of 4% to NAV.
- Distributed $21.9 million and $23.2 million to common stockholders and limited partners, respectively.

## Our Investments

As of December 31, 2023, our portfolio consisted of 27 operating multifamily apartment communities with a total of 7,761 units, four development projects with a total of 987 units to be built, six structured investments with a total of 1,868 units and four land sites held for future development projects with an expected total of 852 units to be built.

Information regarding our investments as of December 31, 2023 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 | $ 1,690 | 95.88% | 73.71% |
| Cason Estates | Murfreesboro, TN | 262 | 1,078 | May 2021 | 51,400 | 37,462 | 1,509 | 94.66% | 100.00% |
| Cottonwood Apartments | Salt Lake City, UT | 264 | 834 | May 2021 | 47,300 | 35,430 | 1,396 | 91.67% | 100.00% |
| Cottonwood Bayview | St. Petersburg, FL | 309 | 805 | May 2021 | 95,900 | 71,417 | 2,508 | 95.47% | 71.00% |
| Cottonwood Clermont | Clermont, FL | 230 | 1,111 | Sept 2022 | 85,000 | 34,961 | 2,056 | 92.61% | 100.00% |
| Cottonwood Lighthouse Point [2] | Pompano Beach, FL | 243 | 996 | June 2022 | 95,500 | 47,964 | 2,251 | 92.59% | 86.77% [2] |
| Cottonwood Reserve | Charlotte, NC | 352 | 1,021 | May 2021 | 77,500 | 48,049 | 1,628 | 91.79% | 91.14% |
| Cottonwood Ridgeview | Plano, TX | 322 | 1,156 | May 2021 | 72,930 | 65,300 | 1,879 | 93.48% | 100.00% |
| Cottonwood West Palm [3] | West Palm Beach, FL | 245 | 1,122 | May 2019 | 66,900 | 47,978 | 2,424 | 95.10% | 100.00% [3] |
| Cottonwood Westside | Atlanta, GA | 197 | 860 | May 2021 | 47,900 | 26,986 | 1,724 | 95.94% | 100.00% |
| Enclave on Golden Triangle | Keller, TX | 273 | 1,048 | May 2021 | 51,600 | 48,400 | 1,711 | 95.24% | 98.93% |
| Fox Point | Salt Lake City, UT | 398 | 841 | May 2021 | 79,400 | 46,000 | 1,451 | 94.97% | 52.75% |
| Heights at Meridian | Durham, NC | 339 | 997 | May 2021 | 79,900 | 53,401 | 1,609 | 93.81% | 100.00% |
| Melrose | Nashville, TN | 220 | 951 | May 2021 | 67,400 | 56,600 | 1,843 | 93.18% | 100.00% |
| Melrose Phase II | Nashville, TN | 139 | 675 | May 2021 | 40,350 | 32,400 | 1,583 | 93.53% | 100.00% |
| Parc Westborough | Boston, MA | 249 | 1,008 | May 2021 | 74,000 | 12,400 | 2,372 | 96.39% | 100.00% |
| Park Avenue | Salt Lake City, UT | 234 | 714 | May 2021 | 67,525 [4] | 43,453 | 1,878 | 95.73% | 100.00% |
| Pavilions | Albuquerque, NM | 240 | 1,162 | May 2021 | 61,100 | 58,500 | 1,800 | 92.08% | 96.35% |
| Raveneaux | Houston, TX | 382 | 1,065 | May 2021 | 57,500 | 47,400 | 1,403 | 95.81% | 96.97% |
| Regatta | Houston, TX | 490 | 862 | May 2021 | 48,100 | 35,367 | 1,076 | 91.00% | 100.00% |
| Retreat at Peachtree City | Peachtree City, GA | 312 | 980 | May 2021 | 72,500 | 58,412 | 1,721 | 93.91% | 100.00% |
| Scott Mountain | Portland, OR | 262 | 927 | May 2021 | 70,700 | 48,373 | 1,697 | 93.13% | 95.80% |
| Stonebriar of Frisco | Frisco, TX | 306 | 963 | May 2021 | 59,200 | 53,600 | 1,573 | 95.10% | 84.19% |
| Sugarmont | Salt Lake City, UT | 341 | 904 | May 2021 | 139,792 [4] | 91,200 | 2,227 | 94.41% | 99.00% [5] |
| Summer Park | Buford, GA | 358 | 1,064 | May 2021 | 75,500 | 52,398 | 1,586 | 94.97% | 98.68% |
| The Marq Highland Park [6] | Tampa, FL | 239 | 999 | May 2021 | 65,700 | 46,802 | 2,132 | 96.65% | 100.00% |
| Toscana at Valley Ridge | Lewisville, TX | 288 | 738 | May 2021 | 47,700 | 32,571 | 1,307 | 96.53% | 58.60% |
| **Total / Weighted-Average** | | 7,761 | 956 | | $1,867,797 | $ 1,271,868 | $ 1,744 | 94.21% | 92.00% |

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

[2] On March 28, 2024, we acquired all of the outstanding tenant-in-common interests in Cottonwood Lighthouse Point from an unaffiliated third party in exchange for 259,246 CROP Units, increasing our ownership percentage to 100%.

[3] On February 29, 2024, we sold Cottonwood West Palm for net proceeds of $34.0 million.

[4] These purchase price amounts represent the acquisition date fair value plus subsequent capitalized costs on the projects placed in service.

[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] Data from commercial retail units are excluded from number of units 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 | 4Q2023 | $ 77,435 | $ 41,891 | 100.00% |
| Cottonwood Highland [2] | Salt Lake City, UT | 250 | 757 | May 2021 | 4Q2023 | 65,085 | 39,790 | 36.93% [2] |
| 805 Riverfront [3] | West Sacramento, CA | 285 | 746 | Sept 2023 | 4Q2023 | 101,334 | 48,310 | [3] |
| The Westerly [4] | Salt Lake City, UT | 198 | 808 | May 2021 [4] | 2Q2026 | 16,753 | — | 82.45% |
| **Total** | | 987 | | | | $ 260,607 | $ 129,991 | |

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

[2] Excludes the commercial data in unit count. CROP's percentage ownership is not proportionate to the total amount CROP invested in the project.

[3] As of December 31, 2023 we had a structured preferred equity investment in this project. Total project investment for 805 Riverfront represents amounts funded plus accrued interest as of December 31, 2023, the construction debt outstanding, and a preferred interest liability. Refer to Note 3 and Note 13 of the consolidated financial statements in this Annual Report on Form 10-K for additional information on 805 Riverfront.

[4] Construction on The Westerly began in July 2023. The amount above includes contributions from the Block C Joint Venture to The Westerly as of December 31, 2023 including the related land cost and capital expenditures. Refer to the land held for development table below for additional information on the Block C Joint Venture.

*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 |
| 417 Callowhill | Philadelphia, PA | Preferred Equity | November 2022 | 220 | 33,413 | 32,098 |
| 2215 Hollywood | Hollywood, FL | Mezzanine Loan | April 2023 | 180 | 10,045 | 2,000 |
| Monrovia Station | Monrovia, CA | Mezzanine Loan | July 2023 | 296 | 20,150 | 6,777 |
| Infield | Kissimmee, FL | Preferred Equity | November 2023 | 384 | 11,400 | 11,400 |
| **Total** | | | | 1,868 | $ 99,908 | $ 77,175 |

*Land Held for Development ($ in thousands)*

| Property Name | Market | Acreage | Purchase Date | Total Investment Amount | Percentage Owned by CROP |
|---|---|---|---|---|---|
| Block C Joint Venture [1] | Salt Lake City, UT | 1.69 acres | May 2021 | $ 42,674 | 82.45% |
| 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 | 29,571 | 100.00% |
| **Total** | | | | $ 79,766 | |

[1] The Block C Joint Venture includes land held for development for Millcreek North and The Archer multifamily development projects as well as cash held at the joint venture for future investment. The Block C joint venture also includes The Westerly, which is reflected in the separate development property table above.

## Results of Operations

Our results of operations for the years ended December 31, 2023 and 2022 are as follows ($ in thousands, except share and per share data):

| | Year Ended December 31, 2023 | Year Ended December 31, 2022 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Rental and other property revenues | $ 142,833 | $ 123,627 | $ 19,206 |
| Property management revenues | 9,699 | 11,131 | (1,432) |
| Other revenues | 1,873 | 3,544 | (1,671) |
| Total revenues | 154,405 | 138,302 | 16,103 |
| **Operating expenses** | | | |
| Property operations expense | 52,765 | 44,846 | 7,919 |
| Property management expense | 17,290 | 17,839 | (549) |
| Asset management fee | 17,304 | 17,786 | (482) |
| Performance participation allocation | — | 20,320 | (20,320) |
| Depreciation and amortization | 59,041 | 54,595 | 4,446 |
| General and administrative expenses | 11,371 | 11,876 | (505) |
| Total operating expenses | 157,771 | 167,262 | (9,491) |
| Loss from operations | (3,366) | (28,960) | 25,594 |
| Equity in earnings of unconsolidated real estate entities | 6,466 | 12,393 | (5,927) |
| Interest income | 1,906 | 92 | 1,814 |
| Interest expense | (75,468) | (52,310) | (23,158) |
| Gain on sale of real estate assets | 24,075 | — | 24,075 |
| Gain on sale of unconsolidated real estate entities | — | 8,129 | (8,129) |
| Gain on consolidation of development | 4,225 | — | 4,225 |
| Promote from incentive allocation agreement | 119 | 30,702 | (30,583) |
| Other (expense) income | (2,552) | 3,883 | (6,435) |
| Loss before income taxes | (44,595) | (26,071) | (18,524) |
| Income tax expense | (303) | (7,959) | 7,656 |
| **Net loss** | (44,898) | (34,030) | (10,868) |
| Net loss attributable to noncontrolling interests: | | | |
| Limited partners | 21,355 | 17,594 | 3,761 |
| Partially owned entities | 295 | 787 | (492) |
| **Net loss attributable to common stockholders** | $ (23,248) | $ (15,649) | $ (7,599) |
| | | | |
| Weighted-average common shares outstanding | 34,305,590 | 29,274,236 | 5,031,354 |
| Net loss per common share - basic and diluted | $ (0.68) | $ (0.53) | $ (0.15) |

*Rental and Other Property Revenues*

Rental and other property revenues increased $19.2 million primarily due to non-same store property activity. The acquisitions of Cottonwood Clermont and Cottonwood Ridgeview in 2022 and Melrose Phase II in 2023 accounted for $10.7 million of the increase. Four developments completed within the last two years contributed $6.0 million. These increases were offset by a $2.8 million reduction in revenues from Cottonwood Lighthouse Point, which was deconsolidated in February 2023 when a partial interest in the property was sold. The remaining increase of $5.3 million is due to higher rents on stabilized properties. Refer to “Same Store Results of Operations” below for details on same store revenues.

*Property Operations Expense*

Property operations expense increased $7.9 million primarily due to the increase in non-same store property operations expense. The acquisitions of Cottonwood Clermont and Cottonwood Ridgeview in 2022 and Melrose Phase II in 2023 accounted for $5.2 million of the increase. Four developments completed within the last two years contributed $1.6 million. These increases were offset by a $1.0 million reduction in property operations expenses from Cottonwood Lighthouse Point, which was deconsolidated in February 2023 when a partial interest in the property was sold. Other increases relate to insurance costs and utilities. Refer to "Same Store Results of Operations" below for details on same store revenues.

*Performance Participation Allocation*

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 and also includes distributions paid. No performance allocation was recorded during the year ended December 31, 2023 as the required return hurdles were not met. The increase in NAV during the year ended December 31, 2022 resulted in a performance allocation expense of $20.3 million for the year. Refer to Note 10 of the consolidated financial statements in this Annual Report on Form 10-K for additional information about the performance participation allocation.

*Depreciation and Amortization*

Depreciation and amortization increased $4.4 million due to depreciation and amortization of $5.0 million from properties consolidated in the last two years and depreciation of $2.5 million from developments completed within the last two years, as well as additional capitalized assets on our properties. These increases were offset by a $3.5 million reduction from Cottonwood Lighthouse Point, which was deconsolidated in February 2023.

*Equity in Earnings of Unconsolidated Real Estate Entities*

Equity in earnings of unconsolidated real estate entities decreased $5.9 million primarily due to the consolidation of Riverfront, the deconsolidation of Cottonwood Lighthouse Point, refinancing costs and increased interest expense at the underlying properties. This was offset by $4.4 million of additional income from preferred equity investments.

*Interest Expense*

Interest expense increased $23.2 million. The acquisitions of Cottonwood Clermont and Cottonwood Ridgeview in 2022 and Melrose Phase II in 2023 accounted for $3.3 million of the increase, higher interest rates and mortgage balances accounted for $17.7 million of the increase, and additional interest from the issuance of preferred stock of $5.0 million. These increases were offset by a reduction in interest from Cottonwood Lighthouse Point, which was deconsolidated in February 2023, and $2.9 million reduction from the payoff of Series 2017 and 2016 preferred stock in early 2022.

*Gain on Sale of Real Estate Assets*

The $24.1 million gain on sale of real estate assets is from the $23.0 million gain from sale of Cottonwood One Upland and the sale of a partial interest in Cottonwood Lighthouse Point.

*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.

*Gain on Consolidation of Development*

The $4.2 million gain on consolidation of development in 2023 is from the consolidation of 805 Riverfront when we became the manager and replacement developer with control of the project.

*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 $30.6 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 decreased $7.7 million primarily due to the tax liability on the $30.6 million promote distribution that occurred in 2022 that was not present in the current year.

*Other Income*

Other expense increased $6.4 million primarily due to decreases in the fair value of our interest rate caps.

**Same Store Results of Operations**

Net operating income ("NOI") is a supplemental non-GAAP measure of our property operating results. We define NOI as operating revenues less operating expenses for stabilized properties, both consolidated and unconsolidated. While we believe our net income (loss), as defined by GAAP, to be the most appropriate measure to evaluate our overall performance, we consider NOI to be an appropriate supplemental performance measure. We believe NOI provides useful information to our investors regarding our results of operations because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of properties, such as real estate-related depreciation and amortization, general and administrative expenses, advisory fees, interest expense, gains on sale of real estate, other income and expense, and noncontrolling interests. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes such items which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI, therefore, our investors should consider net income (loss) as the primary indicator our overall financial performance.

We evaluate the performance of our operating properties using a same store analysis because the population of properties is consistent from period to period, thereby eliminating the effects of any material changes in the composition of the aggregate portfolio on performance measures. Our same store portfolio includes consolidated and unconsolidated stabilized properties which we manage and have ownership interests in for the entirety of both current and prior years. Operating properties excluded from same store include development properties that have undergone lease up and properties that have been acquired and/or consolidated during the same store reporting period. We believe the drivers of NOI for our consolidated stabilized properties listed above are generally the same for our unconsolidated properties, of which we own on average 68.6%. Therefore we evaluate same store NOI based on our ownership in the properties within the same store portfolio. Our same store analysis may not be comparable to that of other real estate companies and should not be considered to be more relevant or accurate in evaluating our operating performance than current GAAP methodology.

For the twelve months ended December 31, 2023, our same store portfolio consisted of 19 consolidated properties, representing approximately 5,500 units, and 4 unconsolidated properties, representing approximately 1,300 units. The weighted average occupancy rate for the same store portfolio was 93.6% and 94.7% for the years ended December 31, 2023 and 2022, respectively. The weighted average monthly effective rent for the same store portfolio was $1,688 and $1,643 for the years ended December 31, 2023 and 2022, respectively.

The following table reconciles rental and other property revenues less property operations expense ("Consolidated Property NOI") from the consolidated statement of operations to Same Store NOI for the years ended December 31, 2023 and 2022 ($ in thousands):

| | Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Reconciliation of Consolidated Property NOI to Same Store NOI** | | |
| Rental and other property revenues | $ 142,833 | $ 123,627 |
| Property operations expense | 52,765 | 44,846 |
| **Consolidated Property NOI** | 90,068 | 78,781 |
| Less: Non-same store NOI | | |
| Lease up properties | (11,056) | (7,027) |
| Acquisitions | (9,851) | (8,631) |
| Non-core property expenses, net | 477 | 187 |
| NOI attributable to noncontrolling interests | (1,404) | (1,346) |
| Same store NOI from consolidated activity | 68,234 | 61,964 |
| Same store NOI from unconsolidated activity | 12,705 | 15,618 |
| **Same store NOI** | $ 80,939 | $ 77,582 |

The following table reconciles equity in earnings of unconsolidated real estate entities from the consolidated statement of operations to same store net operating income from unconsolidated properties ($ in thousands):

| | Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Equity in earnings of unconsolidated real estate entities | $ 6,466 | $ 12,393 |
| Adjustments to arrive at same store net operating income - unconsolidated properties | | |
| Equity in earnings from preferred equity investments | (11,855) | (8,833) |
| Equity in losses from depreciation and amortization | 6,513 | 7,372 |
| Non-same store property equity in losses (earnings) | 2,955 | (2,707) |
| Equity in losses on non-core property expense and other adjustments (1) | 8,626 | 7,393 |
| Same store NOI - unconsolidated properties (2) | $ 12,705 | $ 15,618 |

(1) Property management expenses and other expenses charged by us to our consolidated properties are eliminated but are included in equity in earnings. For consistency with consolidated property NOI, equity in earnings has been adjusted to remove the impact of expenses that are eliminated with consolidated properties.. In addition, all periods are presented using our ownership percentage at December 31, 2023 Equity in earnings is calculated using ownership percentages in place throughout the year, which may change as interests are acquired or sold. Accordingly, equity in earnings has also been adjusted to apply the ownership percentage at December 31, 2023 throughout the reporting periods to arrive at same store NOI - unconsolidated properties.

(2) Same store NOI - unconsolidated properties decreased primarily due to the consolidation of properties that were previously equity method investments.

## 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, 2023, our total operating expenses were less than the 2%/25% Limitation.

## 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, including funding commitments on our structured investments; operating expenses, including the management fee we pay to our advisor and the performance participation allocation (when applicable); 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 our public and private offerings, 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 interest rate environment and inflation which could increase our expenses, the satisfaction of REIT dividend requirements and the volume of repurchase requests under our share purchase program. Recently, we have seen an increase in the amount of repurchase requests, all of which we have satisfied to date. Due to commitments on our structured investments and development projects, which we believe will be accretive to our portfolio, our available cash to fund repurchase requests is limited. We completed the sale of Cottonwood One Upland (closed December 2023) and Cottonwood West Palm (closed February 2024) to strengthen our liquidity position and enhance our ability to fund repurchase requests and anticipate we will be able to fully fund repurchase requests. To continue to bolster our liquidity position, we may pursue additional strategic asset sales in the future or seek additional sources of capital.

As of December 31, 2023, we have $891.3 million of fixed rate debt and $273.5 million of variable rate debt, which includes $130.0 million of construction loans. We have interest rate cap hedging instruments on $179.5 million, or 65.6% of our variable rate debt. In addition, CROP has issued unsecured promissory notes in several private placement offerings, in an aggregate amount of $41.9 million as of December 31, 2023.

We have a credit facility in place with JP Morgan that provides us with additional liquidity. Our JP Morgan Revolving Credit Facility, which was amended due to the sale of One Upland in December 2023, has a variable rate and is secured by Parc Westborough with the option to add an additional property as collateral by December 14, 2024. We may obtain advances secured against Parc Westborough (and an additional property if and when added to the facility) up to $100.0 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, 2023, we had advances of $12.4 million on the JP Morgan Revolving Credit Facility, with the amount we could borrow capped at $41.0 million primarily due to the current interest rate environment and the applicable debt-service coverage ratio.

We have issued and outstanding Series 2019 Preferred Stock, Series 2023 Preferred Stock and Series 2023-A Preferred Stock, each of which is similar in nature and is classified as liabilities on our consolidated balance sheet due to the mandatory redemption of these instruments on a fixed date for a fixed amount. Each series must be redeemed 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 the redemption date. The Series 2019 Preferred Stock redemption date is December 31, 2024, subject to an additional one-year extension at our option. The Series 2023 Preferred Stock redemption date is June 30, 2027, subject to two one-year extensions at our option. The Series 2023-A Preferred Stock redemption date is December 31, 2027. As of December 31, 2023, we had 12.4 million shares outstanding for our Series 2019 Preferred Stock, 8.4 million shares outstanding for our Series 2023 Preferred Stock, and 0.3 million shares outstanding for our Series 2023-A Preferred Stock.

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 our follow-on public offering and the Private Offerings, 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, 2024 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), preferred interest liability, interest payment obligations (excluding debt premiums and discounts, unused fees and deferred financing costs), remaining commitments on our preferred equity investments, remaining funding commitments on our mezzanine loans, obligations under non-cancelable operating leases (excluding renewal options), and obligations under our advisory agreement (excluding renewal options) as of December 31, 2023 ($ in thousands):

| | **Twelve Months Ended December 31, 2024** | **Thereafter** |
|---|---|---|
| Debt repayments [1] | $ 132,550 | $ 1,074,196 |
| Preferred stock redemptions [2] | 124,266 | 86,417 |
| Preferred interest liability [3] | 15,300 | — |
| Interest payments [4] | 71,237 | 235,143 |
| Preferred equity investments | 1,314 | — |
| Mezzanine loans | 21,418 | — |
| Operating leases | 133 | — |
| Asset management fee [5] | 4,312 | — |
| | $ 370,530 | $ 1,395,756 |

[1] Includes mortgages notes, unsecured promissory notes, revolving credit facilities, and construction loans. Of the amounts maturing in 2024, $21.6 million relates to our 2019 6% Unsecured Promissory Notes, which can be extended to December 31, 2025. An additional $41.9 million relates to the construction loan for Cottonwood Broadway, which can be extended to May 15, 2025, subject to the satisfaction of certain conditions, and $48.3 million relates to the construction loan for 805 Riverfront, which can be extended for two one-year periods to May 30, 2026, subject to the satisfaction of certain conditions.

[2] Our Series 2019 Preferred Stock has a current redemption date of December 31, 2024 and can be extended to December 31, 2025. Our Series 2023 Preferred Stock has a current redemption date of June 30, 2027 and can be extended to June 30, 2029. Our Series 2023-A Preferred Stock has a redemption date of December 31, 2027.

[3] A third party has a mandatorily redeemable preferred equity investment in 805 Riverfront. The preferred equity investment has an initial maturity date of May 31, 2024 with two one-year extensions at our option. Refer to Note 3 of the consolidated financial statements in this Annual Report on Form 10-K for additional information.

[4] Interest payments include interest on our mortgage notes and revolving credit facility, construction loans, preferred stock dividends (for mandatorily redeemable preferred stock), preferred interest liability, and unsecured promissory notes. 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, 2023.

[5] Estimate based on the value of the portfolio as of December 31, 2023 with fees through May 7, 2024, 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 10 of the consolidated financial statements in this Annual Report on Form 10-K. For the year ended December 31, 2023, the asset management fee was $17.3 million and the performance participation allocation was zero.

#### *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, and 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 (used in) operating activities during the years ended December 31, 2023 and 2022 ($ in thousands):

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Distributions paid in cash - convertible preferred stockholders | $ 4 | $ — |
| Distributions paid in cash - common stockholders | 21,871 | 17,813 (3) |
| Distributions paid in cash to noncontrolling interests - limited partners | 23,233 | 22,198 |
| Distributions of DRP (reinvested) | 2,353 | 2,219 |
| Total distributions (1) | $ 47,461 | $ 42,230 |
| Source of distributions (2) | | |
| Paid from cash flows provided by operations | $ 4,693 | $ 23,031 (3) |
| Paid from additional borrowings | 40,415 | 7,899 (3) |
| Paid from offering proceeds | — | 9,081 (3) |
| Offering proceeds from issuance of common stock pursuant to the DRP | 2,353 | 2,219 |
| Total sources | $ 47,461 | $ 42,230 |
| | | |
| Net cash (used in) provided by operating activities (2) | $ (22,569) | $ 1,731 (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.

(3) The cash flows provided by operations used to fund distributions for 2022 have been revised to adjust for the immaterial adjustments to the statement of cash flows for all quarterly periods. Due to the immaterial nature of the adjustments, we have not separately provided adjusted quarterly information. The immaterial adjustments for the year ended December 31, 2022 are described in Note 2 of the consolidated financial statements in this Annual Report on Form 10-K.

For the year ended December 31, 2023, we declared and paid an insignificant amount of distributions on our Convertible Preferred Stock as the first shares of Convertible Preferred Stock were issued in November 2023. For the year ended December 31, 2023, distributions declared to common stockholders and limited partners were $24.1 million and $23.3 million, respectively. For the year ended December 31, 2023, we paid cash distributions to common stockholders of $21.9 million and limited partners of $23.2 million. For the year ended December 31, 2023, our net loss was $44.9 million. Cash flows used in operating activities for the year ended December 31, 2023 was $22.6 million.

