W | FINANCIAL

September 17, 2021
W FINANCIAL FUND, LP
MID-QUARTER UPDATE

Dear W Financial Investors,

We hope that everyone has been having a good summer reconnecting with family and friends, despite the continuing persistence and unpredictability of the coronavirus pandemic.

As of this writing, we have 61 loans in our portfolio totaling $334,728,272, net of participations. Since the end of Q2 2021, we have originated five new loans totaling $24,650,000, secured by first mortgages on properties located in Deerfield Beach, Florida; Orlando, Florida; Minneapolis, Minnesota; Fayetteville, North Carolina; and the Chelsea neighborhood of Manhattan. Since the end of Q2, seven loans have been repaid totaling $31,575,000 (one in the Bronx, one in Pebble Beach, California, one in Naples, Florida, one in Lake Charles, Louisiana, one in Lynchburg, Virginia, one in Brooklyn, and one in Manhattan).

We have also received partial paydowns on five loans (one in Chicago, two in Manhattan, one in Brooklyn and one in Broomhall, Pennsylvania), totaling $2,166,000. As always, full details will be provided in the Q3 letter.

Resolution of One of our Loan Defaults:

In early September, we received a deed-in-lieu of foreclosure in connection with the package of seven occupied residential condominium units located in The Marquand, which is a luxury Beaux-Arts Revival Style, pre-war condominium building at 11 East 68th Street, (between Fifth and Madison Avenues), on Manhattan's Upper East Side. Therefore, the number of loans in default has now decreased from three to two.

The Marquand is a very desirable, upscale building in a great location, steps from Central Park (https://streeteasy.com/building/the-marquand). Our goal is to sell the units as they become vacant. As previously described, the units are all occupied, therefore we cannot predict when a vacancy will occur.

It is not unusual in very high-end Manhattan condominium and co-op buildings that unit owners seek to avail themselves of opportunities to combine units and add on to their existing apartments. Therefore, we plan to ask the building manager to quietly approach some of the apartment owners who own units contiguous to ours, to see if they may have an interest in buying an adjacent unit as a way to expand their own apartments. We also plan to selectively approach some of tenants in our units, to see if any of them have an interest in being bought out.

We had previously reported that 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 (now re-branded as the Gale Chicago www.galechicago.com), which is located in Chicago's Gold Coast area. As of this writing, the borrower has paid down our loan from $29,250,000 to $26,957,968, a reduction of $2,292,031.52.

In exchange for the principal reduction, the forbearance agreement granted the borrowers four months 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 on this loan in our next regular quarterly update letter as the deadline is approaching.

We had previously reported that 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. The borrower is required to answer our Summons and Complaint (which is the opening salvo in a foreclosure action) by December.

The borrower is trying his best to delay the litigation as he hopes to find a way to retain this asset and to redevelop the property in the future or sell it to a third party before losing the property in a foreclosure. We feel that our best approach is to litigate aggressively and foreclose on the property, a process that has been complicated and slowed down by the various pandemic-related, foreclosure moratoriums at the city, state, and federal levels. In the meantime, the borrower has been sending us the net rents generated by the property.

The two above-referenced loans remaining in default are first mortgages totaling $70,557,968 (21.19% of our loan portfolio). As a point of reference, our total outstanding loan portfolio net of participations was $334,728,272 at the time of this writing and was comprised of 61 loans.

So, to summarize, we are continuing to make progress working through resolving our two remaining loans in default. Once the remaining 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 David Heiden at (516) 633-1424 or Gregg Winter at (917) 885-0990 with any questions that you may have. You can also contact our CFO Adam Windwer with any questions that you may have 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.

Wishing you a healthy and happy fall season!

Very truly yours,

W FINANCIAL FUND, LP