W | FINANCIAL

JANUARY 26, 2022
W FINANCIAL FUND, LP
INVESTOR LETTER
Q4 2021

Re: W Financial Fund, LP — 4th Quarter 2021 Update and Statement

Dear W Financial Investors,

As we approach the two-year mark since the onset of the coronavirus pandemic, and with the virus continually mutating and throwing new curve balls at us, society at large is doing its best to react quickly to each new challenge and to learn how to adapt to life within this new paradigm. Towards the end of 2022, hopefully we will be able to look back and declare Omicron as having been the apex of the pandemic, with life thereafter gradually returning to normal.

Meanwhile, over in the world of real estate lending, W Financial will soon begin its nineteenth year of successful operation, having closed 419 loans totaling approximately $1.8 billion since our inception in the spring of 2003. As you will see in this letter, we have been busy originating new loans, while at the same time, old loans were refinancing and paying off at a healthy clip during 2021, and you will also see that we continue to make good progress in working to resolve any remaining Covid-era loan portfolio issues.

Q4 and 2021 Portfolio Performance

W Financial provided a .50% compounded, fund-level return in December 2021, with a compounded, fund-level return of 6.21% for the year, net of management and performance fees. December marked our 222nd month of positive fund performance. Our 1, 3 and 5-year trailing net returns through December 31, 2021, were as follows: 1-year: 6.21%, 3-year 6.89% and 5-year 7.51%.

Since our 2003 inception through December 2021, W Financial has provided an average annual compounded, fund-level return of 9.05%, net of fees. Thus, $100,000 invested at our 2003 launch with distributions reinvested, had increased to $481,651 as of December 31, 2021, resulting in a Total Return Since Inception of 396.35%, net of fees. Total investor capital in the fund (our closing capital balance for the year), was $321,281,377.

As of year-end, our portfolio was comprised of 62 loans totaling $325,109,794 (net of loan participations) with an average loan size of $5,242,255 (net of participations). Geographically, we continued to expand our lending activities beyond the New York area, with approximately 58% of our loans in the New York Metropolitan area, and approximately 42% of our loans located in other markets nationwide.

W Financial originated 37 loans during the year, totaling $153,545,000. In some cases, as has long been our practice, in order to enhance risk management and increase portfolio diversification, we work with loan participants on some deals.

As you can see from reading many of the loan descriptions, our borrowers tend to initially close on a property using a W bridge loan, and then, over time, they either refinance the bridge loan with more permanent (and less expensive) conventional financing, or they sell the property. During 2021, there was healthy turnover in our loan portfolio, where 31 of W's loans were repaid in the normal course of business, and we also received 20 partial loan paydowns. Loan repayments for the year totaled $168,753,508.

We ended the year with all investor capital fully deployed, and with $9,600,000 drawn on our $75 million revolving line of credit. As of year-end, the floating rate on our LIBOR-based, revolving line of credit was approximately 3.025%. The credit line helps to optimize our cash management and increase our yields.

New W Financial Loan Origination During Q4

During Q4, W Financial provided 13 new loans totaling $39,975,000. Loan highlights are provided below:

- a $4,750,000 acquisition bridge loan collateralized by a multi-family property located on West Lehigh Street in Bethlehem, Pennsylvania. The borrower required quick and flexible financing in order to acquire and lease-up the newly constructed building. He then plans to refinance the bridge loan with bank financing once the property is fully stabilized.
- a $5,500,000 first bridge loan collateralized by a development site located on North Laurel Avenue in the West Hollywood neighborhood of Los Angeles, California. There is an existing commercial building that is partially occupied, and W Financial expects to be repaid once the borrower closes on a construction loan.
- a $2,600,000 first mortgage bridge loan collateralized by a multifamily property located on Lockhurst Road in Columbus, Ohio. The property is a mostly occupied, garden-style multifamily property. The borrower plans to stabilize the asset and to then obtain conventional financing.
- a $2,500,000 first mortgage bridge loan to acquire four condominium units located on 10th Street South in Naples, Florida. The borrower required quick and flexible financing in order to be able to acquire the units at a very favorable basis. The borrower subsequently sold the two retail condominium units and paid us off in full.
- a $550,000 first mortgage bridge loan collateralized by a one-bedroom; one-bath condominium apartment located on West 57th Street near Ninth Avenue in the Midtown West area of Manhattan. The condominium unit was free and clear, and the borrower



