W | FINANCIAL

OCTOBER 22, 2021
W FINANCIAL FUND, LP
INVESTOR LETTER
Q3 2021

Re: W Financial Fund, LP — 3rd Quarter 2021 Update and Statement

Dear W Financial Investors,

Hopefully, we are now moving beyond the peak of the continuing coronavirus pandemic and will soon begin to see it gradually receding in the rear-view mirror. As many of us plan to stick to an outdoor-dining-only regimen for the foreseeable future, we are hoping for mild enough weather to be able to continue spending a lot of time outdoors and enjoying seeing friends and family this autumn.

We began Q3 with three loans remaining in default. We are now pleased to report that two of these loans have been resolved and we now have only one loan remaining in default in our portfolio.

The Marquand Condominium Units / 11 East 68th Street, Manhattan

During the quarter we took ownership of the package of seven occupied condominium apartments in The Marquand, a pre-war, luxury Beaux-Arts Revival style building located at 11 East 68th Street, between Fifth and Madison Avenues on Manhattan's Upper East Side. We were able to convince the Borrower to give us the keys and thus save the considerable time and legal expense of going through a foreclosure action.

To give you a better feel for this exceptional property, the following link will show you both recent (September 2021), as well as historical sales prices for vacant units in the building: streeteasy.com/building/the-marquand

Since our units are presently occupied, we cannot currently market them as vacant, however it is not unusual in high-end Manhattan condominium and co-op buildings for apartment owners

to want to buy contiguous units to add on to their existing apartments. Therefore, now that we own these seven apartments, we plan to quietly approach the owners of adjacent apartments to see if any may be interested in buying one of our units. We are also exploring whether any of the tenants in our units might be open to a buyout proposal.

The Raffaello Hotel / Gale Chicago

We have good news to report regarding The Raffaello Hotel, (recently re-branded as the Gale Chicago **galechicago.com**), as this loan is no longer in default. Our Borrower is close to finalizing a deal with a new capital partner to invest new cash equity in order to restabilize the hotel from the effects of Covid. As such, they entered into an extension of our Forbearance agreement which required them to pay interest on our loan in advance at the contract rate. Therefore, they have wired us $691,172.36, which covers interest through December 13th. We also provided them with three one-month extensions provided they pay us the interest due in advance, in order to exercise each extension option. In addition, they also paid the $400,000 real estate tax bill which was due, bringing their total cash investment to almost $1,100,000. Given this latest substantial cash infusion, we feel there is a strong likelihood that they will be able to move forward with this new capital partner and seek to refinance our loan with another lender in the next few months.

150 East 79th Street at Lexington Avenue – Five-Building Assemblage

As we have reported, on May 3rd we commenced a foreclosure action on our $43,600,000 first mortgage 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. The Borrower is required to formally answer our Summons and Complaint by early December.

As described previously, the borrower is trying his best to delay the litigation as he hopes to find a way to retain this valuable asset most likely by partnering with another developer to redevelop it, before losing the property to W Financial in a foreclosure. In the meantime, the borrower has been continuing to send us the net rents generated by the property, which are approximately $900,000 per year.

Given the scarcity of sizeable Manhattan prime corner development sites suitable for a mixed-use condominium development, we are very optimistic about the potential for this site.

Q3 Portfolio Performance

W Financial posted a .50% fund-level return for July, a .52% return for August, and a .50% return for September, (which was our 219th consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through September 30th were: 1-year: 6.42%, 3-year: 7.08%, 5-year: 7.63%.

From our 2003 inception through September 30, 2021, W has provided an average annual compounded, fund-level return of 9.08%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $474,521 as of September 30, 2021, resulting in a total return of 388.82%.

Our return this quarter was reduced by one-time costs to complete the transfer of ownership of the seven condominium units at 11 East 68th Street. Such costs included New York City real estate transfer tax, legal fees, and other closing costs.

Given the currently reduced portfolio income for Q3 due to the defaulted loans and closing costs for 11 East 68th Street, the managers have elected to reduce their performance fees by 50% for August 2021, and by 50% for September 2021, in order to increase the returns to our investors and emphasize our personal and professional commitment to our investors during this challenging period. We believe strongly in the fund, and it is important to us that we continue to stand with our investors and put their interests first and foremost.

All investor capital was fully deployed during the third quarter of 2021, and we ended the quarter with $16,300,000 drawn on our $75 million revolving line of credit. As of the quarter-end, our loan portfolio was comprised of 59 loans totaling $325,967,094.

