Application for Real Estate Company Listing/Advertising on
The White Coat Investor Website

Note: This application becomes part of the listing on The White Coat Investor website, so please fill it out with care.

Personal and Firm Information

Your Name: **Chad A. Doty (CEO), Managing Partner**

Name of Firm: **37th Parallel Properties**

Insert link to your website: **37parallel.com**

Best Phone number for investors to contact your company: **888.837.3720**

Best email address for investors to contact your company: **investors@37parallel.com**

What year was your company founded? **2008**

Is your company profitable yet?

We are profitable. We have made the Inc 5000 list of fastest growing companies 4 years in a row (2016, 2017, 2018, and 2019). We hold an A+ rating with the Better Business Bureau (BBB). Most importantly, 100% of our multifamily investment have been profitable.

How long have you been working in real estate?

The owners, principals, and asset managers are all multifamily specialists with more than 70 years of combined multifamily experience across acquisitions, debt financing and refinancing, portfolio optimization, asset management, and asset dispositions.

Please describe your real estate investing experience:

Members of the team and the entities they have managed have completed the acquisition of over $5.5 billion in commercial real estate assets and overseen the asset management and disposition of over $4.4 billion in commercial real estate assets across a combined 25,000 units. This includes extensive experience in the areas of underwriting, market analysis, demographics, financial analysis, renovation/construction, asset management, property management, revenue/expense optimization, fund management, and dispositions.

What type of company are you? (check all that apply)

1. A real estate platform connecting investors and developers
2. **A private real estate fund [X]**
3. **A real estate syndicator [X]**
4. A Real Estate Investment Trust (REIT)
5. A turnkey real estate company
6. Other (please describe)

What types of real estate asset classes do you invest in? (check all that apply)

1. Debt
2. Single family homes
3. **Multi-family [X] (we are exclusively multifamily specialists)**
4. Retail
5. Storage
6. Industrial
7. Office
8. Mobile Homes
9. Other (please list)

Have you personally or your company had any events in the past that are reportable to regulatory agencies? If so, please attach explanation.

None.

Have any of your former clients sued you or a company you owned or worked for? What was the outcome? Please attach explanation.

No.

Are you currently involved in a lawsuit by a client or former client? Please attach explanation.

No.

Have you or any company you had ownership stake in declared bankruptcy? Please attach explanation.

No.

Do you accept investors that are not accredited?

At this time, No.

Questions for Real Estate Platforms
(syndicators, REITs, and Funds may skip this section)

NOT APPLICABLE

Questions for Syndicators
(Online platforms, REITs, and Funds may skip this section)

How do you find investors?

For a typical single asset investment 60% to 70% of the equity is coming from repeat investors. We attract new investors via referral from existing investors, highly informative educational content, marketing relationships, and targeted communications. Our investors range from moderate to high-net-worth individuals ($2M to $100M net worth), family offices, and JV/Pref Equity partners. In any given year we will acquire $100M to $150M in new multifamily assets. Over the years, many WCI readers have invested with 37th Parallel, so we felt it made sense to have a more formal presence here, as well.

How do you choose projects?

We are a demographics driven multifamily specialist. While there are dozens of metrics we track at a MSA > Submarket > Neighborhood > Site drill down, some of the high level characteristics are:

- **100 to 450 units, suburban infill location, mid-rise/garden-style, build year 1985 to 2015.**
- **Attractive schools, proximity to employment centers, low crime, transportation access**
- **Higher than US and State averages for median household income, job growth, population growth, income growth**
- **Conservative debt ratios and low breakeven occupancy levels**
- **Current income and income growth potential**

You can review a more detailed investment approach on our website at 37parallel.com/wci

How much leverage do you typically use in your projects?

60% to 75% LTV depending on project, location, and approach.

What are the typical hold periods for your projects?