BETHLEHEM – PENNSYLVANIA



NORTH LAUREL AVENUE – LOS ANGELES, CA



LOCKHURST ROAD – COLUMBUS, OHIO



10TH STREET SOUTH – NAPLES, FLORIDA

needed some cash to pay back taxes and for other business purposes. The borrower plans to refinance W's bridge loan with a conventional mortgage.

- a $1,300,000 blanket first mortgage loan collateralized by one mixed-use building and two development sites located in Cincinnati, Ohio. The properties were unencumbered, and the borrower required the proceeds for another business opportunity. The borrower plans to refinance the W Financial loan with either a sale, or a refinance of the properties.
- a $2,400,000 first mortgage acquisition loan collateralized by a well-located garden-style, multifamily property, and some excess land, located on 34th Avenue South in St. Petersburg, Florida. The borrower needed to close expeditiously and plans to refinance W Financial's bridge loan with a conventional loan.
- a $500,000 first mortgage acquisition loan collateralized by a multifamily property located in North Charleston, South Carolina. The borrower needed to close expeditiously as part of a 1031 tax-free exchange, and he plans to refinance the W Financial loan with conventional financing.
- In July 2021, W Financial had closed a $5,200,000 first mortgage acquisition loan on this property, which is collateralized by a 45-unit multifamily community on South Texas Avenue in Orlando, Florida. The Borrower had planned to refinance our loan and use a conventional lender to finance the planned renovation work. However, he decided to offer W Financial the opportunity to do the rehab loan as he was impressed with our speed and reliability. As such, we closed a $1,200,000 second mortgage loan, which we are disbursing as construction draws are made and the renovation is completed.
- an $8,500,000 first mortgage bridge loan to refinance a multifamily property situated on 5+ acres, located on Bridge Avenue in Forest Park (near Atlanta), Georgia.



WEST 57TH STREET – MANHATTAN



CENTRAL AVENUE – CINCINNATI, OHIO



ST. PETERSBURG – FLORIDA



LESLIE STREET – NORTH CHARLESTON – SC

The borrower needed quick and flexible financing and plans to either refinance W's bridge loan or to sell the property.

- an $875,000 first mortgage acquisition loan collateralized by a commercial property in Sebring, Florida. The borrower purchased a vacant retail property (formerly a Ruby Tuesday) and will use our loan proceeds for capital expenditures to retrofit the space for a cannabis tenant that has already signed the lease.
- a $3,300,000 first mortgage acquisition loan collateralized by a vacant industrial building in very good condition located in Conroe (near Houston), Texas. The borrower needed to close expeditiously and plans to refinance the W Financial loan once the property is stabilized.
- a $6,000,000 first mortgage bridge loan to finance the acquisition of a vacant warehouse on Busch Drive in Jacksonville, Florida. Once the borrower has executed a lease with a tenant, W Financial will provide an additional $1,500,000 in "good news" money, and once fully funded, the loan will total $7,500,000. Once stabilized, the borrower expects to refinance W's bridge loan with conventional financing.

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



SOUTH TEXAS AVENUE – ORLANDO, FLORIDA



BRIDGE AVENUE – ATLANTA, GEORGIA



SEBRING PARKWAY – SEBRING, FLORIDA



CONROE PARK WEST DRIVE – CONROE, TEXAS



BUSCH DRIVE – JACKSONVILLE, FLORIDA

2021 Tax Reporting and Timing of the Issuance of K-1s:

K-1s are always a very popular topic once we get into the New Year, among our investors, their financial advisors and their accounting professionals. This year, as usual, we expect to issue the K-1s for your 2021 tax reporting purposes by the end of March 2022.