### *Capital Expenditures*

We deployed $50.4 million during the year ended December 31, 2023 for capital expenditures, funded by debt, proceeds from our offerings and sale of assets, joint venture partners, and property operations and have $39.5 million of capital expenditures budgeted for 2024. The consolidated properties in which we deployed the most capital during the year ended December 31, 2023, which were all under development in 2023 or recently completed and in lease-up, are listed separately and the capital expenditures made on all other consolidated properties are aggregated in "All other properties" below ($ in thousands):

| | 2023 | | 2024 | |
|---|---|---|---|---|
| **Property Name** | **Total Capital Deployed** | **CCI/CROP Funded** | **Capital Budgeted** | **CCI/CROP Funded** |
| Cottonwood Broadway | $ 3,375 | $ 3,375 | $ 550 | $ 550 |
| Cottonwood Highland | 18,914 | — | 680 | 670 |
| 805 Riverfront | 6,142 | 2,129 | 200 | 200 |
| The Westerly | 12,653 | 10,205 | 30,850 | 27,285 |
| All other properties | 9,317 | 9,144 | 7,220 | 7,035 |
| | $ 50,401 | $ 24,853 | $ 39,500 | $ 35,740 |

## 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, | |
|---|---|---|
| | 2023 | 2022 |
| Net cash (used in) provided by operating activities | $ (22,569) | $ 1,731 |
| Net cash provided by (used in) investing activities | 41,621 | (163,483) |
| Net cash (used in) provided by financing activities | (23,763) | 211,886 |
| Net (decrease) increase in cash and cash equivalents and restricted cash | $ (4,711) | $ 50,134 |

Net cash flows from operating activities during the year ended December 31, 2023 decreased $24.3 million compared to the same period in 2022 primarily due an increase in interest expense from the rising interest rate environment combined with additional debt and associated costs, increased property operations expense driven by the rising costs of inflation, the impact of the one-time incentive allocation promote of $30.7 million that was realized in the prior year, and reduced net cash flows from the deconsolidation of Cottonwood Lighthouse Point in 2023. These items were offset by $31.4 million less performance participation allocation paid in 2023 compared to 2022, increased net cash flows from the 2022 acquisitions of Cottonwood Clermont and Cottonwood Ridgeview, the consolidation of Melrose Phase II and increased net cash flows from developments in the lease up process.

Cash flows provided by investing activities were $41.6 million during the year ended December 31, 2023. This is due $113.1 million from the sale of Cottonwood One Upland, cash from the sale of interests in Cottonwood Lighthouse Point and the consolidation of 805 Riverfront as well as $18.1 million of capital returned from investments in unconsolidated entities upon refinance. This was offset by $50.4 million in cash used for development projects and capital improvements, $40.9 million funded in preferred equity investments, and $8.8 million funded in mezzanine loans. Cash flows used in investing activities were $163.5 million during the year ended December 31, 2022. This is due to $91.0 million in cash used for development projects and capital improvements, $142.6 million in net cash for the acquisitions of Cottonwood Clermont, Cottonwood Lighthouse Point and Cottonwood Ridgeview, and $9.0 million funded in preferred equity investments. These uses were partially offset by $38.8 million in capital returned from investments in unconsolidated entities upon refinance, $28.8 million from the sale of 3800 Main and tenant in common (“TIC”) interests in Alpha Mill, and $13.0 million received from the repayment of the Integra Peaks mezzanine loan.

Cash flows from financing activities decreased $235.6 million compared to the same period in 2022. This is primarily due to a decrease of $226.5 million in borrowings on our revolving credit facility and mortgage notes, a decrease of $135.1 million in net cash from the issuance of common stock, a $72.8 million increase in redemptions of common stock and a $5.1 million increase in distributions to common stockholders and limited partners. This was offset by a $8.2 million increase in net proceeds on construction loans, a $62.5 million increase in the issuance of preferred stock, and a $140.2 million decrease in preferred stock redemptions.

## 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.

*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

The following events occurred subsequent to December 31, 2023:

*Series A Convertible Preferred Stock*

On February 7, 2024, we filed Articles of Amendment to provide that the holders of our Series A Convertible preferred stock may convert their shares into our Class I common stock beginning after a two-year hold period, which is earlier than the five-year time period prior to the amendment.

*Cottonwood Lighthouse Point Tenant In Common Acquisition*

On March 28, 2024, we acquired all of the outstanding tenant-in-common interests in Cottonwood Lighthouse Point from an unaffiliated third party in exchange for 259,246 OP Units, increasing our ownership from 86.8% to 100%.

*805 Riverfront*

As discussed in Note 3 of the consolidated financial statements in this Annual Report on Form 10-K, on September 8, 2023, the sponsor of the Riverfront Project was removed as the manager and developer due to events of default, whereupon we became the manager and replacement developer with control of the project and consolidated the project. On January 24, 2024, we acquired the Sponsor's interest in the entity controlling the Riverfront Project for zero dollars.

*Sale of Cottonwood West Palm*

On February 29, 2024, we sold Cottonwood West Palm for net proceeds of $34.0 million.

*Status of the Series 2023 Private Offering*

Through March 25, 2024, we sold 674,165 shares of Series 2023 Preferred Stock for aggregate gross offering proceeds of $6.7 million. In connection with the sale of these shares in the Series 2023 Private Offering, the Company paid aggregate selling commissions of $0.4 million and placement fees of $0.2 million. As of March 25, 2024, there were 9,030,889 shares of our Series 2023 Preferred Stock outstanding.

*Status of the Series 2023-A Private Offering*

Through March 25, 2024, we sold 10,000 shares of Series 2023-A Preferred Stock for aggregate gross offering proceeds of $100,000. In connection with the sale of these shares in the Series 2023-A Private Offering, the Company paid aggregate wholesaler fees of $2,000 and placement fees of $750. As of March 25, 2024, there were 295,000 shares of our Series 2023-A Preferred Stock outstanding.

*Status of the Series A Convertible Private Offering*

Through March 25, 2024, we sold 1,258,832 shares of Series A Convertible Preferred Stock for aggregate gross offering proceeds of $12.6 million. In connection with the sale of these shares in the Series A Convertible Private Offering, the Company paid aggregate selling commissions of $0.7 million and placement fees of $0.4 million. As of March 25, 2024, there were 1,474,108 shares of our Series A Convertible Preferred Stock outstanding.

*Status of the Follow-on Offering*

Through March 25, 2024, we sold the following through our follow-on public offering ($ in thousands):

| | Class | | | | |
|---|---|---|---|---|---|
| | **T** | **D** | **I** | **A** | **Total** |
| Shares issued through Primary Offering | 141,143 | 2,497 | 293,748 | — | 437,388 |
| Shares issued through DRP Offering | 14,575 | 250 | 10,605 | 27,757 | 53,187 |
| Gross Proceeds | $ 2,023 | $ 35 | $ 3,923 | $ — | $ 5,981 |

*Distributions Declared - Common Stock*

The following monthly distributions have record dates after December 31, 2023:

| Stockholder Record Date | Monthly Rate | Annually |
|---|---|---|
| January 31, 2024 | $ 0.06083333 | $ 0.73 |
| February 29, 2024 | $ 0.06083333 | $ 0.73 |
| March 31, 2024 | $ 0.06083333 | $ 0.73 |

*Grant of LTIP Unit Awards*

On January 9, 2024, 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 $1,609,125. Each award will vest approximately one-quarter of the awarded amount on January 1, 2025, 2026, 2027 and 2028.

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 $2,988,375. 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, 2023 NAV per share as announced on December 15, 2023 of $14.4754.

*Equity Incentive Plan*

On January 9, 2024, we issued an aggregate grant of 34,399 restricted stock units with a four-year vesting schedule. Of this amount, 16,254 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. 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 are 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.

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described below.

### Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. 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 conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023, 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, management has determined that our internal control over financial reporting as of December 31, 2023, was not effective because of the unremediated material weakness described below.

### Previously Reported Material Weakness

As disclosed in Item 9A. “Controls and Procedures” of our Form 10-K/A as filed with the SEC on October 13, 2023, we previously 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 and resulted in the restatement of our financial statements as of and for the year ended December 31, 2022 and for each of the quarterly periods in the year ended December 31, 2022.

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

### Remediation

We commenced measures to remediate the identified material weakness as described in Item 9A. "Controls and Procedures" of our Form 10-K/A as filed with the SEC on October 13, 2023. These changes were implemented during our review of the third quarter 2023 financial statements.

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 Controls over Financial Reporting

Other than the changes in internal control over financial reporting described above, there have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Item 9B. Other Information

None.

## Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

## Part III.

## Item 10. Directors, Executive Officers and Corporate Governance

Our directors and executive officers are set forth below:

| Name* | Age** | Positions |
|---|---|---|
| Daniel Shaeffer | 53 | Chief Executive Officer and Director |
| Chad Christensen | 51 | Executive Chairman of the Board of Directors and Director |
| Gregg Christensen | 55 | Chief Legal Officer and Secretary; Advisory Board Member |
| Glenn Rand | 63 | Chief Operating Officer; Advisory Board Member |
| Susan Hallenberg | 56 | Chief Accounting Officer and Treasurer; Advisory Board Member |
| Enzio Cassinis | 46 | President |
| Adam Larson | 42 | Chief Financial Officer |
| Stan Hanks | 56 | Chief Development Officer |
| Eric Marlin | 48 | Executive Vice President, Capital Markets |
| Paul Fredenberg | 47 | Chief Investment Officer |
| Jonathan Gardner | 47 | Independent Director |
| John Lunt | 51 | Independent Director |
| Philip White | 50 | Independent Director |

* The address of each executive officer and director listed is 1245 Brickyard Road, Suite 250, Salt Lake City, Utah 84106.

** As of December 31, 2023.

**Daniel Shaeffer** has served as our Chief Executive Officer since May 2021 and as an affiliated director since July 2016. As of May 2021, Mr. Shaeffer is also Chief Executive Officer of CCA. Mr. Shaeffer served as the Chief Executive Officer and a director of CRII and its predecessor entities from 2004 through the closing of our merger with CRII in May 2021. Mr. Shaeffer also served as our Chairman of the Board of directors from October 2018 through May 2021 and was formerly our Chief Executive Officer from December 2016 through September 2018. He was a director of Cottonwood Multifamily REIT I, Inc. (“CMRI”) and Cottonwood Multifamily REIT II, Inc. (“CMRII”) prior to the completion of their respective mergers in July 2021. He was a director and Chief Executive Officer of Cottonwood Multifamily Opportunity Fund, Inc. (“CMOF”) prior to the completion of the merger in September 2022. Mr. Shaeffer’s primary responsibilities include overseeing acquisitions, capital markets and strategic planning for us and our affiliates.

Before co-founding Cottonwood Capital, LLC, a predecessor to CRII, in 2004, Mr. Shaeffer worked as a senior equities analyst with Wasatch Advisors of Salt Lake City. Prior to joining Wasatch Advisors, Mr. Shaeffer was a Vice President of Investment Banking at Morgan Stanley. Mr. Shaeffer began his career with Ernst & Young working in the firm’s audit department. Mr. Shaeffer has been involved in real estate development, management, acquisition, disposition and financing since 2004.

Mr. Shaeffer holds an International Master of Business Administration from the University of Chicago Graduate School of Business and a Bachelor of Science in Accounting from Brigham Young University.

Our board of directors has determined that it is in the best interests of our company and our stockholders for Mr. Shaeffer, in light of his day-to-day company-specific operational experience, significant finance and market experience, and his real estate experience, to serve as a director on our board of directors.

**Chad Christensen** has served as the Executive Chairman of our board of directors since May 2021 and as an affiliated director since July 2016. As of May 2021, Mr. Christensen also serves as Executive Chairman of CCA. Mr. Christensen served as President and a director of CRII and its predecessor entities from 2004 through the closing of the CRII Merger. Mr. Christensen was formerly our President and Chairman of the Board from December 2016 through September 2018. He was a director of CMRI and CMRII prior to the completion of the CMRI Merger and the CMRII Merger. He served as President, Chairman of the Board, and a director of CMOF prior to the completion of the CMOF Merger. Mr. Christensen oversees financial and general operations for us and our affiliates. He is also actively involved in acquisitions, marketing and capital raising activities for us and our affiliates.

Before co-founding Cottonwood Capital, LLC, a predecessor to CRII, in 2004, Mr. Christensen worked with the Stan Johnson Company, a national commercial Real Estate Brokerage firm in Tulsa, Oklahoma. Early in his career, Mr. Christensen founded Paramo Investment Company, a small investment management company. Mr. Christensen has been involved in real estate development, management, acquisition, disposition and financing since 2004.

Mr. Christensen holds a Master of Business Administration from The Wharton School at the University of Pennsylvania with an emphasis in Finance and Real Estate and a Bachelor of Arts in English from the University of Utah. Mr. Christensen also holds an active real estate license. Chad Christensen and Gregg Christensen are brothers.

Our board of directors has determined that it is in the best interests of our company and our stockholders for Mr. Christensen, in light of his day-to-day company-specific operational experience, significant finance and market experience, and his real estate experience, to serve as a director on our board of directors.

**Gregg Christensen** has served as our Chief Legal Officer and Secretary since December 2016 and as an Advisory Board Member since May 2021. Since May 2021, Mr. Christensen is also Chief Legal Officer and Secretary of CCA. Mr. Christensen served as the Chief Legal Officer and Secretary (formerly Executive Vice President, Secretary and General Counsel) and a director of CRII and its predecessor entities from 2007 through the closing of the CRII Merger. Mr. Christensen was a director on our board of directors from December 2016 to June 2018. Mr. Christensen held similar officer positions with CMRI, CMRII and CMOF prior to the completion of the CMRI Merger, the CMRII Merger and the CMOF Merger, respectively. In addition, he was a director of CMRI, CMRII and CMOF prior to the completion of the CMRI Merger, the CMRII Merger and the CMOF Merger, respectively. Mr. Christensen oversees and coordinates all legal aspects of us and our affiliates, and is also actively involved in operations, acquisitions and due diligence activities for us and our affiliates.

Prior to joining the Cottonwood organization, Mr. Christensen was a principal, managing director and general counsel of Cherokee & Walker, an investment company focused on real estate investments and private equity investments in real estate-related companies. Previously, Mr. Christensen practiced law with Nelson & Senior in Salt Lake City. His areas of practice included real estate and corporate law. He is a member of the Utah State Bar, as well as the Bar of the United States District Court for the District of Utah. Mr. Christensen has been involved in real estate development, management, acquisition, disposition and financing since 1996.

Mr. Christensen holds an Honors Bachelor of Arts in English from the University of Utah and a Juris Doctorate from the University of Utah, S.J. Quinney College of Law. Gregg Christensen and Chad Christensen are brothers.

**Glenn Rand** has served as our Chief Operating Officer and as an Advisory Board Member since May 2021. Mr. Rand also has served as the Chief Operating Officer of CROP (and in other roles with CROP) since September 2013. In addition, he serves as Chief Operating Officer of CCA as of May 2021. Mr. Rand brings over 30 years of property management experience to us. He directs operations and provides strategic guidance with respect to acquisitions and asset management. Prior to joining CROP, he worked at Archstone, where he was responsible for the oversight of more than 30,000 apartment units. During his time at Archstone, Mr. Rand was President and Founder of Archstone Management Services, a third-party management company with over 50 assets under management, which was eventually sold to Gables Residential. As Chairman of Archstone's Pricing Committee, he was influential in the creation and national acceptance of LRO (revenue management) within Archstone, and eventually the apartment industry. He served on the Virginia Tech Management Board for many years and is consistently requested as a speaker at industry events.

**Susan Hallenberg** has served as our Chief Accounting Officer and Treasurer since October 2018 and as an Advisory Board Member since May 2021. As of May 2021, she is also Chief Accounting Officer and Treasurer at CCA. Ms. Hallenberg served as the Chief Financial Officer and Treasurer of CRII and its predecessor entity from May 2005 until the closing of the CRII Merger. Ms. Hallenberg served as our principal accounting officer and principal financial officer in her role as Chief Financial Officer from December 2016 through September 2018. Ms. Hallenberg also served as Chief Accounting Officer and Treasurer of CMRI and CMRII prior to the closing of the CMRI Merger and the CMRII Merger. She was also Chief Financial Officer and Treasurer of CMOF prior to the closing of the CMOF Merger.

Prior to joining the Cottonwood organization, Ms. Hallenberg served as Acquisitions Officer for Phillips Edison & Company, a real estate investment company. She also served as Vice President for Lend Lease Real Estate Investments, where her responsibilities included financial management of a large mixed-use real estate development project and the underwriting, financing and reporting on multifamily housing development opportunities in the Western United States using tax credit, tax-exempt bond, and conventional financing. She also worked for Aldrich Eastman & Waltch for two years as an Assistant Portfolio Controller. Ms. Hallenberg started her career at Ernst & Young where she worked in the firm's audit department for four years.

Ms. Hallenberg holds a Bachelor of Arts in Economics/Accounting from The College of the Holy Cross.

**Enzio Cassinis** has served as our President since May 2021. Mr. Cassinis served as our Chief Executive Officer and President from October 2018 through May 2021. In addition, Mr. Cassinis served as the Chief Executive Officer of CCA from October 2018 through May 2021 and currently serves as CCA's President since May 2021. Mr. Cassinis also served as the Chief Executive Officer and President of CMRI and CMRII from October 2018 through the closing of the CMRI Merger and the CMRII Merger.

From June 2013 through September 2018, Mr. Cassinis served in various roles at the Cottonwood organization, including as Senior Vice President of Corporate Strategy, where he was responsible for financial planning and analysis, balance sheet management and capital and venture formation activity. Prior to joining the Cottonwood organization in June 2013, Mr. Cassinis was Vice President of Investment Management at Archstone, one of the largest apartment operators and developers in the U.S. and Europe. There, he negotiated transactions in both foreign and domestic markets with transaction volume exceeding several billion dollars in total capitalization. Prior to Archstone, Mr. Cassinis worked as an attorney with Krendl, Krendl, Sachnoff & Way, PC (now Kutak Rock LLP) from February 2003 to May 2006, focusing his practice on corporate law and merger and acquisition transactions.

Mr. Cassinis earned a Master of Business Administration and Juris Doctorate (Order of St. Ives) from the University of Denver, and a Bachelor of Science in Business Administration from the University of Colorado at Boulder and is a CFA® charterholder.

**Adam Larson** has served as our Chief Financial Officer since October 2018. Mr. Larson also has served as the Chief Financial Officer of CCA since October 2018 and of CMRI and CMRII from October 2018 through the closing of the CMRI Merger and the CMRII Merger.

Through September 2018, Mr. Larson was the Senior Vice President of Asset Management of Cottonwood Residential, Inc. In this role he provided strategic guidance with respect to asset management, financial planning and analysis, and property operations. Prior to joining Cottonwood Residential, Inc. in June 2013, Mr. Larson worked in the Investment Banking Division at Goldman Sachs advising clients on mergers and acquisitions and other capital raising activities in the Real Estate, Consumer/Retail and Healthcare sectors. Mr. Larson previously worked at Barclays Capital, Bonneville Real Estate Capital and Hitachi Consulting.

Mr. Larson holds a Master of Business Administration from the University of Chicago Booth School of Business, and a Bachelor of Science in Business Management from Brigham Young University.

**Stan Hanks** has served as our Chief Development Officer since December 2021. Prior to that he was one of our Executive Vice Presidents. Mr. Hanks has also served as Executive Vice President of CROP since September 2012 and of CCA since May 2021. Mr. Hanks has over 20 years of multi-family experience. He is responsible for development project oversight and strategic initiatives. Prior to joining CROP, Mr. Hanks was a Senior Vice President and Principal at RealSource, a boutique multi-family real estate firm in Salt Lake City where he was involved with acquisitions, financing, asset management and capital raising. Prior to RealSource, Mr. Hanks was Vice President of Finance/Corporate Controller for TenFold Corporation, a software company in Utah that completed its IPO in 1999. Prior to TenFold, Mr. Hanks spent four years as an auditor at Coopers & Lybrand. Mr. Hanks earned a Bachelor of Accounting degree from the University of Utah in 1992.

**Eric Marlin** has served as our Executive Vice President of Capital Markets since May 2021. Mr. Marlin also has served as Executive Vice President of Capital Markets of CROP since February 2007 and of CCA since May 2021. His responsibilities include interfacing with broker-dealers and all retail-focused capital raising activities for Cottonwood affiliates. Previously, Mr. Marlin was Vice President of the Western Region for CORE Realty Holdings, LLC, a sponsor of tenant-in-common transactions. Prior to joining CORE, Mr. Marlin worked for Courtlandt Financial Group, a firm that specializes in Code Section 1031 exchanges. Prior to joining Courtlandt Financial Group, Mr. Marlin worked as a financial consultant with Merrill Lynch Private Client Group in Beverly Hills, California, where he focused primarily on financial planning and estate planning. Mr. Marlin holds a Bachelor of Arts in History of Public Policy from the University of California at Santa Barbara. He is a licensed securities representative with Series 7 and Series 66 licenses. Mr. Marlin also acts as a wholesaler internal to our sponsor and its affiliates in connection with our offerings.

**Paul Fredenberg** has served as our Chief Investment Officer since October 2018. Mr. Fredenberg has also served as the Chief Investment Officer of CCA since October 2018 and of CMRI and CMRII from October 2018 through the completion of the CMRI Merger and the CMRII Merger.

Through September 2018, Mr. Fredenberg served as the Senior Vice President of Acquisitions of Cottonwood Residential, Inc. a position he had held since September 2005. As Senior Vice President of Acquisitions, he focused exclusively on sourcing and evaluating new multifamily investment opportunities for Cottonwood Residential, Inc. Prior to joining the Cottonwood organization in 2005, Mr. Fredenberg worked in the Investment Banking division of Wachovia Securities advising clients on mergers and acquisitions activities across multiple industries. He has also held investment banking and management consulting positions at Piper Jaffray and the Arbor Strategy Group.

Mr. Fredenberg holds a Master of Business Administration from the Wharton School at the University of Pennsylvania, a Master of Arts in Latin American Studies from the University of Pennsylvania, and a Bachelor of Arts in Economics from the University of Michigan, Ann Arbor.

**Jonathan Gardner** is one of our independent directors, a position he has held since May 2021. Mr. Gardner is the CEO and founder of Asilia Investments, LLC, a Salt Lake City-based real estate development and alternative investment firm. Mr. Gardner has developed or invested in nearly $3.0 billion of real estate, with a significant interest in providing long-term solutions for national tenants in the industrial office markets. Asilia Investments has grown their platform to include private equity and private credit investment opportunities. Mr. Gardner co-founded and operated from 2014 - 2022 Gardner Batt, LLC, a real estate focused commercial development firm. Previous to Gardner Batt, Mr. Gardner was with a family run real estate development office and, prior to that, spent four years as an investment banker handling corporate leveraged finance at CIBC World Markets' Private Finance Group. Mr. Gardner graduated magna cum laude from the University of Utah's David Eccles School of Business with an emphasis in Finance.

Our board of directors selected Mr. Gardner as an independent director for reasons including his significant experience in the real estate industry and prior knowledge of the portfolio of CRII as a non-affiliate director. Mr. Gardner's broad real estate experience provides him with key skills in responding to our business's financial, strategic and operational challenges and opportunities, and overseeing management. Our board of directors believes that the depth and breadth of Mr. Gardner's exposure to complex real estate, financial and strategic issues during his career make him a valuable asset to our board of directors.

**John Lunt** is one of our independent directors, a position he has held since June 2018. In January 2003, Mr. Lunt founded Lunt Capital Management, Inc., a registered investment advisor, and since January 2003, he has served as its President. The firm builds and manages investment strategies used by financial advisors around the United States and provides research and advice for investments across asset classes. Mr. Lunt co-created the methodology for four index strategies calculated by S&P Dow Jones Indices. From 2001 to June 2014, he served on the board of the Utah Retirement Systems, a multibillion-dollar pension fund, and from 2004 to 2007, he served as board President. From February 2013 to February 2022, Mr. Lunt served on the investment advisory committee for the $20 billion Utah Educational Savings Plan (My529) and from August 2017 to February 2022, he served as Chairman of the committee. From September 2014 to June 2023, he served as a member of the Board of Trustees for the $2 billion Utah School & Institutional Trust Funds Office. Since June of 2022, he has served as a trustee for the Utah Educational Savings Board and currently serves as the chair of the Audit Committee.

Mr. Lunt graduated Magna Cum Laude with University Honors from Brigham Young University with a Bachelor of Arts in Economics, and he later received a Master of Business Administration in Finance and International Business from New York University.

Our board of directors selected Mr. Lunt as an independent director for reasons including his executive leadership experience, his professional and educational background, his network of relationships with finance and investment professionals and his extensive background and experience in public markets and in real estate and finance transactions and investments. In addition, his experience as founder and President of Lunt Capital Management and his service as a director of various pension funds provide him an understanding of the issues facing companies that make investments in real estate and oversee those investments.

