March 8, 2021
W FINANCIAL FUND, LP
MID-QUARTER PORTFOLIO UPDATE

Dear W Financial Investors,

We hope that you and your families are all staying safe (and sane!) during this exceptionally challenging time. Fortunately, as we emerge from a difficult winter season, multiple vaccines are now being deployed, with the pace of progress likely to continue increasing, especially now that Johnson & Johnson's one-shot vaccine adds additional bandwidth to the effort. Significant federal economic stimulus is expected to be approved, and the combined effects of the stimulus and increased vaccinations should improve and brighten the general economic outlook moving forward.

As reported in our last Mid-Quarter Update in late November, five loans were in default. By the time we issued our Q4 2020 Investor Letter in late January, we were down to three loans remaining in default. Currently, the same three loans remain in default. All are first mortgages. It is worth noting that part of the game plan for any bridge lender always considers the possibility that loan defaults can occur, and the fact that while they may temporarily decrease interest income until resolved, defaults and their resolution are part of the "life cycle" of opportunistic lending. While each loan is unique and the outcome can never, of course be guaranteed, during the course of our 18-year history, which includes the very challenging period through the last recession in 2008-2009, the workouts and the resolutions of our few problem loans have each resulted in successful outcomes.

With light now clearly visible at the end of the tunnel, the lending outlook continues to improve, as optimism increases, and deal activity picks up. We are seeing many incoming loan opportunities all around the country, and we are picking and choosing our loans very selectively.

As of this writing, we have 64 loans in our portfolio totaling $362,357,635. Since the end of Q4 2020, we have originated five new loans totaling $16,690,000, secured by first mortgages on properties located in San Francisco, California, Gainesville, Florida, Lake Charles, Louisiana, New Port Richey, Florida and Miami, Florida. Since the end of Q4 2020, one loan in Morristown, New Jersey in the

amount of $1,150,000 has been repaid, and we have received partial paydowns on three other loans totaling $10,904,000. As always, full details will be provided in the Q1 letter.

Recap of Loans Currently in Default as Previously Reported:

- 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. The borrower has experienced significant setbacks as a result of the pandemic and has engaged a broker that is actively marketing the package of condominium units to sell them in bulk. We are also in discussions with the owner about taking over ownership of the units.

- 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 $30,000,000 of cash equity invested in the deal and is highly motivated to find a way to retain this asset and to redevelop the property in the future. As we have previously described, we have issued a default letter, and we have accelerated the loan. On January 19th we commenced litigation against the borrower's personal guarantee (NY State still has a pandemic-related moratorium in effect on foreclosures and evictions through at least May 2021, which applies even to commercial properties such as this assemblage). In the interim, the borrower has sent us the net February and March rents generated by the property.

  As a direct result of our launching the litigation with the resulting notices being published in the real estate press, we have been contacted by several prominent and very well capitalized Manhattan real estate developers who have expressed interest in buying the site from us, if and when the developer offers us the deed in lieu of foreclosure, or if we own the property after a foreclosure. Ideally, we would prefer to sell our mortgage note at par to a third party (who would then either negotiate a deal with the borrower or conduct a foreclosure). We believe that while we are temporarily not collecting interest, that we have very strong collateral that is sufficient to repay our loan. We will report further news as this process continues.

- The third loan in default is The Raffaello, which is located at 201 East Delaware Place, near Michigan Avenue and Lake Shore Drive, in the Gold Coast Historic District of Chicago, Illinois. Our $29,250,000 first mortgage loan is collateralized by a seventeen-story, full-service, 175-room hotel. The property has been undergoing a substantial renovation during the course of the pandemic, with plans to reopen summer 2021. As reported previously, after we issued the default letter, the borrower approached us to begin to negotiate a workout on this loan. These negotiations continue to evolve, and we will keep you apprised of our progress.

The above-referenced loans are all first mortgages totaling $81,150,000 (~22% of our loan portfolio). As a point of reference, our total outstanding loan portfolio was $362,357,635 at the time of this writing and was comprised of 64 loans.

So, to summarize, we are continuing to work through resolving our three problem loans, and once resolved, we would expect to see our returns normalize back to pre-pandemic levels.

As always, feel free to call Gregg Winter at (917) 885-0990 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 (212) 532-9284 | adam@w-financial.com. Alternatively, you can always email us directly at gregg@w-financial.com and david@w-financial.com.

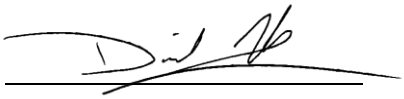
As we get closer to the end of this long pandemic winter, we hope that you all stay safe and enjoy each other's company and the impending arrival of spring!

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