

Dear Cottonwood Residential, Inc. (“Cottonwood”) Preferred Stockholders:

Over the course of the last six months, we have diligently worked on a recapitalization plan (the “Plan”) which will allow us to repay and redeem the various interests in Cottonwood held by FrontRange Capital Partners (“FrontRange”) and Equity Resource Investments (“ERI”), including debt obligations held by them which rank senior to Cottonwood’s preferred stock.

On August 1, 2018, we executed an agreement to sell approximately \$440 million of assets (12 properties) as the first step to achieving this objective. Additionally, we intend to liquidate five additional properties as part of the Plan. We believe these five properties currently have an estimated market value of between \$284 million and \$296 million. We are pursuing these transactions to allow Cottonwood to take advantage of today’s favorable real estate market and to sell these properties at attractive valuations.

As part of the Plan, 100% of the interests held by the non-voting common stockholders of Cottonwood will also be redeemed. The transactions have been structured for tax efficiency and with strategic attention given to the remaining portfolio that Cottonwood Residential, O.P. LP will continue to operate after the recapitalization, including reducing our cost of capital going forward.

Cottonwood will continue to pay the same monthly cash distributions to its preferred stockholders.

The specifics of the complete restructuring Plan and related transactions are laid out in the attached Information Statement. If you have any questions about the Information Statement or generally about the transactions, please reach out to our information agent, DST Systems, Inc., at (844) 422-2584.

Upon completion of the Plan, we will be entering a new phase of our business where we intend to pursue a value-add strategy for the recapitalized enterprise by investing value-additive capital in existing properties with the goal of enhancing rent levels and net operating income of the assets. We also intend to continue to invest new capital in select high-quality development opportunities.

We are enthusiastic about the future of the recapitalized enterprise and the added flexibility that we will achieve through this recapitalization.

We look forward to our continued relationship.

*Daniel Shaeffer
Chief Executive Officer*