

Item 1 – Cover Page

**Form ADV Part 2A: FIRM BROCHURE**



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This Brochure provides information about the qualifications and business practices of Cortland Investment Management, LLC (“the Investment Manager”). If you have any questions about the contents of this Brochure, please contact us at (404) 965-3988 or [compliance@cortland.com](mailto:compliance@cortland.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Investment Manager is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about the Investment Manager is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There have been no material changes since the initial filing of the Investment Manager’s brochure (the “Brochure”) dated December 13, 2018. The Investment Manager routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices. In this year’s filing, the following Items have been updated:

- Item 4: updated to reflect regulatory assets under management as of December 31, 2018; and
- Item 8: updated to reflect additional risk factors and conflicts of interest.

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## Item 4 – Advisory Business

### Firm Description

Cortland Investment Management, LLC (together with its general partners and relying advisers (unless otherwise specified), the “Investment Manager”), a Delaware limited liability company, is a real estate investment advisory firm headquartered in Atlanta, Georgia with offices in Charlotte, Dallas, Denver, Houston, Orlando and Greenwich, Connecticut. The Investment Manager’s parent company, Cortland Holdings, LLC was founded in 2005 (“CH”). CH, together with its subsidiaries, Cortland Management, LLC, Cortland Development, LLC and Cortland Improvements, LLC, and CH’s affiliate, Cortland Partners, LLC and its subsidiaries (collectively, “Cortland”) is a vertically integrated operating platform with expertise in the acquisition, development, asset management and property management of multifamily properties. The registrant, Cortland Investment Management, LLC, was founded in 2018 to act as the investment adviser to the Funds (as defined below).

The Investment Manager manages a portfolio comprised of approximately 50,000 units in high-growth metros/suburban markets and delivers returns in those markets by creating outstanding value for residents. Cortland believes it has achieved critical mass in most markets represented within the existing portfolio and has established significant multifamily positions in multiple major metropolitan markets throughout the country.

The Investment Manager currently acts as an investment adviser for and provides discretionary investment advisory services to two types of real estate investment fund products, all exempt from registration under the Investment Company Act of 1940, as amended, (“Investment Company Act”): (i) the opportunistic funds (Cortland Partners Fund I, LLC (“Fund I”), Cortland Partners Fund II, LLC (“Fund II”), Cortland Partners Fund III, LLC (“Fund III”) and Cortland Partners Fund IV, LLC (“Fund IV”) (collectively, the “Opportunistic Funds”)) and (ii) an income fund (Cortland Growth and Income, L.P. (the “Income Fund”)). The Opportunistic Funds rely on an exemption from registration under Section 3(c)(5)(c) of the Investment Company Act while the Income Fund relies on an exemption from registration under Section 3(c)(7) of the Investment Company Act. The Investment Manager also acts as an investment adviser to co-investment special purpose vehicles established to invest alongside a fund in a single asset or portfolio investment (“Co-Investment Funds” and collectively with the previously mentioned funds, the “Funds”).

Each Fund is affiliated with either (i) a general partner or (ii) a manager which is a “relying adviser” (collectively, the general partners and relying advisers, the “General Partners”) which have the authority to make investment decisions on behalf of the Funds. The General Partners are deemed registered under the Investment Advisers Act of 1940, as amended (“Advisers Act”), pursuant to the Investment Manager’s registration in accordance with SEC guidance. While the General Partners maintain ultimate authority over the respective Funds, the Investment Manager has been designated the role of investment adviser. For more information regarding the Funds, General Partners and

relying advisers, please see the Investment Manager's Form ADV Part 1, Schedule D, Sections 7.A.(1). and 7.B.(1).

### **Advisory Services**

The Investment Manager provides investment advisory services as a real estate fund manager to Cortland's Funds. Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. The Funds invest through privately negotiated transactions in multifamily properties located in target growth markets in the United States. The Investment Manager's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, managing the investment properties and negotiating the terms of purchase and sale of the investment properties. The Investment Manager also manages or serves as a subadviser to other investment vehicles, such as joint venture partnerships and other vehicles over which it provides continuous and regular supervisory management or services, but, which are not securities and therefore are not included in the Investment Manager's Form ADV.

The Investment Manager and its affiliates have created various special purpose entities to facilitate the investments of the Funds. For the Opportunistic Funds, the Funds' investments consist of direct or indirect equity investments in partnerships or limited liability companies (referred to as "Subpartnerships") that in turn invest, directly or indirectly, in real estate. Each Subpartnership invests in an existing property to be renovated, operated, sold, or otherwise disposed of. The Opportunistic Funds invest the majority of their capital commitments, through its Subpartnerships, in joint ventures with institutional financial partners in which each Fund provides a portion only of each joint venture's equity capital commitments.

The Income Fund invests substantially all of its assets in the interests of a real estate investment trust ("REIT"). The REIT in turn holds its investments through an operating partnership ("Operating Partnership"). As disclosed more fully in Item 11, below, the Operating Partnership was initially seeded by a portfolio of assets from the Opportunistic Funds (the "Seed Portfolio") as part of the initial seeding transaction ("Seeding Transaction") for the Income Fund.

The Investment Manager does not tailor its advisory services to the individual needs of investors in its Funds; the Investment Manager's investment advice and authority for each Fund is tailored to the investment objectives of that Fund. These objectives are described in the private placement memorandum, limited partnership agreement, investment advisory agreements, operating agreement, personnel and facilities agreements, shared services agreements, side letters and other governing documents of the relevant Fund (collectively, "Governing Documents"). The Investment Manager does not seek or require investor approval regarding each investment decision, except to the extent required under the applicable Governing Documents.

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letter agreements. Investors in the Funds participate in the overall

investment program for the applicable Fund and generally cannot be excused from a particular investment except pursuant to the terms of the applicable Governing Documents; however, Income Fund investors are permitted certain redemption provisions as specified in the Governing Documents. The Investment Manager has entered into side letters or similar agreements with certain investors including those who make substantial commitments of capital or were early-stage investors in the Funds, or for other reasons in the sole discretion of the Investment Manager, but in each case that have the effect of establishing rights (including preferential economic terms) under, or altering or supplementing, a Fund's Governing Documents. Such side letters are negotiated at the time of the relevant investor's commitment, and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund.

### **Principal Owners**

The Investment Manager is a wholly owned subsidiary of Cortland Holdings, LLC, a Delaware limited liability company, which is ultimately majority owned and controlled by Steven DeFrancis and entities controlled by, or under common control with, Mr. DeFrancis. For more information about the Investment Manager's owners and executive officers, see the Investment Manager's Form ADV Part 1, Schedules A and B.

### **Regulatory Assets Under Management**

As of December 31, 2018, the Investment Manager managed approximately \$7.141 billion in regulatory assets under management attributable to the Funds, all managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

Investors in the Cortland Funds pay various fees and expenses to the Investment Manager or an affiliate, as detailed in each Fund's Governing Documents. Investors should refer to the Governing Documents of the applicable Fund for a complete understanding of how the Investment Manager is compensated for its advisory services; the information contained herein is a summary only and is qualified in its entirety by such documents.

### **Management Fees**

#### *Opportunistic Funds*

The Investment Manager does not receive a management fee for the Opportunistic Funds for acting as a manager to the Funds. Rather, the Investment Manager receives carried interest and its affiliates receive compensation from Subpartnerships in which each Fund invests, as well as reimbursements for expenses incurred on behalf of the Funds.

## *Income Fund*

For the Income Fund, the Investment Manager receives a management fee according to the following schedule:

Individual Investor Capital:	Invested	Annual Percentage of NAV of Units held by such Investor	Formation Partners	Annual Percentage of NAV of Units held by such Investor
Up to and including \$50 million		1.10%	Perpetuity	0.55%
\$50 million up to and including \$100 million		0.90%		
over \$100 million		0.80%		

Management fees are paid quarterly in arrears. The General Partner is permitted, in its sole discretion, to waive all or a portion of the management fee. Management fees are generally waived for Cortland employees, affiliates and their families investing in the Income Fund. Similarly, investors in a Co-Investment Fund investing alongside an investment in the Income Fund will generally pay a reduced management fee on the co-investment portion of their investment.

## **Carried Interest**

Each Fund's General Partner is entitled to be allocated carried interest with respect to the Funds. Each Fund's carried interest arrangement differ, and each calculation is further described in the relevant Fund's Governing Documents.

## **Fund Expenses**

### *Opportunistic Funds*

The Opportunistic Funds and their Subpartnerships bear all expenses related to their operation, including but not limited to travel costs, visits to the members, the acquisition, ownership, financing, marketing, valuation and appraisal, advertising or disposition of the Funds (or its Subpartnership's) investments, expenses in connection with any borrowings of the Funds and/or the Subpartnerships, affiliate expenses, expenses relating to unconsummated transactions (including pursuit costs), consulting, custodial, bookkeeping and accounting fees and expenses, tax advice, tax projections, tax returns and K-1's, the cost of annual audits, insurance, taxes and other governmental fees and charges, officer and director insurance and bonding for handling Fund monies, the costs of verifying distributions, valuations, models and tax allocations, indemnification and insurance expenses, expenses of meetings of members and the advisory board, expenses incurred in connection with any amendments or supplements to Fund agreements or any other related document after the offering period, fees of legal counsel, litigation expenses, expenses associated with information technology and

the preparation and distribution of reports to the members, the expenses for back-office operations described above, all expenses of liquidating a Fund and any extraordinary expenses.

### *Income Fund*

Investors in the Income Fund bear all fees, costs, expenses, liabilities and obligations reasonably incurred by the Fund, the REIT, the Investment Manager, the Income Fund General Partner, their respective affiliates or other persons authorized to act on behalf of the Fund, the REIT or the Operating Partnership relating to the activities, business and operations of such entities, including:

(i) Organizational and offering expenses incurred in connection with the formation offering up to, but not exceeding, the cap with respect thereto, set forth in the applicable Governing Documents;

(ii) Organization and offering expenses incurred following the formation offering;

(iii) All costs and expenses related to the Fund's operations (whether conducted directly or indirectly through its subsidiaries), including, without limitation: (a) legal expenses (including attorney's fees); (b) the Fund management fee, the advisory fee and all fees and expenses of custodians, transfer agents, trustees, third-party administrators (including fees and expenses associated with the Fund's third-party administrator and administration, tracking or reporting software, if any), paying agents, corporate agents, auditors, appraisers, tax advisors, consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants) and similar service providers (including, without limitation, the independent valuation firm and any third party appraisal firms selected thereby); (c) expenses associated with making distributions or redemptions (including distributions of marketable securities); (d) accounting expenses, including expenses associated with audits (including the costs of independent auditor services and third party vendor price quotations, as well as any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed) or the preparation of the financial statements and tax returns and the filing of various tax withholding forms and treaty forms on behalf of the Fund, its subsidiaries or any investor therein (including without limitation, the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, other communications with investors, or any other administrative, compliance or Fund-related or investment-related regulatory filings or reports (including Form PF), or other information, including fees and costs of any third-party service providers, distribution agents and professionals related to the foregoing); (e) costs and expenses related to indebtedness of, or guarantees made by, the Fund, the Investment Manager, the General Partner or any investor that is an affiliate of the General Partner on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee, as well as financing, commitment, origination and similar fees and expenses; (f) costs and expenses related to the preparation and distribution of reports, including the cost of third party consultants, accountants or advisors with respect to the preparation of the calculations set forth



therein; (g) all expenses associated with internal valuations of the Fund's and its subsidiaries' assets; (h) costs related to risk management services and premiums and fees for insurance to benefit, directly or indirectly, the Fund, its subsidiaries, the advisory committee, the Investment Manager, the General Partner and affiliates of the General Partner with respect to liabilities to any person in connection with the affairs of the Fund and its subsidiaries and for directors' and officers' liability insurance or other similar insurance policies, including errors and omissions insurance and financial institution bond insurance (including, without limitation, directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance (including cyber insurance) and regulatory expenses, including any costs and expenses related to any retention or deductibles); (i) costs and expenses related to investor communications and meetings; (j) costs of actual or threatened litigation, arbitration, mediation or other dispute resolution proceeding involving the Fund or any of its subsidiaries or properties or other matters that are the subject of any exculpated person's indemnification rights, including, without limitation, advancing fees, costs and expenses incurred by any such exculpated person in defense or settlement of any claim that may be subject to a right of indemnification (or similar person's indemnification rights under the Governing Documents of the Fund REIT or the Operating Partnership), and the amount of any discovery costs and expenses, judgment or settlement paid by the Fund or any of its subsidiaries in connection therewith; (k) expenses incurred by the advisory committee (including, without limitation, meeting and indemnification costs); (l) expenses incurred in connection with the preparation of amendments to the Fund Governing Documents (or the Governing Documents of the Fund REIT or the Operating Partnership); (m) any costs and expenses with respect to (A) complying with any law, regulation or policy related to the activities of the Fund (including, without limitation, any legal fees and expenses related thereto and any regulatory and filing expenses of the General Partner incurred in connection with the operation of the Fund (including, without limitation, expenses associated with the reporting, filings or other ongoing compliance requirements contemplated by the rules and regulations of the U.S. Securities and Exchange Commission or the AIFMD (including, without limitation, depository (including any depository appointed pursuant to the AIFMD), Swiss representative and Swiss paying agent (appointed pursuant to the Swiss Collective Investment Schemes Act (as amended) and its implementing ordinance) trustee, record keeping, account and similar services))) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification; (n) fees and expenses relating to software tools, programs or other technology utilized in managing the Fund and its subsidiaries and researching, managing and monitoring its properties, including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs (including, without limitation, developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the investors); (o) interest on and fees and expenses arising out of all borrowings of the Fund; (p) all expenses incurred by the General Partner as the Fund representative or in a similar capacity, including, without limitation, fees of attorneys and other tax