We are a long-term holder of cash producing assets. For our single asset investments, our time frames have varied between 3 years on low end and greater than 9 years (so far). We have completed 1031 Exchanges (deferring the capital gains tax) on 5 of our 9 sold projects. Our diversified fund is a 10-year duration with the option to recapitalize and/or extract assets in a tax-advantaged way at the end of the fund life.

What is your typical waterfall structure?

For single asset deals we provide a 7% Preferred Return to the investor. 37th Parallel does not participate in profit splits until the investor has received 100% of their original investment plus a 7% annual return. Manager catch up and profit splits are between 15% and 20% with the investors receiving the other 80% to 85%.

For diversified funds we provide an 8% Preferred Return the investor. 37th Parallel does not participate in profit splits until the investor has received 100% of the original investment plus an 8% annual return. Manager catch up and profit splits are between 15% and 20%.

What fees are paid to you?

Participating in our single assets or diversified funds is a direct investment into a business. Investors will receive direct fractional benefit from the asset(s). We receive a market normal acquisition fee once a project is acquired. This is to compensate the sponsor for the time, effort, expertise, relationships, and network to bring the asset(s) to market. We also receive market normal asset management fees during the course of the ownership period. Please see the individual Private Placement Memorandums (PPM) and/or Operating Agreements (OA) for full fee/profit split disclosures.

What is the minimum investment in your projects?

For single multifamily asset investments, the minimum is $50,000
For diversified multifamily fund investments, the minimum is $100,000

Are there any special deals for repeat or high dollar investors?

As of January 2020, we provide the following investment level incentives:

For single asset multifamily investments:
- **$100,000 - $199,000 investment is a 1% discount**
- **$200,000 and up is a 2% discount**
- **In general, larger investment levels per investor lower our admin costs so we pass the savings back.**

For fund multifamily investments:
- **$300,000 to $999,999 commitment waives the 1.5% admin fee**
- **$1,000,000 and up waives the 1.5% commitment fee and 1.5% admin fee (3% total)**

How many projects does your company currently have?

We have 15 assets in our portfolio currently. 12 assets are sponsored and managed by 37th Parallel. 3 other assets were acquired and managed by 37th Parallel with larger individual/institutional investors.

How many projects have you gone round trip with?

While we are primarily a long-term holder, as of January 2020, we have gone round trip with 9 assets with an Average Gross Multiple of 2.00 (100% gross total profit) at the project level. Net

profits to investors have varied from 6% annualized to 22% annualized. 100% of our multifamily investments have been profitable.

Please insert link to your track record with this company:

See answer above or review any PPM for a more detailed track record.

How do you ensure your interests are aligned with the investors?

In our experience there are two major types of investor alignment – direct and structural. Both are valuable. Direct alignment is where the syndicator/sponsor is committing and investing side by side with the investor. 37th Parallel and its owners and/or principals are directly invested in our fund(s). Structural alignment is where the debt, sponsor compensation, or business processes create alignment with the investor. For 37th Parallel there are several layers of this. Our owners/principals are guarantors on all of the debt. So, we are incented not to lose money, hand back the keys to the lender, or fail to perform for the lender. Doing so would materially impact our business. In our 12-year history, 37th Parallel has maintained a 100% monthly payment and overall perfect debt repayment record with our lenders. We have never lost a project. Additionally, the bulk of our compensation is received during operations and profitable sale. With a 7% to 8% Preferred Return, depending on vehicle, the investor is in line to receive 100% of their initial invested principal back plus an annual return of 7% to 8% before 37th Parallel receives catch up or profit splits of any kind (the majority of our overall compensation). Finally, as a long-term investment platform, it is absolutely in our best interests to serve our investors. We are not an accumulate then liquidate platform. A significant portion of our net worth is tied up in our multifamily portfolio and we intend to grow that portfolio with our client family for the next 30+ years and beyond. This is a legacy platform for us.

Will you be filing a composite state tax returns? What states do you expect to invest in?