Currently, approximately two-thirds of our loan portfolio is secured by properties the New York Metropolitan area, with the other third deployed in loans in other markets around the country.

Nine loans secured by properties in Manhattan; Brooklyn; the Bronx; Lynchburg, Virginia; Lake Charles, Louisiana; Pebble Beach, California; Naples, Florida; and Gainesville, Florida, totaling $40,336,177 were repaid in the normal course of business. We also received partial loan paydowns on six other loans located in Manhattan, Brooklyn, Broomhall, Pennsylvania and Chicago, Illinois. The total of these loan repayments and partial paydowns was $42,502,177.

New W Financial Loan Origination During Q3

During Q3, W Financial provided five new loans totaling $24,650,000. Loan highlights are provided below:

- a $2,400,000 first mortgage bridge loan secured by a fully occupied, 22-unit multifamily property located on SE 9th Avenue in Deerfield Beach, Florida. The borrower needed to close on the acquisition expeditiously and plans to make some capital improvements and then refinance the W Financial loan with conventional bank financing.
- a $5,200,000 first mortgage bridge loan for the acquisition of a 45-unit multifamily community located on South Texas Avenue in Orlando, Florida, with additional acres of developable land. The Borrower has indicated they may approach us about lending additional proceeds to upgrade the units after we close.
- an $11,500,000 bridge loan secured by a first mortgage on a recently built luxury rental building located on West 44th Street in the Linden Hills neighborhood of Minneapolis, Minnesota. The borrowers needed a bridge loan to repay their maturing construction loan. Once the property is fully stabilized, the borrowers plan to refinance the W loan with conventional bank financing.
- a $5,000,000 second mortgage revolving credit facility (of which, $2,100,000 was funded at the closing), collateralized by an approximately 102,000 square foot, six-story, mixed-use property located on West 27th Street in the West Chelsea neighborhood of Manhattan. The property had some vacancy during the pandemic but is now starting to see leasing momentum picking up again. The borrower plans to utilize our funds to cover near-term cash flow shortfalls and to also facilitate the acquisition of other properties.



SE 9TH AVENUE – DEERFIELD BEACH – FLORIDA



SOUTH TEXAS AVENUE – ORLANDO – FLORIDA



WEST 44TH STREET – MINNEAPOLIS, MINNESOTA



WEST 27TH STREET – WEST CHELSEA – MANHATTAN

- a $3,450,000 first mortgage bridge loan secured by a 37-unit multifamily property located on Arthington Street in Fayetteville, North Carolina. The borrower needed to close on his acquisition expeditiously and plans to market the property for sale, as he believes that he was able to purchase it below-market.

Note that the deal descriptions that you see in these quarterly letters are intended to be a high-level overview, and, as always, we invite you to contact us with any questions regarding the transactions described, or to simply hear a more in-depth description than space allows in these letters.



ARTHINGTON STREET – FAYETTEVILLE – NORTH CAROLINA

Contact Us

If you have changed your email or mailing address, please let Karen Mannoia in Investor Relations know. Karen can be reached at karen@w-financial.com | (212) 532–9178 or (631) 750–0937.

As a reminder, always feel free to call or email David Heiden at (516) 633–1424 | david@w-financial.com and Gregg Winter at (212) 532–9170 | gregg@w-financial.com with any questions that you may have about our investment activities, (including any questions about any of the content or real estate terminology discussed in this letter that you would like us to explain in greater detail). Contact our Chief Financial Officer, Adam Windwer, with any questions regarding your account statement or with any questions you may have about our audited financial statements (212) 532–9284 | adam@w-financial.com.

Note that we have posted a guide for our investors called "How to Read Your Statement" which is available on our private investor website: private.w-financial.com username: w-fund, password: twofive6.

With best regards,
W FINANCIAL FUND, LP
By: W Financial GP, LLC, Manager

By: David Heiden, Member

By: Gregg Winter, Member

By: Marc Bailin, Member

**Returns are calculated for the limited partner class taken as a whole and are computed using a time-weighted methodology whereby the returns for individual accounting periods are geometrically linked and proforma incentive allocations are taken into account. An individual limited partner's return may vary based on different management fee arrangements as outlined in the Private Placement Memorandum and the Limited Partnership Agreement, as well as by the timing of capital transactions. The monthly returns and other performance calculations are prepared internally and have not been audited or verified by a third party. The use of a different methodology for preparing, calculating or presenting performance returns may lead to different results and such differences may be material.*