**Philip White** is one of our independent directors, a position he has held since May 2021. Mr. White has been a partner at Inflection Financial LLC since 2020. His firm oversees more than $250 million for individuals and company retirement plans. Previously, Mr. White was a partner at Retirement Plan Fiduciaries LLC since 2015 and President at Ducere Capital, a wealth management practice he founded in 2006. Mr. White also previously directed executive compensation and company stock and retirement plans for Rackspace Hosting. Early in his career, Mr. White served his country as a civil engineer officer in the United States Air Force. Mr. White earned his Master of Business Administration degree with Honors from The Wharton School at The University of Pennsylvania and is also a Distinguished Graduate of The United States Air Force Academy. Mr. White is a CFA® charterholder and is also a CERTIFIED FINANCIAL PLANNER™ practitioner.

Our board of directors selected Mr. White as an independent director for reasons including his experience in the real estate industry, executive compensation experience, his professional and educational background and prior knowledge of the portfolio of CRII as a non-affiliate director of CRII. With his background in executive compensation issues, Mr. White is particularly well-positioned to guide our board of directors on compensation issues and the employment of various individuals, including our Chief Accounting Officer and Chief Legal Officer. Our board of directors believes that these key attributes make him a valuable asset to our board of directors.

### Code of Ethics

We have adopted a Code of Conduct and Ethics that applies to all of our executive officers and directors including but not limited to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our Code of Conduct and Ethics is available on our website at cottonwoodcommunities.com/corporate-governance/. Any amendment to, or a waiver from, a provision of the Code of Conduct and Ethics that would require disclosure under Item 5.05 of Form 8-K will be posted on our website at cottonwoodcommunities.com/corporate-governance/.

### Audit Committee

Our board of directors has established an audit committee composed entirely of independent directors. Audit Committee members are “independent”, consistent with the qualifications set forth in Rule 10A-3 under the Exchange Act, applicable to boards of directors in general and audit committees in particular. Mr. Lunt is qualified as an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K under the Exchange Act.

Among other things, the audit committee will assist the board in overseeing:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent registered public accounting firm; and
- the performance of our internal auditors and our independent registered public accounting firm.

The audit committee is also responsible for engaging our independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, and considering and approving the audit and non-audit services and fees provided by the independent registered public accounting firm. The members of the audit committee are Messrs. Gardner, Lunt and White.

## Item 11. Executive Compensation

### Overview

This section discusses the components of the compensation we provide to our “named executive officers” who are listed in the “Summary Compensation Table” below. In 2023, our named executive officers were Daniel Shaeffer, our Chief Executive Officer, Chad Christensen, our Executive Chairman and Gregg Christensen, our Chief Legal Officer and Secretary.

We employ certain of our executive officers, including one of our named executive officers, Mr. G. Christensen. Mr. Shaeffer and Mr. C. Christensen, along with certain other of our executive officers, are employed by our advisor, CC Advisors III, and its affiliates. Except for grants of LTIP Units (units in the Operating Partnership subject to time-based vesting) and Special LTIP Units (units in the Operating Partnership subject to performance-based vesting, and for purposes of our executive compensation discussion, referred to as required by context, collectively as the “LTIP Units”) that we make to all of our executive officers, Mr. Shaeffer and Mr. C. Christensen, and those executive officers employed by our advisor and its affiliates are compensated by our advisor and its affiliates (and not us), in part, for their service to us and our subsidiaries. See Item 13 below for a discussion of the fees paid to CC Advisors III and its affiliates. All of our named executive officers are officers of, and hold an indirect ownership interest in, CC Advisors III and/or its affiliates.

We are a “smaller reporting company” as defined in Rule 12b-2 under the Exchange Act. As such, we are permitted to take advantage of certain reduced reporting requirements that are otherwise applicable generally to public companies.

## Compensation of Executive Officers

*Executive Compensation Process*

Our compensation committee, which is composed of all of our independent directors, discharges our board of directors' responsibilities relating to the compensation that we pay to our named executive officers. This includes equity incentive compensation grants we make to all of our named executive officers as well as additional compensation we pay to named executive officers employed by us. The compensation committee operates under a written charter adopted by the board of directors, a copy of which is available under the "Corporate Governance" section of our website at www.cottonwoodcommunities.com.

In making compensation decisions for 2023, the compensation committee evaluated the performance of our Chief Executive Officer and Executive Chairman, and then together with our Chief Executive Officer and Executive Chairman, assessed the individual performance of the other named executive officers. In addition, the compensation committee confirmed that the market-based compensation data previously provided to the committee, as discussed below, remained appropriate. While the compensation committee considers recommendations from our Chief Executive Officer, Executive Chairman, and any compensation consultant engaged, along with data provided by its other advisors, it retains full discretion to set all compensation to our named executive officers that we pay directly.

*Engagement of Compensation Consultant*

The compensation committee is authorized to retain the services of one or more executive compensation consultants, in its discretion, to assist with the establishment and review of our compensation programs and related policies. The compensation committee has sole authority to hire, terminate and set the terms of any engagement of any compensation consultant.

The compensation committee expects to review market-based compensation data provided by an executive compensation consultant on a two-year cycle unless our operating environment changes significantly and a more recent study is determined to be recommended. The most recent compensation report was provided by Ferguson Partners Consulting L.P., a nationally recognized compensation consulting firm specializing in the real estate industry ("FPC"), in connection with the committee's review of compensation for 2022.

FPC provided market-based compensation data to assist the committee in the implementation of a comprehensive executive compensation program for those executive officers that we employ and an equity incentive compensation program for all of our executive officers that complements the compensation provided to our executive officers by our advisor and its affiliates. In connection with these efforts, FPC prepared for the compensation committee reports that included compensation analyses for each executive position, including those executive positions that are held by employees of our advisor and its affiliates, an analysis of a recommended peer group for us and a description of the methodology used to provide the compensation analyses. FPC researched competitive market practices, reviewed the proxy statements of its recommended peer group and checked its own proprietary information data bases. The compensation committee reviewed the information provided to the company in 2022, having confirmed with FPC that a similar compensation package would be appropriate for 2023, and approved the 2023 executive compensation program without changes from the 2022 program.

*Components of Executive Compensation*

The key elements of our executive compensation program for our executive officer employees include annual cash compensation, short-term incentive plan compensation as well as equity incentive compensation in the form of LTIP Units. Each element is discussed in detail below.

*Base Salary*

Compensation for each executive officer we employ was established by our compensation committee. We believe that our executive officers' base salary levels are commensurate with their positions and are expected to provide a steady source of income sufficient to permit these officers to focus their time and attention on their work duties and responsibilities. Base salaries of our named executive officers employed by us periodically will be reviewed by the compensation committee. For 2024, the compensation committee did not elect to change the annual base salary from year end 2023 levels for Mr. G. Christensen ($400,000). Mr. Shaeffer and Mr. C. Christensen do not receive an annual base salary from us and are compensated by CC Advisors III and its affiliates.

### *Short-Term Incentive Plan*

The short-term incentive plan is intended to compensate our executive officers for achieving annual company and strategic performance goals. The compensation committee believes that the opportunity to earn an annual cash bonus encourages our executive officers to achieve company and strategic performance goals, which fosters a performance-driven company culture that aligns the executives' interests with the stockholders' interests.

The short-term incentive plan allows our executive officers to earn a cash bonus based on various predefined and pre-weighted company and strategic performance goals established by the compensation committee (at least 50% of which are objective, calculable company performance measurements). Strategic performance goals are assessed subjectively.

The annual cash incentive bonus is the product of the named executive officer's target bonus (which is a percentage of his base salary) and a formula number that is based on the achievement of predetermined targets. Depending on the achievement of the predetermined targets, the actual annual cash incentive bonus may be less than, but not greater than the target bonus. For 2023, the compensation committee set Mr. G. Christensen's target bonus at 90% of his base salary.

The annual cash incentive bonus formula number for 2023 consisted of the following components: (i) 25% capital formation, (ii) 25% capital deployment efficiency, (iii) 25% portfolio characteristics and objectives, (iv) 15% same store net operating income (NOI) growth relative to the same store NOI growth of a preselected peer group, and (v) 10% total shareholder return (IRR). With respect to the specific formula components for 2023, the named executive officers received 62.96% of their target bonus based on the achievement of the predetermined targets. Based on our actual performance in 2023, the compensation committee approved an annual cash incentive bonus for Mr. G. Christensen in an amount of $226,671. Mr. Shaeffer and Mr. C. Christensen do not receive a cash incentive bonus from us and are compensated by CC Advisors III and its affiliates.

### *Equity Incentive Compensation*

Our compensation committee acknowledges that the real estate industry is highly competitive and that experienced professionals have significant career mobility. Our compensation committee determined that through the annual grant of LTIP Units under our partnership agreement, with vesting based on continued employment or the achievement of performance goals, each over multi-year periods, we will attract, motivate and retain highly skilled executive officers who are committed to our core values of prudent risk-taking and integrity. Each year our compensation committee determines, in its sole discretion, the aggregate amount, type and terms of any equity grants to our named executive officers. For 2023, the compensation committee determined that annual equity awards should consist of approximately 35% in LTIP Units (subject to multi-year vesting) and 65% in Special LTIP Units (with a multi-year performance measuring period) for all named executive officers.

LTIP Units are a separate series of limited partnership units of the Operating Partnership, which are convertible into CROP Common Units upon achieving certain vesting and performance requirements. Awards of LTIP Units are subject to the conditions and restrictions determined by our compensation committee, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives. If the conditions and/or restrictions included in an LTIP Unit award agreement are not attained, holders will forfeit the LTIP Units granted under such agreement. Unless otherwise provided, the LTIP Unit awards (whether vested or unvested) will entitle the holder to receive current distributions from the Operating Partnership, and the Special LTIP Units (whether vested or unvested) will entitle the holder to receive 10% of the current distributions from the Operating Partnership 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 CROP Common Units on a one-for-one basis.

The compensation committee has deemed LTIP Unit awards to be an effective means to ensure alignment of the executives' interests with those of the stockholders. LTIP Units are structured as "profits interests" for U.S. federal income tax purposes, and we do not expect the grant, vesting or conversion of LTIP Units to produce a tax deduction for us based on current U.S. federal income tax law. As profits interests, the LTIP Units initially will not have full parity, on a per unit basis, with the CROP Common Units with respect to liquidating distributions. Upon the occurrence of specified events, the LTIP Units can, over time, achieve full parity with the CROP Common Units and therefore, accrete to an economic value for the holder equivalent to the CROP Common Units. If such parity is achieved, the LTIP Units may be converted, subject to the satisfaction of applicable vesting conditions, on a one-for-one basis into CROP Common Units upon the occurrence of certain events, by the holder for a cash amount based on the value of a share of our common stock or for shares of our common stock, on a one-for-one basis, at our election. However, there are circumstances under which the LTIP Units will not achieve parity with the CROP Common Units, and until such parity is reached, the value that a holder could realize for a given number of LTIP Units will be less than the value of an equal number of shares of our common stock and may be zero. The compensation committee believes that this characteristic of the LTIP units, that they achieve real value only if our share value appreciates, links executive compensation to our performance.

In January 2023, the compensation committee approved equity awards for fiscal year 2023 in dollar values, with the number of units granted calculated by dividing the dollar value of the approved awards by the most recently determined NAV of CROP Common Units. In determining the size of the long-term equity incentives awarded to the named executive officers for 2023 service, the compensation committee considered, among other things, the role and responsibilities of the individual, competitive factors and individual performance history. These awards were intended to enable our executive officers to establish a meaningful equity stake in us that would vest over a period of years based on continued service.

Our compensation committee currently expects to continue to grant LTIP Units awards to our named executive officers annually on the same terms and conditions; however, the committee's decision whether to approve any such awards in the future will depend on our performance, market trends and practices and other considerations.

*Time-Based LTIP Units*

The following table sets forth the number and value of the time-based LTIP Units granted to our named executive officers in January 2023 for 2023 compensation. The time-based LTIP Units were issued on January 6, 2023 based on the grant date fair value determined in accordance with the Financial Accounting Standards Board's Accounting Standards Codification 718, Compensation—Stock Compensation ("ASC Topic 718"). The time-based LTIP Units vest annually in equal installments over a four-year period with the first 25% vesting on January 1, 2024, subject to continued service. Time based LTIP Units (whether vested or unvested) receive the same distribution per unit as the CROP Common Units.

| Executive Officer | Date of Grant | Number of Time-Based LTIP Units | Value of Time-Based LTIP Units |
|---|---|---|---|
| Daniel Shaeffer | January 6, 2023 | 19,976 | $ 399,404 |
| Chad Christensen | January 6, 2023 | 19,976 | $ 399,404 |
| Gregg Christensen | January 6, 2023 | 6,739 | $ 134,750 |

In January 2024, the compensation committee approved the grant of an aggregate of 103,788 LTIP Units to the named executive officers for 2024 compensation. The grants were made on January 9, 2024. These LTIP Unit awards vest annually in equal installments over a four-year period beginning on January 1, 2025, subject to continued service. The 2024 grants of LTIP Units will be reflected in the "Summary Compensation Table" and "2024 Grants of Plan-Based Awards" table in Part III of our Annual Report on Form 10-K for the year ended December 31, 2024.

*Special LTIP Units*

The following table sets forth the number and value of the Special LTIP Units (performance-based LTIP Units) granted to our named executive officers in January 2023. The Special LTIP Units were issued on January 6, 2023 based on the grant date fair value determined in accordance with ASC Topic 718. The actual amount of each award will be determined at the conclusion of the three-year performance period on December 31, 2025, and will depend on our internal rate of return (as defined in the award agreements).

| Executive Officer | Date of Grant | Number of Special LTIP Units | Value of Special LTIP Units |
|---|---|---|---|
| Daniel Shaeffer | January 6, 2023 | 37,098 | $ 741,750 |
| Chad Christensen | January 6, 2023 | 37,098 | $ 741,750 |
| Gregg Christensen | January 6, 2023 | 12,515 | $ 250,250 |

Pursuant to the terms of the applicable award agreements, our named executive officers may earn up to 100% of the number of Special LTIP Units granted, plus deemed dividends on earned units, based on our internal rate of return during the performance period in accordance with the following schedule, with linear interpolation for performance between levels:

| Internal Rate of Return | Percentage Earned |
|---|---|
| Less than 6% | — % |
| 6% | 50 % |
| 10% or greater | 100 % |

None of the Special LTIP Units will be earned if our internal rate of return for the performance period is less than 6%, and the maximum number of Special LTIP Units will only be earned if our internal rate of return for the performance period is 10% or greater. The earned Special LTIP Units will become fully vested on the first anniversary of the last day of the performance period, subject to continued employment with us, or CC Advisors III or its affiliates. During the performance period, Special LTIP Units (whether vested or unvested) will entitle the holder to receive 10% of the current distribution per unit paid to holders of the CROP Common Units (based on the total number of Special LTIP Units granted). At the end of the performance period, if the internal rate of return equals or exceeds the performance threshold (6%), the holder will be entitled to receive an additional grant of LTIP Units equivalent to 90% of distributions that would have been paid on the earned Special LTIP Units during the performance period.

In January 2024, the compensation committee approved the grant of an aggregate target of 192,749 Special LTIP Units to the named executive officers for 2024 compensation. The 2024 grants of Special LTIP Units will be reflected in the "Summary Compensation Table" and "2024 Grants of Plan-Based Awards" table in Part III of our Annual Report on Form 10-K for the year ended December 31, 2024.

## Executive Officer Compensation Tables

### *Summary Compensation Table*

The following table sets forth the information required by Item 402 of Regulation S-K promulgated by the SEC. The table sets forth the base salary and other compensation that was paid to or earned by the named executive officers in 2023. With respect to equity incentive awards, the dollar amounts indicated in the table under "Stock Awards" are the aggregate grant date fair value of awards computed in accordance with ASC Topic 718.

| Name and Principal Position | Year | Salary ($) | Stock Awards ($)(1) | Non-Equity Incentive Plan Compensation ($) | Total ($) |
|---|---|---|---|---|---|
| Daniel Shaeffer<br>Chief Executive Officer | 2023<br>2022 | (2)<br>(2) | 1,141,153<br>1,141,153 | (2)<br>(2) | 1,141,153<br>1,141,153 |
| Chad Christensen<br>Executive Chairman | 2023<br>2022 | (2)<br>(2) | 1,141,153<br>1,141,153 | (2)<br>(2) | 1,141,153<br>1,141,153 |
| Gregg Christensen<br>Chief Legal Officer and Secretary | 2023<br>2022 | 400,000<br>400,000 | 385,000<br>385,000 | 226,671<br>267,372 | 1,011,671<br>1,052,372 |

(1) For 2023, represents the total grant date fair value of LTIP Units and Special LTIP Units granted on January 6, 2023, determined in accordance with ASC Topic 718. Refer to Note 11 to our consolidated financial statements included herein, for a discussion of our accounting of LTIP Units and the assumptions used.

The grant date fair values for the following named executive officers relating to 2023 LTIP Unit awards granted on January 6, 2023, are as follows: Daniel Shaeffer—$399,404; Chad Christensen—$399,404; Gregg Christensen—$134,750. The LTIP Unit awards granted in 2023 vest over four years from the date of grant in equal installments on a quarterly basis, subject to continued service.

The grant date fair values for the named executive officers relating to 2023 Special LTIP Unit awards granted on January 6, 2023, are as follows: Daniel Shaeffer—$741,749; Chad Christensen—$741,749; Gregg Christensen—$250,250.

(2) Mr. Shaeffer and Mr. C. Christensen are each an officer and employee of our advisor and its affiliates, and are compensated by these entities, in part, for their respective service to us or our subsidiaries. We do not directly compensate Mr. Shaeffer or Mr. C. Christensen other than through LTIP Unit awards. Refer to Item 13 below for a discussion of the fees paid to CC Advisors III and its affiliates.

*Outstanding Equity Awards at Fiscal Year-End 2023*

The following tables set forth information with respect to outstanding equity awards granted by our compensation committee and held by the named executive officers as of December 31, 2023. In addition to equity awards granted by us, our named executive officers hold equity awards related to their employment by CRII prior to the merger with CRII which are not reflected in the table below. No option awards were outstanding for the named executive officers as of December 31, 2023. The aggregate dollar values indicated in the table below for equity incentive plan awards are the market or payout values and not the grant date fair values determined in accordance with ASC Topic 718 or the compensation expense recognized in our consolidated financial statements. In addition, the number of unearned Special LTIP Units in the equity incentive plan awards are the target amounts that may be earned under the 2022 and 2023 Special LTIP Unit awards. All of our named executive officers received their first grant of equity awards from us in 2022. Market values are based on the NAV of our common stock as of November 30, 2023 of $14.4754, which was our most recently determined NAV as of December 31, 2023.

| | Stock Awards | | | |
|---|---|---|---|---|
| **Name** | **Number of Shares or Units of Stock That Have Not Vested** | **Market Value of Shares or Units That Have Not Vested** | **Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested** | **Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (1)** |
| Daniel Shaeffer | 37,668 | $ 545,259 | 80,907 | $ 1,171,161 |
| Chad Christensen | 37,668 | $ 545,259 | 80,907 | $ 1,171,161 |
| Gregg Christensen | 12,708 | $ 183,953 | 27,295 | $ 395,106 |

(1) The number and value set forth assumes that the named executive officers earn the target amounts of Special LTIP Units.

The following table summarizes the time-based LTIP Unit awards for which a portion of the awards remain unvested as of December 31, 2023.The table also provides information about the applicable vesting period.

| | | Number of Time-Based LTIP Units | | | |
|---|---|---|---|---|---|
| **Grant Date** | **Grant Date Fair Value** | **Shaeffer** | **C. Christensen** | **G. Christensen** | **Vesting Period** |
| January 7, 2022 | $ 16.9316 | 23,589 | 23,589 | 7,959 | Over four years with 25.0% vesting per year beginning on January 1, 2023. |
| January 6, 2023 | $ 19.9945 | 19,975 | 19,975 | 6,739 | Over four years with 25.0% vesting per year beginning on January 1, 2024. |
| | | 43,564 | 43,564 | 14,698 | |

The following table summarizes the Special LTIP Unit awards (at target amounts) for which a portion of the awards remain unearned and unvested as of December 31, 2023, assuming the Special LTIP Unit awards are earned at the conclusion of the applicable measurement period. The table also provides information about the applicable vesting periods.

| | | Number of Performance-Based LTIP Units | | | |
|---|---|---|---|---|---|
| **Grant Date** | **Grant Date Fair Value** | **Shaeffer** | **C. Christensen** | **G. Christensen** | **Vesting Period** |
| January 7, 2022 | $ 16.9316 | 43,809 | 43,809 | 14,780 | All earned Special LTIP Units vest on the first anniversary of the last day of the three-year performance period which ends December 31, 2024, subject to continued employment. |
| January 6, 2023 | $ 19.9945 | 37,098 | 37,098 | 12,515 | All earned Special LTIP Units vest on the first anniversary of the last day of the three-year performance period which ends December 31, 2025, subject to continued employment. |
| | | 80,907 | 80,907 | 27,295 | |

*Termination and Change in Control Arrangements*

*Accelerated Vesting of Time-Based LTIP Units.* Pursuant to award agreements with our named executive officers, upon a "change in control" (as defined in the award agreements) or in the event of a termination of the executive officer's employment by the executive officer for "good reason" (as defined in the award agreements), by the Company without "cause" (as defined in the award agreements), or by reason of death or disability, all outstanding time-based LTIP Units will become fully vested.

*Accelerated Vesting of Special LTIP Units.* Pursuant to the terms of award agreements with our named executive officers, upon a "change in control" (as defined in the award agreements) or in the event of a termination of the executive officer's employment by the executive officer for "good reason" (as defined in the award agreements), by the Company without "cause" (as defined in the award agreements), or by reason of death or disability (each a "Qualified Termination"), after the grant date, but prior to the end of the performance period, the target number of award LTIP Units will be deemed earned. Upon a Qualified Termination after the end of the performance period, but prior to the vesting of the earned Special LTIP Units, all unvested earned Special LTIP Units will become fully vested.

## 2023 Director Compensation Table

The table below provides information regarding compensation paid to or earned by our directors during the year ended December 31, 2023 as required by Item 402(k) of Regulation S-K.

| Name | Fees Earned or Paid in Cash | Stock Awards [1][2] | Total |
|---|---|---|---|
| Daniel Shaeffer [3] | $ — | $ — | $ — |
| Chad Christensen [3] | $ — | $ — | $ — |
| Jonathan Gardner | $ 60,000 | $ 85,000 | $ 145,000 |
| John Lunt | $ 65,000 | $ 85,000 | $ 150,000 |
| Philip White | $ 60,000 | $ 85,000 | $ 145,000 |

[1] As of December 31, 2023, each of Merssrs. Gardner and White held 6,538 unvested LTIP units and Mr. Lunt held 4,251 unvested LTIP units.

[2] Represents 4,251 LTIP Units granted to each of Messrs. Gardner, Lunt, and White on January 6, 2023, for compensation for the year ended December 31, 2023. The dollar value is computed in accordance with the Financial Accounting Standards Board's Accounting Standards Codification 718, Compensation—Stock Compensation ("ASC Topic 718"). Refer to Note 11 to our consolidated financial statements included herein, for a discussion of our accounting of LTIP units and the assumptions used. The grant date fair value of each award granted on January 6, 2023 was $19.9945.

[3] Directors who are not independent of us do not receive compensation for their services as a director. Each of Mr. Shaeffer and Mr. C. Christensen received grants of equity compensation in connection with their positions as executive officers of the Company which is reflected in the discussion of executive compensation above.

## Director Compensation

The compensation structure for our directors was approved following a review of peer board compensation data provided by FPC.

For 2023 we paid a cash retainer of $50,000 to each independent director for their service as a director, as well as an equity grant of time-based LTIP Units in the Operating Partnership with a value of approximately $85,000 at the time of grant. The equity has a one-year vesting schedule. The independent board members serving as chairperson of each of the audit, compensation and conflicts committees will receive an additional annual cash retainer of $15,000, $10,000 and $10,000, respectively. For 2024 compensation, our compensation committee has approved compensation to each of our independent directors as follows: a cash retainer of $60,000, an equity grant with a value of approximately $95,000 at the time of grant, and an additional annual cash retainer for service as chairperson of each of the audit, compensation and conflicts committee of $20,000, $15,000 and $15,000, respectively.

We also reimburse our directors for their travel expenses incurred in connection with their attendance at board and committee meetings.