professionals, accountants, appraisers and experts, filing fees and reasonable out-of-pocket costs related thereto; (q) printing, communications, marketing and publicity, (r) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information; (s) any costs and expenses with respect to a defaulting investor in the payment of any capital contributions, any costs and expenses with respect to amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner or the Investment Manager, including the preparation, distribution and implementation thereof; provided that, with respect to amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the General Partner, and the Investment Manager, such amendments, waivers, consents or approvals relate to the affairs of the Fund thereof; (t) any costs and expenses with respect to any third-party experts, including independent appraisers, engaged by the General Partner in connection with the Fund considering, making or holding an investment in the same entity as one or more investment vehicles (other than the Fund) managed or controlled by the General Partner or any of its affiliates; (u) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer; (v) any expenses and costs of winding-up and liquidating the Fund and its subsidiaries; and (w) any other fees, costs, expenses, liabilities or obligations approved by the advisory committee; and

(iv) All expenses related to actual and potential portfolio investments (whether to be made directly or indirectly through the Fund's subsidiaries), including, without limitation: (a) the costs and fees of researching, evaluating or investigating potential portfolio investments, including meeting with real estate brokers and other sources of portfolio investments and developing an investment pipeline (whether or not consummated, and whether or not incurred before or after formation of the Fund); (b) the costs and fees of activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to periodicals or databases), acquiring, bidding on, owning, managing, leasing, renovating expanding, monitoring, operating, holding, hedging, restructuring, trading, selling, valuing, winding up, liquidating, dissolving, or otherwise disposing of, as applicable, the Fund's actual and potential portfolio investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction is consummated and whether or not such activities are successful (reverse breakup, termination and other similar fees); (c) retainer, finder's, placement, advisor, consultant, custodian, subcustodian, transfer agent, disbursal, brokerage, registration, legal and other similar fees and expenses attributable to investments (whether or not consummated); (d) fees, costs and expenses related to the organization or maintenance of any intermediate entity used to acquire, hold or dispose of one or more portfolio investments or otherwise to facilitate the Fund's investment activities, including, without limitation, filing, title, transfer, registration and other similar fees and expenses (whether conducted directly or indirectly through its subsidiaries); (e) all travel, lodging, meals, entertainment correspondence and other transaction costs and expenses incurred in connection with the sourcing, acquisition, monitoring, ownership or disposition of any investments (whether or not consummated); and (f)

any taxes, fees or other governmental charges levied against the portfolio investments or the Fund and any other taxes, assessments, tax audit, investigation, settlement or review of the Fund (other than withheld taxes), including sales taxes payable on fees and reimbursements payable by the Fund and its subsidiaries.

For the avoidance of doubt, the General Partner and the Investment Manager shall bear: (A) their respective office space, facilities, office equipment, utility service and necessary administrative and clerical functions and similar overhead expenses as well as all other ordinary operating expenses and compensation (including benefits) of their respective employees, except as specified in the Governing Documents and as noted below; (B) any placement fees or similar fees paid to any person with respect to obtaining or soliciting subscriptions for interests in the Fund, parallel funds, alternative vehicles, feeder funds, feeder vehicles and their respective subsidiaries (including, without limitation, the Operating Partnership and the Fund REIT) at any closing thereof, if any (including Fund REIT preferred units, if issued); (C) regulatory expenses not specifically attributable to the Fund and its subsidiaries or filing expenses not related to the Fund and its subsidiaries (except as mentioned above); and (D) any organizational and offering expenses in excess of the aforementioned cap. If the General Partner establishes one or more parallel funds, alternative vehicles, feeder funds or feeder vehicles, then any fees and expenses of the types included in the foregoing clauses (ii) through (iv) that relate to the Fund and such parallel funds, alternative vehicles, feeder funds or feeder vehicles shall be allocated among the Fund and such parallel funds, alternative vehicles, feeder funds or feeder vehicles on a *pro rata* basis, based on the fund net asset value of the Fund and the respective net asset values of such parallel funds, alternative vehicles, feeder funds or feeder vehicles (or, with respect to shared investment-related fees and expenses, based on the respective investments of the Fund and each such parallel fund, alternative vehicle, feeder fund or feeder vehicle in such shared investment), and only that portion so allocated to the Fund shall constitute Fund expenses hereunder; provided that any such expenses agreed to be borne solely by the investors in any parallel fund, alternative vehicle, feeder fund or feeder vehicle shall be excluded from Fund expenses hereunder.

### **Affiliated Service Provider Fees, Expenses and Reimbursements**

The Funds and their respective Subpartnerships will retain one or more Cortland affiliates to perform services for the Funds which would otherwise be performed by unaffiliated third parties, including: development, property management, asset management, construction management, design, construction services, product and material sourcing and manufacturing, among potentially other services as may be approved by the advisory committee, (collectively, the “Affiliate Services”), at rates set forth in the Governing Documents, or as may be approved by the relevant Fund advisory board. Any such fees and reimbursements paid by a Fund or a portfolio investment to such affiliated service provider are in addition to, and will not offset, the management fee (in the case of the Income Fund) and carried interest received by the Investment Manager or its affiliates, and such fees and reimbursements will not be shared with such Fund.

The following are a description of fees paid to the Investment Manager or an affiliate, which vary across Funds:

- **Property Management Fees:** A fee equal to a percentage of the monthly gross cash receipts from operations of each investment as negotiated with each Fund.
- **Construction Management Fees:** A management fee equal to a percentage of the total hard costs for the renovation of each investment as negotiated with each Fund.
- **Asset Management Fee:** A property level fee equal to a percentage of the monthly gross cash receipts from operations of each investment as negotiated with each Fund.
- **Licensing Fees:** A licensing fee for information technology software utilized in accordance with the operation and management of the applicable asset in an amount as negotiated with each Fund.
- **Acquisition Fees:** A fee typically equal to a percentage of the total capitalization of an investment determined as of the time of acquisition and including projected capital expenditures and associated project costs as negotiated with each Fund.
- **Design Fees:** Fees for architectural and interior design services based upon services provided in amounts as negotiated with each Fund.
- **Due Diligence and Consulting Fees:** A fee and costs paid according to a predetermined rate with each Fund's investors based on a percentage of assets raised to certain entities for services provided in connection with each Fund's offering, which includes licenses of broker-dealers, accountants and other professionals.
- **Additional Affiliate Fees:** Compensation for additional services provided by a Cortland affiliate for the benefit of a Subpartnership as negotiated with each Fund.
- **Vendor Rebates:** Purchasing rebates from certain suppliers as negotiated with each Fund.
- **Reimbursement of Expenses:** Each Subpartnership and Operating Partnership will reimburse Cortland or pay to a Cortland affiliate for direct out-of-pocket expenses incurred in support of property level and construction management operational expenses as negotiated with each Fund, including, but not limited to reimbursements for compensation and employment costs of employees of property management of Cortland personnel, pest control, transportation, marketing and software services, administrative software and services and shared service costs, but excluding any reimbursement for general overhead costs.

- Pursuit Costs: Costs incurred in connection with the pursuit and acquisition of each investment in which Cortland is considering an investment up to an amount as negotiated with each Fund.
- Third Party Service Fees: Fees received from the provision by Cortland affiliates of services, products or other materials to third parties on terms and conditions negotiated on an arm's length basis. For example, Cortland's affiliate CASK Industries, LLC ("CASK") sources, procures and manufactures fixtures, products and materials used in the renovation, construction and maintenance of multifamily assets. CASK sells products, fixtures and materials sourced and/or manufactured by CASK to third parties. CASK provides the same products, fixtures or other materials to the Funds for the benefit of a portfolio investment if and to the extent such products, fixtures or other materials are made available to the Funds or portfolio investments on the same or better terms and conditions as then-currently offered by CASK to third parties.

Depending on the Fund, and as specified in each Fund's Governing Documents, a Fund on occasion will share a percentage of certain fees with affiliates or joint venture partners. Additionally, for Fund IV, (i) the Investment Manager and its affiliates is entitled to receive fees in excess of the foregoing amounts if such fees are shared *pari passu* by third party joint venture investors in a Subpartnership or otherwise approved by a super majority vote of investor members, and (ii) Cortland's portion of the foregoing fees may exceed its *pro rata* share of such fees relative to any third party joint venture investors in a Subpartnership if the Investment Manager, in its reasonable judgment, believes the benefits obtained by such payment make it of compelling interest and the Fund IV advisory board has approved the payment of such excess.

### **Co-Investment Fees and Expenses**

The Investment Manager may permit other Fund investors, affiliates or third-party investors to co-invest with a Fund in certain investment opportunities where the Investment Manager believes such co-investment could offer a strategic advantage to a Fund or for any other reason as determined by the Investment Manager or its relevant General Partner in its sole discretion. Subject each Fund's relevant Governing Documents and the Firm's policies and procedures on co-investment opportunities, such co-investors will generally participate with a Fund in any such opportunity on the same terms and conditions as the corresponding Fund and will exit such investment on substantially the same terms and conditions and at the same time as the Fund. The Investment Manager will enter into any compensation arrangements with such co-investors that it determines to be appropriate. Expenses related to portfolio investments in which a Fund invests alongside co-investors will be allocated between the Fund and any such co-investors *pro rata* based on amounts invested or expected to be invested as reasonably determined by the Investment Manager; provided that expenses related to potential co-investments that are never consummated will only be borne by a co-investor to the

extent such co-investor has contractually agreed to bear its share of such expenses. Any expenses of co-investments that are not consummated that not borne by co-investors will be borne by the Fund.

### **Advisory Board Members**

In connection with the Opportunistic Funds, Cortland or an affiliate has established an advisory board for each Fund which meets from time to time to consult on various matters related to Cortland, including but not limited to: financial statements status of existing investments; extensions of time periods; issues relating to conflicts of interest; approving financing for a proposed investment under specific circumstances; major decisions; and such other matters as Cortland or its affiliates may determine. For three of the Opportunistic Funds (specifically Funds II, III and IV), advisory board members receive no compensation for their service other than reimbursement for any costs incurred in connection with the activities of the advisory board. For one of the Opportunistic Funds (specifically Fund I), advisory board members are compensated with an annual stipend and a percentage of the Fund I General Partner's share of carried interest.

### **Allocation of Fees and Expenses**

In good faith and in its fair and reasonable discretion, the Investment Manager determines on a case by case basis whether an expense should be borne by the Investment Manager, a Fund or a portfolio investment. To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, the Investment Manager generally allocates common expenses among multiple Funds on a *pro rata* basis, based on gross assets under management as of the beginning of each month in which the expenses are paid.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

A carried interest allocation represents an adviser's compensation based on a percentage of net profits of the funds it manages. Each Fund's General Partner receives a carried interest allocation on certain realized profits in the Funds subject to an annually compounded preferred rate of return (or hurdle) and subject to reimbursement of all relevant Fund expenses. The carried interest allocated to a General Partner is subject to a potential giveback if the respective General Partner has received excess cumulative distributions. Each Fund's carried interest calculation is further described below and in more detail in the relevant Fund Governing Documents.

### *Opportunistic Funds*

The carried interest calculation of each of the Opportunistic Funds varies from 20% to 50%, subject to a designated hurdle and a General Partner catch up provision, as more fully detailed in each Fund's Governing Documents.

