July 25, 2022
W FINANCIAL FUND, LP
INVESTOR LETTER
Q2 2022

Re: W Financial Fund, LP — 2nd Quarter 2022 Update and Statement

Dear W Financial Investors,

We hope that you and your family are enjoying the summer and possibly even doing some travelling to explore some new places or reacquaint yourselves with some old favorites. Every summer day is precious, especially here in the northeast, as this ephemeral season will be gone in a flash. So, we hope that you take some time now to savor the summer with your family and friends!

During Q2, in an effort to continue fighting inflation, the Federal Reserve continued its policy of monetary tightening by raising the Federal Funds rate on May 4th by 50 basis points and then by another 75 basis points on June 15th. This effectively caused the Wall Street Journal Prime Rate to increase by 125 basis points during the second quarter. Since a majority of the loans in our portfolio have interest rates that are tied to the movement of the Wall Street Journal Prime Rate, the rates on those loans in our portfolio have increased commensurately.

Q2 Portfolio Performance

May 2022 was an exceptionally busy month for our lending team, as we closed nine new loans totaling $74,845,000. As such, our loan portfolio continues to grow and to perform well; with all investor capital remaining deployed during the second quarter of 2022. The lending environment continues to be highly competitive, and, as usual, we continue to choose to compete at the lower

end of the risk and the yield spectrum, given our focus on seeking to protect our downside, rather than taking more risk to try and achieve more upside and higher yields.

W Financial posted a .50% fund-level return for April, a .61% return for May, and a .56% return for June, (which was our 228th consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through June 30th were: 1-year: 6.54%, 3-year: 6.76%, 5-year: 7.32%.

From our 2003 inception through June 30, 2022, W has provided an average annual compound, fund-level return of 8.99%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $497,427 as of June 30, 2022, resulting in a total return of 412.99%.

New W Financial Loan Origination During Q2

During the second quarter, W Financial provided sixteen new loans for properties located in Manhattan; Brooklyn; St. Louis, Missouri; Kissimmee, Florida; Boca Raton, Florida; Naples, Florida; Pequannock, New Jersey; Miami, Florida; Baton Rouge, Louisiana; Fayetteville, North Carolina; Greenville, South Carolina; Aventura, Florida; San Marcos, Texas; Rancho Cordova, California and Delray Beach, Florida, totaling $102,987,000. Loan highlights and pictures are provided on the following pages:

- an $8,150,000 first mortgage loan secured by a newly constructed single-family home located on Blue Heron Way in Boca Raton, Florida. The borrower needed to refinance an existing construction loan. The construction was mostly completed and the Borrower has listed the home for sale. He expects to repay the W bridge loan upon the closing of a sale.
- a $2,100,000 blanket first mortgage secured by two residential condominium units located on 5th Avenue in Naples, Florida. The borrower had previously purchased one of the units all cash and utilized our loan proceeds to close on the 2nd unit. The borrower will either rent the units to third-party tenants and refinance our bridge loan, or sell the units.
- a $342,000 first mortgage bridge loan for the acquisition of a town house located on Hamlet Lane in Kissimmee, Florida. The townhouse is within an



BOCA RATON – FLORIDA – 8,150,000



5TH AVENUE – NAPLES – FLORIDA



HAMLET LANE – KISSIMMEE – FLORIDA

HOA (Homeowners Association) community, and the borrower plans to rent it out as a short-term vacation rental. W Financial has closed on three other townhouse acquisitions in the same City with this borrower.

- a $2,200,000 first mortgage loan secured by a Subaru car dealership located on Route 23 North in Pequannock, New Jersey. The borrower needed a cash-out refinance on their loan to fund another real estate investment. The borrower plans to refinance the bridge loan with a conventional lender.
- a $16,850,000 first mortgage bridge loan secured by a 382-unit multi-family property located on Bandero Drive in St. Louis, Missouri. The borrower needed to close expeditiously, and W Financial was able to close their loan in four business days. The borrower plans to refinance the bridge loan with conventional financing.
- a $7,000,000 first mortgage bridge loan collateralized by a vacant industrial property located on NW 37th Avenue in Miami, Florida. The borrower needed to refinance existing debt and plans to repay the W Financial loan upon the sale of the property.
- $27,500,000 first mortgage bridge loan secured by two adjacent multifamily properties located on Alvin Dark Avenue, in close proximity to LSU in Baton Rouge, Louisiana. The two apartment complexes have a total of 386 apartments, which are comprised of one, two and three-bedroom units. The borrower paid this loan off by the end of the quarter.
- a $2,075,000 first mortgage bridge loan secured by two residential condominium units located in a full-service luxury building on Park Avenue in Manhattan. The borrower is a repeat client of the fund, who needed to refinance her existing debt and brought fresh equity to the deal.
- a $3,770,000 first mortgage bridge loan secured by a fully occupied 35 unit multifamily property located



ROUTE 23 NORTH – PEQUANNOCK – NEW JERSEY


BANDERO DRIVE – ST. LOUIS – MISSOURI


NW 37TH AVENUE – MIAMI – FLORIDA


ALVIN DARK AVE. – BATON ROUGE – LOUISIANA


PARK AVENUE – MANHATTAN

on Kentberry Avenue in Fayetteville, North Carolina. W Financial recently closed a loan for a nearby property called Rim Creek with the same borrower. The borrower needed to close expeditiously, and they plan to refinance the W Financial loan with conventional financing.