We do not file composite tax returns. In our experience, primarily because we look to take advantage of bonus depreciation and several other tax deferral/reduction strategies available, our investors have shared with us that full pass through K-1 tax benefits are far more beneficial to them than the minor fees associated with incremental state tax returns.

As of January 2020, we currently hold assets in Texas and Georgia, with an expectation of also holding assets in North Carolina, South Carolina, and Virginia in the next ten years.

Questions for Real Estate Funds

(Online platforms, Syndicators, and REITs may skip this section)

Note: 37th Parallel provides access to both single asset multifamily investments and diversified multifamily funds using some of the same strategies. We have completed this section again for the sake of completeness, but you will see duplication between the answers here and in the Syndicator section above.

How do you find investors?

We attract new investors via referral from existing investors, highly informative educational content, marketing relationships, and targeted communications. Our investors range from moderate to high-net-worth individuals ($2M to $100M) net worth, small family offices, and JV/Pref Equity partners. In any given year we will acquire $100M to $150M in new multifamily assets. Over the years, many WCI readers (primarily physicians) have invested with 37th Parallel, so we felt it made sense to have a more formal presence here.

How do you choose properties or loans?

We are a demographics driven multifamily specialist. While there are dozens of metrics we track at a MSA > Submarket > Neighborhood > Site drill down, the high level is as follows:

- **100 to 450 units, suburban infill location, mid-rise/garden-style, build year 1985 to 2015.**
- **Attractive schools, proximity to employment centers, low crime, transportation access**
- **Higher than US and State averages for median household income, job growth, population growth, income growth**
- **Conservative debt ratios and low breakeven occupancy levels**
- **Current income and income growth potential**

You can review a more detail investment approach on our website at www.37parallel.com/wc

How many funds have you previously managed?

37th Parallel Fund I is our first fund offering. That said, we have acquired and managed 24 multifamily assets all with a 100% profitable track record. The Fund will be acquiring and managing assets based on the same approach we use for single asset investments but with more capital flexibility.

What fees will the investors in this fund pay?

Participating in our single assets or diversified funds is a direct investment into a business. Investors will receive direct fractional benefit from the asset(s). We receive a small commitment fee at the initial deposit and then we receive a market normal acquisition fee once a project is acquired. This is to compensate the sponsor for the time, effort, expertise, relationships, and network to bring the asset(s) to market. We also receive market normal asset management fees during the course of the ownership period. Please see the individual Private Placement Memorandums (PPM) and/or Operating Agreements (OA) for full fee/profit split disclosures. Fees between the single asset investments and funds are very similar.

What is the waterfall structure for the fund?

For single asset deals we provide a 7% Preferred Return to the investor. 37th Parallel does not participate in profit splits until the investor has received 100% of their original investment plus a 7% annual return. Manager catch up and profit splits are between 15% and 20% with the investors receiving the other 80% to 85%.

For diversified funds we provide an 8% Preferred Return the investor. 37th Parallel does not participate in profit splits until the investor has received 100% of the original investment plus an 8% annual return. Manager catch up and profit splits are between 15% and 20% with the investors receiving the other 80% to 85%.

How long will the fund be open?

The Fund will be open for 10 years.

Will my commitment be called all at once or as properties/loans are identified? If all at once, what will be done with the money until properties/loans are identified? If over time, what is your expectation of the time period over which capital calls will occur?

A fund commitment is secured with a 10% deposit gaining interest until the first asset is purchased. Capital calls will be made over time in the first 24 months as investment properties are identified. We will do our best to optimize fund calls to reduce the gap between call and investment.

What are the liquidity options with the fund?

The Fund should be considered illiquid like most direct real estate investments.

What is the minimum investment in the fund?

The minimum commitment is $100,000 with incentives at $300,000 and $1,000,000.

Are there any special deals for repeat or high dollar investors?