Recap of Loan in Default and R.E.O.:

150 East 79th Street:

We are expeditiously continuing this foreclosure which had been substantially delayed during 2021 due to NYS Covid moratoriums. We are working with our counsel to move the process forward and hope to conclude the foreclosure in 2022.

Our loan is secured by five properties (known as an assemblage) located at the corner of Lexington Avenue and East 79th Street on the Upper East Side of Manhattan, in what has become a very hot market for developers seeking to build very high-end, luxury condominiums. This assemblage is perfectly suited for that ultimate purpose (known in real estate as it's highest and best use). We have had inquiries from several luxury condominium developers, who have expressed an interest in buying the site at such time that we own it (in other words, at the end of the foreclosure process). As always, we will keep you posted on further progress as it occurs.

In the second half of 2021, condominium sales in Manhattan performed surprisingly well. More than 16,000 contracts were signed for condominium units sales in 2021, which aggregated $30 Billion and surpassed pre-pandemic levels. This was discussed in a January 4, 2022 CNBC story titled "*Manhattan Real Estate Breaks Record in 2021, Reaching $30 Billion in Sales*": cnbc.com/2022/01/04/manhattan-real-estate-reaches-record-breaking-30-billion-in-sales.html

The Marquand:

After this borrower went into default during the pandemic, without needing to foreclose, we received a deed-in-lieu of foreclosure for this package of seven occupied residential condominium units located in 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.

As the owner of seven units, we will now have a seat on the board of directors of the condominium association, and the condominium association's offering plan is now being amended accordingly. Once the amendment has been approved, we will then be able to start approaching the contiguous unit owners in the building to discuss sales of units (for the future expansion of their existing apartments).

Our goal is to sell the units as they become vacant. As previously described, since our units are all occupied, we cannot predict exactly when such vacancies will occur. Based upon the strong sales history for vacant units in the building, we feel that despite the interim negative carry, there is a lot of embedded value in these apartments that we will be able to unlock over time.

Since we expect that progress will unfold gradually over time, we will report further on the Marquand when there is something material to report, such as a vacancy, a buyout, or a sale.

Mid-Quarter Updates:

Now that we have successfully resolved all but one of the loan defaults, we plan to end our Mid-Quarter Updates, and continue to report developments as usual in our regular Quarterly Update letters. However, if at any time there is an important update that we would like to share ahead of our regular Quarterly Updates, we will provide an update at such time. As always, we encourage our investors and their advisors to pick up the phone or email us at any time, with any questions or for any desired updates.

New and Additional Investments for W Financial

We expect to be accepting new and additional investments during 2022. Of course, the answer in any given month always depends upon the pace of new loan origination and repayments of existing loans in our investment portfolio, as well as the extent of our usage of our revolving line of credit.

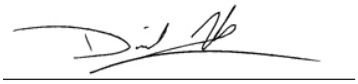
If you would like to be ready to add to an existing account or to establish a new account, then please contact your financial advisor, or you may contact Karen Mannoia in Investor Relations per her contact info below, and she will be able to provide you with our latest subscription agreements.

Contact Us

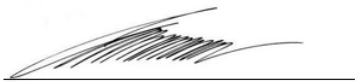
If you have updated your phone number, email or mailing address, please advise Karen Mannoia in Investor Relations karen@w-financial.com (631) 750–0937 or (212) 532–9178. As always, feel free to contact David Heiden at (516) 633–1424 | david@w-financial.com or Gregg Winter (212) 532–9170 | gregg@w-financial.com. You can also contact our Chief Financial Officer, Adam Windwer, with any questions that you may have regarding your account statement or our audited financial statements at (212) 532–9284 | adam@w-financial.com.

Hoping that you and your families are enjoying spending time together safely during this winter season.

With warm 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.*