### *Income Fund*

At the end of each five-year period, investors in the Income Fund are obligated to pay a 10% carried interest allocation with respect to each investor's excess profit, subject to a 7% internal rate of return hurdle and a 50/50 General Partner catch up. Formation partners in the Income Fund receive enhanced economics with respect to the carried interest allocation.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner of each Fund is permitted, in its sole discretion, to waive or reduce the amount of carried interest for an investor in a Fund. Specifically, advisory board members (for the Opportunistic Funds), formation partners (for the Income Fund), principals, Cortland employees and their respective family who invest in the Funds will generally pay reduced carried interest or none at all. Similarly, investors in Co-Investment Funds generally pay a lower amount of carried interest.

The fact that the General Partner's carried interest allocations are based on the performance of each Fund can create incentive for the Investment Manager to make investments that are more speculative than would be the case in the absence of such distributions. The Investment Manager believes this incentive is sufficiently mitigated, however, due to the fact that any losses the Funds sustain will reduce the General Partner's carried interest distribution and the fact that carried interest is generally calculated only after investors have received as distribution 100% of their capital contributions plus a preferred return.

Investment opportunities which satisfy the investment parameters of more than one Fund will be allocated in accordance with the Investment Manager's policies and procedures and in accordance with the applicable Governing Documents. The Investment Manager's policies and procedures for the allocation of investments are determined by the Investment Managers' Investment Committee and Allocation Committee and are monitored by Cortland's Chief Compliance Officer.

### **Item 7 – Types of Clients**

The Investment Manager provides investment advice to the Funds. The Funds currently limit their respective investors to persons who are (i) "accredited investors" as defined in the Securities Act of 1933, as amended and (ii) "qualified clients" as defined in the Advisers Act or (iii) "qualified purchasers" or "knowledgeable employees" as defined in the Investment Company Act. Prior to registration with the SEC, the Funds permitted investors who were only "accredited investors" to invest in a Fund. Each Fund requires minimum capital commitments from an investor as detailed in the relevant Fund's Governing Documents. The Investment Manager has in the past, and may in the future, accept commitments of less than the stated minimum amount in the discretion of the applicable Fund's General Partner.

The investors participating in the Funds include individuals, other investment entities, university endowments, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and typically include, directly or indirectly, principals or other employees of Cortland and its affiliates, advisory board members and members of their families or other service providers retained by Cortland.

As mentioned in Item 5, above, the Investment Manager may permit other Fund investors, affiliates or third-party investors to co-invest with a Fund in certain investment opportunities where the Investment Manager believes such co-investment could offer a strategic advantage to a Fund or for any other reason as determined by the Investment Manager in its sole discretion. Subject to each Fund's relevant Governing Documents and the Investment Manager's policies and procedures governing co-investment, such co-investors will generally participate with a Fund in any such opportunity on the same terms and conditions as the corresponding Fund and will exit such investment on substantially the same terms and conditions and at the same time as the Fund.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **STRATEGY**

Cortland's end-to-end, owner-manager business model includes every aspect needed to conceive, create, and deliver a high-quality apartment community and resident experience, which includes target market research and resident segmentation, integrated interior and exterior design, integrated construction management services, integrated building materials, sourcing, supply chain management and integrated property management operations. Cortland believes that this integrated approach results in superior amenities relative to comparable properties and a higher quality custom product designed and built specifically with the target resident in mind. From a project execution standpoint, Cortland believes that the vertical integration model results in reduced project risk, increased speed to market, tighter quality control, significantly lower product sourcing costs, enhanced supply chain management and greater operational efficiency across the entire execution. Moreover, Cortland believes that there is much less disruption to the resident during renovation and higher overall resident satisfaction during their time living in a Cortland community. As properties move out of the renovation phase and become stable, or as more core and core plus assets are integrated into the platform, Cortland believes it will be able to further leverage its in-house capabilities to deliver efficient marketing of new properties, resident-centric hospitality and service delivery, and high-quality facility and maintenance services.

The investment strategies of the Opportunistic Funds and the Income Fund are set forth in the applicable Fund's Governing Documents. However, in general, the Opportunistic Funds pursue investments that have a higher degree of risk and correspondingly generate a higher return than the Income Fund. That risk may derive from leverage, which will be higher in the Opportunistic Funds, as well as the volatility of the underlying business plan. With respect to the business plan, the



Opportunistic investments will typically involve a lower level of in-place leasing and a more significant amount of construction or improvements contemplated, reflected in a higher amount of allocated capital to be spent post acquisition.

The Income Fund, on the other hand, is an open-end fund generally focused on acquiring stabilized or near-stabilized, income-producing assets, with the intent that such assets be acquired with generally lower leverage, which shall be 50% or less on a portfolio basis, and intended to be held for longer periods of time. Investment metrics will generally be less focused on the internal rate of return, and more focused on net operating income production and net asset value appreciation over time. The assets targeted are located in primary growth markets (Atlanta, Orlando, Dallas, Houston, Charlotte, Raleigh-Durham, Washington DC Metro and Denver), with an allocation of not more than 30% of equity capital to other growth markets (Austin, San Antonio, Phoenix, Las Vegas, and South Florida). The Income Fund will invest through a REIT, and will generally acquire 100% of the interests in the applicable asset (subject to available co-investment rights as more specifically described in the Governing Documents).

It is possible that the same asset could fit within the investment strategies of both the Opportunistic Funds and the Income Fund, however the Opportunistic Funds are closed-ended Funds with defined investment horizons which will give rise to a need to exit the investment most typically within a three to five-year timeline. Conversely, the Income Fund is open-ended and will generally represent assets intended to be held on a long-term basis. Lastly, the Opportunistic Funds typically invest, on an asset-by-asset or portfolio-by-portfolio basis, alongside third-party joint venture partners in Subpartnerships, with the Opportunistic Fund's percentage of equity invested ranging from 2.5% to 20% of the total equity required. In these cases, the Opportunistic Fund will relinquish some level of control to those third-party joint venture partners, in exchange for fees and a carried interest at the Subpartnership level, some or all of which shall be shared with the Opportunistic Fund investors in the event certain targeted returns are achieved at the Subpartnership level.

The applicable Governing Documents of each Fund set forth more detailed descriptions of each Fund's investment strategies and methods of analysis. There can be no assurance that the Funds will achieve their investment objectives and a loss of investment may be possible.

## **RISKS**

An investment in the Funds involves a high degree of risk, including the risk of a partial or total loss of capital, and investors must be prepared to bear capital losses which might result from investments. An investment in the Funds is speculative, illiquid and long-term in nature, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Funds. Investors should also refer to a Fund's Governing Documents for a description of the risk factors specific to their Fund.

Risks and potential conflicts of interest of both the Opportunistic Funds and the Income Fund include, but are not limited to, the following:

**General Investment Risks**

***Insufficient Cash Flow.*** A Fund's ability to access private debt and equity capital on favorable terms or at all is dependent upon a number of factors, including general market conditions, the market's perception of a Fund's growth potential, and a Fund's current and potential future earnings and cash distributions. If a Fund cannot obtain sufficient capital on favorable terms when needed, it may not be able to execute its business and growth strategies, satisfy its debt service obligations, make the cash distributions to shareholders for the Fund REIT to qualify as a REIT, or fund other business needs, which could have a material adverse effect.

In the event that a Fund does not have sufficient cash available to it through its operations to continue operating its business as usual, the Fund will likely need to find alternative ways to increase its liquidity. Such alternatives include, without limitation: divesting itself of properties, whether or not they otherwise meet the Fund's strategic objectives to keep in the long term, at less than optimal terms; incurring debt; entering into leases with its tenants at lower rental rates or less than optimal terms; or entering into lease renewals with its existing tenants without an increase in rental rates. There can be no assurance, however, that such alternative ways to increase a Fund's liquidity will be available to the Fund. Additionally, taking such measures to increase a Fund's liquidity can adversely affect its business, results of operations, and financial condition.

***Restrictions on Transfers; Illiquidity.*** No public or private market presently exists for the units being offered. The units have not been, and it is not presently contemplated that they will be, registered under the Securities Act. Accordingly, it is not likely that a public market or an active private market will develop or that there will ever be an active volume of trading of the units. Transferability of the units is subject to compliance with applicable securities laws and tax law requirements and the consent of the relevant Fund General Partner, both as to the transfer and to the substitution of the transferee as an investor.

***Risk of Unspecified Investments.*** There is no information as to the nature and terms of any future investments that the Funds will make that an investor can evaluate when determining whether to invest in a Fund, and investors will not generally have an opportunity to evaluate for themselves or to approve the investments. Additionally, it is possible that a Fund will assume known, unknown or contingent liabilities in connection with future acquisitions. The Investment Manager will have complete discretion regarding properties to be acquired by the Funds, subject to the terms of the Governing Documents and the Funds' investment objectives and strategies. Investors must rely solely on the General Partners and the Investment Manager with respect to the selection, amount, character and economic merits of each potential investment.

In addition, the return from an investment in a Fund will depend, in part, on the timing of a Fund's investment of the capital contributed to the Fund. There is a risk that the Funds will not always be successful in acquiring properties that satisfy its investment criteria when the Fund is in competition with prospective purchasers seeking to acquire the same property. Such unsuccessful acquisition attempts will nevertheless result in expenses related to such transactions becoming payable by the Funds.

***Short-Term Investments.*** Working capital as well as the net cash flow from the operation, sale or refinancing of the Funds' investments or the issuance of units are permitted to be invested in short-term investments pending the application thereof to real estate investments, ongoing operating expenses, repairs or improvements or monies held by the Funds (including any reserves). These short-term investments can include, without limitation, debt obligations issued or guaranteed by the U.S. government (or any agency or instrumentality thereof), certificates of deposit, bank investment contracts or bankers' acceptances, high-quality commercial paper, shares of money market mutual funds that invest only in high-quality, short-term instruments and certain mortgage-related securities or mortgages that are eligible REIT investments and that are deemed by the Investment Manager to be sufficiently liquid or to have short enough maturities to be consistent with the Funds' objectives. The returns from these investments are likely to be lower than the returns from real estate investments.

***Litigation.*** In the ordinary course of its business, the Funds and their properties may be subject to litigation from time to time. The outcome of such proceedings can materially adversely affect the value of a Fund and its properties and can continue without resolution for extended periods of time. Any litigation may require the time, attention, and resources of a General Partner, the Investment Manager, and the Fund.

***Diversification of Risk.*** Although it is anticipated that the Funds' investments will ultimately consist of a diversified portfolio of real estate, no assurance can be given that a Fund will achieve its overall diversification goals within this product type. The ability of the Investment Manager to diversify the risks of making investments depends upon a variety of factors, including the location, type, size, and quality of the property being acquired as well as the market characteristics that drive rental demand. As the Funds concentrate their investments in a limited number of properties or geographic areas, they will be subject to certain risks relating to concentrated investments. The Funds' revenue from, and the value of, their properties located in any single concentrated region can be affected disproportionately by a number of factors, including local real estate conditions (such as oversupply of or reduced demand for such properties) and the local economic climate. Business layoffs, downsizing, industry slowdowns, changing demographics, and other factors can adversely impact the local economic climate. A downturn in either the local economy or in general real estate conditions for any market in which the Funds' investments are concentrated could adversely affect the Funds' financial condition, results of operations, cash flow, and ability to make distributions to investors. In addition, the aggregate returns realized by a Fund can be adversely affected by the unfavorable

performance of any of its assets, and at any time that a Fund owns a smaller number of assets, it will be particularly susceptible to the risk of underperformance of any single asset.

***Concentration in Multifamily Assets.*** The Funds' strategy focuses primarily on the acquisition and ownership of multifamily communities in the southeastern and southcentral United States. As a result, the Funds will be subject to risks inherent in investments in a single industry, and a decrease in the demand for multifamily communities would likely have a greater adverse effect on the Funds' rental revenues than if the Funds owned a portfolio more diversified among multiple real estate asset classes. Reductions in spending, reduced home prices, and slow growth in employment, together with the price volatility, dislocations, rising interest rates (or anticipated rising interest rates), and liquidity disruptions in the financial and credit markets, as well as the rate of household formation or population growth in the Funds' markets, changes in supply of, or demand for, similar or competing multifamily properties in an area, could all adversely affect demand for multifamily living opportunities. Alternatively, a favorable interest rate environment combined with a slower than expected recovery in housing prices could result in a significant number of potential residents of the Funds' multifamily communities deciding to purchase homes instead of renting, which could also cause the Funds' rental revenue to decrease. Rent control or stabilization laws, or other laws regulating rental housing, could prevent Cortland from raising rents at the Funds' multifamily communities to offset increases in operating costs. Any of these factors could impair the Funds' ability to make distributions to its investors.

