May 27, 2021
W FINANCIAL FUND, LP
MID-QUARTER UPDATE

Dear W Financial Investors,

We are all very grateful to finally be making real progress in controlling the pandemic and to be gradually experiencing a return to something approaching normal, after what has been a very unusual and challenging year.

We have some positive news to report concerning progress that has been made with one of our three loans currently in default. After months of negotiations, on May 14th we entered into a forbearance agreement with our borrower for the $29,250,000 first mortgage loan, secured by the seventeen-story, Raffaello Hotel, which is located in Chicago's Gold Coast area.

The forbearance agreement outlines next steps and hopefully brings us closer to a successful resolution. Per the agreement, the borrower paid us $952,000 of cash and also agreed to apply their remaining escrow balances to pay down our loan from $29,250,000 to $27,107,968, a reduction of $2,142,031.52.

In exchange for the principal reduction, we gave them 120 days to refinance our loan. The borrower is also obligated to pay us a $292,500 deferred origination fee when our loan is repaid. We will report further news as this situation progresses, but we wanted to share this important development with our W Financial investors right away in this Mid-Quarter Update.

As of this writing, we have 62 loans in our portfolio totaling $332,766,986. Since the end of Q1 2021, we have originated four new loans totaling $11,850,000, secured by first mortgages on properties located in Manhattan, Downtown Brooklyn, Broomall, Pennsylvania and Salem, Oregon. Since the end of Q1, four loans have been repaid totaling $17,950,000 (with one loan located in Kansas City, Missouri, two in Manhattan and one in Port Washington, Long Island), and we have received partial paydowns on two other loans (located in Chicago and Manhattan), totaling $2,146,031.52. As always, full details will be provided in the Q2 letter.

Recap of the other two loans currently in default:

- On May 3rd we commenced a foreclosure action against the borrower on our $43,600,000 loan which is collateralized by a five-building assemblage located at the corner of East 79th Street and Lexington Avenue on Manhattan's Upper East Side.

As a result of our launching the foreclosure action, with the resulting notices being published in the NYC real estate press, we have been contacted by numerous 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 completing a foreclosure.

The borrower is highly motivated to find a way to retain this asset and to redevelop the property in the future or sell to a third party before losing the property in a foreclosure. In the interim, the borrower has been sending us the net rents generated by the property. We will report further news as the litigation proceeds.

- 11 East 68th Street is an $8,300,000 loan collateralized by a package of 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 experienced significant setbacks as a result of the pandemic, and we are now in active discussions with him about taking over ownership of the units.

The above-referenced loans are all first mortgages totaling $78,258,683 (~23.5% of our loan portfolio). As a point of reference, our total outstanding loan portfolio was $332,766,986 at the time of this writing and was comprised of 62 loans.

So, to summarize, we are making progress working through resolving our three problem loans, with one of them moving closer to resolution. Once these problem loans have been resolved, we would then 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 edge closer to a much more normal summer, we hope that you all enjoy each other's company and the first hugs with friends and loved ones in a long, long time!

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