## Compensation Committee Interlocks and Insider Participation

During 2023, the Compensation Committee was composed of Messrs. Gardner, Lunt and White, none of whom were officers or employees of the Company during the fiscal year ended December 31, 2023, and none of whom had any relationship requiring disclosure by the Company under Item 404 of Regulation S-K under the Exchange Act.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Equity Compensation Plan Information

On March 22, 2022, our board of directors adopted the 2022 Equity Incentive Plan (the "Equity Incentive Plan"). The Equity Incentive Plan provides for the granting of stock-based awards of our Class I shares of common stock, including restricted stock (consisting of restricted stock bonuses or restricted stock purchase rights), restricted stock unit awards and other stock-based awards to our employees, our directors, employees of our advisor or its affiliates, other advisors and consultants of ours and of our advisor selected by the plan administrator for participation in the Equity Incentive Plan. We have made and intend to continue to make awards outside of the Equity Incentive Plan when individuals are ineligible to participate in the Equity Incentive Plan. Awards issued outside of the Equity Incentive Plan will be on similar terms and conditions as those granted pursuant to the Equity Incentive Plan. Although the Equity Incentive Plan permits us to grant awards to our executive officers and directors, we do not intend to issue awards to our executive officers or directors pursuant to the Equity Incentive Plan. Instead, our executive officers and directors will receive equity grants of LTIP Units in the Operating Partnership. Information regarding LTIP Units is included above under "Item 11. Executive Compensation – Compensation of Executive Officers – Equity Incentive Compensation."

Our compensation committee administers the Equity Incentive Plan as the plan administrator, with sole authority to select participants, determine the types of awards to be granted and determine all the terms and conditions of the awards, including whether the grant, vesting or settlement of awards may be subject to the attainment of one or more performance goals. Unless determined by the plan administrator, no award granted under the Equity Incentive Plan will be transferable except through the laws of descent and distribution.

An aggregate maximum of 300,000 shares of our common stock may be issued upon grant, vesting or exercise of awards under the Equity Incentive Plan. If any shares subject to an award are forfeited, repurchased (for an amount not greater than the participant's purchase price) or cancelled, or expire or terminate, in whole or in part, without the delivery of shares, then the shares covered by such forfeited, repurchased, cancelled, expired or terminated award will again be available for awards under the Equity Incentive Plan. Shares will not be treated as issued pursuant to the Equity Incentive Plan (a) with respect to any portion of an award that is settled in cash or (b) to the extent such shares are withheld or reacquired by us in satisfaction of tax withholding obligations. In the event of certain changes to our capital structure, such as, for example, a merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, combination of shares, or exchange of shares, our board of directors will make appropriate and proportionate adjustments to the number and kind of shares subject to the Equity Incentive Plan and any outstanding awards, and to the purchase price under any outstanding awards.

Under the Equity Incentive Plan, the plan administrator will determine the treatment of awards in the event of a change in our control. Unless earlier terminated by our board of directors, the Equity Incentive Plan will automatically expire on the later of March 22, 2032, or ten years from the most recent approval by our board of directors of an increase in the maximum aggregate number of shares of common stock issuable under the plan. Our board of directors may terminate the Equity Incentive Plan at any time. The expiration or other termination of the Equity Incentive Plan will have no adverse impact on any award that is outstanding at the time the Equity Incentive Plan expires or is terminated without the consent of the holder of the outstanding award. Our board of directors may amend the Equity Incentive Plan at any time, but no amendment will adversely affect any award on a retroactive basis without the consent of the holder of the outstanding award, and no amendment to the Equity Incentive Plan will be effective without the approval of our stockholders if such approval is required by any law, regulation or rule applicable to the Equity Incentive Plan. The same is true for any amendment to remove the prohibition on repricing. No amendment will be made that could jeopardize the status of the Company as a REIT under the Code.

As of December 31, 2023, we have granted LTIP Units to our officers and directors and restricted stock units to our non-executive employees and employees of our advisor. The following table summarizes information, as of December 31, 2023, relating to equity compensation plans of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (2) |
|---|---|---|---|
| Equity compensation plans approved by security holders | — | — | — |
| Equity compensation plans not approved by security holders (3) | 1,210,625 | — | 283,794 |
| Total | 1,210,625 | — | 283,794 |

(1) Includes 1,179,575 LTIP Units in CROP (315,558 of which are vested), 16,206 restricted stock units granted pursuant to the Equity Incentive Plan (1,958 of which are vested), and 14,843 restricted stock units granted outside of the Equity Incentive Plan (1,942 of which are vested). Upon satisfaction of certain conditions, LTIP Units are convertible into CROP Common Units, which may then be redeemed for cash, or at our option, an equal number of shares of Class I common stock, subject to certain restrictions. There is no exercise price associated with LTIP Units or the restricted stock units. Excluded from the table above are 1,613,740 LTIP Units (1,239,081 of which are vested) awarded by CRII as equity compensation prior to the CRII Merger. LTIP Units subject to performance vesting conditions assume the maximum level of performance.

(2) The Equity Incentive Plan allows for the issuance of a maximum of 300,000 shares of common stock issued through restricted stock units or restricted stock awards. No additional securities have been reserved for issuance with respect to awards of LTIP Units in CROP.

(3) LTIP Unit awards have been granted by our compensation committee of our board of directors pursuant to the terms of award agreements and as contemplated in the Operating Partnership Agreement for CROP. Restricted stock grants have been made to our non-executive employees and employees of our advisor pursuant to the Equity Incentive Plan as well as outside of the Equity Incentive Plan.

## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of March 25, 2024, the amount of our common stock, CROP common units and CROP LTIP units beneficially owned by (i) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (ii) our directors and named executive officers and (iv) all of our directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC includes securities that a person has the right to acquire within 60 days.

| Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership (2) | Percent of all Shares (3) | Percent of all Shares and Common Units (4) |
|---|---|---|---|
| Daniel Shaeffer | 4,557,930 (5) | 14.48% | 7.12% |
| Chad Christensen | 4,606,225 (5) | 14.64% | 7.19% |
| Gregg Christensen | 4,021,863 (5) | 12.78% | 6.28% |
| Jonathan Gardner | 24,848 (6) | * | * |
| John Lunt | 19,497 (6) | * | * |
| Philip White | 35,447 (7) | * | * |
| All directors and executive officers as a group (13 persons) | 6,933,360 | 22.03% | 10.83% |

* Indicates less than 1% of the outstanding common stock.

(1) The address of each named beneficial owner is 1245 Brickyard Road, Suite 250, Salt Lake City, Utah 84106.

(2) Ownership consists of shares of our common stock, CROP common units and CROP LTIP units. Subject to certain restrictions, common units may be exchanged for cash, or at our option, an equal number of shares of our common stock on the specified exchange date which is the first business day of the month that is at least 60 business days after the receipt by CROP of an exchange notice (the “Specified Exchange Date”). Upon achieving parity with the common units and becoming “exchangeable” in accordance with the terms of CROP’s partnership agreement, LTIP units may be exchanged for cash, or at our option, an equal number of shares of our common stock, subject to certain restrictions, on the Specified Exchange Date.

(3) Based on 31,470,705 shares of our common stock outstanding as of March 25, 2024. In computing the percentage ownership of a person or group, we have assumed that the common units and LTIP units held by that person or persons in the group have been redeemed for shares of our common stock and that those shares are outstanding, but that no common units or LTIP units held by other persons are redeemed for shares of our common stock, notwithstanding that not all of the LTIP units have vested to date.

(4) Based on 64,044,752 shares of common stock and common units outstanding as of March 25, 2024 on a fully-diluted basis, comprised of 31,470,705 shares of common stock and 32,574,048 shares of common stock issuable upon exchange or conversion of outstanding common units and LTIP units, respectively.

(5) Includes 236,676, 284,971, and 163,421 common units held by each of Messrs. Shaeffer, C. Christensen, and G. Christensen, respectively, and 819,748, 819,748, and 356,937 LTIP units held by each of Messrs. Shaeffer, C. Christensen, and G. Christensen, respectively. Not all of the LTIP units have vested. Includes 3,481,505 common units held by HT Holdings, an entity owned and controlled by Messrs. Shaeffer, C. Christensen, G. Christensen and Mr. Eric Marlin. Also includes 20,000 shares of common stock held by CCA, which is beneficially owned by Messrs. Shaeffer, C. Christensen, G. Christensen and Marlin (through entities they own and control or directly). In addition, Messrs. Shaeffer, C. Christensen and G. Christensen comprise the board of managers of CCA and, as such, may be deemed to have had beneficial ownership of the shares held by CCA.

(6) Includes 24,848 and 19,497 LTIP units held by Messrs. Gardner and Lunt, respectively. Not all of the LTIP units have vested.

(7) Includes 10,600 shares of our common stock and 24,847 LTIP units held by Mr. White. Not all of the LTIP units have vested.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

### Director Independence

Our charter provides that a majority of our directors must be independent. We currently have three independent directors on our five-member board of directors. A majority of the directors on any committees established by the board must also be independent. Our board of directors has three standing committees: the audit committee, the conflicts committee and the compensation committee.

Under our charter, an independent director is a person who is not associated and has not been associated within the last two years, directly or indirectly, with our sponsor or advisor. A director is deemed to be associated with our sponsor or our advisor if he or she owns an interest in, is employed by, is an officer or director of, or has any material business or professional relationship with our sponsor, advisor or any of their affiliates, performs services (other than as a director) for us, is a director for more than three REITs organized by our sponsor or advised by our advisor. A business or professional relationship will be deemed material if the gross income derived by the director from our sponsor, our advisor and any of their affiliates exceeds 5% of (1) the director's annual gross revenue derived from all sources, during either of the last two years or (2) the director's net worth on a fair market value basis. An indirect relationship will include circumstances in which a director's spouse, parent, child, sibling, mother- or father-in-law, son- or daughter-in-law, or brother- or sister-in-law is or has been associated with our sponsor, advisor or any of their affiliates or the Company.

In addition, although our shares are not listed for trading on any national securities exchange, a majority of our directors, and all of the members of the audit committee, the conflicts committee, and the compensation committee are "independent" as defined by the New York Stock Exchange. The New York Stock Exchange standards provide that to qualify as an independent director, in addition to satisfying certain bright-line criteria, our board of directors must affirmatively determine that a director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us). Our board of directors has affirmatively determined that each of our independent directors, Jonathan Gardner, John Lunt and Philip White, satisfies the New York Stock Exchange independence standards.

### Report of the Conflicts Committee

As members of the conflicts committee of the board of directors, we have reviewed the corporate policies being followed by the Company and believe they are in the best interests of its stockholders. The basis for this conclusion is outlined below.

We have developed a system of policies and procedures designed to enable the objectives of the Company (as outlined in our charter) to be achieved. These policies, as described in our current prospectus, cover, among other things, investments in real estate and real estate-related assets, leverage, dispositions, administration of the Company, determination of our net asset value, conflict resolution and raising capital. We believe the Company's policies have been carefully and thoughtfully drafted to minimize risk while maximizing our ability to achieve our primary investment objectives.

Our advisor, CC Advisors III, has substantial discretion with respect to the selection of real properties, debt related investments and other real estate-related investments consistent with our investment objectives. In determining the specific types of real property and real estate-related investments to make or recommend, CC Advisors III considers certain criteria, including, but not limited to, the following: (i) positioning the overall portfolio to achieve a desired mix of real property and other real estate-related investments; (ii) diversification benefits relative to the rest of the real property and other real estate-related assets within our portfolio; (iii) potential for delivering current income and attractive risk-adjusted total returns; and (iv) opportunities for capital appreciation based on product repositioning, operating expense reductions and other factors.

As of December 31, 2023, our portfolio consists of ownership interests or structured investment interests in 37 multifamily apartment communities in 12 states with 10,616 units, including 1,868 units in six multifamily apartment communities in which we have a structured investment interest and another 987 units in four multifamily apartment communities under construction or in lease-up. In addition, we have an ownership interest in four land sites planned for development. We believe our portfolio as of December 31, 2023 is consistent with the objectives outlined in our charter and this Annual Report.

We have reviewed the related party transactions as described below and in our opinion, the transactions are fair and reasonable to the Company and its stockholders. This report is limited to the policies being followed by the Company and the fairness of transactions with the advisor and its affiliates.

March 19, 2024
The Conflicts Committee of the Board of Directors:
Jonathan Gardner (Chairman), John Lunt and Philip White

## Our Policy Regarding Transactions with Related Persons

Our charter requires the conflicts committee to review and approve all transactions between us and our advisor, and any of our officers or directors or any of their affiliates. Prior to entering into a transaction with a related party, a majority of the board of directors (including a majority of the conflicts committee) not otherwise interested in the transaction must conclude that the transaction is fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties. In addition, our Code of Conduct and Ethics lists examples of types of transactions with related parties that would create prohibited conflicts of interest and requires our officers and directors to be conscientious of actual and potential conflicts of interest with respect to our interests and to seek to avoid such conflicts or handle such conflicts in an ethical manner at all times consistent with applicable law. Our executive officers and directors are required to report potential and actual conflicts to the Compliance Officer, currently our Chief Legal Officer, or directly to the audit committee chair, as appropriate.

## Transactions with Related Persons

The conflicts committee has reviewed the transactions between our affiliates and us since the beginning of 2022 as well as any such currently proposed transactions and determined them to be fair and reasonable to the Company. The following describes all transactions during the two years ended December 31, 2023 and currently proposed transactions involving us, our directors and officers, our sponsor or advisor or any of their affiliates.

As further described below, we have entered into agreements with certain affiliates pursuant to which they provide services to us. In May 2021, CCA became our sponsor when CRII undertook a series of transactions that resulted in CRII and CROP divesting their complete interest in CCA to an entity beneficially and majority owned and controlled by Messrs. Shaeffer, C. Christensen and G. Christensen. As of December 31, 2023, Messrs. Shaeffer, C. Christensen and G. Christensen beneficially owned approximately 73.5% of CCA. CCA wholly owns CC Advisors III. All of our executive officers are also executive officers of CCA and CC Advisors III. In addition, all of our executive officers own an interest in CCA.

### *Advisory Agreement*

Our advisor manages our business subject to the supervision of our board of directors and only has such authority as we may delegate to it as our agent. Under the terms of the advisory agreement in effect from January 1, 2022 we paid the fees and expense reimbursements described below to our advisor from January 1, 2022 through December 31, 2023.

*Organization and Offering Expenses.* We reimburse our advisor for any organization and offering expenses that it incurs on our behalf as and when incurred. After termination of our primary offering, our advisor will reimburse us to the extent that the organization and offering expenses that we incur exceed 15% of the gross proceeds from any public offering. From January 1, 2022 through December 31, 2023, there were no organizational and offering costs incurred by our advisor on our behalf.

*Contingent Acquisition Fee and Contingent Financing Fee.* 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 our prior advisory agreement will be due and payable in an amount equal to approximately $17.6 million ($22.0 million if the termination occurred in year one reduced by 10% each year thereafter).

*Acquisition Expense Reimbursement.* Subject to limitations in our charter, our advisor will be reimbursed for all out-of-pocket expenses incurred in connection with the selection and acquisition of real estate assets, whether or not the acquisition is consummated. There were no acquisition expenses reimbursed to our advisor during the years ended December 31, 2022 and December 31, 2023, as we have incurred and paid such expenses directly.

*Management Fee.* Our advisor receives a monthly management fee equal to 0.0625% of the gross asset value or GAV of CROP (subject to a cap as described herein), before giving effect to any accruals (related to the month for which the management fee is being calculated) for the management fee, distribution fees in connection with a securities offering, the Performance Allocation (as defined in the CROP Partnership Agreement and discussed below under "Operating Partnership Agreement") or any distributions. The GAV and NAV of CROP are determined in accordance with the valuation guidelines adopted by our board of directors and reflective of the ownership interest held by CROP in such gross assets. If we own assets other than through CROP, we will pay a corresponding fee to our advisor. Through September 19, 2023, the cap on the management fee was equal to 0.125% of net asset value of CROP. Effective September 19, 2023, the cap was amended to be based on "adjusted net asset value", which is defined to include the value attributable to preferred stock that is convertible into common equity in the calculation of net asset value of CROP. For the years ended December 31, 2022 and 2023, we incurred management fees of $17.8 million and $17.3 million, respectively.

*Other Fees and Reimbursable Expenses*. Subject to the limitations on total operating expenses described below, our advisor is entitled to reimbursement of all costs and expenses incurred by it or its affiliates on our behalf, provided that our advisor is responsible for the expenses related to any and all of our advisor's personnel who provide investment advisory services pursuant to the advisory agreement (including, without limitation, each of our executive officers and any directors who are also directors, officers or employees of our advisor or any of its affiliates), including, without limitation, salaries, bonuses and other wages, payroll taxes and the cost of employee benefit plans of such personnel, and costs of insurance with respect to such personnel; provided that we will be responsible for the personnel costs of our employees even if they are also directors or officers of our advisor or any of its affiliates except as provided for in the Reimbursement and Cost Sharing Agreement described below. We had no reimbursable company operating expenses to our advisor or its affiliates under the advisory agreement for the years ended December 31, 2022 or December 31, 2023.

Our advisor is required to reimburse us the amount by which our aggregate total operating expenses for the four consecutive fiscal quarters then ended exceed the greater of 2% of our average invested assets or 25% of our net income, unless our conflicts committee has determined that such excess expenses were justified based on unusual and non-recurring factors. "Average invested assets" means the average monthly book value of our assets during the 12-month period before deducting depreciation, bad debts or other non-cash reserves. "Total operating expenses" means all expenses paid or incurred by us that are in any way related to our operation, including advisory fees, but excluding (i) the expenses of raising capital to the extent paid by us such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock, (ii) interest payments, (iii) taxes, (iv) non-cash expenditures such as depreciation, amortization and bad debt reserves; (v) reasonable incentive fees based on the gain from the sale of our assets and (vi) acquisition fees, acquisition expenses (including expenses relating to potential investments that we do not close), disposition fees on the resale of property and other expenses connected with the acquisition, disposition and ownership of real estate interests, loans or other property (other than disposition fees on the sale of assets other than real property), including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property. Our conflicts committee determined that the relationship of our total operating expenses and our net assets was justified for each of the four consecutive fiscal quarters ending March 31, June 30, September 30 and December 31, 2022 and approved total operating expenses in excess of the operating expense reimbursement obligation in each of these periods. For all periods in 2023, our total operating expenses did not exceed the operating expense limit. For the fiscal year ended December 31, 2023, our total operating expenses were 1.45% and (96.7)% of each of our average invested assets and our net income, respectively.

### *Operating Partnership Agreement*

*Performance Allocation.* In addition to the compensation payable and expenses reimbursed to our advisor pursuant to the advisory agreement, an affiliate of our advisor, as the "Special Limited Partner" is entitled to receive a 12.5% promotional interest, subject to a 5% hurdle and certain limitations, under the terms of the amended and restated limited partnership agreement of CROP dated May 7, 2021, as further amended and restated, as described below. As of December 31, 2022, we had accrued $20.3 million for the Performance Allocation, which was paid in cash on March 2, 2023. No Performance Allocation was earned for the year ended December 31, 2023.

So long as the advisory agreement has not been terminated (including by means of non-renewal), the Special Limited Partner will be entitled to an annual distribution (the "Performance Allocation"), promptly following the end of each year (which will accrue on a monthly basis) in an amount equal to:

1. First, if the Total Return for the applicable period exceeds the sum of (i) the Hurdle Amount for that period and (ii) the Loss Carryforward Amount (any such excess, "Excess Profits"), 100% of such Excess Profits until the total amount allocated to the Special Limited Partner equals 12.5% of the sum of (A) the Hurdle Amount for that period and (B) any amount allocated to the Special Limited Partner pursuant to this clause; and

2. Second, to the extent there are remaining Excess Profits, 12.5% of such remaining Excess Profits.

For purposes of this section:

"Hurdle Amount" refers to, for any period during a calendar year, an amount that results in a 5% annualized internal rate of return on the net asset value of the Participating Partnership Units outstanding at the beginning of the then-current calendar year and all Participating Partnership Units issued since the beginning of the applicable calendar year, taking into account the timing and amount of all distributions accrued or paid (without duplication) on all such Participating Partnership Units and all issuances of Participating Partnership Units over the period and calculated in accordance with recognized industry practices. The ending net asset value of the Participating Partnership Units used in calculating the internal rate of return will be calculated before giving effect to any allocation or accrual to the Participating Performance Allocation and any applicable distribution fee expenses, provided that the calculation of the Hurdle Amount for any period will exclude any Participating Partnership Units repurchased during such period, which Participating Partnership Units will be subject to the Performance Allocation upon such repurchase as described below.

"Loss Carryforward Amount" refers to an amount initially equal to zero and which will cumulatively increase by the absolute value of any negative annual Total Return and decrease by any positive annual Total Return, provided that the Loss Carryforward Amount will at no time be less than zero, and provided further, that the calculation of the Loss Carryforward Amount will exclude the Total Return related to any Participating Partnership Units repurchased during such year, which Participating Partnership Units will be subject to the Performance Allocation upon such repurchase as described below.

"Participating Partnership Units" refers to the CROP Common Units, the CROP LTIP Units, the CROP Special LTIP Units or the CROP general partner units, and excludes any CROP preferred units.

"Total Return" refers to for any period since the end of the prior calendar year, the sum of: (i) all distributions accrued or paid (without duplication) on the Participating Partnership Units outstanding at the end of such period since the beginning of the then-current calendar year plus (ii) the change in aggregate net asset value of such Participating Partnership Units since the beginning of such year , before giving effect to (A) changes resulting solely from the proceeds of issuances of the Participating Partnership Units, (B) any allocation or accrual to the Performance Allocation and (C) any applicable distribution fee expenses (including any payments made to the general partner for payment of such expenses). For the avoidance of doubt, the calculation of Total Return will (i) include any appreciation or depreciation in the net asset value of the Participating Partnership Units issued during the then-current calendar year but (ii) exclude the proceeds from the initial issuance of such Participating Partnership Units.

The following special provisions will be applicable to the Performance Allocation:

- Any amount by which Total Return falls below the Hurdle Amount and that does not constitute Loss Carryforward Amount will not be carried forward to subsequent periods.

- With respect to all CROP partnership units that are repurchased at the end of any month in connection with repurchases of shares of our common stock pursuant to our share repurchase plan, the Special Limited Partner will be entitled to such Performance Allocation in an amount calculated as described above calculated in respect of the portion of the year for which such CROP partnership units were outstanding, and proceeds for any such CROP partnership unit repurchase will be reduced by the amount of any such Performance Allocation.

- The Performance Allocation may be payable in cash or CROP Common Units at the election of the Special Limited Partner. If the Special Limited Partner elects to receive such distributions in CROP Common Units, the Special Limited Partner will receive the number of CROP Common Units that results from dividing the Performance Allocation by the net asset value per CROP Common Unit at the time of such distribution. If the Special Limited Partner elects to receive such distributions in CROP Common Units, the Special Limited Partner may request CROP to redeem such CROP Common Units from the Special Limited Partner at any time thereafter pursuant to the Operating Partnership Agreement. Any CROP Common Units received by the Special Limited Partner will not be subject to the one-year holding requirement with respect to the exchange right in the Operating Partnership Agreement.

- The measurement of the change in net asset value for the purpose of calculating the Total Return is subject to adjustment by our board of directors to account for any dividend, split, recapitalization or any other similar change in CROP's capital structure or any distributions that our board of directors deems to be a return of capital if such changes are not already reflected in CROP's net assets.

- The Special Limited Partner will not be obligated to return any portion of the Performance Allocation paid due to the subsequent performance of CROP.
- In the event that the advisory agreement is terminated (including by means of non-renewal), the Special Limited Partner will be allocated any accrued Performance Allocation with respect to all CROP partnership units as of the date of such termination.

*Dealer Manager and Managing Broker Dealer Agreements*

We have engaged an unaffiliated third party dealer manager (the "Dealer Manager") to act as the dealer manager for our follow-on public offering of our common stock and the managing broker-dealer for our private offerings of preferred stock. In this capacity we pay (or paid) the Dealer Manager certain underwriting compensation from the proceeds of the offerings as described below, all or a portion of which the Dealer Manager reallows (or reallowed) to wholesalers internal to our advisor and its affiliates.

Specifically, in connection with the follow-on public offering, we pay the Dealer Manager the following upfront selling commissions, dealer manager fees and wholesaling fee in connection with the sale of shares in the primary portion of the follow-on public offering. The upfront selling commission, dealer manager fee and wholesaling fee are a percentage of the transaction price for the shares available in the primary offering, which will generally be the prior month's NAV per share for such class. No upfront selling commissions or dealer manager fees are paid with respect to any shares sold under the distribution reinvestment plan offering.

| | **Maximum Upfront Selling Commissions as a % of Transaction Price** | **Maximum Upfront Dealer Manager Fees as a % of Transaction Price** | **Maximum Upfront Wholesaling Fee as a % of Transaction Price** |
|---|---|---|---|
| Class T shares | Up to 3.0% | 0.5% | Up to 1.85% |
| Class D shares | None | None | Up to 1.85% |
| Class I shares | None | None | Up to 1.85% |

For the years ended December 31, 2022 and December 31, 2023, we paid $5.6 million and $0.9 million, respectively, for the follow-on public offering in selling commissions, dealer manager fees and wholesaling fees, a portion of which was reallowed to wholesalers internal to our advisor and its affiliates.