***Availability of Suitable Investments.*** The identification and acquisition or redevelopment of appropriate properties which satisfy the Funds' performance objectives is difficult and involves a degree of uncertainty. Such properties may become available for redevelopment or purchase only occasionally, and the Funds may not always be able to acquire such properties on favorable terms. There can be no assurance that the Investment Manager will be able to identify and complete investments that meet the performance objectives or that the Investment Manager will be able fully to invest the Funds' available capital. The Funds encounter competition in connection with their selection of properties from other institutional investors, some of which may have greater financial and other resources than Cortland. Consequently, there is a risk that a Fund may not always be successful in acquiring properties that satisfy its investment criteria when the Fund is in competition with prospective purchasers seeking to acquire the same property. Such unsuccessful acquisition or redevelopment attempts may nevertheless result in expenses related to such transactions becoming payable by a Fund. There can be no assurance that there will be a sufficient number of suitable properties available for acquisition, redevelopment or investment by the Funds or that the investments made by the Funds will generate the targeted rate of return on invested capital.

***Limited Rights; Dependence on the General Partner and Manager.*** All investment decisions will be made by the General Partners and the Investment Manager. An investor will have no right to take part in an investment or other decision on behalf of the Funds, and will have no right to take part in the management of, or otherwise control the business of, the Funds. Accordingly, no investment

should be made unless the investor is willing to entrust substantially all aspects of investment, management, and administration to the General Partners and the Investment Manager.

***Dependence on Key Personnel.*** The success of the Funds also depends in substantial part upon the skill and expertise of Cortland's principals, other members of the management team, and others providing investment advice or other services with respect to the Funds. Should one or more of these individuals become incapacitated or in some other way cease to be associated with Cortland or participate in the Funds, the performance of a Fund could be materially adversely affected. In particular, the loss of services from key members of senior management or a limitation on their availability could adversely impact the Funds' financial condition, results of operations, cash flow and the value of its units. In addition, although Cortland believes that these individuals have considerable expertise in the relevant sectors, there are no means of predicting whether they will successfully implement the Funds' investment strategy, especially during changing economic conditions.

***Difficulties in Retaining Employees.*** There can be no assurance that the Funds will be able to retain Cortland's management team, or that any or all of the benefits of such retention will be realized on a timely basis or at all. The ability of Cortland to retain such personnel or to attract suitable replacements should any such persons leave is dependent on the competitive nature of the employment market. The failure to retain employees or a limitation on their availability could result in higher operating expenses and disrupt the management of the Funds and could have a material adverse effect on the Funds' financial condition, results of operations, cash flow and ability to make distributions to investors.

***Diverse Investor Group.*** The investors in the Funds will include taxable and tax-exempt entities and includes persons or entities located or organized in various jurisdictions. As a result, conflicts of interest can arise in connection with decisions made by a General Partner that can be more beneficial for one type of investor than for another type of investor. In selecting investments, the General Partners consider the performance objectives of each Fund as a whole, not the performance objectives of any investor individually.

***Projections.*** The Funds rely upon projections, forecasts or estimates developed by Cortland concerning an investment's future performance and cash flow. Actual results are difficult to predict and may depend upon factors that are beyond Cortland's control. Actual events can differ from those assumed. Further, it can be expected that one or more of the assumptions, projections or estimates on which such information is based will vary significantly from actual events, and such variances will likely increase over time. Some important factors that could cause actual results to differ materially from those in any forward-looking statements include, but are not limited to, the following: changes in interest rates; financial, market, economic, or legal conditions, including the availability of leverage; the allocation of the Funds' investments among acquisition, development and redevelopment opportunities; and differences in the actual allocation of the Funds' investments among investment structures (*e.g.*, debt or equity) from those assumed herein among others. In addition, the degree of

risk will be increased as a result of leveraging the Funds' investments. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than those estimated herein.

Projections are inherently subject to uncertainty and factors beyond the control of the Investment Manager. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of an investment to realize projected values and cash flow, which could cause the value of the Funds' investments to decline from anticipated values that were based upon such projections. Investors should conduct their own analysis of the Funds, using such assumptions as they deem appropriate, in making an investment decision.

***Limitation of Recourse and Indemnification of General Partners and Cortland.*** The Governing Documents limit the circumstances under which the General Partners, Cortland, and their affiliates will be held liable to the Funds. As a result, investors will have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Governing Documents provides that the Funds will indemnify the General Partners, Cortland, and their affiliates for certain claims, losses, damages, and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations have the potential to materially impact the returns to investors.

***Use of Valuations.*** Cortland uses real estate valuations for several purposes, including in determining the fair market value of assets held by the Funds, in determining value for purposes of the issuance of units and in calculating the compensation of the General Partners and Cortland. An appraisal or valuation is only an estimate of value and is not a precise measure of realizable value. Appraised or otherwise determined values do not necessarily represent the price at which a real estate investment would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. As a result, if the Funds were to liquidate a particular real estate investment, the realized value may be more or less than the appraised value or valuation of such asset. Appraised values that are higher than realizable values could result in greater management fees or carried interest and in a Fund paying a higher price to redeem units than if such distributions or redemption prices were paid based on realized value following the sale of such assets.

***System Failure or Cyber Security Attacks.*** Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for the Funds' internal and hosted information technology systems, Cortland's information systems are vulnerable to damages from any number of sources, including energy blackouts, natural disasters, terrorism, war, telecommunication failures and cyber security attacks, such as computer viruses or unauthorized access. Any system failure or accident that disrupts the Funds' operations could result in a material disruption to the Funds. The Funds may also incur additional costs to remedy damages caused by such disruptions. Any compromise of Cortland's security could result in a violation of applicable privacy and other laws, unauthorized access to information of the Funds and the Funds investors and others, significant legal

and financial exposure, reputation damage, loss or misuse of the information and a loss of confidence in Cortland's security measures, which could harm the Funds' business.

### **Risks Related to Real Estate Investments of the Funds**

***Investment in Real Estate Generally.*** The Funds invest in equity ownership interests in real estate as part of its investment strategy. Accordingly, these investments are subject to the risks incident to the ownership of real estate and, to the extent the investments are leveraged, the risks incident to borrowing funds, including risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers, and sellers of properties, supply of or demand for competing properties in an area, technological innovations that dramatically alter space and demand requirements, the availability of financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks, government regulations, environmental laws and regulations, zoning laws, environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, changes in the relative popularity of property types and locations, risks due to dependence on cash flow, and risks and operating problems arising out of the presence of certain construction materials, force majeure, acts of war (declared and undeclared), terrorist acts, strikes and other factors which are beyond the control of the Funds. Furthermore, there can be no assurance that there will be tenants for the properties.

***Costs of Operating Real Estate Investments.*** The cost of operating a property, including providing for capital improvements, may exceed the property's rental income and operating resources, and the Funds may have to advance funds to protect an equity investment or may be required to dispose of investments on disadvantageous terms if necessary to raise needed funds. Certain expenditures associated with real estate equity investment, such as property taxes, utility costs, debt service, maintenance costs and insurance, tend to increase and generally do not decrease as a result of events adversely affecting rental revenues. Moreover, while Cortland generally intends for the Funds to purchase insurance to cover casualty losses and general liability, such insurance may not be available, may be available only at prohibitive costs or may be insufficient to cover losses from ongoing operations and other risks such as earthquake, flood or environmental contamination.

***Underlying Demographic Characteristics.*** Over the long term, Cortland believes strong underlying demographic characteristics and trends in multifamily markets in which the Funds invest will increase demand for multifamily units and result in higher rental rates and reduced vacancies. In the event that this is not the case, the Funds' ability to effect its growth strategies would be adversely affected.

***Real Estate Illiquidity.*** Real estate investments are relatively illiquid. The ability of the Funds to vary or dispose of its investments in response to changes in economic and other conditions will be

limited. No assurances can be given that the fair market value of any real property acquired by the Funds will not decrease in the future or that a Fund will recognize full value for any property that a Fund is required to sell for liquidity reasons. It is possible that the Funds will not be able to dispose of properties on timeframes with respect to which it desires to do so, or at all.

***Actions by Competitors.*** The Investment Manager intends to cause the Funds to acquire multifamily communities in the southeastern and southcentral United States. The acquisition of multifamily properties entails various risks, including risks that investments will not perform as expected. Further, the Funds will face competition for attractive investment opportunities from other real estate investors, including local real estate investors and developers, as well as multifamily residential property sector REITs, income-oriented non-traded REITs and private real estate fund managers, some of which own properties similar to the Funds' properties in the same submarkets in which the Funds' properties are located. The Funds' properties compete on the basis of a wide range of factors, including location, age, functionality, construction quality, maintenance and design. If a Fund's competitors sell assets similar to assets the Fund intends to divest in the same markets and/or at valuations below the Fund's valuations for comparable assets, the Fund may be unable to divest its assets at favorable pricing or on favorable terms or at all. In addition, if a Fund's competitors offer space at rental rates below current market rates or below the rental rates a Fund currently charges its customers, the Fund may lose potential customers, and the Fund may be pressured to reduce its rental rates below those the Fund currently charges in order to retain customers when its customers' leases expire. As a result, the Funds' financial condition, results of operations, cash flow and ability to make distributions to investors in the Funds could be materially adversely affected.

***Possible Inability to Renew Leases or Relet Space as Leases Expire.*** The Funds will derive most of their income from rent received from the tenants of the properties. Substantially all of the leases for multifamily units are expected to be short-term leases (generally, one year or less in duration). Multifamily residents can leave after the end of their lease term without any penalty. As a result, the Funds' rental revenues may be impacted by declines in market conditions more quickly than if the leases for multifamily units were for longer terms. Accordingly, the Funds' financial condition, results of operations, cash flow and its ability to make distributions to investors could be adversely affected if they are unable to promptly relet or renew expiring leases, or if the rental rates upon renewal or reletting are significantly lower than expected. There can be no assurance that the Funds will be able to lease their vacant space, renew their expiring leases, increase their occupancy or generally realize the potential of low-yielding assets (including the completion and leasing of their renovation projects and leasing of their vacant and under-leased buildings). Further, the Funds' ability to rent space and the rents that they can charge are impacted, not only by customer demand, but by the number of other properties they have to compete with to appeal to customers.

***Possible Need to Make Significant Expenditures to Retain and Attract Tenants.*** The Funds may, upon expiration of leases at their properties, be required to make rent or other concessions to customers, accommodate requests for renovations and other improvements or provide additional



services to the Funds' customers. As a result, the Funds may have to make significant capital or other expenditures in order to retain customers whose leases expire and to attract new customers in sufficient numbers. Additionally, the Funds may need to raise capital to make such expenditures. If a Fund is unable to do so or capital is otherwise unavailable, the Fund may be unable to make the required expenditures. This could result in non-renewals by customers upon expiration of their leases, which could materially and adversely affect a Fund's financial performance.

***Potential Inability to Complete Divestitures on Advantageous Terms.*** Although the Funds will generally target investments for long term hold periods, they will divest themselves of properties when the General Partner believes it is the appropriate time to sell a property or when the General Partner determines that a property no longer meets a Fund's strategic objectives, provided that the General Partner can negotiate acceptable terms and conditions for the divestiture. The Funds' ability to dispose of properties on advantageous terms depends on factors beyond their control, including competition from other sellers, and the availability of attractive financing for potential buyers of the properties. If a Fund is unable to dispose of properties on favorable terms, then its financial condition, results of operations, cash flow and ability to make distributions to investors could be adversely affected.

***Contingent or Unknown Liabilities.*** It is possible that the Funds will in the future acquire properties or entities subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against a Fund based upon ownership of any of these properties or entities, then it might have to pay substantial sums to settle such claim, which could adversely affect its cash flow. Unknown liabilities with respect to the Funds' properties or entities acquired can include title defects, title disputes, liens, servitudes or other encumbrances, liabilities for clean-up or remediation of undisclosed environmental conditions, losses in excess of insured coverage, claims of customers, vendors or other persons dealing with the Funds' predecessors prior to the formation transactions or the former owners of the properties, accrued but unpaid liabilities incurred in the ordinary course of business, tax, legal and regulatory liabilities and claims for indemnification by the General Partners, officers and directors and others indemnified by the Funds' predecessors or the former owners of the properties.

Although Cortland undertakes due diligence investigations which the Funds believe to be reasonable, the Funds cannot assure their reviews, surveys or inspections would have revealed any or all defects or deficiencies affecting the applicable properties, including to the title thereof and existing environmental contamination or hazardous substances thereon.

***Risks of Leverage.*** The Funds' investment strategy assumes leverage in making investments. The Funds' ability to access private debt and equity capital on favorable terms, or at all, is dependent upon a number of factors, including general market conditions, the market's perception of the Funds' growth potential and the Funds' current and potential future earnings and cash distributions. Because the Funds intend to utilize a leveraged capital structure, a third party would be entitled to cash flow

generated by such investments prior to a Fund receiving a return. While such leverage can increase returns or the funds available for investment by a Fund, it also will increase the risk of loss on a leveraged investment. Indebtedness may be incurred in connection with the operations of the Funds.

