W | FINANCIAL

November 30, 2020
W FINANCIAL FUND, LP
MID-QUARTER PORTFOLIO UPDATE

Dear W Financial Investors,

We hope that despite the continuing coronavirus pandemic, that you and your families are all staying safe during this exceptionally challenging time. Although the U.S. still has rising cases as we head into the winter, as of this writing we are all encouraged to see that there are multiple potentially effective vaccines going through FDA approval that will hopefully begin to be deployed over the next several months. Beginning to see some light at the end of the tunnel is welcome news, even though we know that we still have a long way to go and many challenges still lie ahead.

As reported in our Q3 Investor Letter, five loans were in default. One of these loans has since paid us off in full and four of these loans remain in default with details to follow including the pending sale of one of the Charles Street condominium units, which, once closed, is expected to substantially pay down the balance on that loan, and partial payments on the East 79th Street loan. We have also sent a new default letter to a borrower as will be described in detail below.

As of this writing, we have 56 loans in our portfolio totaling $334,274,541. Since the end of Q3, we have closed six new loans totaling $19,216,300 secured by first mortgages on properties located in Boca Raton, Miami and Kissimmee Florida, Pebble Beach, California, Brooklyn, New York and Lynchburg, Virginia. Since the end of Q3, four loans (one in Manhattan, two in Brooklyn and one in Naples, Florida), have been repaid totaling $30,430,188.60. As always, full details will be provided in the Q4 letter.

Repayment of a Defaulted Loan:

While the particular circumstances of each loan default will, of course vary, we thought the details of how 207 South 3rd Street's loan default unfolded and was later resolved, would be of interest to our investors.

We are pleased to report the successful resolution of this loan. The $16,734,586 loan we had previously reported as being in default was repaid in full on November 23rd. The loan was collateralized by a recently built, mixed-use building located at 207 South 3rd Street, between Roebling and Havemeyer

Streets, in the Williamsburg section of Brooklyn, and had gone into default in May 2020 largely as a consequence of the pandemic's effect on the borrower. This borrower had been giving us all the cash flow generated by the building, which was approximately half of our debt service. As this was a good property the borrower was able to refinance W's bridge loan with a conventional bank loan of approximately $18 million.

In addition to our principal balance of $16,734,586, we also collected all stated interest owed totaling approximately $391,000. We also collected late fees, deferred origination and extension fees totaling approximately $282,000. So, although there was a period of months during which time this borrower was making only sporadic and partial payments, hurting our returns during those months, in the end we did receive all the missing payments.

New Loan Default:

We have issued a default letter to our borrower for a $29,250,000 first mortgage loan collateralized by a seventeen-story, full-service hotel called the Raffaello located at 201 East Delaware Place, near Michigan Avenue and Lake Shore Drive, directly across the street from the John Hancock Center in the Gold Coast Historic District of Chicago, Illinois. Clearly the economic effects of the pandemic have played a role and the borrower failed to make their scheduled mortgage payment on October 1st. After we issued the default letter the Borrower approached us to begin to negotiate a workout on this loan. We will report on further developments in our Q4 Investor Letter.

Recap of Loans Currently in Default as Previously Reported:

- 15 Charles Street, located in Manhattan's Greenwich Village, is a $1,250,000 loan collateralized by two, one-bedroom condominium units. The borrower defaulted on their April 1st loan payment. We are happy to report that the borrower has signed a contract to sell unit 10F for $1,325,000. All of the net sales proceeds after closing costs shall be applied to reduce the balance owed on our loan. The other condo unit is currently leased until March 31, 2021 and the Borrower anticipates putting this unit on the market for sale in early 2021.

- 551 West 21st Street, located in Manhattan's West Chelsea neighborhood, is a $3,500,000 loan collateralized by a three-bedroom, three-bath condominium unit in a 20-story luxury building and is currently listed on the market for $6,495,000. The borrower has approached us about reinstating this loan if he were to bring new equity to the table. These discussions are ongoing.

Delinquent / Slow Paying Loans:

- 11 East 68th Street is an $8,300,000 loan collateralized by a package of fully renovated condominium units located in a luxury Beaux-Arts Revival Style pre-war condominium conversion on East 68th Street, between Fifth and Madison Avenues, on Manhattan's Upper East Side. Since the onset of

the pandemic, this borrower has been periodically falling behind and then bringing his loan current. He is currently approximately 75 days behind as we received his last payment on September 9th. He is actively marketing the package of units to sell them in bulk.

- 150 East 79th is a $43,600,000 loan collateralized by a five-building assemblage located at the corner of East 79th Street and Lexington Avenue on the Upper East Side of Manhattan. It is worth noting that this borrower has more than of $30,000,000 of cash equity invested in the deal and is highly motivated to retain this asset and to redevelop the property in the future. Since the onset of the pandemic, he has been slow to pay and during the month of October we received payments totaling $360,900, and then on November 27th we received another $100,000 payment. While the borrower is currently approximately 120 days behind on his payments, he is working to refinance another property in order to raise capital to pay our debt service.

The above-referenced loans are all first mortgages totaling $85,900,000 (~26% of our loan portfolio). As a point of reference, our total outstanding loan portfolio was $334,274,541 at the time of this writing and was comprised of 56 loans.

As always, feel free to call Gregg Winter at (212) 532-9170 or David Heiden at (516) 633-1424 with any questions that you may have, (including any questions about any of the content or real estate terminology in this letter that you would like us to explain in greater detail). Contact our CFO Adam Windwer with any questions that you may have regarding our audited financial statements, or your quarterly statement at (516) 996-6515 | adam@w-financial.com. Alternatively, you can always email us directly at gregg@w-financial.com and david@w-financial.com.

Wishing everyone a very happy and safe (and socially distanced) holiday season!

Very truly yours,
W FINANCIAL FUND, LP

By: W Financial GP, LLC, Manager

By: Gregg Winter, Member

By: David Heiden, Member

By: Marc Bailin, Member