In connection with our private offerings of the Series 2019, Series 2023 and Series A Convertible preferred stock, we paid or will pay, the third party a placement fee in an amount up to 3.0% of the gross proceeds from the sale of preferred shares in the offerings. In connection with our private offering of the Series 2023-A preferred stock we pay a wholesaler fee in an amount up to 2.0% of the gross proceeds from the sale of the preferred shares. For the years ended December 31, 2022 and December 31, 2023, we paid $0.4 million and $2.6 million, respectively, in fees in connection with the Private Offerings, all or a portion of which were reallowed to wholesalers internal to our advisor and its affiliates.

We expect to pay this third party additional underwriting compensation in the future in connection with future private offerings, which compensation may be reallowed to wholesalers internal to our advisor and its affiliates.

*Equity Compensation to Advisor Employees*

In January of 2022, 2023, and 2024, our compensation committee approved grants of LTIP Units to our executive officers and certain of our employees as equity compensation. The January 2022 grants included $1,113,807 time-based awards and $2,068,499 in targeted performance-based awards to employees of our advisor or its affiliates. The January 2023 awards included $1,113,807 time-based awards and $2,068,499 targeted performance-based awards granted to employees of our advisor or its affiliates. The January 2024 awards included $1,117,375 time-based awards and $2,075,125 targeted performance-based awards granted to employees of our advisor or its affiliates. Each time-based award will vest approximately one-quarter of the awarded amount on January 1 in each of the four years following the grant date. The actual amount of each performance-based LTIP 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 full vested on the first anniversary of the last day of the performance period, subject to continued employment with our advisor or its affiliates.

In April 2022 and January 2023 and 2024, our compensation committee approved grants of restricted stock units with a four-year vesting schedule to our employees and employees of our advisor or its affiliates for services provided to us.

Included in the amount of awards granted were $80,000, $90,000 and $221,500 in restricted stock units in 2022, 2023, and 2024, respectively for employees of our advisor and its affiliates.

*Trademark License Agreement*

We entered into a Trademark License Agreement with CROP and our advisor as of May 7, 2021. Pursuant to the Trademark License Agreement, we granted to our advisor a non-exclusive license under our rights in certain trademarks related to the Cottonwood name to use and display the trademarks solely for the purpose of our advisor performing services identified in the agreement. The Trademark License Agreement provides for the payment of compensation by our advisor to us for the use of the trademarks. The Trademark License Agreement is co-terminus with the advisory agreement. No amounts were paid or payable under this agreement as of December 31, 2023.

*Reimbursement and Cost Sharing Agreement*

On May 7, 2021, Cottonwood Capital Management, Inc. (“Cottonwood Capital Management”), a wholly owned subsidiary of CROP, entered into a Reimbursement and Cost Sharing Agreement with CCA, which owns our advisor, whereby Cottonwood Capital Management will make available to CCA on an as-needed basis certain employees of Cottonwood Capital Management to the extent the employees are not otherwise occupied in providing services for us or our subsidiaries. The employees will remain employees of Cottonwood Capital Management, and Cottonwood Capital Management will be responsible for all wages, salaries and other employee benefits provided to such employees. In performing work for CCA, the employees may use office space and office supplies and equipment of Cottonwood Capital Management. CCA will reimburse Cottonwood Capital Management for CCA’s allocable share of all direct and indirect costs related to the employees, including wages, salaries and other employee benefits and allocable overhead expenses. CCA will reimburse Cottonwood Capital Management for CCA’s allocable costs on a quarterly basis. The Reimbursement and Cost Sharing Agreement will terminate on the earlier of (i) the one-year anniversary of the effective date of the agreement and (ii) the termination of the advisory agreement. Thereafter, the Reimbursement and Cost Sharing Agreement may be renewed for an unlimited number of successive one-year terms upon mutual consent of the parties. The Reimbursement and Cost Sharing Agreement has been renewed through May 7, 2024. Cottonwood Capital Management may, at any time and upon 60 days’ prior written notice to CCA, cease to make its employees available to CCA. As of December 31, 2022 and December 31, 2023, we had received $262,649 and $190,266, respectively, of reimbursable costs under this agreement.

*CROP Tax Protection Agreement*

CROP and HT Holdings, an entity owned and controlled by Messrs. Shaeffer, C. Christensen, G. Christensen and Marlin, are parties to the CROP Tax Protection Agreement, which became effective as of May 7, 2021. Pursuant to the CROP Tax Protection Agreement, CROP agrees to indemnify the Protected Partners against certain tax consequences of a taxable transfer of all or any portion of the Protected Properties or any interest therein, subject to certain conditions and limitations. CROP’s tax obligations under the CROP Tax Protection Agreement will expire one day after the 10th anniversary of the effective date of the CROP Tax Protection Agreement, subject to certain 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.

If CROP is required to indemnify a Protected Partner under the terms of the CROP Tax Protection Agreement, the sole right of such Protected Partner is to receive from CROP a payment in an amount equal to such Protected Partner’s tax liability using the highest U.S. federal income tax rate applicable to the character of the gain and state income tax rate in the state where the Protected Partner resides, such payment to be grossed up so that the net amount received after such gross up is equal to the required payment. CROP will permit the Protected Partners to guarantee up to $50.0 million in the aggregate of CROP’s liabilities to avoid certain adverse tax consequences. Either CROP or the Protected Partners may elect to transfer assets or receive a distribution of assets equal to the net fair market value of the CROP Units held by the Protected Partners in full liquidation and redemption of the CROP Units held by the Protected Partners. 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.

For purposes of the CROP Tax Protection Agreement:

“HT Holdings Units” refers to the limited partner interests in HT Holdings which were outstanding at the effective time of the CROP Merger.

“Permitted Transferee” refers to any person who holds HT Holdings Units and who acquired such HT Holdings Units from HT Holdings or another Permitted Transferee in a permitted disposition (generally includes transfers to family members, family trusts, beneficiaries of trusts and partners or members of entities), in which such person’s adjusted basis in such HT Holdings Units, as determined for U.S. federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of HT Holdings (or such other Permitted Transferee) in such HT Holdings Units and who has notified CROP of its status as a Permitted Transferee, subject to certain conditions and limitations.

“Protected Partners” refers to HT Holdings and each Permitted Transferee.

“Protected Properties” refers to the properties owned by CROP on the effective date of the Tax Protection Agreement, including any and all replacement property received in exchange for all or any portion of the Protected Properties pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended (the “Code”), Code Section 1033, any other Code provision that provides for the non-recognition of income or gain or any transaction pursuant to which the tax basis of such property is determined in whole or in part by reference to the tax basis of all or any portion of the Protected Properties.

No amounts were paid or payable under this agreement as of December 31, 2023.

*Amended and Restated Promissory Note of CCA and CROP*

CCA issued a $13.0 million promissory note payable to CROP dated January 1, 2021 (the “CCA Note”). The CCA Note has a 10-year term with an interest rate of 7%. The CCA Note requires monthly payments of interest only through June 30, 2021 and thereafter, monthly payments of principal and interest in the amount of $150,941. CCA may prepay the principal balance under the CCA Note, in whole or in part, with all interest then accrued, at any time, without premium or penalty.

The CCA Note will accelerate upon termination of the advisory agreement to the extent of amounts then owed by CROP to our advisor thereunder. If such acceleration occurs and CROP holds the CCA Note at such time, then we may offset any termination payments payable to our advisor under the advisory agreement by the accelerated portion of the CCA Note.

Prior to the consummation of the merger with and into CROP, the CCA Note distribution was effected whereby the CCA Note was distributed by CROP to the holders of CROP’s participating partnership units of record immediately prior to the CROP Merger, including CRII. CRII subsequently distributed its share in the CCA Note to its common stockholders of record immediately prior to the CRII Merger.

*Allonge to CCA*

At the time of the CCA Note distribution described above, CROP and CCA entered into an agreement (the “Allonge”) with the CROP unitholders and the CRII stockholders of record who received an in-kind distribution of the CCA Note in connection with the CCA Note distribution. The Allonge provides for an offset arrangement whereby we have the right to offset payments due to our advisor under the advisory agreement by assigning all or a portion of the CCA Note to our advisor as payment for amounts due as modified to account for the fact that the CCA Note is held by the CROP unitholders and the CRII stockholders of record.

*Cottonwood Multifamily Opportunity Fund, Inc.*

*Background.* CMOF was a Maryland corporation that was sponsored by CROP and formed to invest in multifamily development projects and/or make mezzanine loans or preferred equity investments in multifamily construction and development projects. CMOF owned investments in two development projects and one investment in a land parcel held for development, all through separate joint ventures with CROP as follows: Park Avenue (development project), Cottonwood Broadway (development project) and Block C, a joint venture owning land held for development for two projects called Westerly and Millcreek North, with a percentage ownership interest held by CMOF as of September 27, 2022, of 76.4%, 81.2%, and 63.0%, respectively, and the balance of a majority of the remaining interest held by CROP. In addition, Daniel Shaeffer, Chad Christensen and Gregg Christensen were each officers and directors of CMOF.

*Property Management.* Cottonwood Capital Property Management II, LLC (“CCPMII”), a wholly owned subsidiary of CROP, acted as the sponsor, property manager and asset manager for CMOF. As the property manager and asset manager for CMOF, CCPMII received compensation for the acquisition, management and disposition of CMOF’s assets. Total compensation paid to CCPMII as the asset manager of CMOF was $601,493 for the period from January 1, 2022 through September 27, 2022 (the closing date of the CMOF Merger, as defined below).

*Merger*. On July 8, 2022, we, CROP, a wholly owned subsidiary of ours ("Merger Sub"), CMOF, and the operating partnership for CMOF ("CMOF OP") entered into an Agreement and Plan of Merger (the "CMOF Merger Agreement").

Subject to the terms and conditions of the CMOF Merger Agreement (i) CMOF merged with and into Merger Sub, with Merger Sub surviving as our direct, wholly owned subsidiary (the "CMOF Company Merger") and (ii) CMOF OP merged with and into CROP, with CROP surviving (the "CMOF OP Merger" and, together with the CMOF Company Merger, the "CMOF Merger"). On September 27, 2022, the CMOF Merger was completed. At such time, the separate existence of CMOF and CMOF OP ceased.

At the effective time of the CMOF Company Merger, each issued and outstanding share of CMOF's common stock converted into 0.8669 shares of our Class A common stock.

At the effective time of the CMOF OP Merger, each partnership unit of CMOF OP issued and outstanding immediately prior to the CMOF OP Merger converted into 0.8669 CROP Common Units, including CMOF OP units held by certain of our officers and directors as described below. Each partnership unit of CROP issued and outstanding immediately prior to the effective time of the CMOF OP Merger remained outstanding.

At the time of the CMOF Merger, certain outstanding promissory notes from CMOF held directly, or indirectly through affiliate entities, by Enzio Cassinis, Adam Larson and Eric Marlin, our executive officers, each in the amount of $425,000, were repaid with cash from us.

In addition, immediately prior to the effective time of the CMOF OP Merger, CMOF OP acquired the outstanding residual interests in a joint venture referred to as Park Avenue and a joint venture referred to as Broadway held by certain of our executive officers and directors in exchange for an aggregate 461,023 CMOF OP partnership units. As a result of CMOF OP's acquisition of the residual interests in the joint ventures, Daniel Shaeffer, Chad Christensen, Gregg Christensen, Susan Hallenberg, Glenn Rand and Stan Hanks directly or indirectly owned 164,585, 164,585, 82,062, 6,597, 6,597 and 6,597 CMOF OP partnership units, respectively, at the time of the CMOF OP Merger, which were converted into CROP Common Units at the time of the CMOF OP Merger as described above.

*Richmond Guaranty*

We assumed a 50% payment guarantee provided by CRII and CROP in connection with the mergers with 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 14.18% of Richmond Borrower. A wholly owned subsidiary of CROP receives fees from High Traverse Development, LLC related to the development of Richmond at Millcreek. Richmond Borrower increased the loan amount outstanding to $60.1 million in the second quarter of 2023.

*Alpha Mill Transactions*

On November 2, 2021, we sold TIC interests in Alpha Mill (the "Alpha Mill TIC Interests") totaling 43% to certain unaffiliated third parties through a private offering for $34.8 million. On April 7, 2022, we sold an additional 29% in Alpha Mill (while we retain a 28% interest) to certain third parties for a total purchase price of $23.3 million. One of the purchasers of the Alpha Mill TIC Interests in the April 7, 2022 sale was the Christensen Marital Trust, 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"). Messrs. C. Christensen and G. Christensen are two of the five beneficiaries of the Christensen Trust. Decisions regarding the assets of the Christensen Trust require approval of all five beneficiaries. The Christensen Trust purchased its interest net of selling commissions in the amount of $244,444. The Christensen Trust's interest is 10.3%, acquired at a purchase price of $8.2 million. The net proceeds received by us for the sale of the shares to the Christensen Trust were the same as what we received from unaffiliated third parties.

On January 24, 2023 we launched a tender offer to investors in Alpha Mill TIC interests, including the Christensen Trust, pursuant to which acquired some or all of the outstanding Alpha Mill TIC interests in exchange for CROP Units at a tender price based on the December 31, 2022 appraised value for Alpha Mill utilized in the Company's NAV procedures and the December 31, 2022 NAV of the CROP Units. On March 31, 2023, we issued 1,063,293 CROP Units for an additional 45.4% tenant-in-common interests in Alpha Mill, increasing our ownership to 73.7%. The value of the CROP Units on the close date was $19.8 million based on the net asset value of CROP Units as of February 28, 2023. All of the tenant-in-common interests were purchased at the same price. One of the sellers was the Christensen Trust.

*APT Cowork, LLC*

APT Cowork, LLC ("APT") is an entity formed to engage in the business of converting underutilized and unused common space in multifamily apartment communities or retail space to revenue producing co-working space. Our officers and directors have a direct or indirect ownership interest in APT as follows: Glenn Rand (21.49%), Daniel Shaeffer (21.46%), Chad Christensen (21.46%), Gregg Christensen (8.89%), Eric Marlin (6.71%), Enzio Cassinis (5.25%), Adam Larson (2.81%), Susan Hallenberg (2.18%), Paul Fredenberg (1.83%), and Stan Hanks (1.06%). We, through our subsidiaries, have entered the following agreements with APT.

*Reimbursement and Cost Sharing Agreement.* We, through Cottonwood Capital Management, our taxable REIT subsidiary and a wholly owned subsidiary of CROP, have entered into a Reimbursement and Cost Sharing Agreement effective as of January 1, 2023, pursuant to which we will make certain employees available to APT to the extent they are not otherwise occupied in providing services to us and in exchange APT will reimburse us its allocable share of all direct and indirect costs related to the employees utilized by APT. Under the terms of the agreement, for any annual period, the amount of reimbursement pursuant to the agreement will not exceed $120,000. In addition, the agreement has a one-year term, but may be renewed for an unlimited number of successive one-year terms. No amounts were reimbursed under the cost sharing agreement during the year ended December 31, 2022 or 2023.

*Coworking Space Design Agreement.* On August 9, 2022, our conflicts committee approved a form of Coworking Space Design Agreement to be entered by and between the property-owning limited liability company ("Landlord"), which will be a subsidiary of CROP, and APT. The form of agreement provides the terms on which APT may design and upgrade the amenities for the common areas at certain of our multifamily properties. The Coworking Space Design Agreement provides that in exchange for advising on coworking improvements at Landlord's property, Landlord will pay APT a one-time design and project management fee of $60,000, which may be increased up to $75,000 depending on the scope of the project. We have entered a Coworking Space Design Agreement with respect to fourteen of our properties and expect to enter Coworking Space Design Agreements for an additional 3 of our properties over the next twelve months. For the year ended December 31, 2022 and 2023, we paid or incurred fees to APT totaling $1,833,275 and $249,533, respectively, pursuant to the Coworking Space Design Agreement.

*Services Agreement.* On November 7, 2022, our conflicts committee approved a form of Services Agreement to be entered by and between Cottonwood Capital Management and APT. The form of agreement provides that APT will provide the ongoing administration of coworking services at the property subject to the agreement in exchange for $10.00 per apartment unit per month. In addition, there is a revenue sharing component of the agreement which provides that APT will pay Cottonwood Capital Management 50% of coworking revenue it receives at the properties. As of December 31, 2022, we had not yet entered any Services Agreements with respect to our properties. We had entered into Service Agreement with respect to 14 of our properties as of December 31, 2023, and we expect to enter into agreements for an additional three of our properties over the next six to twelve months. As of the year ended December 31, 2023, we had paid or incurred service fees to APT totaling $425,952 and received $15,808 from APT in shared coworking revenue. Each of the properties for which we enter a Services Agreement are or will be subject to a Coworking Space Design Agreement with APT pursuant to which APT will design and upgrade the amenities for the common areas at the properties.

*Block C and Jasper*

Block C is a joint venture investment for the purpose of developing three multifamily development projects near Salt Lake City, Utah: The Westerly, Millcreek North and The Archer. Previously, and as referred to below, The Archer was referred to as Jasper and was a separate investment. The Westerly and Millcreek were included as part of the Block C joint venture. As a result of the merger described below, Block C is now one joint venture for all three development projects. The development projects 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.

*Affiliated Members.* 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 ("Block C"), a development joint venture with CROP (as successor to CMOF OP), and CW Jasper, LLC ("Jasper"), a development project owned 100% by CROP. The Affiliated Members are owned directly or indirectly by Daniel Shaeffer, Chad Christensen, Gregg Christensen, Enzio Cassinis, Eric Marlin, Susan Hallenberg, Stan Hanks, Glenn Rand and Adam Larson, each of whom are 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 $8,499,222 and $2,375,778 to Block C and Jasper, respectively. Following the admission of the Affiliated Members to Block C and Jasper, the Affiliated Members owned a 21.0134% interest in Block C, with Messrs. Shaeffer, C. Christensen, G. Christensen, Cassinis, Marlin, Hanks, Rand, Larson and Ms. Hallenberg having an indirect ownership interest of 4.6273%, 10.1125%, 3.5877%, 0.4831%, 0.3342%, 0.3000%, 0.1091%, 0.2387% and 0.6767%, respectively, in Block C, alongside our 64.4906% indirect ownership interest and CMOF's 14.4960% ownership interest, and a 20.1025% interest in Jasper, with Messrs. Shaeffer, C. Christensen, G. Christensen, Cassinis, Marlin, Hanks, Rand, Larson and Ms. Hallenberg having an indirect ownership interest of 4.4267%, 9.6742%, 3.4322%, 0.4621%, 0.3197%, 0.2870%, 0.1043%, 0.2284% and 0.6474% respectively, in Jasper, alongside our 79.8975% interest. The investment in the projects by the Affiliated Members was established at an amount no greater than the recent appraised value of the project, as determined by an independent third-party appraiser and approved by the conflicts committee. The Affiliated Members participate in the economics of Block C and Jasper on the same terms and conditions as us.

*Operating Agreements.* On August 11, 2022, we amended and restated the operating agreements of Block C (the "Block C Agreement") and Jasper (the "Jasper Agreement," and together with the Block C Agreement, the "Agreements") to reflect additional terms related to the admission of the Affiliated Members, among other things. The Block C Agreement provides that Block C QOF, a joint venture between CROP and Cottonwood Capital Management and managed by CROP ("Block C QOF"), CROP (including as successor to CMOF OP) and Brickyard QOF will act as co-managers with CROP managing the day-to-day operations of Block C. The Jasper Agreement provides that Block C QOF and Brickyard QOF will act as co-managers with Block C QOF managing the day-to-day operations of Jasper. Each of the Brickyard Agreement and the Jasper Agreement include the following terms. The unanimous consent of the managers is required for company actions, and certain major decisions, including decisions impacting mergers and whether Block C and Jasper maintain their Qualified Opportunity Fund status, which also require a majority approval of the members. In addition, after December 31, 2032, a manager may unilaterally require the company to take its development project(s) to market for sale, while the other managers of the company will have the first right of refusal to purchase the development project(s) if triggered before December 31, 2037 or the first right of offer to purchase the development project(s) if triggered on or after December 31, 2037. CROP or its affiliate are entitled to receive a development fee in an amount equal to 3% of the total development hard and soft costs for the development project(s) and CROP Property Management, LLC or its affiliate is entitled to receive a property management fee in an amount equal to 2.5% of the gross revenues of the development project(s).

*Merger and Additional Capital Contributions.* On March 21, 2023, our conflicts committee approved the merger of Jasper with and into Block C with Block C surviving the merger. Also on March 21, 2023, our conflicts committee approved an additional investment in Block C by us in the amount of up to $9.0 million with the opportunity for the Affiliated Members to participate pro rata alongside us on the same terms and conditions. The additional capital contribution to Block C was established at an amount no greater than the recent appraised value of the project, as determined by an independent third-party appraiser and approved by the conflicts committee. As of December 31, 2023, the Affiliated Members have made aggregate contributions of $10.9 million towards the joint venture and owned a 17.55% interest in Block C with Messrs. Shaeffer, C. Christensen, G. Christensen, Cassinis, Marlin, Hanks, Rand, Larson and Ms. Hallenberg having an indirect ownership interest of 3.86%, 8.45%, 3.00%, 0.40%, 0.28%, 0.25%, 0.09%, 0.20% and 0.57%, respectively. The Affiliated Members participate in the economics of Block C on the same terms and conditions as us.

*Loan.* On November 14, 2023, we, through CROP, executed an unsecured promissory note in favor of Block C. Pursuant to the terms of the promissory note, CROP could borrow, on a revolving basis, up to $15,000,000. Amounts advanced under the note, plus any interest on the unpaid principal advanced was due and payable by December 12, 2023, provided that CROP could extend the maturity date for one 14-day extension upon written notice to Block C. Any unpaid principal under the promissory note bore interest from the date advanced at a rate of 5.4% per annum, which approximated the 30-day treasury rate, cumulative and not compounded. CROP could prepay the unpaid principal balance under the promissory note, in whole or in part, together with all interest then accrued under the note, at any time, without premium or penalty. The promissory note matured without any amounts being advanced thereunder.

*Sale of Block C Phase II.* Our conflicts committee has approved the sale of a parcel of land that is part of Block C which we refer to as Phase II to an unaffiliated third party intending to develop a condominium project for approximately $3.0 million. Subsequent to the sale, Chad Christensen, our Executive Chairman intends to make an investment in the condominium project of up to $1.5 million.

*Reimbursement Policy*

For the year ended December 31, 2023 and December 31, 2022, we reimbursed Daniel Shaeffer, our Chief Executive Officer and an affiliated director, $11,736 and $12,389, respectively, for expenses incurred by Mr. Shaeffer in connection with transportation he provided for himself and certain other officers of the Company related to approved business travel.

*Exchange of CROP Units*

*Christensen Trust.* On November 7, 2022, the conflicts committee of the board of directors approved the exchange into shares of our Class I common stock of 69,143 CROP Units held by the Christensen Trust on the same terms and conditions available to unaffiliated third parties pursuant to the terms of the Operating Partnership Agreement. On January 3, 2023 these units were exchanged into Class I shares. The shares were repurchased for cash on January 31, 2023 on the same terms and conditions as other holders.

On March 19, 2024, the conflicts committee of the board of directors approved the exchange into shares of our Class I common stock of 241,476 CROP Units held by the Christensen Trust on the same terms and conditions available to unaffiliated third parties pursuant to the terms of the Operating Partnership Agreement. We expect such exchange to occur on June 1, 2024. Once exchanged, the Class I shares may be submitted for redemption pursuant to our share repurchase program on the same terms and conditions available to other holders.

*Executive Officers.* The conflicts committee of the board of directors approved the exchange into shares of Class I common stock of the Company of up to 525,423 for the fiscal year ended December 31, 2023 by the executive officers of the Company on the same terms and conditions available to unaffiliated third parties pursuant to the terms of the Operating Partnership Agreement, and up to 816,550 were approved for exchange for the fiscal year ended December 31, 2024. As approved by the conflicts committee, exchanges into Class I shares by an individual executive will be permitted up to the executive's proportionate share of the total amount approved for exchange (based on CROP Units that are eligible for exchange). No CROP Units held by executive officers were exchanged during each of the years ended December 31, 2022 or 2023.

*Repurchase of Executive Officer Shares*

On January 23, 2023, the conflicts committee of the board of directors approved an Insider Trading Policy which, among other matters, addresses our policy for the repurchase of shares held by our executive officers. Pursuant to the policy, in order that the Company retain maximum funds available to fund repurchases for non-affiliates, repurchase requests from executive officers will not be subject to the share repurchase program of the Company. Notwithstanding the foregoing, subject to the conditions discussed below, repurchase requests from executive officers will be considered on a monthly basis with the same pricing and similar procedures as applicable to the share repurchase program. Repurchase requests by executive officers will be subject to a quarterly review and approval by the conflicts committee, and each executive officer may submit no more than 25% of the total amount of shares exchanged from CROP Units per quarter. No shares held by executive officers were repurchased during each of the years ended December 31, 2023 or 2022.