The use of leverage involves a high degree of financial risk and can increase the effect on the properties of factors such as rising interest rates, downturns in the economy or deterioration in the condition of the properties. Continued lagging growth and future adverse economic conditions could result in higher interest rates which could increase debt service requirements on floating rate debt and could reduce the amounts available for distribution to investors. In addition, a Fund may incur yield maintenance penalties or costs if it borrows or assume fixed rate debt. Continued lagging growth and future adverse economic conditions also could cause the terms on which borrowings become available to be unfavorable. Principal and interest payments on any indebtedness would have to be made when they become due and payable regardless of whether sufficient cash is available. In addition, to the extent that a Fund obtains a credit facility that is secured by the investors' funding obligations, under certain circumstances, the investors could be required to contribute capital to a Fund to enable it to meet its obligations under such credit facility. If sufficient cash flow is not available to meet principal and interest payments, a default in paying such principal and interest could result in foreclosure of any security instrument securing the debt, the complete loss of the capital invested in the particular property and, in some cases, recourse by the lender to other properties. Certain tax-exempt investors can be subject to unrelated business taxable income because of the Funds' use of leverage.

***Variable Rate Indebtedness.*** The Funds acquire investments subject to financing that provides for adjustments in the interest rate at various monthly, annual or other intervals. An increase in the interest rate as a consequence of such adjustment (i) would result in less income to a Fund, (ii) may reduce distributions to investors, (iii) may cause negative amortization, and (iv) may cause a Fund to determine to sell an investment prematurely or on less favorable terms than might otherwise be obtained. Similarly, with respect to debt held by a Fund that is based on variable interest rates, the Fund is subject to the risk that such interest rates may decline.

The Funds are permitted to employ a hedging strategy to protect against variable interest rate risk and certain of the Funds' borrowings may contain covenants requiring the Fund to employ hedging techniques. The use of hedging techniques carries certain risks, including the risk of counterparty failure, the risk that losses on a hedge position will reduce the Fund's earnings and funds available for distribution to investors, and indeed, that such losses will exceed the amount invested in such instruments. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment.

***Conduit Loan.*** A type of mortgage loan that often is used to finance commercial real estate is a so-called "Conduit Loan." A Conduit Loan is a mortgage loan that has been sold, often in a pool of mortgage loans, to secure a bond portfolio. The mortgage then is owned by a trustee for the benefit of bondholders and is serviced by a mortgage loan servicer that has limited authority to make any

investment decisions concerning the individual mortgage that may encumber a property. It is possible that properties that the Funds will invest in may be encumbered by Conduit Loans.

Conduit Loans generally are not prepayable during their terms and have severe restrictions on sale of the properties and the entities that own the properties and subordinate financing. These restrictions will adversely affect the Funds' ability to sell or refinance properties during the terms of the Conduit Loans.

Conduit Loans, like other commercial mortgages, include numerous covenants and restrictions affecting the ownership and operations of the properties, in certain circumstances restricting distributions. With respect to a property subject to a Conduit Loan, the Funds will need to obtain the mortgage holder's consent to take any action which is restricted by the mortgage loan. Obtaining such consent, however, may be difficult because the servicer is limited in its ability to make decisions not expressly allowed under its contract with the bondholders. Inability to obtain the mortgage holder's consent to actions can adversely affect the financial performance of the properties and expose the properties to defaults under the conduit mortgage.

Many Conduit Loans will require that the borrower has a general partner or a manager or entity that has an independent director whose consent is required in order for the borrower to seek the protection of the bankruptcy laws to avoid foreclosure. Inability to use the bankruptcy laws to protect the Funds' equity against foreclosure is a substantial detriment to a Fund in circumstances when a foreclosure could be avoided when additional time is needed to allow a Fund to consummate a transaction or to allow market conditions to improve to avoid foreclosure.

The Funds are not restricted from obtaining mortgage loans that may be packaged into Conduit Loans and sold. Accordingly, the ability of Cortland to refinance properties, to prepay mortgages, or to sell or otherwise dispose of properties, in each case when it may otherwise be in the best interests of the Funds and its investors to do so, may be restricted, which could reduce the value of an investment in a Fund or a Fund's ability to make distributions to its investors.

***Refinance Risk.*** The Funds may repay only a small portion of the principal of its debt prior to maturity. Accordingly, the Funds may need to refinance at least a portion of their outstanding debt as they mature. The Fund may not be able to refinance existing debt and the terms of any refinancing may not be as favorable as the terms of its existing debt. This risk may be exacerbated by continued lagging growth and future adverse economic conditions. If a Fund is unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, then a Fund's cash flow may not be sufficient to make distributions to investors and to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make residential real estate loans) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase.

***Covenants in Debt Agreements.*** The terms of the Funds' credit agreements and other indebtedness may require that the Funds comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit flexibility in the Funds' operations, and its failure to comply with these covenants could cause a default under the applicable debt agreement even if they have satisfied their payment obligations. The Funds are permitted to incur pooled or cross-defaulted debt financing. If a Fund defaults on any of these loans, it may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all the cross-collateralized properties within the applicable pool. Foreclosure on the properties, or its inability to refinance its loans on favorable terms, could adversely impact a Fund's financial condition, results of operations, cash flow and ability to make distributions to investors. Moreover, if the Funds' subsidiaries that are borrowers under cross-collateralized mortgage loans fail to maintain certain cash flow minimums or a debt service coverage ratio, the cash generated by those subsidiaries will be restricted and unavailable for use. If the pools under these mortgage loans were to fail to maintain the applicable cash flow minimums or debt service coverage ratio, the Funds' ability to make distributions to Fund investors would be materially limited. In addition, the Funds' credit agreements may contain certain cross-default provisions, which would be triggered in the event that its other material indebtedness is in default. These cross-default provisions could require a Fund to repay or restructure indebtedness under such credit agreements in addition to any mortgage or other debt that is in default, which could adversely affect a Fund's financial condition, results of operations, cash flow and ability to make distributions to investors.

***Risks of Secured Indebtedness.*** The Funds may grant certain of its lenders security interests in certain of its assets and real property, including certain cross-collateralized and cross-defaulted pools of real property. Incurring secured indebtedness, including mortgage indebtedness, increases the Funds' risk of asset and property losses because defaults on indebtedness secured by its real property may result in foreclosure actions initiated by lenders and ultimately our loss of the property or other assets securing any loans for which a Fund is in default. Any foreclosure on a mortgaged property or group of properties could have a material adverse effect on the overall value of the Funds' properties and more generally on the Fund. For tax purposes, a foreclosure of any of the Funds' properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the indebtedness secured by the mortgage. If the outstanding balance of the indebtedness secured by the mortgage exceeds a Fund's tax basis in the property, the Fund would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could materially and adversely affect the Fund and distributions to investors.

***Dislocations in Credit Markets and Real Estate Markets.*** Domestic and international financial markets have in recent years experienced significant dislocations brought about in large part by failures in the United States and European banking systems, as well as other crises in the Eurozone, some of which are ongoing. These dislocations have impacted the availability of credit and lenders' underwriting standards. Constraint in the credit markets, particularly if such constraint focuses on the

product type that consist of multifamily properties, which are the Funds' targeted asset class, may hinder the Funds' ability to borrow monies to finance the purchase of, or other activities related to, its multifamily communities. If a Fund is unable to borrow monies on terms and conditions that the Investment Manager finds acceptable, the Fund likely will have to reduce the number of properties it can purchase, and the return on the properties the Fund does purchase may be lower. Also, if the values of a Fund's properties decline, it may be unable to refinance all of the Fund's debt as it matures. All of these events would have a material adverse effect on the Funds' results of operations, financial condition, and ability to pay distributions.

***Non-Controlled Investments.*** The Funds invest in joint ventures with third parties. There may be shared or limited control with respect to such investments. Those investments may involve risks not present in other types of investments, such as the possibility that the other party(ies) may become bankrupt or have economic or business interests or goals inconsistent with those of Cortland. Actions taken by those persons may subject the investment to liabilities in excess of or other than those contemplated by Cortland. In certain circumstances, a Fund may be liable for actions of its co-venturers or partners. It may also be more difficult for the Investment Manager to sell the interests in those investments. If control over an investment is shared with another person, deadlocks could result which could delay the execution of the business plan for the investment, require the Fund to engage in a buy-sell of the venture with the co-venturer or partner, conduct the forced sale of such investment or otherwise adversely affect the investment's returns or value. In addition, joint ventures and other entities in which a Fund invests typically provides compensation to the other joint venturer or other parties in connection with the acquisition, financing, asset management, property management, development, construction, and disposition of investments.

***Inability to Pass Through Increases in Operating Expenses and Other Real Estate Costs.*** The Funds are limited in their ability to pass through to tenants under existing leases any increases in operating expenses, taxes, including real estate, and income taxes, or other real estate related costs. Unless a Fund is able to offset any unexpected costs with sufficient revenues through new leases or tenants, the Fund may be materially and adversely affected by increases in operating expenses.

***Contingent Liabilities Relating to Dispositions of Properties.*** In connection with any disposition of an investment, a Fund may be required to make representations about the investment. A Fund also may be required to indemnify the purchaser of the investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which a General Partner may establish reserves or escrow accounts. Under the Delaware Revised Uniform Limited Partnership Act (the "Act"), each investor that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund.

***Compliance with Local Regulatory Requirements.*** The Funds' properties are subject to various covenants and local laws and regulatory requirements, including permitting and licensing

requirements. Local regulations, including municipal or local ordinances, zoning restrictions and other restrictive covenants imposed by local authorities or private community organizations may restrict the use of the Funds' properties and may require a Fund to obtain approval from such bodies at any time with respect to a Fund's properties, including prior to acquiring or developing such properties or when developing or undertaking renovations of such properties. Among other things, these restrictions may relate to fire and safety, seismic, asbestos-cleanup or hazardous material abatement requirements. The Funds cannot assure that existing regulatory policies will not adversely affect a Fund or the timing or cost of any future acquisitions, developments or renovations, or that additional regulations will not be adopted that would increase such delays or result in additional costs. The Funds' strategy may be materially and adversely affected by its ability to obtain permits, licenses and zoning approvals. The Funds' failure to obtain such permits, licenses and zoning approvals could have a material adverse effect on its financial performance.

***Environmental Matters.*** Real property is subject to U.S. federal and state environmental laws, regulations, and administrative rulings which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Real property owners are subject to U.S. federal and state environmental laws which impose joint and several liability on past and present owners and users of real property for hazardous substance remediation and removal costs. Therefore, there may be exposure to substantial risk of loss from environmental claims arising in respect of any property with undisclosed or unknown environmental problems or as to which inadequate reserves have been established. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the Funds' liability as to any property is generally not limited under such laws and regulations and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the owner's ability to sell or lease the property or to borrow using the property as collateral. The Funds also may be liable for environmental contamination of properties that are sold or for the release of hazardous or toxic substances from such properties. Some laws and regulations impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species.

It is possible that future environmental laws, ordinances or regulations or new interpretations of existing environmental laws, ordinances or regulations will impose material environmental liabilities on the Funds. The environmental conditions of Fund properties could be affected adversely by hazardous substances associated with other nearby properties or the actions of third parties unrelated to the Fund. Tenants may engage in activities prohibited by their leases or otherwise expose the Funds to liability under applicable environmental laws, ordinances or regulations. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. The costs of defending any future environmental

claims, performing any future environmental remediation, management or removal, satisfying any such environmental liabilities or responding to any changed environmental conditions could materially adversely affect the Funds' financial condition, results of operations, cash flow and the ability to make distributions to investors.

The Funds may engage environmental experts to conduct such on-site studies and studies of the history and current usage of properties as they deem appropriate, and the Funds plans to take into account the cost of remediating or managing any identified contamination or other environmental concern in determining whether to make an investment. However, environmental studies cannot guarantee that a Fund will be aware of all contamination at the properties it acquires and the costs of removal, management or remediation, either because such conditions were latent or because of changes in laws and regulations.

***Harmful Mold and Other Issues.*** When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses, and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the Funds' properties could require a Fund to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property, increase indoor ventilation, necessitate the temporary relocation of some or all of the property's tenants, or in extreme cases require extensive rehabilitation of the affected property. In addition, the presence of significant mold or other airborne contaminants could expose the Funds to liability from their tenants and others if property damage or health concerns arise. No assurances can be made that the Funds will have full coverage under their existing policies for property damage or liabilities to third parties arising as a result of exposure to mold or a claim of exposure to mold at a particular property.