As of January 2020, we provide the following investment level incentives:

For single asset multifamily investments:
- **$100,000 - $199,000 investment is a 1% discount**
- **$200,000 and up is a 2% discount**
- **In general, larger investment levels per investor lower our admin costs so we pass the savings back.**

For fund multifamily investments:
- **$300,000 to $999,999 commitment waives the 1.5% admin fee**
- **$1,000,000 and up is waiver of the 1.5% commitment fee and 1.5% admin fee (3% total)**

Please insert link to your track record with previous funds:

37th Parallel Fund I our first fund. As of January 2020, we have gone roundtrip with 9 assets with an Average Gross Multiple of 2.00 (100% gross total profit) at the project level. Net profits to investors have varied from 6% annualized to 22% annualized. 100% of our multifamily investments have been profitable. We will be using the same investment approach, market approach, and management approach we have used for our single asset investments. Our Fund I goal is to provide attractive risk-adjusted returns from a diversified portfolio of multifamily assets delivering current cash flows and long-term equity growth in a highly beneficial tax structure.

Please review a single asset investment or Fund I PPM for a more detailed track record.

Will you be filing a composite state tax returns? What states do you expect to invest in?

We do not file composite tax returns. In our experience, primarily because we take advantage of bonus depreciation and several other tax deferral/reduction strategies, our investors have shared with us that full K-1 benefit is far more beneficial to them than the minor fees associated with incremental state tax returns.

As of January 2020, we currently hold assets in Texas and Georgia, with an expectation of also holding assets in North Carolina, South Carolina, and Virginia in the next ten years.

Questions for REITs

(Online platforms, Syndicators, and Funds may skip this section)

NOT APPLICABLE

Questions for Turnkey Companies

NOT APPLICABLE

Additional Questions for All Companies

Why should an investor invest with you instead of the Vanguard REIT Index Fund?

There are various considerations for investors comparing real estate stocks, REITS, or Real Estate Funds (Managed, Index, or ETF). In almost all cases, I would not classify any one consideration as a reason "why" an investor should invest in direct fractional real estate vs. a listed real estate based stock/fund. There are, however, characteristics which may be more or less valuable to an investor based on their individual psychology and investment goals that I'll attempt to highlight below.

I've referenced both the Vanguard REIT Index Admiral Shares (VGSLX) and the corresponding ETF (VNQ) for comparison.

Considerations:

<u>Lower Volatility</u> - Direct multifamily ownership is less volatile than the Vanguard REIT Index. Much of this is because direct ownership is not subject to the inflows and outflows of the total market. The flip side is investors must be comfortable with the liquidity profile. Yield volatility is also lower with direct real estate.

<u>Lower Correlation to stock market</u> – Direct real estate ownership is less correlated to the market than public REITs. The NCREIF index of direct/private real estate (NPI) has a 20 -year historical correlation of 0.21 to the S&P 500 whereas the NAREIT is 0.58 correlated. The closer you get to 1.0 the higher the correlation.

Higher Yield – For well-placed moderate to light value-add and Core + multifamily projects, investors should expect 40% to 80% better yields than VGSLX/VNQ. For example, the January 2020 VNQ average annual yield is 3.29% and VGSLX (admiral shares Vanguard REIT) yield average is 3.3%. Most of our multifamily investments are projected to have annual yields from 4.5% to 6.0% on average.

Tax treatment (Yield) – The majority of REIT dividends are taxed as ordinary income up to the maximum rate of 37% (returning to 39.6% in 2026), plus a separate 3.8% surtax on investment income. Taxpayers may also generally deduct 20% of the combined qualified business income amount which includes Qualified REIT Dividends through Dec. 31, 2025. Taking into account the 20% deduction, the highest effective tax rate on Qualified REIT Dividends is typically 29.6%. Non-Qualified REITS Dividends (the majority of REITS) are taxed at an even higher effective rate.