*Lease Assignment*

We, through Cottonwood Capital Management, entered a Third Amendment & Partial Assignment of Office Lease Agreement with Sandlot Holdings, LLC and CCA pursuant to which CCA assigned to Cottonwood Capital Management all lease rights and obligations with respect to the principal offices of the Company at Suite 250, 1245 East Brickyard Road in Salt Lake City, Utah, along with a storage unit on the plaza level, effective January 1, 2022.

*Cottonwood Highland*

*CW Investor at Highland.* On January 9, 2024, in accordance with the terms of the underlying joint venture agreement, we made a protective advance in an amount up to $800,000 to the joint venture through which we own our investment in Cottonwood Highland, a multifamily development in Millcreek, Utah, we acquired in connection with our merger with CRII and CROP. CROP owns a 36.93% interest in the joint venture with our officers and directors owning a 15.4787% interest and the balance of the joint venture owned by outside investors. The terms of the advance, as contemplated in the joint venture agreement, provide for interest-only payments to be paid at a rate of 10% with prepayment permitted at any time without penalty. The advance matures on December 31, 2026. As of March 25, 2024, we have drawn $250,000.

*Office Lease.* Our conflicts committee has approved entry into two separate net office lease agreements with Cottonwood Highland for office space at the development project, with approximately 1,755 square feet to be leased to CCA and approximately 4,010 square feet to be leased to us. The lease terms are identical and provide for a five-year lease term, plus three months from the date landlord delivers premises with two five-year extension options. Annual base rent will be $0.00 for the first three months, increased to $25.00 to $30.00 per square foot (with such final amount per square foot determined based on final analysis of market rents) through month fourteen with a 3% annual increase to base rent thereafter.

In addition, as a net lease, base rent will include an additional amount for operating and capital expenses, including taxes, insurance fees and maintenance costs for the space.

*Cottonwood Lighthouse Point*

On March 28, 2024, CROP acquired all of the outstanding tenant-in-common interests in Cottonwood Lighthouse Point from an unaffiliated third party in exchange for 259,246 CROP Units. As part of the transaction CROP assumed certain notes with debt and accrued interest in the amount of $1,331,919 held by an affiliate of the seller of the tenant-in-common interests in favor, directly and indirectly, of Dan Shaeffer $448,291, Chad Christensen $448,291, Gregg Christensen $185,719, Enzio Cassinis $86,334, Adam Larson $58,697, Paul Fredenberg $38,140, Glenn Rand $22,149, Susan Hallenberg $22,149 and Stan Hanks $22,149, each of whom are our executive officers. In connection with the transaction CROP paid the amount outstanding under the notes.

*Currently Proposed Transactions*

Other than as described above, there are no currently proposed material transactions with related persons other than those covered by the terms of the agreements described above.

## Item 14. Principal Accounting Fees and Services

### Independent Auditors

During the years ended December 31, 2023 and 2022, KPMG LLP served as our independent auditor.

### Audit and Non-Audit Fees

Aggregate fees that we were billed for the fiscal years ended December 31, 2023 and 2022 by our independent registered public accounting firm, KPMG, were as follows (in thousands):

| | For the Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Audit fees [a] | $ 1,226 | $ 843 |
| Audit-related fees | — | — |
| Tax fees | — | — |
| All other fees | — | — |
| Total | $ 1,226 | $ 843 |

[a] Audit fees include amounts billed to us related to annual financial statement audit work, quarterly financial statement reviews and review of SEC registration statements.

The Audit Committee of our Board of Directors was advised that there were no services provided by KPMG that were unrelated to the audit of the annual fiscal year-end financial statements and the review of interim financial statements that could impair KPMG from maintaining its independence as our independent auditor.

### Audit Committee Pre-Approval Policies and Procedures

In order to ensure that the provision of such services does not impair the independent registered public accounting firm's independence, the audit committee charter imposes a duty on the audit committee to pre-approve all auditing services performed for us by our independent registered public accounting firm, as well as all permitted non-audit services. In determining whether or not to pre-approve services, the audit committee considers whether the service is a permissible service under the rules and regulations promulgated by the SEC. The audit committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by our independent registered public accounting firm, provided any such approval is presented to and approved by the full audit committee at its next scheduled meeting.

All services rendered KPMG for the years ended December 31, 2023 and 2022 were pre-approved in accordance with the policies and procedures described above.

## 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-32 of this report.

(a)(3) Exhibits

| Exhibit Number | Exhibit Description |
|---|---|
| 2.1 | 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) |
| 3.16 | Articles Supplementary for the Series 2023-A Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 28, 2023) |
| 3.17 | 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 August 23, 2023) |
| 3.18 | Articles Supplementary for the Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 22, 2023) |
| 3.19 | Articles of Amendment for the terms of the Series A Convertible Preferred Stock of Cottonwood Communities, Inc. (incorporated by reference Exhibit 3.1 to the Company's Current Report on Form 8-K filed February 12, 2024) |

| | |
|---|---|
| 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 | 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) |
| 10.6 | 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) |
| 10.7 | 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) |
| 10.8 | 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) |
| 10.9 | 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) |
| 10.10 | 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) |
| 10.11 | 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) |
| 10.12 | 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) |
| 10.13 | 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 |
| 10.14 | Amended and Restated Advisory Agreement by and among the Company, Cottonwood Residential O.P., LP and CC Advisors III, LLC dated May 7, 2023, incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed August 14, 2023 |
| 10.15 | Renewal Agreement dated May 7, 2023 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 10.2 to the Company’s Quarterly Report on Form 10-Q filed August 14, 2023 |

| | |
|---|---|
| 10.16 | 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) |
| 10.17 | 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) |
| 10.18 | 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) |
| 10.19 | Form Services Agreement by and between Cottonwood Capital Management, Inc. and APT Cowork, LLC (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed March 24, 2023) |
| 10.20 | 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 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed March 24, 2023) |
| 10.21 | Managing Broker-Dealer Agreement (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed March 24, 2023) |
| 10.22 | Fifth Amendment to the Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP entered into effective as of July 25, 2023 (incorporated by reference to Exhibit 10.24 to the Company's Post-Effective Amendment no. 29 to its Registration Statement on Form S-11 (File no. 333-258754)) |
| 10.23 | Sixth Amendment to the Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP entered into effective as of August 21, 2023 (incorporated by reference to Exhibit 10.25 to the Company's Post-Effective Amendment no. 29 to its Registration Statement on Form S-11 (File no. 333-258754)) |
| 10.24 | Seventh Amendment to the Sixth Amended and Restated Limited Partnership Agreement of Cottonwood Residential O.P., LP entered into effective as of September 19, 2023 (incorporated by reference to Exhibit 10.26 to the Company's Post-Effective Amendment no. 29 to its Registration Statement on Form S-11 (File no. 333-258754)) |
| 10.25 | First Amendment to Managing Broker-Dealer Agreement (incorporated by reference to Exhibit 10.27 to the Company's Post-Effective Amendment no. 29 to its Registration Statement on Form S-11 (File no. 333-258754)) |
| 10.26 | Selling Agreement Regarding the Offering and Sale of Series 2023-A Preferred Stock (incorporated by reference to Exhibit 10.28 to the Company's Post-Effective Amendment no. 29 to its Registration Statement on Form S-11 (File no. 333-258754)) |
| 10.27 | Managing Broker-Dealer Agreement Regarding the Offering and Sale of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 10.29 to the Company's Post-Effective Amendment no. 29 to its Registration Statement on Form S-11 (File no. 333-258754)) |
| 10.28 | First Amendment to the Amended and Restated Advisory Agreement by and among the Company, Cottonwood Residential O.P. LP and CC Advisors III, LLC dated September 18, 2023 (incorporated by reference to Exhibit 10.30 to the Company's Post-Effective Amendment no. 29 to its Registration Statement on Form S-11 (File no. 333-258754)) |
| 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 November 7, 2023 (incorporated by reference to Exhibit 99.1 to the Company's Form 10-Q for the period ended September 30, 2023 filed November 14, 2023) |
| 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 herewith

## Item 16. Form 10-K Summary

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) 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.**

| | |
|---|---|
| March 28, 2024 | /s/ Daniel Shaeffer |
| Date | Daniel Shaeffer, Chief Executive Officer and Director<br>(Principal Executive Officer) |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | |
|---|---|
| March 28, 2024 | /s/ Adam Larson |
| Date | Adam Larson, Chief Financial Officer<br>(Principal Financial Officer) |
| March 28, 2024 | /s/ Susan Hallenberg |
| Date | Susan Hallenberg, Chief Accounting Officer and Treasurer<br>(Principal Accounting Officer) |
| March 28, 2024 | /s/ Daniel Shaeffer |
| Date | Daniel Shaeffer, Chief Executive Officer and Director<br>(Principal Executive Officer) |
| March 28, 2024 | /s/ Chad Christensen |
| Date | Chad Christensen, Executive Chairman of the Board and Director |
| March 28, 2024 | /s/ Jonathan Gardner |
| Date | Jonathan Gardner, Independent Director |
| March 28, 2024 | /s/ John Lunt |
| Date | John Lunt, Independent Director |
| March 28, 2024 | /s/ Philip White |
| Date | Philip White, Independent Director |

## Index to Consolidated Financial Statements

Consolidated Financial Statements

Financial Statement Schedule

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, 2023 and December 31, 2022, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2023, 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, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

*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.

*Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Evaluation of the estimated fair value of the Riverfront Project real estate assets*

As described in Note 3 to the consolidated financial statements, in September 2023, the Company became the manager and replacement developer with control of CA Residential 801 PE Senior, LLC (Riverfront Project). As a result of the change in control, the Company consolidated the Riverfront Project, which held real estate assets under development with fair value of $103.4 million.

We identified the evaluation of the fair value of the real estate assets associated with the Riverfront Project as a critical audit matter. Subjective auditor judgment and specialized skills and knowledge were required in evaluating the discount rate, terminal capitalization rate, and market rent assumption used in the Company's discounted cash flow model to determine the fair value of the Riverfront Project real estate assets. Changes in these assumptions could have a significant impact on the determination of the fair value of the Riverfront Project real estate assets.

The following are the primary procedures we performed to address this critical audit matter. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- developing an independent range of applicable discount rates using third-party market data and industry research publications and comparing to the Company’s discount rate
- developing an independent range of terminal capitalization rates by using third-party market data and industry research publications and comparing to the Company’s capitalization rate
- comparing the Company's market rent assumption to available leasing information and industry research publications.

/s/KPMG LLP

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

Denver, Colorado
March 28, 2024

## Cottonwood Communities, Inc.
## Consolidated Balance Sheets
(in thousands, except share and per share data)

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Real estate assets, net | $ 1,649,146 | $ 1,697,607 |
| Investments in unconsolidated real estate entities | 185,716 | 133,207 |
| Investments in real estate-related loans, net | 8,703 | — |
| Cash and cash equivalents | 63,800 | 63,173 |
| Restricted cash | 27,013 | 32,351 |
| Other assets | 29,464 | 29,299 |
| Total assets | $ 1,963,842 | $ 1,955,637 |
| **Liabilities, Equity, and Noncontrolling Interests** | | |
| Liabilities | | |
| Mortgage notes and revolving credit facility, net | $ 1,022,452 | $ 1,000,137 |
| Construction loans, net | 129,991 | 95,327 |
| Preferred stock, net | 201,621 | 121,390 |
| Preferred interest liability | 15,300 | — |
| Unsecured promissory notes, net | 41,883 | 42,953 |
| Performance participation allocation due to affiliate | — | 20,320 |
| Accounts payable, accrued expenses and other liabilities | 81,048 | 65,611 |
| Total liabilities | 1,492,295 | 1,345,738 |
| Commitments and contingencies (Note 12) | | |
| Equity and noncontrolling interests | | |
| Stockholders' equity | | |
| Series A Convertible Preferred Stock | 1,569 | — |
| Common stock, Class T shares, $0.01 par value, 275,000,000 shares authorized; 3,917,218 and 4,815,122 shares issued and outstanding at December 31, 2023 and 2022, respectively. | 39 | 48 |
| Common stock, Class D shares, $0.01 par value, 275,000,000 shares authorized; 202,743 and 64,673 shares issued and outstanding at December 31, 2023 and 2022, respectively. | 2 | 1 |
| Common stock, Class I shares, $0.01 par value, 275,000,000 shares authorized; 4,296,443 and 3,861,049 shares issued and outstanding at December 31, 2023 and 2022, respectively. | 43 | 39 |
| Common stock, Class A shares, $0.01 par value, 125,000,000 shares authorized; 23,231,877 and 26,604,864 shares issued and outstanding at December 31, 2023 and 2022, respectively. | 226 | 266 |
| Additional paid-in capital | 373,954 | 414,140 |
| Accumulated distributions - Series A Convertible Preferred | (14) | — |
| Accumulated distributions - common stock | (62,114) | (38,049) |
| Accumulated deficit | (94,761) | (71,513) |
| Total stockholders' equity | 218,944 | 304,932 |
| Noncontrolling interests | | |
| Limited partners | 221,617 | 272,536 |
| Partially owned entities | 30,986 | 32,431 |
| Total noncontrolling interests | 252,603 | 304,967 |
| Total equity and noncontrolling interests | 471,547 | 609,899 |
| Total liabilities, equity and noncontrolling interests | $ 1,963,842 | $ 1,955,637 |

*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, 2023 | Year Ended December 31, 2022 |
|---|---|---|
| **Revenues** | | |
| Rental and other property revenues | $ 142,833 | $ 123,627 |
| Property management revenues | 9,699 | 11,131 |
| Other revenues | 1,873 | 3,544 |
| Total revenues | 154,405 | 138,302 |
| **Operating expenses** | | |
| Property operations expense | 52,765 | 44,846 |
| Property management expense | 17,290 | 17,839 |
| Asset management fee | 17,304 | 17,786 |
| Performance participation allocation | — | 20,320 |
| Depreciation and amortization | 59,041 | 54,595 |
| General and administrative expenses | 11,371 | 11,876 |
| Total operating expenses | 157,771 | 167,262 |
| Loss from operations | (3,366) | (28,960) |
| Equity in earnings of unconsolidated real estate entities | 6,466 | 12,393 |
| Interest income | 1,906 | 92 |
| Interest expense | (75,468) | (52,310) |
| Gain on sale of real estate assets | 24,075 | — |
| Gain on sale of unconsolidated real estate entities | — | 8,129 |
| Gain on consolidation of development | 4,225 | — |
| Promote from incentive allocation agreement | 119 | 30,702 |
| Other (expense) income | (2,552) | 3,883 |
| Loss before income taxes | (44,595) | (26,071) |
| Income tax expense | (303) | (7,959) |
| **Net loss** | (44,898) | (34,030) |
| Net loss attributable to noncontrolling interests: | | |
| Limited partners | 21,355 | 17,594 |
| Partially owned entities | 295 | 787 |
| **Net loss attributable to common stockholders** | $ (23,248) | $ (15,649) |
| | | |
| Weighted-average common shares outstanding | 34,305,590 | 29,274,236 |
| Net loss per common share - basic and diluted | $ (0.68) | $ (0.53) |

*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 | | | | | | Accumulated Distributions | | | | | | |
| | Series A Convertible Preferred Stock | Class T | Class D | Class I | Class A | Class TX | Additional Paid-In Capital | Convertible Preferred | Common Stock | Accumulated Deficit | Total Stockholders' Equity | Limited Partners | Partially Owned Entities | Total Equity and Noncontrolling Interests |
| **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 - common stock | — | — | — | — | — | — | (14,376) | — | — | — | (14,376) | — | — | (14,376) |
| Distribution reinvestment | — | — | — | — | 1 | — | 2,363 | — | — | — | 2,364 | — | — | 2,364 |
| Exchanges and transfers | — | — | — | 3 | — | — | 5,816 | — | — | — | 5,819 | (5,819) | — | — |
| 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 | — | — | — | — | — | — | — | — | — | — | — | (209) | 16,491 | 16,282 |
| 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 |
| Issuance of Series A Convertible Preferred Stock | 2,140 | — | — | — | — | — | — | — | — | — | 2,140 | — | — | 2,140 |
| Offering Costs - Series A Convertible Preferred Stock | (571) | — | — | — | — | — | — | — | — | — | (571) | — | — | (571) |
| Issuance of common stock | — | 7 | 1 | 6 | — | — | 27,117 | — | — | — | 27,131 | — | — | 27,131 |
| Offering costs - common stock | — | — | — | — | — | — | (1,800) | — | — | — | (1,800) | — | — | (1,800) |
| Distribution reinvestment | — | — | — | — | 1 | — | 2,352 | — | — | — | 2,353 | — | — | 2,353 |
| Exchanges and transfers | — | — | — | 5 | — | — | 8,637 | — | — | — | 8,642 | (8,642) | — | — |
| OP Units issued for real estate interests | — | — | — | — | — | — | — | — | — | — | — | 22,939 | — | 22,939 |
| Common stock/OP Units repurchased | — | (16) | — | (7) | (41) | — | (95,221) | — | — | — | (95,285) | (3,666) | — | (98,951) |
| Share-based compensation | — | — | — | — | — | — | 190 | — | — | — | 190 | 2,821 | — | 3,011 |
| Other | — | — | — | — | — | — | — | — | — | — | — | (1,200) | — | (1,200) |
| Distributions to investors | — | — | — | — | — | — | — | (14) | (24,065) | — | (24,079) | (23,277) | (1,150) | (48,506) |
| Net loss | — | — | — | — | — | — | — | — | — | (23,248) | (23,248) | (21,355) | (295) | (44,898) |
| Reallocation of stockholders' equity and noncontrolling interests | — | — | — | — | — | — | 18,539 | — | — | — | 18,539 | (18,539) | — | — |
| **Balance at December 31, 2023** | $ 1,569 | $ 39 | $ 2 | $ 43 | $ 226 | $ — | $ 373,954 | $ (14) | $ (62,114) | $ (94,761) | $ 218,944 | $ 221,617 | $ 30,986 | $ 471,547 |

*See accompanying notes to consolidated financial statements*

## Cottonwood Communities, Inc.

## Consolidated Statements of Cash Flows

(in thousands)

| | For the Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (44,898) | $ (34,030) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 59,041 | 54,595 |
| Gain on sale of real estate assets | (24,075) | — |
| Gain on sale of investments in unconsolidated real estate entities | — | (8,129) |
| Gain on consolidation of development | (4,225) | — |
| Share-based compensation | 3,011 | 3,670 |
| Deferred taxes | 35 | 7,622 |
| Amortization of debt issuance costs, discounts and premiums | 9,342 | 6,668 |
| Other operating | 3,222 | (3,814) |
| Equity in earnings of unconsolidated real estate entities | (6,466) | (12,393) |
| Distributions from unconsolidated real estate entities - return on capital | 4,122 | 14,678 |
| Changes in operating assets and liabilities: | | |
| Other assets | (6,945) | 2,968 |
| Performance participation allocation | — | 20,320 |
| Performance participation allocation payment | (20,320) | (51,761) |
| Accounts payable, accrued expenses and other liabilities | 5,587 | 1,337 |
| Net cash (used in) provided by operating activities | (22,569) | 1,731 |
| **Cash flows from investing activities:** | | |
| Acquisitions of real estate | — | (148,262) |
| Cash acquired on consolidation of real estate | 5,807 | 5,649 |
| Proceeds from sale of real estate assets, net | 117,771 | — |
| Settlement of related party notes and liabilities assumed with the CMOF Merger | — | (1,469) |
| Capital expenditures and development activities | (50,401) | (90,991) |
| Investments in unconsolidated real estate entities | (40,885) | (8,943) |
| Proceeds from sale of investments in unconsolidated real estate entities | — | 28,764 |
| Distributions from unconsolidated real estate entities - return of capital | 18,106 | 38,769 |
| Contributions to investments in real estate-related loans | (8,777) | — |
| Proceeds from settlement of investments in real estate-related loans | — | 13,000 |
| Net cash provided by (used in) investing activities | 41,621 | (163,483) |

## Cottonwood Communities, Inc.
## Consolidated Statements of Cash Flows (continued)
(in thousands)

| | For the Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Cash flows from financing activities:** | | |
| Principal payments on mortgage notes | (976) | (1,702) |
| Borrowings from revolving credit facility | 111,000 | 175,000 |
| Repayments on revolving credit facility | (152,600) | (141,000) |
| Borrowings under mortgage notes | 366,963 | 473,534 |
| Repayments of mortgage notes | (284,702) | (240,338) |
| Deferred financing costs on mortgage notes | (4,704) | (5,071) |
| Borrowings from construction loans | 22,066 | 36,569 |
| Repayments of construction loans | (37,000) | (59,660) |
| Proceeds from issuance of preferred stock | 86,467 | 15,472 |
| Redemption of preferred stock | (2,587) | (142,830) |
| Offering costs paid on issuance of preferred stock | (10,378) | (1,899) |
| Repurchase of unsecured promissory notes | (1,206) | (143) |
| Proceeds from issuance of Series A Convertible Preferred Stock | 2,090 | — |
| Offering costs paid on issuance of Series A Convertible Preferred Stock | (513) | — |
| Proceeds from issuance of common stock | 27,131 | 168,622 |
| Repurchase of common stock/OP Units | (95,404) | (22,635) |
| Offering costs paid on issuance of common stock | (3,152) | (9,585) |
| Contributions from noncontrolling interests | — | 11,935 |
| Distributions to convertible preferred stockholders | (4) | — |
| Distributions to common stockholders | (21,871) | (17,813) |
| Distributions to noncontrolling interests - limited partners | (23,233) | (22,198) |
| Distributions to noncontrolling interests - partially owned entities | (1,150) | (4,372) |
| Net cash (used in) provided by financing activities | (23,763) | 211,886 |
| **Net (decrease) increase in cash and cash equivalents and restricted cash** | (4,711) | 50,134 |
| Cash and cash equivalents and restricted cash, beginning of period | 95,524 | 45,390 |
| **Cash and cash equivalents and restricted cash, end of period** | $ 90,813 | $ 95,524 |
| | | |
| **Reconciliation of cash and cash equivalents and restricted cash to the consolidated balance sheets:** | | |
| Cash and cash equivalents | $ 63,800 | $ 63,173 |
| Restricted cash | 27,013 | 32,351 |
| Total cash and cash equivalents and restricted cash | $ 90,813 | $ 95,524 |

# Cottonwood Communities, Inc.

## Consolidated Statements of Cash Flows (continued)

(in thousands)

| | For the Year Ended December 31, 2023 | For the Year Ended December 31, 2022 |
|---|---|---|
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 67,357 | $ 45,183 |
| Income taxes paid | $ 582 | $ 1,314 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| (Decrease) increase in accrued deferred offering costs | $ (1,387) | $ 4,791 |
| Distributions reinvested in common stock | $ 2,353 | $ 2,219 |
| Changes in accrued capital expenditures | $ (6,773) | $ (4,141) |
| Paid-in-kind interest related to construction | $ 4,293 | $ 1,762 |
| Changes in accrued redemptions | $ 3,497 | $ 6,162 |
| *Melrose Phase II Acquisition* | | |
| Real estate assets, net of cash acquired | $ 39,582 | $ — |
| Mortgage note | $ 31,387 | $ — |
| Other assets and liabilities assumed, net | $ (280) | $ — |
| Value of OP Units issued for real estate assets | $ 3,110 | $ — |
| *805 Riverfront Consolidation* | | |
| Real estate assets, net of cash acquired | $ 99,153 | $ — |
| Construction loan | $ 45,306 | $ — |
| Preferred interest liability | $ 15,300 | $ — |
| Other assets and liabilities assumed, net | $ (14,907) | $ — |
| *Alpha Mill acquisition of additional interests* | | |
| Value of OP Units issued for additional investment in unconsolidated real estate entity | $ 19,829 | $ — |
| *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 |

*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, Cottonwood Residential O.P., LP ("CROP" or the "Operating Partnership"), and its subsidiaries. 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-listed, 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 raised gross proceeds of $122.0 million. The Initial Offering ended December 2020. In November 2021, 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, 2023, we have raised gross proceeds of $203.0 million from the Follow-on Offering, including $4.7 million in proceeds from the DRP Offering.

Since November 2019, we have periodically conducted private placement offerings exempt from registration under the Securities Act pursuant to which we have offered for sale to accredited investors preferred stock at a purchase price of $10.00 per share of preferred stock (the "Private Offerings"). As of December 31, 2023, we have raised gross proceeds of $215.5 million from the Private Offerings. Additional information about our preferred stock is included in Note 7 for preferred stock accounted for as liabilities and Note 8 for preferred stock accounted for as equity.

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, 2023, our portfolio consists of ownership interests or structured investment interests in 37 multifamily apartment communities in 12 states with 10,616 units, including 1,868 units in six multifamily apartment communities in which we have a structured investment interest and another 987 units in four multifamily apartment communities under construction or in lease-up. In addition, we have an ownership interest in four land sites we plan to develop. We operate as one reportable segment comprised of multifamily real estate.