***Reliance on Third Party Information Subject to Significant Uncertainties.*** The Funds will obtain engineering and environmental reports to assist in determining whether to acquire properties and how to operate properties the Funds will own. However, these reports are not intended to be a representation as to the past, present or future value or engineering and environmental condition of the relevant property. Furthermore, different review methodologies or different sets of assumptions could affect the results of such reports and the conclusions drawn from them. Thus, different experts reviewing the same property could reach significantly different conclusions.

Engineering and environmental risks are often hidden or difficult to evaluate, and engineering and environmental reports may not meaningfully assess such risks. If a Fund were to discover any significant, unidentified engineering or environmental liabilities, the value of the affected property

could fall, the Fund may be required to incur additional costs and discharge of the liability could be time consuming.

In addition, the Funds often rely on certain market reports and industry and market data and analyses obtained from independent third-party industry sources in order to make property investment and operating decisions. The Funds generally do not independently verify the data or analyses obtained from these sources, and such data and analyses reflect the particular assumptions, estimates and judgments used by these sources at such times. Thus, the Funds cannot assure that any industry and market data and analyses obtained from these sources are accurate evaluations of the relevant market conditions at the time a Fund uses them to make investment or operating decisions. If any of these data or analyses proves to be incorrect, misleading or incomplete, any decisions a Fund makes in reliance on such data or analyses expose the Fund to potential risks. For example, a Fund may be induced to make certain investments at prices that are too high, to sell certain other investments at prices that are too low or to miss favorable opportunities altogether.

***Insurance May Not Cover All Losses.*** Uninsured and underinsured losses could harm the Funds' financial condition, results of operations, and ability to make distributions to its investors. Various types of catastrophic losses, such as losses due to wars, riots, nuclear reaction, terrorist acts, earthquakes, floods, hurricanes, pollution or environmental matters, generally are either uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. In the event of a catastrophic loss, the Funds' insurance coverage may not be sufficient to cover the full current market value or replacement cost of its lost investment. Should an uninsured loss or a loss in excess of insured limits occur, a Fund could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment. In that event, a Fund might nevertheless remain obligated for any notes payable or other financial obligations related to the investment. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the properties pledged as collateral for loans and other factors might also keep the Funds from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds a Fund receives might be inadequate to restore the Fund's economic position on the damaged or destroyed investment.

### **Tax Considerations and Other Regulatory Risks**

#### ***An Investor's Tax Liability Could Exceed Cash Distributions Received from the Fund.***

Investors will recognize their allocable share of a Fund's income, gain, loss, deductions and credits each year whether or not they receive any cash distributions from the Fund. There is no assurance that a Fund will be profitable or be able to make annual distributions in any amount, and the General Partner may cause the Fund to retain and reinvest substantially all of the net proceeds from sales or other dispositions of properties, as well as dividends, interest and other income. If a Fund REIT does not have sufficient cash in order to make distributions equal to its net taxable income and its capital



gain income or the Fund REIT otherwise determines not to make cash distributions, the Fund expects to agree with the Fund REIT to accept a consent dividend, in which case the Fund REIT will be treated as making a distribution, and the Fund will be treated as receiving a distribution, equal to the amount of the consent dividend, without receiving any related cash distributions from the Fund REIT.

Accordingly, investors may be required to pay taxes on their income from their investment in a Fund for any taxable year, without having any cash distributions from the Fund with which to pay such taxes, and in such event, investors will have to utilize other means with which to satisfy such tax liabilities. Moreover, in the event that an asset of a Fund is subject to any indebtedness at the time it is sold, the gain from such sale that is allocated to investors may exceed the amount of the cash proceeds distributed to investors by the Fund.

***Property Taxes Decrease Returns on Real Estate.*** Real property owned by the Funds likely will be subject to real property taxes and, in some instances, personal property taxes or franchise taxes. Such real and personal property taxes and franchise taxes may increase as property tax or franchise tax rates change and as the properties are assessed or reassessed by taxing authorities. An increase in property taxes on or franchise taxes related to the Funds' real property could affect adversely the Funds' financial condition, results of operations, cash flow and ability to make distributions to investors and could decrease the value of that real property.

***Recent Tax Reform Legislation and Possible Legislative or Other Developments.*** All statements contained herein concerning the U.S. federal income tax consequences of an investment in the Funds are based upon existing law and the interpretations thereof. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the Service and the U.S. Department of Treasury, resulting in revisions of established interpretations of the law as well as statutory changes. In particular, recent tax reform legislation, which generally takes effect for taxable years beginning on or after January 1, 2018 (subject to certain exceptions), makes many significant changes to the U.S. federal income tax laws that will profoundly impact the taxation of individuals, corporations and taxpayers with overseas assets and operations. A number of changes that affect noncorporate taxpayers will expire at the end of 2025 unless Congress acts to reinstate them. These changes will affect investors in various ways, some of which are adverse or potentially adverse compared to prior law. To date, the IRS has issued only limited guidance with respect to certain of the new provisions, and there are numerous interpretive issues that will require guidance. It is highly likely that technical corrections legislation will be needed to clarify certain aspects of the new law and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or changes needed to prevent unintended or unforeseen tax consequences will be enacted by Congress in the near future. Therefore, no assurance can be given that the currently anticipated income tax treatment of an investment in the Funds will not be modified by legislative, judicial, or administrative changes, possibly with retroactive effect, to the detriment of the Funds and their investors.

***Americans with Disabilities Act and Similar Laws.*** Under the Americans with Disabilities Act of 1990 (the “ADA”), all public accommodations must meet federal requirements related to access and use by disabled persons. If one or more of the properties in the Funds’ portfolio does not comply with the ADA, then a Fund may be required to incur costs to bring the property into compliance, which may or may not have been foreseen at the time of acquisition. A number of additional U.S. federal, state and local laws exist that impact the Funds’ properties with respect to access thereto by disabled persons. For example, the Fair Housing Amendments Act of 1988 (the “FHAA”) requires that apartment communities first occupied after March 31, 1991 be accessible to the handicapped. Noncompliance with the FHAA could result in the imposition of fines, an award of damages to private litigants, payment of attorneys’ fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation. Future changes to federal, state and local laws also may require modifications to the Funds’ properties or restrict the Funds’ ability to renovate its properties. The Funds cannot predict the ultimate cost of compliance with the ADA, FHAA or other legislation. If the Funds incur substantial costs to comply with the ADA, FHAA, and any other similar legislation, the Funds’ financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy its debt service obligations could be materially adversely affected.

***The following risk is applicable only to the Opportunistic Funds.***

***Investments Longer than the Term Could Result in the Disposition of an Investment at a Disadvantageous Time.*** The Funds may invest in properties which may not be advantageously disposed of prior to the date that a Fund will be dissolved, either by expiration of the Fund’s term or otherwise. Although the Investment Manager expects that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

***The following risks are applicable only to the Income Fund.***

***Unrelated Business Taxable Income for U.S. Tax-Exempt Investors.*** The Fund may make investments that would cause tax-exempt investors to have unrelated business taxable income (“UBTI”). However, so long as the Fund REIT is not a “pension-held REIT,” any tax-exempt investor that has not incurred acquisition indebtedness to purchase its investment in the Fund should not recognize UBTI with respect to the Fund’s investments made through the Fund REIT. If the Fund REIT is or becomes a “pension-held REIT,” however, an investment in the Fund could cause a portion of a tax-exempt investor’s dividends from the Fund REIT to be treated as UBTI. Investments other than through a subsidiary REIT may generate UBTI.

***Taxation of the Fund REIT.*** The Fund REIT will elect to be taxed as a REIT under Sections 856 through 860 of the Code, and it will endeavor to operate so as to qualify as a REIT. Due to the complexity of the requirements for REIT qualification, the importance of ongoing factual determinations, and the possibility of adverse changes in the law, no assurance can be given that the

Fund REIT will qualify as a REIT for any particular taxable year. If the Fund REIT fails to qualify as a REIT in any taxable year, it will be required to pay U.S. federal income tax on its taxable income at the regular corporate tax rate, and distributions by the Fund REIT will not be deductible in computing its net taxable income. Furthermore, the failure to qualify as a REIT in a taxable year would disqualify the Fund REIT from treatment as a REIT for the next four taxable years, unless the Fund REIT is entitled to relief under certain Code provisions. If the Fund REIT is not treated as a REIT for U.S. federal income tax purposes, the resulting corporate tax burden could cause its net earnings available for distribution or reinvestment to be significantly reduced. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT. Any such change could adversely affect the Fund REIT's ability to qualify as a REIT or the federal income tax consequences of such qualification.

### **Certain Potential Conflicts of Interest**

Cortland and its affiliates will be subject to various conflicts of interest in carrying out their responsibilities to the Funds. The following discussion enumerates certain actual and potential conflicts of interest that should be carefully evaluated before making an investment in the Fund. Pursuant to the Governing Documents of each Fund, an advisory committee of investor representatives will be established, and the relevant General Partner can in certain situations choose to consult with, or receive the approval of, the advisory committee with respect to specific conflicts of interest.

***Other Funds and Clients.*** Cortland and its affiliates provide, and will in the future provide, real estate investment advice and perform related services for other funds and clients similar to the advice to be provided and services to be performed by the Investment Manager for the Funds. Other funds are expected to be formed in the future with objectives which are the same as or similar to a current Fund's objectives or that otherwise will seek to invest in properties that also would be acceptable for a Fund. Properties held by other Funds managed by or affiliated with Cortland can compete with each other for tenants. In leasing properties that compete with the properties held by such other Funds, Cortland could face certain conflicts of interest between the interests of its Funds.

Employees of Cortland and its affiliates also invest in real estate for their own accounts. In addition, Cortland and its affiliates invest separately from the General Partners in real estate for their own accounts. While Cortland expects those investment activities to primarily focus on development assets, they may still give rise to conflicts of interest.

***Demand on Senior Management.*** Other than the requirement that the key person devote reasonable time required to operate and execute the business of the Funds, the members of the senior management are not required to devote any specific portion of their business time and attention to the affairs of one particular Fund. Accordingly, none of them will devote all of his or her working

time to the affairs of one Fund. The working time of the employees and owners of Cortland will be subject to their substantial prior commitments to other business activities, including previous investments and investment vehicles, and potential future commitments to other business activities, investments and investment vehicles.

***Transactions with Affiliates.*** Notwithstanding the Seed Portfolio of the Income Funds, the Funds will from time to time engage in certain transactions with affiliates by purchasing investments from or through such affiliates (including investments that have been warehoused by a General Partner, Cortland or their respective affiliates), co-investing with such affiliates in certain investments and investing in entities in which such affiliates hold interests. Such investment transactions will generally be made on terms (including the consideration to be paid) that are determined by the relevant General Partner to be fair and reasonable to the Fund. If any such transaction involves the acquisition by a Fund of an asset from, or sale by the Fund of an asset to, an affiliate of the General Partner or Cortland (other than a purchase or sale from a Co-Investment Fund or the acquisition of warehoused assets), the advisory committee must consent to or approve such transaction (or any conflict arising in connection therewith). Affiliates of the General Partners and Cortland have an incentive to seek, refer, or recommend such investments to a Fund, or pay a price for such investments, or agree on other terms that are not as favorable as might be obtained from an unaffiliated third party acting on a completely arm's-length basis, as a result of such affiliates' financial interests in such investments.

A General Partner, on behalf of a Fund, may permit other investors, affiliates of the General Partner or third party investors to co-invest with a Fund in certain investment opportunities where the General Partner believes such co-investment could offer a strategic advantage to a Fund or for any other reason as determined by the General Partner in its sole discretion (and such co-investment will not require the approval of the advisory committee or the investors in the Fund). Subject to the Governing Documents, such co-investors will generally participate with the Fund in any such opportunity on the same terms and conditions as the Fund and will exit such investment on substantially the same terms and conditions and at the same time as the Fund. The General Partner is permitted to enter into any compensation arrangements with such co-investors as the General Partner determines to be appropriate.

If one Fund co-invests with another Fund or vehicle sponsored by Cortland, conflicts can arise in connection with this relationship including allocations of opportunities and variations in investment interest. For instance, the investment objectives or financial resources of the co-investing entity or entities may differ substantially from those of the relevant Fund. Although the General Partner generally expects that co-investments by such other Funds or accounts will be made on terms no more favorable to the investor than those applicable to the relevant Fund, any such co-investments can be made on terms that vary.