Alternatively, since you are a percentage owner of direct real estate, you receive your pro-rata share of the paper losses from depreciation. If structured correctly, you will have more than enough offsetting depreciation to defer any taxes on distributions until well into the holding period (sometimes 7+ years). And even when taxes on distributions do start, they will still be less than equivalent treatment from REIT dividends. Now, there is a recapture tax consideration when the property is sold but that is only 25% (still less than what you pay on qualified or non-qualified REIT dividends). Plus, recapture tax can be deferred even longer if you complete a 1031 Exchange.

As a disclaimer, here and everywhere else in this questionnaire, I make references to certain tax strategies. I do this from the perspective that I am also an investor and have used these strategies myself along with hundreds of our investors. Nothing I note here should be considered "tax advice" since everyone's tax situation is different. Please consult with your tax advisor about your specific situation.

What is unique about your company compared to your competitors? What are your strengths and why should a high-income professional like a physician invest with you instead of your competitors?

We don't really view our business as one where uniqueness is an advantage. Commercial Real Estate is not rocket science. Every physician on whitecoatinvestor.com has learned and practiced skills far more complex than real estate. We believe the benefits a sponsor/syndicator should provide are specialized knowledge, execution, and risk management.

We have an established successful multifamily investment platform across $497M in transaction volume with a 100% profitable track record. Our model is conservative by nature. And our goal is to make money for our investors on every deal (batting percentage) rather than trying to hit home runs, inevitably increasing risk (slugging percentage).

We are long term holders of cash producing multifamily real estate. In our experience, holding cash producing assets can, in many cases, be more effective than hunting shorter term but higher IRR deals because we can lower transaction costs, reduce taxes, and keep money working over a longer period of time. Multifamily by nature is primarily demographically driven. And we continue to see very strong demographics in terms of population growth, household formation, domestic and international migration patterns, and more.

Our investments are highly tax efficient and, based on hundreds of investor conversations, have made a significant difference to our high earning physicians – especially in high state income tax markets (i.e., west coast and northeast markets). Some specific benefits include:

- **Investors in our platform can receive 5% to 6% annual cash flows and pay no current income tax on their investment for several years due to the depreciation benefit from real estate. This materially increases the tax equivalent yield.**
- **From a strategy perspective, our two most likely liquidity scenarios are first, refinance (reinvesting the proceeds thus increasing investor cash flows) and keep the asset, or second, sell the property and complete a 1031 Exchange to defer capital gains and increase cash flows even more. So, in many cases, we've been able to achieve tax-deferred net annualized returns of 13% to 15% and are then able to compound that growth by deferring capital gains tax moving into the next investment.**
- **You can use passive activity losses to offset other passive activity gains assuming you have other K-1 income.** ***Note, we're not tax advisors and this is not professional advice, but we've used this tool ourselves and so have many of our investors. Please check with your tax professional.***
- **We have several investors dating back to 2010 who have yet to pay any taxes on their investments with us (due to depreciation and 1031 Exchanges). And, even without the tax rate arbitrage available, the time value of money is significant too. Please speak with one of investor relations professionals and your tax professional about your specific situation.**

Ultimately, the goal of our investment platform is to achieve the following benefits for our investors, in order of priority:

1) **Principal Protection (you work hard for your money and losses hurt more than gains help)**
2) **Current Income (delivered via operations and asset management)**
3) **Income Growth (delivered via value-added improvements, operations, and market selection)**
4) **Equity Growth (this is a natural byproduct of income growth)**
5) **Ability to scale up income or equity (based on strategic refinance/sale and 1031 exchange)**

Anything else that you would like us to take into consideration with regards to your application? (Attach additional documentation as desired).

In our experience, sponsor/fund selection is far more than just return projections. Investing in direct commercial real estate is a longer-term relationship. So, getting to know each other and ensuring we're a fit for each other is critically important. Please speak with a member of investor relations team and visit www.37parallel.com/wci.