### 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 (a development project), Cottonwood Broadway (a development project) and Block C (a joint venture owning land held for development in two projects called The Westerly and Millcreek North). Following the CMOF Merger, we acquired CMOF's interest in the joint ventures, increasing our percentage ownership interest as follows: Park Avenue, 100.0%, Cottonwood Broadway, 100.0% and Block C, 79.0%. The three joint venture development projects we acquired additional interests in as a result of the CMOF Merger were already consolidated by us. Refer to Note 3 and Note 10 for more information on Block C.

## 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 primary beneficiary of a VIE, we recognize 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.

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, 2023 and 2022 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, 2023 and 2022 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 merger with Cottonwood Residential II, Inc. in May 2021, as well as receivables, interest rate caps, prepaid expenses and related party receivables.

### *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 5. These instruments are similar in nature, have fixed interest rates and maturity dates, and are denominated in U.S. dollars.

### *Preferred Stock*

Series 2019 Preferred Stock, Series 2023 Preferred Stock and Series 2023-A Preferred Stock are described in Note 7. 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 for these series of preferred stock are recorded as interest expense.

Series A Convertible Preferred Stock is described in Note 8. These instruments are perpetual preferred stock and classified as equity. The Series A Convertible Preferred Stock is convertible into Class I shares of the Company's common stock at the option of the shareholder and by the Company, subject to certain terms and conditions, including hold periods. Dividends on this series of preferred stock are recorded as distributions to the preferred stockholder.

### *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 mandatorily redeemable 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 generally 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 consist of rents and other fees charged to tenants and represent 93% of our total revenue for the year ended December 31, 2023.

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 in September 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 and the achievement of certain hurdles. 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 10.

*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.

For the year ended December 31, 2023, we had an income tax provision of $0.3 million, of which all but an insignificant amount was current. 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. As of December 31, 2023 and 2022, our net deferred tax liability was $9.8 million and $9.7 million, respectively, and is included in accounts payable, accrued expenses and other liabilities on the consolidated balance sheet.

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. 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 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. Refer to Note 9.

*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, are accounted for as equity transactions.

Noncontrolling interest – limited partners – These noncontrolling interests represent ownership interest in CROP ("CROP Units") not held by CCI, the sole member of 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 11 for more information on our noncontrolling interests.

*Organization and Offering Costs*

Organization and offering costs in the Series A Convertible Preferred Offering and Follow-on Offering are recorded as an offset to equity. As of December 31, 2023, we incurred $0.6 million and $17.9 million in total organization and offering costs related to the Series A Convertible Preferred Offering and Follow-on Offering, respectively.

Organization and offering costs in the Series 2019 Private Offering, the Series 2023 Private Offering and the Series 2023-A Private Offering are deferred and amortized up to the redemption date through interest expense. We incurred $13.2 million in total organization and offering costs related to the offering of the Series 2019 Preferred Stock, which was fully subscribed and terminated in March 2022. As of December 31, 2023 we incurred $10.4 million and $0.3 million in total organization and offering costs related to the offerings of the Series 2023 Preferred Stock and the Series 2023-A Preferred Stock, respectively.

*Recent Accounting Pronouncements*

In August 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-05 "*Business Combinations — Joint Venture Formations (Subtopic 805-60)*" under which an entity that qualifies as a joint venture is required to apply a new basis of accounting upon the formation of the joint venture. The amendments in ASU 2023-05 require that a joint venture must initially measure its assets and liabilities at fair value on the formation date. ASU 2023-05 is effective for all joint ventures that are formed on or after January 1, 2025 and early adoption is permitted. We do not expect the adoption to have a material impact on our consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07 Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*, which enhances disclosure requirements to segment reporting. ASU No. 2023-07 requires disclosure of incremental segment information on an annual and interim basis and includes the following changes: (i) single segment entities must follow segment guidance, (ii) the title and position of the chief operating decision maker must be named and (iii) the ability to elect more than one performance measure is provided. ASU No. 2023-07 does not change how operating segments are identified, aggregated, or determined. ASU No. 2023-07 is effective beginning in annual periods after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and retrospective adoption is required for all prior periods presented. We do not expect the adoption to have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which intends to improve the transparency of income tax disclosures. ASU No. 2023-09 is effective for fiscal years beginning after December 15, 2024 and is to be adopted on a prospective basis with the option to apply retrospectively. We are currently assessing the impact of this guidance, however, we do not expect the adoption to have a material impact on our consolidated financial statements.

*Immaterial Correction to Consolidated Financial Statements*

During the year ended December 31, 2023, we identified certain misstatements in our statement of cash flows for year ended December 31, 2022, mostly related to non-cash transactions and one correction of improper netting between borrowings and repayments for one financing transaction. Management has considered the errors and concluded they are not material. The following shows the line items as reported and as corrected for the year ended December 31, 2022 (in thousands) along with a description of each immaterial misstatement:

| | | **Adjustments** | | | | |
|---|---|---|---|---|---|---|
| | **As Previously Reported** | **Inter Activity Items [1]** | **Accrued Capital Expenditures [2]** | **Capitalized Interest [3]** | **Accrued Redemptions [4]** | **As Corrected** |
| Cash flows from operating activities: | | | | | | |
| Adjustments to reconcile net loss to net cash provided by operating activities | | | | | | |
| Other operating [5] | $ 7,104 | $ (4,250) | $ — | $ — | $ — | $ 2,854 |
| Changes in operating assets and liabilities | | | | | | |
| Other assets | $ (727) | $ 3,695 | $ — | $ — | $ — | $ 2,968 |
| Accounts payable and accrued liabilities | $ 2,819 | $ 555 | $ 4,141 | $ (16) | $ (6,162) | $ 1,337 |
| Net cash provided by operating activities | $ 3,768 | $ — | $ 4,141 | $ (16) | $ (6,162) | $ 1,731 |
| | | | | | | |
| Cash flows from investing activities: | | | | | | |
| Capital expenditures and development activities | $ (88,628) | $ — | $ (4,141) | $ 1,778 | $ — | $ (90,991) |
| Net cash used in investing activities | $ (161,120) | $ — | $ (4,141) | $ 1,778 | $ — | $ (163,483) |
| | | | | | | |
| Cash flows from investing activities: | | | | | | |
| Borrowings under mortgage notes and term loans | $ 464,373 | $ 9,161 | $ — | $ — | $ — | $ 473,534 |
| Repayments of mortgage notes and term loans | $ (231,177) | $ (9,161) | $ — | $ — | $ — | $ (240,338) |
| Borrowings under construction loans | $ 38,331 | $ — | $ — | $ (1,762) | $ — | $ 36,569 |
| Repurchase of unsecured promissory notes | $ (561) | $ — | $ — | $ — | $ 418 | $ (143) |
| Proceeds from issuance of common stock | $ 170,841 | $ (2,219) | $ — | $ — | $ — | $ 168,622 |
| Repurchase of common stock/OP Units | $ (28,379) | $ — | $ — | $ — | $ 5,744 | $ (22,635) |
| Distributions to common stockholders | $ (20,032) | $ 2,219 | $ — | $ — | $ — | $ (17,813) |
| Net cash provided by financing activities | $ 207,486 | $ — | $ — | $ (1,762) | $ 6,162 | $ 211,886 |
| | | | | | | |
| **Supplemental disclosure of non-cash investing and financing activities:** | | | | | | |
| Distributions reinvested in common stock | $ — | $ 2,219 | $ — | $ — | $ — | $ 2,219 |
| Changes in accrued capital expenditures | $ — | $ — | $ (4,141) | $ — | $ — | $ (4,141) |
| Capitalized interest related to construction | $ — | $ — | $ — | $ 1,762 | $ — | $ 1,762 |
| Changes in accrued redemptions | $ — | $ — | $ — | $ — | $ 6,162 | $ 6,162 |

(1) These items do not impact total cash flows from operating, investing and financing activities. They include separating the fair value of derivatives from other assets, separating the amortization of below market leases from other assets, correcting the improper netting between borrowings and repayments for one financing transaction, and reducing cash from issuance of common stock and distributions to common stockholders for distributions from our distribution reinvestment plan.

(2) Noncash accruals for capitalized development costs were not properly excluded from cash outflows for capital expenditures and development activities within investing activities and also was not properly excluded from changes in accounts payable and accrued liabilities.

(3) Noncash accrued capitalized interest on development projects was not properly excluded from cash outflows for capital expenditures and development activities in investing activities and borrowings from construction loans in financing activities.

(4) Noncash accruals for redemptions were not properly excluded from cash outflows paid for redemptions within financing activities and also were not properly excluded from changes in accounts payable and accrued liabilities.

(5) The amount in the table above for other operating within operating cash flows includes $6.7 million related to the amortization of debt issuance costs, discounts and premiums, which has been separated to its own line for the current year presentation.

## 3. Real Estate Assets, Net

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Land | $ 257,553 | $ 267,876 |
| Building and improvements | 1,429,689 | 1,348,019 |
| Furniture, fixtures and equipment | 63,015 | 54,067 |
| Intangible assets | 37,158 | 40,692 |
| Construction in progress (1) | 17,995 | 106,223 |
| | 1,805,410 | 1,816,877 |
| Less: Accumulated depreciation and amortization | (156,264) | (119,270) |
| Real estate assets, net | $ 1,649,146 | $ 1,697,607 |

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

*Cottonwood Lighthouse Point Transaction*

On February 14, 2023, we sold tenant-in-common interests in Cottonwood Lighthouse Point to certain unaffiliated third parties for net proceeds of $7.2 million, reducing our ownership from 100% to 86.8%. As a result of this transaction, Cottonwood Lighthouse Point was deconsolidated on February 14, 2023 and our remaining ownership in Lighthouse Point is recorded as an investment in unconsolidated real estate. Refer to Note 4. We recorded a gain on sale of $1.0 million related to this transaction.

*Sale of Cottonwood One Upland*

On December 15, 2023, we sold Cottonwood One Upland for net proceeds of $38.8 million. We recorded a net gain on sale of $23.0 million.

*805 Riverfront Consolidation*

We have a preferred equity investment in 805 Riverfront, a multifamily development project located in West Sacramento, CA (the "Riverfront Project"). On September 8, 2023, the sponsor of the Riverfront Project was removed as the manager and developer due to events of default, whereupon we became the manager and replacement developer with control of the project. Prior to this event, our preferred equity investment was accounted for as an equity method investment.

The entity controlling the Riverfront Project is a variable interest entity ("VIE"). When we consolidate a VIE that is not a business, a gain or loss is recognized 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 previous interest and (2) the net fair value of identifiable assets and liabilities of the VIE. For 805 Riverfront, no consideration was paid and the fair value of the noncontrolling interest on the date of consolidation was zero. We recorded a gain of $4.2 million as follows (in thousands):

| Description | Amounts |
|---|---|
| **Reported amount of previous interest** | |
| Equity method investment [1] | $ 28,679 |
| | |
| **Fair value of assets and liabilities** | |
| Real estate assets | $ 103,378 |
| Restricted cash | 5,039 |
| Other assets | 400 |
| Accounts payable, accrued expenses and other liabilities | (15,307) |
| Preferred interest [2] | (15,300) |
| Construction loans, net | (45,306) |
| Total net fair value of identifiable assets and liabilities of the VIE | 32,904 |
| **Gain on consolidation** | $ 4,225 |

[1] We provided an additional investor capital contribution of $6.0 million for the Riverfront Project with the change of control.

[2] A third party has a preferred equity investment in the Riverfront Project that is mandatorily redeemable. This investment accrues interest at 11.5% (subject to a minimum multiple of 1.35x), and has an initial maturity date of May 31, 2024 with two one-year extension at our option. It is labeled "preferred interest liability" on the consolidated balance sheet.

*Asset Acquisitions*

The following table summarizes the purchase price allocation of the real estate assets acquired during the year ended December 31, 2023 (in thousands):

| | | | Allocated Amounts | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Property** | **Location** | **Date Consolidated** | **Building** | **Land** | **Land Improvements** | **Personal Property** | **Lease Intangibles** | **Debt Fair Value Adjustment** | **Total** |
| Melrose Phase II | Nashville, TN | 8/2/23 | $ 32,115 | $ 5,156 | $ 248 | $ 1,021 | $ 1,043 | $ 1,013 | $ 40,596 |

Melrose Phase II was consolidated in August 2023 when we issued 175,077 operating partnership units in CROP ("OP Units") to acquire the remaining 20.2% tenant-in-common interests in the property. The value of the OP Units was $3.1 million. Melrose Phase II was previously accounted for as an equity method investment.

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

| | | | Allocated Amounts | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Property** | **Location** | **Date Consolidated** | **Building** | **Land** | **Land Improvements** | **Personal Property** | **Lease Intangibles** | **Debt Fair Value Adjustment** | **Total** |
| Cottonwood Lighthouse Point | Pompano Beach, FL | 6/22/22 | $ 76,322 | $ 13,647 | $ 1,843 | $ 2,011 | $ 1,783 | $ — | $ 95,606 |
| Cottonwood Ridgeview | Plano, TX | 9/19/22 | 54,337 | 9,275 | 2,548 | 835 | 1,603 | 1,504 | 70,102 |
| Cottonwood Clermont | Clermont, FL | 9/21/22 | 67,400 | 5,705 | 5,744 | 1,817 | 1,792 | 3,428 | 85,886 |
| | | | $ 198,059 | $ 28,627 | $ 10,135 | $ 4,663 | $ 5,178 | $ 4,932 | $251,594 |

The acquisition of Cottonwood Lighthouse Point in June 2022 was funded with debt of $48.0 million and available cash. See also the "Cottonwood Lighthouse Point Transaction" discussion above and Note 4 for further information.

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

The acquisition of Cottonwood Clermont in September 2022 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 June 2022 (3800 Main was previously an equity method investment prior to its sale).

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 acquisitions is 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 originally owned land for the development of two projects called The 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 in June 2022 and consolidated the joint venture, which had previously been recorded as an equity method investment. In September 2022, we acquired CMOF's interest in Block C as a result of the CMOF Merger. In April 2023, we merged another consolidated development project called The Archer into Block C. Interests in Block C not held by us are recorded as noncontrolling interest. Refer to Note 1 and Note 10 for further information on Block C.

*CMOF Merger*

The acquisition of an additional ownership interest of a consolidated entity is accounted for as an equity transaction. We acquired additional interests in three development projects with the CMOF Merger in September 2022. These projects were already consolidated by us. Accordingly, noncontrolling interest was reduced by the carrying amount attributable to CMOF's ownership in the three development projects and the difference between the carrying amount of the noncontrolling interest 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 OP 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 |

## 4. 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, 2023 and 2022 (in thousands):

| Property / Development | Location | % Owned | Balance at December 31, 2023 | Balance at December 31, 2022 |
|---|---|---|---|---|
| *Stabilized Properties* | | | | |
| Alpha Mill [(1)] [(2)] | Charlotte, NC | 73.7% [(2)] | 29,522 | 10,470 |
| Cottonwood Bayview [(1)] | St. Petersburg, FL | 71.0% | 11,817 | 30,792 |
| Cottonwood Lighthouse Point [(1)] [(3)] | Pompano Beach, FL | 86.8% [(3)] | 38,852 | — |
| Fox Point [(1)] | Salt Lake City, UT | 52.8% | 13,533 | 14,794 |
| Toscana at Valley Ridge [(1)] | Lewisville, TX | 58.6% | 6,713 | 9,382 |
| Melrose Phase II [(1)] [(4)] | Nashville, TN | 100.0% [(4)] | — | 6,185 |
| *Preferred Equity Investments* | | | | |
| Lector85 | Ybor City, FL | | 11,387 | 10,006 |
| Astoria West (formerly Vernon) | Queens, NY | | 23,406 | 20,567 |
| 805 Riverfront [(5)] | West Sacramento, CA | [(5)] | — | 20,259 |
| 417 Callowhill | Philadelphia, PA | | 38,028 | 9,949 |
| Infield | Kissimmee, FL | | 11,942 | — |
| Other | | | 516 | 803 |
| **Total** | | | $ 185,716 | $ 133,207 |

(1) We account for our tenant in common interests in these properties as equity method investments. Refer to Note 2.

(2) On March 31, 2023, we issued 1,063,293 OP Units for an additional 45.4% tenant-in-common interests in Alpha Mill, increasing our ownership to 73.7%. The value of the OP Units on the close date was $19.8 million based on the net asset value of OP Units as of February 28, 2023. All of the tenant-in-common interests were purchased at the same price. One of the sellers was a related party.

(3) On February 14, 2023, we sold 13.2% of our ownership interest in Cottonwood Lighthouse Point for net proceeds of $7.2 million and we recorded a gain on sale of $1.0 million related to the transaction, which reduced our remaining ownership in Cottonwood Lighthouse Point to 86.8%. As a result of this transaction, Cottonwood Lighthouse Point was deconsolidated and is recorded as an investment in unconsolidated real estate from February 14, 2023.

(4) On August 2, 2023, we issued 175,077 OP Units to acquire the remaining 20.2% tenant-in-common interests in Melrose Phase II, bringing our ownership to 100% and resulting in the consolidation of the property from that date onward. The value of the OP Units issued was $3.1 million.

(5) 805 Riverfront was consolidated due to a change in control as described in Note 3. On the date of consolidation our equity method investment was $22.6 million.

Equity in losses for our stabilized properties for the year ended December 31, 2023 was $5.4 million. Equity in earnings for our stabilized assets for the year ended December 31, 2022 was $3.6 million. During February 2023, we received $16.9 million and $1.2 million in distributions as a return of capital from debt refinances at Cottonwood Bayview and Toscana at Valley Ridge, respectively.

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

| **Operating data:** | 2023 - For the Period Held as Equity Method Investments | 2022 - For the Period Held as Equity Method Investments |
|---|---|---|
| Total revenues | $ 32,373 | $ 35,514 |
| Total operating expenses | 13,532 | 14,258 |
| Total other expenses | (26,086) | (18,871) |
| Net income (loss) | (7,245) | 2,385 |
| | | |
| **Balance sheet data:** | **December 31, 2023** | **December 31, 2022** |
| Real estate assets | $ 362,157 | $ 309,404 |
| Cash and cash equivalents | 3,581 | 4,270 |
| Total assets | 374,392 | 319,734 |
| Mortgage notes, net | 235,343 | 193,939 |
| Total liabilities | 240,185 | 197,365 |

The increase in other expenses is primarily due to higher mortgage interest, depreciation expense, and the change in the fair market value of derivatives.

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, 2023 and 2022 were $11.9 million and $8.8 million, respectively.

On November 3, 2023, we entered into an agreement to provide a junior preferred equity investment for an amount of $11.4 million (the "Infield Investment") and we fully funded the investment on the same day. The Infield Investment accrues a preferred return of 16.75% per annum, compounded monthly. The borrower intends to use the proceeds from the Infield Investment to fund cost overruns in order to complete the development of the Infield Apartments, a 384-unit multifamily project located in Kissimmee, Florida, a suburb of Orlando. During the year ended December 31, 2023, we funded $23.4 million towards the 417 Callowhill preferred equity investment. As of December 31, 2023 we have funded $32.1 million in total towards the 417 Callowhill preferred equity investment and had a remaining commitment of $1.3 million. As of December 31, 2023, we have fully funded our commitments on the Lector85, Astoria West and Infield preferred equity investments. Our 805 Riverfront preferred equity method investment was fully funded prior to the change of control event in September 2023. Refer to Note 3.

## 5. 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, 2023 and 2022 ($ in thousands):

| | | | Principal Balance Outstanding | |
|---|---|---|---|---|
| **Indebtedness** | **Weighted-Average Interest Rate** | **Weighted-Average Remaining Term (1)** | **December 31, 2023** | **December 31, 2022** |
| *Fixed rate loans* | | | | |
| Fixed rate mortgages | 4.46% | 5.1 Years | $ 891,319 | $ 528,308 |
| Total fixed rate loans | | | 891,319 | 528,308 |
| *Variable rate loans* (2) | | | | |
| Floating rate mortgages | 5.45% (3) | 6.9 Years | 131,153 | 426,130 |
| Variable rate revolving credit facility (4) | 7.96% | 4.0 Years | 12,400 | 54,000 |
| Total variable rate loans | | | 143,553 | 480,130 |
| Total secured loans | | | 1,034,872 | 1,008,438 |
| Unamortized debt issuance costs | | | (7,067) | (4,878) |
| Premium on assumed debt, net | | | (5,353) | (3,423) |
| Mortgage notes and revolving credit facility, net | | | $ 1,022,452 | $ 1,000,137 |

(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 rates of our variable rate loans are based on 30-Day Average SOFR or one-month SOFR (CME Term).

(3) Includes the impact of interest rate caps in effect on December 31, 2023.

(4) Our variable rate revolving credit facility was amended and restated on December 15, 2023 when One Upland was sold and removed as collateral. The facility remains secured by Parc Westborough with the option to add another property as collateral by December 14, 2024. The interest rate on the amended facility is one-month SOFR + 2.60% and the maturity date was reset to a three-year term maturing on December 14, 2026, with the option to extend for one additional year, subject to the satisfaction of certain conditions. We may obtain advances on the facility up to $100.0 million, as long as certain loan-to-value ratios and other requirements are maintained. At December 31, 2023, the amount on our variable rate revolving credit facility was capped at $41.0 million primarily due to the interest rate environment and the applicable debt-service coverage ratio.

During 2023, we completed debt refinances on seven of our consolidated properties and converted certain variable rate loans to fixed rate loans, and we also amended our variable rate revolving credit facility when One Upland was sold in December 2023. Fixed rate mortgages as of December 31, 2023 includes the Melrose Phase II mortgage, which was consolidated August 2023. Floating rate mortgages as of December 31, 2023 excludes Cottonwood Lighthouse Point, which was deconsolidated in February 2023. See Note 3 and Note 4 above for additional discussion related to the Melrose Phase II and Cottonwood Lighthouse Point transactions.

We are in compliance with all covenants associated with our mortgage notes and revolving credit facility as of December 31, 2023.

*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, 2023** | **Amount Drawn at December 31, 2022** |
|---|---|---|---|---|---|
| Park Avenue | [1] | [1] | [1] | $ — | $ 37,000 |
| Cottonwood Broadway | One-Month BSBY [2] + 2.9% | May 15, 2025 | 44,625 | 41,891 | 39,728 |
| Cottonwood Highland | 30-Day Average SOFR + 2.55% | May 1, 2029 | 44,250 | 39,790 | 18,599 |
| 805 Riverfront [3] | One-Month SOFR + 4.35% | May 30, 2026 | 55,400 | 48,310 | — |
| The Westerly [4] | One-Month SOFR + 3.0% | July 12, 2028 | 42,000 | — | — |
| | | | $ 186,275 | $ 129,991 | $ 95,327 |

[1] The Park Avenue construction loan was refinanced in March 2023 with a $43.5 million fixed rate mortgage which matures in 2028 and is included in mortgage notes above.

[2] The Bloomberg Short-Term Yield Index ("BSBY") will cease as an index after November 15, 2024. We expect the Broadway loan will be refinanced in 2024 before the cessation of BSBY, although there are provisions in the Broadway loan documents for a conversion to Term SOFR if needed.

[3] 805 Riverfront was consolidated in September 2023. Refer to Note 3.

[4] In July 2023, we entered into a construction loan agreement for The Westerly, a development project in Millcreek, UT. Construction is expected to be completed in 2026. No amounts have been drawn on the construction loan as of December 31, 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, at our discretion, 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 [1][2]** | **Maximum Extension Date** | **December 31, 2023** | **December 31, 2022** |
|---|---|---|---|---|---|---|
| 2017 6% Notes [1] | $ 35,000 | 6.25% | December 31, 2024 [1] | December 31, 2024 | $ 20,308 | $ 20,718 |
| 2019 6% Notes [2] | 25,000 | 6.00% | December 31, 2024 [2] | December 31, 2025 | 21,575 | 22,235 |
| | $ 60,000 | | | | $ 41,883 | $ 42,953 |

[1] We exercised the option to extend the maturity date on our 2017 6% Notes for one final year to December 31, 2024, which increased the interest rate to 6.5% for the period from January 1, 2024 to December 31, 2024.

[2] We exercised the option to extend the maturity date on our 2019 6.0% Notes for one additional year to December 31, 2024, which increased the interest rate to 6.25% for the period from January 1, 2024 to December 31, 2024.

The aggregate maturities, including amortizing principal payments on our debt for years subsequent to December 31, 2023 are as follows (in thousands):

| **Year** | **Mortgage Notes and Revolving Credit Facility** | **Construction Loans** | **Unsecured Promissory Notes** | **Total** |
|---|---|---|---|---|
| 2024 [1] | $ 466 | $ 90,201 | $ 41,883 | $ 132,550 |
| 2025 | 1,405 | — | — | 1,405 |
| 2026 | 105,527 | — | — | 105,527 |
| 2027 | 364,181 | — | — | 364,181 |
| 2028 | 72,468 | — | — | 72,468 |
| Thereafter | 490,825 | 39,790 | — | 530,615 |
| | $ 1,034,872 | $ 129,991 | $ 41,883 | $ 1,206,746 |

[1] Of the amounts maturing in 2024, $21.6 million relates to our 2019 6% Unsecured Promissory Notes, which can be extended to December 31, 2025. An additional $41.9 million relates to the construction loan for Cottonwood Broadway, which can be extended to May 15, 2025, subject to the satisfaction of certain conditions, and $48.3 million relates to the construction loan for 805 Riverfront, which can be extended for two one-year periods to May 30, 2026, subject to the satisfaction of certain conditions.