Any co-investments are subject to the risk that a co-investor may, at any time, have economic or business interests or goals that are inconsistent with those of the relevant Fund, or that such co-

investor may take action contrary to a Fund's objectives. There can be no assurance that the General Partner of a Fund will agree on all matters, and a Fund could take actions that are disadvantageous to other Funds. Moreover, any co-investments may be subject to regulatory or other limitations that may be applicable to the relevant Fund. In addition, there can be no assurance that the return on a Fund's investment will be equivalent to or better than the returns obtained by its affiliates participating in the transaction. Further conflicts could arise once a Fund and its affiliates have made their respective investments. For example, if a company is unable to meet its payment obligations or comply with covenants relating to investments held by a Fund or by the other affiliates, such other affiliates may have an interest that conflicts with the interests of the Fund. If additional financing with respect to such investment is necessary as a result of financial or other difficulties, it may not be in the best interests of a Fund to provide such additional financing. If a Fund were to lose its investment as a result of such difficulties, the ability of the General Partner to recommend actions in the best interests of the Fund may be impaired.

Expenses related to portfolio investments in which a Fund invests alongside co-investors will be allocated between the Fund and any such co-investors *pro rata* based on amounts invested or expected to be invested as reasonably determined by the relevant General Partner; provided that expenses related to potential co-investments that are never consummated will only be borne by a co-investor to the extent such co-investor has contractually agreed to bear its share of such expenses. Any expenses of co-investments that are not consummated that not borne by co-investors will be borne by the relevant Fund.

Co-investments by investors or third-parties that are made within a reasonable time after a Fund's investment may be facilitated by way of a sale or other disposition of a portion of the Fund's interest in such investment. Unless otherwise determined by the General Partner, the purchase price for the interest in such investment to be acquired by the co-investors participating in such sale or disposition by the Fund will be equal to original cost, and if the General Partner so determines, a cost of carry may be imposed thereon.

***Fees for Affiliate Services.*** The General Partners will retain one or more of its affiliates (including Cortland) to perform services for the Funds for which it would otherwise hire unaffiliated third parties, including development, property management, asset management, and construction management, design and construction services (including compensation and employment costs of employees of property management of Cortland personnel, pest control, transportation, marketing and software services, administrative software and services and shared service costs, but excluding any reimbursement for general overhead costs) and sourcing through CASK Industries, among potentially other services as may be approved by the advisory committee, (collectively, the "Affiliate Services"), at rates set forth in the Governing Documents, or as may be approved by the advisory committee. The advisory committee must approve any increases to the fee rates for all Affiliate Services and any Affiliate Services for a service previously not included in the Governing Documents, prior to a Fund

executing a contract for such Affiliate Service. All amounts payable for any such services will be expenses of the Funds and will be disclosed no less than quarterly to the investors.

***Business Relationships of Cortland.*** Cortland, its management team and its affiliates have long-term relationships with a significant number of property managers, facilities managers, developers, tenants and their advisors. In determining whether a Fund should invest in a particular transaction and which service providers to use, if any, the relevant General Partner will consider these relationships in its management of the Fund. There may be certain transactions that will not be undertaken on behalf of a Fund in view of such relationships.

***Advisory Committee.*** Each Fund has or will establish advisory committee, consisting of representatives of investors who are not affiliated with Cortland. A conflict of interest may exist when some, but not all, investors are permitted to designate a member to the advisory committee. Except where the Governing Documents specifically requires that a matter be brought to the advisory committee, the relevant General Partner will have sole discretion to decide whether to present any potential conflict to the advisory committee. In the event that a General Partner consults with or seeks the approval of the advisory committee as to certain matters, it could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. The advisory committee may form one or more subcommittees, any of which may be delegated the authority to approve any matter otherwise allocated to the full advisory committee (including, but not limited to, a conflicts committee) as a majority of its members (excluding observers) consider appropriate. The Governing Documents will provide that to the fullest extent permitted by law, none of the members of an advisory committee, nor investors in any parallel fund on behalf of whom such members act as representatives, if applicable, shall be liable to any other investor or Fund for any reason (other than fraud on the part of such member) or owe any duties (fiduciary or otherwise) to any other investor in respect of the activities of the advisory committee. Furthermore, members of the advisory committee may have various business and other relationships with Cortland and its partners, employees and affiliates (and may be investors in, and/or serve on similar committees of other Cortland Funds or arrangements, including those engaged in transactions with the Fund). The presence of these other relationships may influence their decisions as members of such committee. If the advisory committee gives approval or provides consent or the relevant General Partner acts pursuant to standards or procedures approved by the advisory committee with respect to any conflict of interest or other matter, then none of the General Partner or any of its affiliates will have any liability to the Fund or any investor for actions in respect of such matter (including actions taken in pursuit of their own interests).

***Separate Agreements with Investors.*** The Investment Manager, the Funds, the General Partners or their affiliates may, in their sole discretion and subject to applicable law, enter into agreements that alter or supplement an investor's economic, legal or other rights or obligations with respect to such investor's investment in the Funds (commonly referred to as "side letters"). Such agreements may involve, among other matters, (i) reduced management fees or other fees for certain investors, as

applicable, (ii) certain investors' receiving information not ordinarily received by investors generally, (iii) agreements to permit certain transfers of the units, and (iv) modifications to subscription agreements. No investor will be entitled (unless the relevant General Partner agrees in its sole and absolute discretion) to any rights or obligations agreed to by the General Partner with another investor in such other investor's side letter.

***Industry Relationships.*** As with many other private fund sponsors, as part of the Investment Manager's business, the principals, the Investment Manager and its employees have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include joint venture partners, investment bankers, lenders, consultants, professional advisors (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former investment properties and former employees and members of the Investment Manager. Certain of these third parties will, on occasion: (i) introduce investment opportunities to the Investment Manager; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio investments; (iii) facilitate the disposition of portfolio investments; or (iv) provide investment banking, consulting, legal or advisory services to the Investment Manager, the Funds, or portfolio investments. Such third parties also on occasion provide goods or services to or have business, personal, political, financial or other relationships with the principals. In addition, such third parties are sometimes investors in one or more Funds; co-invest in one or more portfolio investments; or provide other significant business or investment services to the Investment Manager, the Funds and/or their portfolio investments. These relationships have the potential to influence the Investment Manager in deciding whether to select or recommend any such third party to perform services for the Funds or a portfolio investment. The cost of any services provided by such third parties may be borne directly or indirectly by the Funds or its portfolio investments, as applicable.

***Intangible Benefits.*** The Investment Manager and its employees receive certain intangible and/or other benefits or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses often result in "miles" or "points" or credit in loyalty/status programs to the Investment Manager and/or its employees, and such rewards or amounts will exclusively benefit the Investment Manager and/or such employees.

***The following potential conflicts of interest are applicable only to the Income Fund:***

***Acquisition of Seed Portfolio.*** The Seed Portfolio will be acquired from affiliates of the Investment Manager in a related-party transaction. The acquisition values assigned to the properties are based upon appraisals of the Seed Portfolio performed by a third party valuation expert and dated September 30, 2018. The appraised values of the Seed Portfolio may differ from the values that would be achieved in a third-party transaction.

In transferring the Seed Portfolio, affiliates of the Investment Manager made limited representations and warranties and provided limited indemnification. The representations and warranties and the terms of the indemnification have been established by the Investment Manager and the Fund and will not be negotiated at arm's length. The General Partner has a conflict of interest both in determining whether to make any claims against the Investment Manager under the terms relating to the acquisition of the assets and in determining how to resolve any such claims.

***Contributed Interests.*** It is expected that the contributed interests in the Seed Portfolio contributed by the affiliates of the Investment Manager and any legacy investors that contribute contributed interests will have a “built-in gain” for federal income tax purposes, in that the value of the assets that comprise the Seed Portfolio will exceed their tax basis at the time of contribution. Some of these contributors may also need certain amounts of the liabilities that are secured by the Seed Portfolio to continue to be allocated to them for tax purposes to avoid recognition of gain at the time of contribution and going forward. When the Seed Portfolio assets are sold, the contributors may recognize taxable gain that is disproportionate to their share of the net proceeds from those sales. The legacy investors are historical investors in Cortland-sponsored investment vehicles and may continue to invest in Cortland-sponsored vehicles other than the Income Fund. As a result, the General Partner will have a conflict of interest in making decisions about whether to sell assets from the Seed Portfolio as well as in making decisions regarding refinancing or repaying the liabilities that encumber the Seed Portfolio, as those decisions could have disproportionate impacts on affiliates of Cortland or those legacy investors. Contributed interest in the additional Seed Portfolio may also be contributed with “built-in gain” and would present the same conflicts of interest for the General Partner.

***Allocation of Investment Opportunities.*** Provided that the Income Fund has sufficient available capital, the Fund will have a priority right to make any investment in core and core-plus multifamily assets, consisting primarily of stabilized income-producing multifamily properties and multifamily properties which have characteristics of core assets, but which have the opportunity for increased cash flows through property improvements and management efficiencies, in each case sourced by Cortland and its affiliates in the primary growth markets and other growth markets and otherwise consistent with the Fund's performance objectives and investment strategy (each of those core and core-plus assets, a “Priority Opportunity”). The General Partner shall determine in good faith whether a potential investment opportunity constitutes a Priority Opportunity. Cortland and its affiliates have granted third parties rights of first refusal, rights of first offer or similar rights to certain investment opportunities sourced by Cortland and its affiliates, and in the future Cortland and its affiliates may grant such rights in favor of joint ventures in which other Cortland-sponsored vehicles invest or to the applicable joint venture partner to acquire potential investments located within a specified radius of the assets owned or acquired by such joint venture. In addition, Fund IV, LLC, which primarily targets minority interests in joint ventures, has a priority right to acquire investments that satisfy its investment objective until the expiration of its investment period. To the extent those rights of first refusal and similar rights or Fund IV's investment priority apply to an investment that would otherwise



be a Priority Opportunity, the Income Fund's priority investment rights will only apply to the extent the Priority Investment remains available after full satisfaction of those other obligations. As result, the Income Fund may not acquire some investments sourced by Cortland and its affiliates that are Priority Opportunities.

The Investment Manager, the General Partner, Cortland and their affiliates may raise, sponsor, manage or otherwise provide investment management and/or advisory services to other funds, investment vehicles, separate managed account arrangements and special purpose vehicles (each, an "Other Account"), some of which may have investment objectives similar to or that overlap with those of the Fund and/or engage in transactions in the same type of investments as the Income Fund or in different investments of the same issuers in which the Fund invests. The investors acknowledge that these relationships and the activities in such Other Accounts may raise potential conflicts of interest, including the determination of whether and to what extent investments other than Priority Opportunities should be allocated to the Fund and/or such Other Accounts. The General Partner shall determine in good faith whether and to what extent an investment opportunity is appropriate for the Income Fund and/or the Other Accounts, and whether such investment opportunity is a Priority Opportunity. Certain Other Accounts may have investment objectives or guidelines that overlap with those of the Income Fund, in whole or in part. With respect to any investment opportunity that does not constitute a Priority Opportunity but may be appropriate for the Income Fund and/or any Other Accounts, investment opportunities that fall within such common objectives or guidelines shall be allocated among the Income Fund and such Other Accounts on a basis that the General Partner determines to be fair and reasonable in good faith, subject to (i) any applicable investment limitations or terms of such Other Accounts and the Income Fund and (ii) the Income Fund and such Other Accounts having available capital with respect thereto.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, the Investment Manager is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of the Investment Manager or the integrity of the Investment Manager's management. The Investment Manager and its management persons have not been subject to any material legal or disciplinary events applicable to this Item.

On occasion, in the ordinary course of its business, the Investment Manager, Cortland, the Funds, or the Funds' investment properties (or their respective owners) may be named as defendants in a legal action. Although there can be no assurance of the outcome of such legal actions, the Investment Manager does not believe that any current legal proceedings or claims to which the Investment Manager, Cortland, the Funds, or the Funds' investment properties (or their respective owners) are a party, if any, would individually or in the aggregate materially affect a client's or prospective client's evaluation of the Investment Manager or the integrity of the Investment Manager's management.

## Item 10 – Other Financial Industry Activities and Affiliations

Neither the Investment Manager nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer. Neither the Investment Manager nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing.

The Investment Manager does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory business or to its clients. Cortland has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage and other personal services. Some of these professionals provide services to the Funds or their portfolio investments or may be investors in the Cortland Funds. Additionally, some of these professionals are investors in Cortland Funds, either personally or through their company.

As mentioned in Item 4 and throughout this Brochure, Cortland is a vertically integrated real estate firm and is affiliated with the following entities:

- Cortland Holdings, LLC, the parent company of the Cortland entities, is involved with operations, management, construction and development.
- Cortland Management, LLC is a wholly owned subsidiary of Cortland Holdings, LLC which provides property management services.
- Cortland Development, LLC is a wholly owned subsidiary of Cortland Holdings, LLC which employs corporate personnel and provides development management services.
- Arvada Insurance Company, Inc. is a wholly owned subsidiary of Cortland Holdings, LLC which provides residents of Cortland-managed properties with renters insurance.
- Cortland Improvements, LLC is a wholly owned subsidiary of Cortland Holdings, LLC which provides interior design, renovation and new construction services to the Cortland properties through various affiliates, listed below.
- Cortland Services, LLC is an affiliate of Cortland Improvements, LLC which provides subcontractor services for the Cortland properties.

