W | FINANCIAL

March 2020
W FINANCIAL FUND, LP
MID-QUARTER UPDATE

Dear W Financial Investors, Colleagues and Friends -

First and foremost, we hope that you and your family are healthy, safe, well-stocked and optimistic, so that together, we can all ride out this unprecedented disruption to the normal rhythm of our lives in good health and with a positive outlook. I am pleased to report that we are all healthy and safe, and that W Financial is fully operational and set up to work remotely, securely and effectively during this challenging period.

None of us could have possibly imagined such a rapid and extreme turn of events both in our personal day-to-day lives, as well as the many repercussions echoing throughout every corner of the world's economy. We are optimistic that together, both here in the U.S. and around the world, that all countries will have the discipline and determination required to limit the spread of the virus and attenuate this period of social and economic disruption, so we can all emerge from this unprecedented challenge even stronger.

As we all know, the novel coronavirus outbreak has been declared a pandemic by the World Health Organization prompting governments around the world to take historically unprecedented and aggressive measures to limit the duration and intensity of the outbreak. The ongoing federal and state governmental actions are, of course, also triggering unprecedented business impacts, which reverberate through all industries, the repercussions of which are wide-ranging and evolving daily, and will take some time to fully understand and absorb.

While clearly, world governments must prioritize the containment and reduction of Covid-19 health consequences above all else, unfortunately, this critically important effort to enforce social distancing has necessitated the near-shutdown of the world's economy. The economy cannot be fixed without first solving the pandemic. Success on both fronts is imperative, as the worldwide pandemic poses an existential threat both to our physical health, as well as causing heavy collateral

damage to the health of our economy.

Today, W Financial's loan portfolio is healthy and performing as scheduled. However, real estate and real estate lending are, of course, part of the broader economy, and we do not expect our sector and our borrowers to be immune from the ripple effects of the economic shutdown. Therefore, we are adopting a defensive posture and preparing to navigate through some rough water ahead. As always, we are fully prepared to take effective action if and when necessary to enforce all the provisions in our loan documents to protect our loan portfolio and our investors. The recently approved government stimulus package may ultimately provide our borrowers, their tenants, etc., with some economic relief, but the extent of the disruption to the overall economy, and the country's ability to get back to business as usual, will only become apparent over time.

As we have demonstrated in the past, (most notably during the 2008-2009 recession), whenever we have encountered economic downturn-related challenges in our loan portfolio, we have always been able to deal with any problems head-on, utilizing our significant experience and skill set to work out any issues that may arise, with good results for the fund and for our W Financial investors. If we do encounter any problem loans as a result of the current pandemic, we plan to do the same thing – we will work to resolve any issues that may emerge on a case-by-case basis, as we have successfully done in the past. We have a variety of tools in our toolbox and, as always, we will choose the best option in each case according to the specifics of the property, the borrower and other factors. The options may include initiating foreclosure proceedings or modifying loan terms (e.g., deferring, modifying or forgiving some interest payments and/or entering into forbearance agreements), always with the goal of maximizing the value of the asset to the fund, according to our best judgement and experience under each set of circumstances. In the very few instances over the past seventeen years where we have ever needed to litigate to protect one of our loans and our investors, we have done so successfully with a positive outcome in each case for the fund.

It is well worth noting that 98% of the loans in our portfolio are first mortgages (by far the strongest position for a lender, with the most direct connection to the collateral and the borrower), and that additionally, the vast majority of the loans are personally guaranteed by the borrowers. The personal guarantees are helpful to W Financial especially in times of stress, as we have found in past market cycles that borrowers will typically make sure to prioritize keeping any loans that they have personally guaranteed paid on a timely basis (note that many commercial mortgages provided by other lenders are made on a non-recourse basis, meaning without a personal guarantee, therefore borrowers with multiple loans on various properties will naturally tend to prioritize any mortgages

that they have personally guaranteed). Our borrowers also have significant equity invested in their properties that they are highly motivated to protect.

On another note, it is well worth noting that in past downturns, we have always observed that market stress and disruption also breeds opportunity; therefore we reasonably expect to see some compelling new lending opportunities during the balance of this year when there may also be less competition with other lenders. We are already seeing deals being presented to us that would normally be submitted to banks. So, while on the one hand, we expect that we may soon face some challenges because of the pandemic-related disruption to the economy, we also expect that we may well be presented with some interesting new opportunities which may benefit our investors. In past cycles we have always seen that private lenders tend to become even more valuable to borrowers in a stressed market environment.

In closing, today W Financial is strong and healthy, and we are confident in our ability to guide the fund through any challenges that we may encounter as a result of the current economic disruption.

Given the unique and unprecedented nature of the current coronavirus pandemic, we thought it appropriate for regulatory disclosure purposes for our current and future investors, to provide a supplement to our PPM, which is available on the following link: https://w-financial.com/PPM-supplement. As always, we invite you to contact us with any questions you may have.

Wishing you and your families a positive attitude and safe passage through these unprecedented times.

Gregg, David, Adam, Jarret, Karen, Wendy, Julie Andrew, TJ, Marc, Lucy and Nicholas