## 6. 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, 2023 and 2022, 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, 2023 | | As of December 31, 2022 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Asset: | | | | |
| Investments in real estate-related loans | $ 8,703 | $ 8,777 | $ — | $ — |
| Financial Liability: | | | | |
| Fixed rate mortgages | $ 891,319 | $ 869,248 | $ 528,308 | $ 509,134 |
| Floating rate mortgages | $ 131,153 | $ 129,540 | $ 426,130 | $ 421,189 |
| Variable rate revolving credit facility | $ 12,400 | $ 12,400 | $ 54,000 | $ 54,000 |
| Construction loans | $ 129,991 | $ 129,991 | $ 95,327 | $ 95,327 |
| Series 2019 Preferred Stock | $ 124,266 | $ 124,266 | $ 127,065 | $ 127,065 |
| Series 2023 Preferred Stock | $ 83,567 | $ 83,567 | $ — | $ — |
| Series 2023-A Preferred Stock | $ 2,850 | $ 2,850 | $ — | $ — |
| Preferred interest liability | $ 15,300 | $ 15,300 | $ — | $ — |
| Unsecured promissory notes, net | $ 41,883 | $ 41,883 | $ 42,953 | $ 42,953 |

All financial instruments in the table above are categorized as Level 2 in the fair value hierarchy.

## 7. Preferred Stock

We have three classes of preferred stock outstanding as of December 31, 2023: Series 2019, Series 2023, and Series 2023-A that are accounted for as liabilities on the consolidated balance sheets as they are mandatorily redeemable. Each class of preferred stock receives a fixed preferred dividend based on a cumulative, but not compounded, annual return. The Series 2019 and Series 2023 Preferred Stock each have a fixed redemption date with extension options at our discretion, subject to an increase in the preferred dividend rate. We can also redeem our preferred stock early for cash plus all accrued and unpaid dividends. The Series 2019, Series 2023 and Series 2023-A Preferred Stock rank senior to our common stock and convertible preferred stock and on parity with each other with respect to distribution rights and rights upon liquidation, dissolution or winding up.

Information on these classes of preferred stock as of December 31, 2023 and 2022 is as follows:

| | Dividend Rate | Extension Dividend Rate | Redemption Date | Maximum Extension Date | Shares Outstanding at | |
|---|---|---|---|---|---|---|
| | | | | | December 31, 2023 | December 31, 2022 |
| Series 2019 Preferred Stock | 5.5% | 6.0% | December 31, 2024 (1) | December 31, 2025 | 12,426,596 | 12,706,485 |
| Series 2023 Preferred Stock | 6.0% | 6.5% (2) | June 30, 2027 | June 30, 2029 | 8,356,724 | — |
| Series 2023-A Preferred Stock | 7.0% | N/A | December 31, 2027 | N/A | 285,000 | — |

(1) Prior to the original December 31, 2023 redemption date, we exercised our first extension option for the Series 2019 Preferred Stock, which increased the dividend rate to 6.0% and extended the redemption date to December 31, 2024.

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

The offering of Series 2023 Preferred Stock commenced in December 2022 and is ongoing, with our first shares issued in early 2023. The offering of Series 2023-A Preferred Stock commenced in July 2023, and is ongoing, with our first shares issued in August 2023. During the year ended December 31, 2023, we issued $83.6 million of Series 2023 Preferred Stock and we issued $2.9 million of Series 2023-A Preferred Stock. We issued the remaining $15.5 million of Series 2019 Preferred Stock in the first quarter of 2022, whereupon the offering of our Series 2019 Preferred Stock was fully subscribed and terminated in March 2022 having launched in November 2019. During the year ended December 31, 2023, we incurred $3.2 million in dividends on our Series 2023 Preferred Stock and we incurred $0.1 million in dividends on our Series 2023-A Preferred Stock. During both the years ended December 31, 2023 and 2022, we incurred $6.9 million in dividends on our Series 2019 Preferred Stock. During 2022, we incurred $2.9 million in dividends on our Series 2016 Preferred Stock prior to their full redemption in April 2022 and we incurred an insignificant amount in dividends on our Series 2017 Preferred Stock prior to their full redemption at the end of January 2022.

During the year ended December 31, 2023, we repurchased 279,889 shares of Series 2019 Preferred stock for $2.7 million and we repurchased 5,000 shares of Series 2023 Preferred Stock for $45.0 thousand. No shares of our Series 2023-A Preferred Stock were repurchased during 2023. 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 at the end of January 2022 for $2.6 million and we fully redeemed our Series 2016 Preferred Stock in April 2022 for $139.8 million. The Series 2017 Preferred Stock and the Series 2016 Preferred Stock were designated and issued in connection with the Company's merger with Cottonwood Residential II, Inc. in May 2021.

## 8. Stockholders' Equity

### *Convertible Preferred Stock*

In September 2023, we designated the Series A Convertible Preferred Stock ("Convertible Preferred Stock"). The Convertible Preferred Stock is accounted for as a class of stockholder's equity. The holders of Convertible Preferred Stock receive monthly cash dividends at the rate of 8.0% per annum of $10.00 per share when and as authorized by the board of directors and declared by the Company. The board of directors may increase the dividend rate from time to time in its sole discretion. Subject to certain terms and conditions, the Convertible Preferred Stock is convertible into Class I shares of the Company's common stock in an amount equal to the purchase price divided by the net asset value for the Class I shares at the time of conversion. The Convertible Preferred Stock is being offered for sale pursuant to a private offering to accredited investors only. The Series A Convertible Preferred Stock ranks senior to the Company's common stock and junior to the Series 2019, the Series 2023, and the Series 2023-A Preferred Stock with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolution or winding up of the Company.

As of December 31, 2023, there were 215,277 shares of the Convertible Preferred Stock issued and outstanding. We incurred an insignificant amount in dividends on our Convertible Preferred Stock in 2023 as the first shares of Convertible Preferred Stock were issued in November 2023.

*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, 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 |
| Issuance of common stock | 644,374 | 148,629 | 650,383 | — | — | 1,443,386 |
| Distribution reinvestment | 31,289 | 682 | 24,344 | 74,304 | — | 130,619 |
| Exchanges and transfers (1) | (1,723) | — | 480,749 | — | — | 479,026 |
| Repurchases of common stock | (1,571,844) | (11,241) | (720,082) | (3,447,291) | — | (5,750,458) |
| Balance at December 31, 2023 | 3,917,218 | 202,743 | 4,296,443 | 23,231,877 | — | 31,648,281 |

(1) Exchanges represent the number of shares OP Unit holders have exchanged for Class I shares during the period. In 2023, transfers represent Class T shares that were converted to Class I shares during the period. During 2022, transfers represent Class TX shares that were converted to Class A shares, after which we no longer had any Class TX shares outstanding.

*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, 2023, we paid aggregate distributions of $24.2 million, including $21.9 million distributions paid in cash and $2.4 million of distributions reinvested through our distribution reinvestment plan. For the year ended December 31, 2022, we paid aggregate distributions of $20.0 million, including $17.8 million distributions paid in cash and $2.2 million of distributions reinvested through our distribution reinvestment plan.

Distributions are declared monthly for each share of our common stock. Distributions declared were at a monthly rate of $0.0583333, or $0.70 annually, per common share for January 2022; were at a monthly rate of $0.05916667, or $0.71 annually, per common share for February, March and April 2022; were at a monthly rate of $0.06000000, or $0.72 annually, per common share for May 2022; and were at a monthly rate of $0.06083333, or $0.73 annually, per common share for each month in the months from June 2022 through December 2023.

For the years ended December 31, 2023 and 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, 2023, we repurchased 5,750,458 shares of common stock pursuant to our share repurchase program for $95.3 million, at an average repurchase price of $16.57. 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.

## 9. 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 $30.6 million from the sale. As a result of the sale, we no longer manage this portfolio.

## 10. 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.

*Management Fee*. 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. Through September 19, 2023, the cap was equal to 0.125% of net asset value of CROP. Effective September 19, 2023, the cap was amended to be based on "adjusted net asset value", which is defined to include the value attributable to preferred stock that is convertible into common equity in the calculation of net asset value of CROP.

Management fees to our advisor for the years ended December 31, 2023 and 2022 were $17.3 million and $17.8 million, respectively.

*Acquisition Expense Reimbursement.* We 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. There were no acquisition expense reimbursements for the years ended December 31, 2023 and 2022.

*Performance Participation Allocation.* In addition to the fees paid to our advisor for services provided pursuant to the advisory agreement, CC Advisors - SLP, LLC, an affiliate of our advisor and the Special Limited Partner at CROP, holds a performance participation interest in CROP that entitles it to receive an allocation of CROP's total return to its capital account. 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.

Due to the decrease in net asset value, no performance participation allocation was incurred during the year ended December 31, 2023. 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 during the first quarter of 2023.

*Block C*

We, through our indirect subsidiaries, have a joint venture investment in Block C for the purpose of developing three multifamily development projects near Salt Lake City, Utah: The Westerly, Millcreek North, and The Archer. As of December 31, 2023, entities affiliated with us and our advisor (the "Affiliated Members") have made aggregate capital contributions of $10.9 million towards the joint venture. 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. The Affiliated Members participate in the economics of Block C on the same terms and conditions as us. The development projects 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, 2023, our ownership in the Block C joint venture was 82.4%.

*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, 2023 and 2022.

*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*

Each independent director was paid an annual cash retainer of $50,000 for their service and received an annual grant of time-based LTIP Units with a value of $85,000 at the time of grant for the years ended December 31, 2023 and 2022. The LTIP Units have a one-year vesting schedule. For the years ended December 31, 2023 and 2022, independent board members which served as chairperson of each of the audit, compensation and conflicts committees received an additional annual cash retainer of $15,000, $10,000 and $10,000, respectively.

## 11. Noncontrolling Interests

*Noncontrolling Interests - Limited Partners*

Common Limited OP Units and LTIP Units are OP 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 years ended December 31, 2023 and 2022, we paid aggregate distributions to noncontrolling OP Unit holders of $23.2 million and $22.2 million, respectively.

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, 2023, there were 602,895 unvested time LTIP awards and 597,105 unvested performance LTIP awards outstanding. Share-based compensation, included within other in the consolidated statement of stockholders' equity, was $2.8 million and $3.7 million for the years ended December 31, 2023 and 2022, respectively. Total unrecognized compensation expense for LTIP Units at December 31, 2023 is $5.5 million and is expected to be recognized on a straight-line basis through December 2026.

*Noncontrolling Interests - Partially Owned Entities*

As of December 31, 2023, noncontrolling interests in entities not wholly owned by us ranged from 1% to 63%, with the average being 11%.

In June 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 in September 2022, we acquired the noncontrolling interest in Cottonwood 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.

## 12. Commitments and Contingencies

*417 Callowhill*

As of December 31, 2023, we had funded $32.1 million and had a remaining commitment of $1.3 million on the 417 Callowhill preferred equity investment.

*2215 Hollywood*

As of December 31, 2023, we had funded $2.0 million and had a remaining commitment of $8.0 million on the 2215 Hollywood Mezzanine Loan.

*Monrovia Station*

As of December 31, 2023, we had funded $6.8 million and had a remaining commitment of $13.4 million on the Monrovia Station Junior Mezzanine Loan.

*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, 2023, 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 merger with Cottonwood Residential II, Inc. in 2021, the Company assumed a 50% payment guarantee provided by Cottonwood Residential II, Inc. 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 14.18% 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.

*Share Repurchase Programs*

Preferred Stock

Upon the request of a holder of our 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** | **Series 2023-A** | **Series A Convertible** |
| Less than 1 year | $8.80 | $9.00 | $9.20 | $9.00 |
| 1 year | $9.00 | $9.00 | $9.40 | $9.10 |
| 2 years | $9.20 | $9.20 | $9.60 | $9.20 |
| 3 years | $9.40 | $9.40 | $9.60 | $9.30 |
| 4 years | $9.60 | $9.60 | $9.60 | $9.40 |
| 5 years | $9.80 | $9.80 | $9.60 | $9.40 |
| 6 years | $9.80 | $9.80 | $9.60 | $9.80 |
| A stockholder's death or complete disability, 2 years or more | $10.00 | $10.00 | $10.00 | $10.00 |

Repurchase information on our mandatorily redeemable preferred stock is disclosed in Note 7 above. There have been no repurchases of our Series A Convertible Preferred Stock as of December 31, 2023.

Common Stock

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.

## 13. Subsequent Events

We have evaluated subsequent events from December 31, 2023 up until the date the consolidated financial statements are issued for recognition or disclosure and have determined there are none to be reported or disclosed in the consolidated financial statements other than those mentioned below.

*Series A Convertible Preferred Stock*

On February 7, 2024, we filed Articles of Amendment to provide that the holders of our Series A Convertible preferred stock may convert their shares into our Class I common stock beginning after a two-year hold period, which is earlier than the five-year time period prior to the amendment.

*Cottonwood Lighthouse Point Tenant In Common Acquisition*

On March 28, 2024, we acquired all of the outstanding tenant-in-common interests in Cottonwood Lighthouse Point from an unaffiliated third party in exchange for 259,246 OP Units, increasing our ownership from 86.8% to 100%.

*805 Riverfront*

As discussed in Note 3, on September 8, 2023, the sponsor of the Riverfront Project was removed as the manager and developer due to events of default, whereupon we became the manager and replacement developer with control of the project and consolidated the project. On January 24, 2024, we acquired the Sponsor's interest in the entity controlling the Riverfront Project for zero dollars.

*Sale of Cottonwood West Palm*

On February 29, 2024, we sold Cottonwood West Palm for net proceeds of $34.0 million.

*Status of the Series 2023 Private Offering*

Through March 25, 2024, we sold 674,165 shares of Series 2023 Preferred Stock for aggregate gross offering proceeds of $6.7 million. In connection with the sale of these shares in the Series 2023 Private Offering, the Company paid aggregate selling commissions of $0.4 million and placement fees of $0.2 million. As of March 25, 2024, there were 9,030,889 shares of our Series 2023 Preferred Stock outstanding.

*Status of the Series 2023-A Private Offering*

Through March 25, 2024, we sold 10,000 shares of Series 2023-A Preferred Stock for aggregate gross offering proceeds of $100,000. In connection with the sale of these shares in the Series 2023-A Private Offering, the Company paid aggregate wholesaler fees of $2,000 and placement fees of $750. As of March 25, 2024, there were 295,000 shares of our Series 2023-A Preferred Stock outstanding.

*Status of the Series A Convertible Private Offering*

Through March 25, 2024, we sold 1,258,832 shares of Series A Convertible Preferred Stock for aggregate gross offering proceeds of $12.6 million. In connection with the sale of these shares in the Series A Convertible Private Offering, the Company paid aggregate selling commissions of $0.7 million and placement fees of $0.4 million. As of March 25, 2024, there were 1,474,108 shares of our Series A Convertible Preferred Stock outstanding.

*Status of the Follow-on Offering*

Through March 25, 2024, we sold the following through our follow-on public offering ($ in thousands):

| | Class | | | | |
|---|---|---|---|---|---|
| | T | D | I | A | Total |
| Shares issued through Primary Offering | 141,143 | 2,497 | 293,748 | — | 437,388 |
| Shares issued through DRP Offering | 14,575 | 250 | 10,605 | 27,757 | 53,187 |
| Gross Proceeds | $ 2,023 | $ 35 | $ 3,923 | $ — | $ 5,981 |

*Distributions Declared - Common Stock*

We declared the following monthly distributions after December 31, 2023:

| Stockholder Record Date | Monthly Rate | Annually |
|---|---|---|
| January 31, 2024 | $ 0.06083333 | $ 0.73 |
| February 29, 2024 | $ 0.06083333 | $ 0.73 |
| March 31, 2024 | $ 0.06083333 | $ 0.73 |

*Grant of LTIP Unit Awards*

On January 9, 2024, 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 $1,609,125. Each award will vest approximately one-quarter of the awarded amount on January 1, 2025, 2026, 2027 and 2028.

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 $2,988,375. 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, 2023 NAV per share as announced on December 15, 2023 of $14.4754.

*Equity Incentive Plan*

On January 9, 2024, we issued an aggregate grant of 34,399 restricted stock units with a four-year vesting schedule. Of this amount, 16,254 were issued pursuant to the Cottonwood Communities, Inc. 2022 Equity Incentive Plan.

## Cottonwood Communities, Inc.
## Schedule III - Real Estate and Accumulated Depreciation as of December 31, 2023 ($ in thousands)

| | | | | | Initial Cost to Company | | | Gross Amount Carried as of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Description** | **Location** | **Ownership Percent** | **Number of Units** | **Encumbrances** | **Land** | **Buildings, Intangibles and Improvements** | **Cost Capitalized Subsequent to Acquisition** | **Land** | **Buildings, Intangibles and Improvements** | **Total (1)** | **Accumulated Depreciation and Amortization (2)** | **Year(s) Built** | **Date Acquired** |
| *Stabilized Multifamily Apartment Communities:* | | | | | | | | | | | | | |
| Cason Estates | Murfreesboro, TN | 100.0% | 262 | $ (37,462) | $ 4,806 | $ 46,666 | $ 806 | $ 4,806 | $ 47,472 | $ 52,278 | $ (6,327) | 2005 | 5/7/2021 |
| Cottonwood Apartments | Salt Lake City, UT | 100.0% | 264 | (35,430) | 6,556 | 40,745 | 1,648 | 6,556 | 42,393 | 48,949 | (5,446) | 1986 | 5/7/2021 |
| Cottonwood Clermont | Clermont, FL | 100.0% | 230 | (34,961) | 5,705 | 76,805 | 225 | 5,705 | 77,030 | 82,735 | (5,742) | 2020 | 9/21/2022 |
| Cottonwood Reserve | Charlotte, NC | 91.1% | 352 | (48,049) | 12,634 | 64,168 | 1,190 | 12,634 | 65,358 | 77,992 | (9,131) | 2004, 2017 | 5/7/2021 |
| Cottonwood Ridgeview | Plano, TX | 100.0% | 322 | (65,300) | 9,275 | 59,392 | 747 | 9,275 | 60,139 | 69,414 | (4,515) | 2004 | 9/19/2022 |
| Cottonwood West Palm | West Palm Beach, FL | 100.0% | 245 | (47,978) | 9,380 | 57,073 | 818 | 9,380 | 57,891 | 67,271 | (11,217) | 2018 | 5/30/2019 |
| Cottonwood Westside | Atlanta, GA | 100.0% | 197 | (26,986) | 8,641 | 39,324 | 482 | 8,641 | 39,806 | 48,447 | (5,138) | 2014 | 5/7/2021 |
| Enclave on Golden Triangle | Keller, TX | 98.9% | 273 | (48,400) | 4,888 | 46,712 | 879 | 4,888 | 47,591 | 52,479 | (5,812) | 2006 | 5/7/2021 |
| Heights at Meridian | Durham, NC | 100.0% | 339 | (53,401) | 5,971 | 74,022 | 767 | 5,971 | 74,789 | 80,760 | (9,513) | 2015 | 5/7/2021 |
| Melrose | Nashville, TN | 100.0% | 220 | (56,600) | 8,822 | 58,676 | 490 | 8,822 | 59,166 | 67,988 | (8,156) | 2015 | 5/7/2021 |
| Melrose Phase II | Nashville, TN | 100.0% | 139 | (32,400) | 5,156 | 34,526 | 25 | 5,156 | 34,551 | 39,707 | (1,319) | 2018 | 8/2/2023 |
| Parc Westborough | Boston, MA | 100.0% | 249 | (12,400) | 12,759 | 61,302 | 526 | 12,759 | 61,828 | 74,587 | (8,549) | 2016 | 5/7/2021 |
| Park Avenue (3) | Salt Lake City, UT | 100.0% | 234 | (43,453) | 12,369 | 29,931 | 25,508 | 12,369 | 55,439 | 67,808 | (3,559) | 2022 | 5/7/2021 |
| Pavilions | Albuquerque, NM | 96.4% | 240 | (58,500) | 5,924 | 55,177 | 870 | 5,924 | 56,047 | 61,971 | (6,808) | 1992 | 5/7/2021 |
| Raveneaux | Houston, TX | 97.0% | 382 | (47,400) | 6,249 | 51,251 | 862 | 6,249 | 52,113 | 58,362 | (6,739) | 2000 | 5/7/2021 |
| Regatta | Houston, TX | 100.0% | 490 | (35,367) | 8,449 | 39,651 | 1,360 | 8,449 | 41,011 | 49,460 | (5,818) | 1968-1976 | 5/7/2021 |
| Retreat at Peachtree City | Peachtree City, GA | 100.0% | 312 | (58,412) | 5,669 | 66,888 | 1,013 | 5,669 | 67,901 | 73,570 | (9,310) | 1999 | 5/7/2021 |
| Scott Mountain | Portland, OR | 95.8% | 262 | (48,373) | 6,952 | 63,758 | 659 | 6,952 | 64,417 | 71,369 | (7,700) | 1997, 2000 | 5/7/2021 |
| Stonebriar of Frisco | Frisco, TX | 84.2% | 306 | (53,600) | 5,737 | 53,463 | 1,739 | 5,737 | 55,202 | 60,939 | (6,691) | 1999 | 5/7/2021 |
| Sugarmont (3), (4) | Salt Lake City, UT | 99.0% | 341 | (91,200) | 17,838 | 94,662 | 27,673 | 17,838 | 122,335 | 140,173 | (9,711) | 2022 | 5/7/2021 |
| Summer Park | Buford, GA | 98.7% | 358 | (52,398) | 9,474 | 66,200 | 944 | 9,474 | 67,144 | 76,618 | (8,908) | 2001 | 5/7/2021 |
| The Marq Highland Park | Tampa, FL | 100.0% | 239 | (46,802) | 6,280 | 59,424 | 657 | 6,280 | 60,081 | 66,361 | (8,266) | 2015 | 5/7/2021 |
| *Development Projects:* | | | | | | | | | | | | | |
| Cottonwood Broadway | Salt Lake City, UT | 100.0% | 254 | (41,891) | 11,042 | 30,958 | 37,263 | 11,042 | 68,221 | 79,263 | (1,334) | 2023 | 5/7/2021 |
| Cottonwood Highland | Salt Lake City, UT | 36.9% | 250 | (39,790) | 7,405 | 1,695 | 55,881 | 7,405 | 57,576 | 64,981 | (271) | 2023 | 5/7/2021 |
| 805 Riverfront (5) | West Sacramento, CA | (5) | 285 | (48,310) | 11,279 | 92,100 | 1,853 | 11,279 | 93,953 | 105,232 | (284) | 2023 | (5) |
| The Westerly | Salt Lake City, UT | 82.4% | 198 | — | 5,996 | 1,150 | 12,861 | 5,996 | 14,011 | 20,007 | — | N/A | 5/7/2021 |
| Other Developments | Various | Various | N/A | — | 42,297 | 80 | 4,312 | 42,297 | 4,392 | 46,689 | — | N/A | Various |
| | | **Total** | **7,243** | **$ (1,164,863)** | **$ 257,553** | **$ 1,365,799** | **$ 182,058** | **$ 257,553** | **$ 1,547,857** | **$ 1,805,410** | **$ (156,264)** | | |

(1) The aggregate cost of real estate for federal income tax purposes was $1.3 billion (unaudited) as of December 31, 2023.

(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 Cottonwood Residential II Inc. merger in 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.

(5) We had a preferred equity investment in this project, but from September 2023 onward we consolidate the project. Refer to Note 3 and Note 13 for additional information on 805 Riverfront.

The following table summarized the changes in our consolidated real estate assets and accumulated depreciation for the years ended December 31, 2023 and 2022 (in thousands):

| | 2023 | 2022 |
|---|---|---|
| **Real estate assets:** | | |
| Balance at beginning of the year | $ 1,816,877 | $ 1,476,518 |
| Additions during the year: | | |
| Acquisitions | 143,727 | 284,138 |
| Improvements and development costs | 46,229 | 56,221 |
| Dispositions and deconsolidations during the year: | | |
| Dispositions and deconsolidations | (201,423) | — |
| Balance at end of the year | $ 1,805,410 | $ 1,816,877 |
| **Accumulated depreciation and amortization:** | | |
| Balance at beginning of the year | $ (119,270) | $ (68,035) |
| Depreciation and amortization | (55,840) | (51,235) |
| Dispositions and deconsolidations | 18,846 | — |
| Balance at end of the year | $ (156,264) | $ (119,270) |