- CASK Industries, LLC is an affiliate of Cortland Improvements, LLC which sources, procures and manufactures fixtures, products and materials used in the renovation, construction and maintenance of multifamily assets.
- Cortland Improvements NC, LLC is an affiliate of Cortland Improvements, LLC which provides general contracting services to some Cortland properties.
- Cortland Design, LLC is an affiliate of Cortland Improvements, LLC which provides design and architectural services for interior and exterior renovations and coordination services for third party architects and designers.
- Cortland Technology, LLC is a subsidiary of Cortland Holdings and makes investments in real estate-related technology companies (which may include private funds) and other resources.
- Information Tycoon, LLC is a subsidiary of Cortland Technology, LLC which provides information technology software utilized by the Cortland property assets.

Additionally, as described above in Item 4, the Investment Manager is affiliated with the Funds' General Partners which either serve as (i) general partners and provide advice to Funds exempt from registration under the Investment Company Act pursuant to Sections 3(c)(1) or 3(c)(7) thereof and which are deemed registered with the SEC under the Advisers Act pursuant to the Investment Manager's registration or (ii) managers and provide advice to Funds exempt from registration under the Investment Company Act pursuant to Sections 3(c)(5) thereof, and which rely on the Investment Manager's registration with the SEC under the Advisers Act. These affiliated entities operate as a single advisory business together with the Investment Manager and serve as the General Partner, affiliate or managing members of investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions. These affiliated entities do not have employees of their own.

From time to time, the Investment Manager receives training, information, promotional material, meals, gifts, entertainment or prize drawings from vendors and others with whom it does business or to whom it may make referrals. At no time will the Investment Manager accept any benefits, gifts, entertainment or other arrangements that are conditioned on directing individual Fund transactions to a specific investment, product or provider. Similarly, Investment Manager and/or Cortland employees have in the past spoken, and expect in the future to speak, at conferences and programs for potential investors interested in investing in alternative investment funds that are sponsored by various investment bankers, broker-dealers, mortgage brokers or others. Through such capital introduction events, prospective investors have the opportunity to meet with the Investment Manager and with Cortland. Neither the Investment Manager, Cortland nor any Fund compensates investment bankers,

broker-dealers, mortgage brokers or others for organizing such events or for investments ultimately made by prospective investors attending such events.

The Investment Manager does not recommend or select other investment advisers for the Funds.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics and Employee Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, the Investment Manager has adopted a written code of ethics (“Code of Ethics” or the “Code”) that sets forth standards of conduct expected of supervised persons and addresses conflicts that can arise from personal trading. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Investment Manager’s interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Supervised persons are required to certify to their compliance with the Code of Ethics upon hire and on an annual basis. Supervised persons who violate the Code will be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of which they become aware.

The Investment Manager will provide a copy of its Code of Ethics to any existing or prospective investor upon request to Cortland’s Chief Compliance Officer, Corey May, (404) 965-3988 or [compliance@cortland.com](mailto:compliance@cortland.com).

The personal trading policy for the Investment Manager’s supervised persons is set forth in the Code of Ethics and is acknowledged as received and understood by each supervised person. The Investment Manager’s personal trading policies are designed to ensure that no Fund is disadvantaged by the transactions executed by a supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to a Fund.

The Investment Manager’s employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material nonpublic information regarding securities or communicating material nonpublic information about such securities to others. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. The Investment Manager maintains a restricted list of issuers about which it has or may have material nonpublic information. Pre-clearance is required by supervised persons for certain personal securities transactions, including such restricted list securities, initial public offerings and certain limited offerings. In addition, supervised persons are required to file certain reports and submit their brokerage account statements to the Chief Compliance Officer for review.

The principals and employees of Cortland carry on investment activities for their own account and for family members or others who do not invest in the Funds, and may give advice and recommend securities which differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. In addition, principals, employees and affiliates may buy securities in transactions offered to but rejected by the Funds or that are outside the investment mandate of the Funds.

### **Participation or Interest in Client Transactions**

Certain Cortland employees and family members of Cortland employees have invested in the Funds through their General Partner and/or as investors. The Investment Manager generally reduces all or a portion of the management fee (in the case of the Income Fund) and carried interest related to investments held by such persons.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells a security to an advisory client. This prohibition extends to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser). The SEC also views cross trades between Funds to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) own, in the aggregate, 25% or more of either Fund. In the context of Cortland's business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future Fund or selling a portfolio investment from one Fund to another. Agency cross transactions occur when an adviser or an affiliate arranges a transaction (*i.e.*, acts as a broker) between two or more different funds or accounts that are managed by that same adviser or an affiliate. Agency cross transactions may also arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the asset) for effecting the transaction and therefore is not considered to be conducting an agency cross transaction under Section 206(3). In the context of Cortland's business, an agency cross transaction could occur when selling a portfolio investment, investment or other asset from one Fund to another.

In the event the Investment Manager were to recommend a principal transaction or agency cross transaction, it would only be after: (i) the Investment Manager has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the investors or advisory committee, as appropriate; (iv) if necessary, consent is obtained from the appropriate parties; and (v) the Investment Manager uses all reasonable efforts to ensure that best execution is achieved for the transaction.

As part of the capitalization for the Income Fund, the Income Fund acquired units from certain of the Opportunistic Funds in related-party transactions. The acquisition values assigned to the

properties are based upon appraisals of the Seed Portfolio performed by an unaffiliated third-party valuation firm and then applying a discount based on the Investment Manager's valuation process for stabilized assets, as dictated by the Investment Manager's auditor. Such valuation methodology capitalizes current net operating income with a market capitalization rate sourced from both local market comparables and the audit firm's bi-annual Cap Rate Survey. More information regarding the agreed-upon price for the Seed Portfolio transaction is available in the Governing Documents for the Income Fund and other disclosure documents pertaining to the Seed Portfolio. It is possible that the appraised values of the Seed Portfolio differ from the values that would be achieved in a third-party transaction. Investors were provided with the right to roll their interest in the Seed Portfolio to the Income Fund or receive a cash payout. The Seeding Transaction was disclosed to all investors in the Opportunistic Funds, to the limited partner advisory boards of the Opportunistic Funds and to all investors in the Income Fund. All advisory boards and investors consented to the Seeding Transaction.

## **Item 12 – Brokerage Practices**

Generally, the Investment Manager focuses on securities transactions of private companies and purchases and sells companies through privately negotiated transactions. In such privately negotiated transactions, best execution is met by the consummation of the deal with the best possible terms for the Fund. In pursuit of best execution in both privately negotiated or publicly traded transactions, the Investment Manager may engage the services of a broker, dealer or investment banker for either the purchase or sale of an investment. Selection of a broker, dealer or investment banker will be based on the Investment Manager's best judgment of who can provide best execution, taking into consideration a variety of factors, including: Cortland's prior experience with the broker, dealer or investment banker; the broker, dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker, dealer or investment banker's responsiveness to the Investment Manager; the broker, dealer or investment banker's expertise in dealing with investments that may be restrictive or illiquid in nature; the value of any research services provided; and commission rates, among other factors the Investment Manager deems relevant to the specific transaction.

The Investment Manager may, on behalf of its Funds or other affiliates, retain the services of real estate or mortgage brokers for the purchase, sale or financing of portfolio investments. Typically, such brokers will be licensed under various state laws applicable to real estate and/or mortgage brokers.

The Investment Manager does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive client referrals in connection with selecting or recommending broker-dealers for the Funds. In the event the Investment Manager were to aggregate the purchase or sale of securities for Fund accounts, it would generally do so in accordance with each Fund's Governing Documents or on a *pro rata* basis.

### **Item 13 – Review of Accounts**

All investments are reviewed by the Cortland investment team. Each regional asset management team is headed by a Director of Investments and is vertically integrated, consisting of operations, property management and facilities team members. Asset managers and their teams are organized by geography, which enables them to provide insight and knowledge regarding each market. In connection with each acquisition, a transition and asset-specific business plan involving on-boarding the property or portfolio is developed through a collaborative effort between the acquisitions and asset management teams.

The asset manager is responsible for every facet of the investment strategy for a given property. The asset management team oversees the leasing activity, physical improvements, repositioning strategies and property management to ensure that value is maximized to meet the opportunities in the market. In addition, the asset management team continuously monitors each investment through monthly reporting, routine communication, periodic site visits, annual budgets, capital expenditures, risk management and leasing parameters to ensure the asset remains on plan and on budget. On an ongoing basis, asset management meets with property management and leasing representatives to conduct property and market research to develop the annual budget and operating plan in accordance with Cortland's debt strategy.

The Investment Manager provides to investors on behalf of its Funds the following written reports: (i) audited financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as promulgated by the Financial Accounting Standards Board ("FASB"), accompanied by the report of the independent certified public accountant, within 120 days of fiscal year end; (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for the completion of tax returns (K-1); and (iv) a statement of the determination of the value of each of investment as of the end of the preceding calendar year.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to their investments. The Investment Manager responds to these requests, and in answering such requests, provides information that is not generally made available to other investors who have not requested such information. Additionally, upon request, certain investors receive additional information and reporting that other investors do not receive. The Investment Manager also has contact with investors (personal visits, telephone, email) throughout the year as conditions warrant.

### **Item 14 – Client Referrals and Other Compensation**

#### **Economic Benefit from Non Clients for Advisory Services Rendered**

As described in Items 5 above, the Investment Manager or an affiliate generally receives fees for Affiliate Services, and other fees, expenses and reimbursements from Cortland affiliates. Such fees,

expenses, reimbursements and any conflicts of interest are detailed in each Fund's Governing Documents.

### **Client Referrals**

As of the date hereof, the Investment Manager does not directly or indirectly compensate any person who is not a supervised person for client referrals and does not use placement agents to assist in its fundraising efforts.

### **Item 15 – Custody**

The Investment Manager is deemed to have custody of the Funds' assets because of its affiliation with each Fund's General Partner and the General Partners' ability to deduct fees from Fund accounts. In order to comply with Advisers Act Rule 206(4)-2 (the "Custody Rule") the Investment Manager has elected to undergo an annual GAAP financial statement audit by a Public Company Accounting Oversight Board registered and inspected auditing firm for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end. Investors in the Funds should carefully review such financial statements.

The Investment Manager does not, however, accept physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired into the relevant Fund's qualified custodial account. The Investment Manager receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about the Investment Manager's qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

### **Item 16 – Investment Discretion**

The Investment Manager generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds as per the Governing Documents of each Fund. Investment advice is provided directly to the Funds, subject to the discretion and control of the relevant General Partner, and not to investors in the Funds individually. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund. Such documents generally contain a power of attorney that grants the Investment Manager or its General Partner certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, with limited exceptions, such as certain conflicts of interest as discussed elsewhere in this Brochure, the Investment Manager is not required to contact such investor prior to transacting business in a Fund.



Generally, the Investment Manager's only restrictions with respect to managing a Fund, such as (but not limited to) the type of securities in which a Fund may invest, will be contained in the relevant Fund's Governing Documents. However, an investor can seek to impose limitations on the Investment Manager's authority through a side letter agreement and the Investment Manager can choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to the Investment Manager and/or the relevant Fund's General Partner in writing and agreed to by all applicable parties. Other investors meeting certain commitment thresholds are often provided with notification provisions regarding such side letter agreements but are not provided with consent rights over such agreements.

### **Item 17 – Voting Client Securities**

Rule 206(4)-6 of the Advisers Act requires an investment adviser who exercises voting authority with respect to client securities to adopt and implement written policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interest of its clients. Rule 206(4)-6 further requires an adviser to provide a concise summary of its proxy voting process and offer to provide copies of the complete proxy voting policy and procedures to clients upon request. Lastly, Rule 206(4)-6 requires that each adviser disclose to clients how they may obtain information on how the adviser voted their proxies.

The Funds invest in equity and debt instruments in real estate related assets which do not issue proxies. Accordingly, the Investment Manager does not have an opportunity to vote proxies on behalf of its Funds and does not currently exercise voting authority on behalf of its Funds. In the event this were to change, the Investment Manager will implement policies and procedures to vote such proxies in accordance with its fiduciary duty and in the best interests of the Funds.

### **Item 18 – Financial Information**

The Investment Manager does not require or solicit prepayment of more than \$1,200 of management fees six months or more in advance; has no financial condition reasonably likely to impair its ability to meet contractual commitments to clients or investors; and has not been the subject of a bankruptcy proceeding.