- an $11,500,000 first mortgage bridge loan for the acquisition of a mostly occupied office building with an adjacent parcel of land, located on NE 27th Street in the Wynwood neighborhood of Miami, Florida. The borrower needed to close expeditiously and plans to refinance W Financial's bridge loan with a conventional loan.
- a $1,950,000 first mortgage bridge loan secured by a vacant, three-family townhouse located on Carroll Street in the Park Slope neighborhood of Brooklyn. The borrower plans to do light renovations in the short-term, in order to lease the existing units. His long-term plan is to either gut-renovate the house and turn into condominium units or convert it into a two-family townhouse.
- a $2,000,000 bridge loan secured by a development site located on Posey Road in the San Marcos area of Texas. The borrower plans to close on the site and flip it to a developer, as they have already added significant value by taking it through the entitlement process. The borrower plans to refinance the W Financial loan upon the sale of the property.
- a $13,500,000 first mortgage bridge loan secured by a 95,000 square foot retail center situated on approximately 12 acres on Zinfandel Drive in Rancho Cordova, California. The total loan amount was $27,000,000, and we shared the loan in a parri-passu loan participation with another lender with whom we have successfully worked in the past.
- a $750,000 first mortgage bridge loan secured by a single-family home located on Dorsay Court in Delray Beach, Florida. The borrower needed



KENTBERRY AVE. – FAYETTEVILLE – N. CAROLINA



NE 27TH STREET – MIAMI – FLORIDA



CARROLL STREET – BROOKLYN



POSEY ROAD – SAN MARCOS – TEXAS



ZINFANDEL DRIVE – RANCHO CORDOVA – CA

the loan in order to purchase the property and perform some renovations before refinancing with a conventional bank.

- a $3,000,000 first mortgage bridge loan for the acquisition of a 94-pad mobile-home park located in Greenville, South Carolina. The borrower needed quick and reliable financing, and W Financial was able to underwrite and close the deal expeditiously.
- A $300,000 first mortgage loan secured by three-bedroom condominium located on East Country Club Drive in Aventura, Florida. The residential condominium unit was unencumbered, and the borrower needed the bridge loan in order to close on another real estate investment. The borrower plans to refinance the loan with conventional financing.

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 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.

During Q2, twelve loans secured by properties located in Broomall, Pennsylvania; Brooklyn; Manhattan; North Charleston, South Carolina, Naples, Florida; Chicago, Illinois; Camarillo, California; Kissimmee, Florida; Baytown, Texas and Baton Rouge, Louisiana were repaid totaling $83,280,669.06 (this total also includes scheduled paydowns on a loan located in the West Chelsea neighborhood of Manhattan, and another loan located in Midtown Manhattan on West 38th Street.



DORSAY COURT – DELRAY BEACH – FLORIDA



ANDERSON ROAD – GREENVILLE – S. CAROLINA



E COUNTRY CLUB DRIVE – AVENTURA – FLORIDA

A Notable Loan Repayment – The Raffaello/Gale Hotel – Chicago, Illinois

We were paid off on this loan on May 25, 2022. As such, we thought it might be of interest for our investors to see how we dealt with one of our more interesting, and successfully-resolved defaulted loans.

In March of 2019, we had made a $29,250,000 loan for the acquisition and minor room upgrades of a sixteen-story hotel located on Chicago's Gold Coast called The Raffaello (then later re-named The Gale Chicago) w-financial.com/donedeals/29250000-bridge-loan-on-chicagos-gold-coast/.

The arrival of the pandemic in early 2020 created enormous challenges throughout the hotel industry, and this property was no exception. The new owners of the Raffaello had net-leased the hotel to a third-party operator who defaulted on their lease payments a couple of months after the onset of the pandemic. Our Borrower eventually took back possession of the hotel from the tenant, and closed it until the pandemic began to recede.

Our loan went into default in October of 2020, a couple of months after the tenant defaulted on their rent payments to our Borrower. After an extended period of negotiations, we entered into a forbearance agreement with the borrower in May 2021. Per the agreement, the borrower paid us $952,000 (which was the proceeds from a letter of credit for the tenant's security deposit), and we also applied their remaining escrow balances to pay down our loan from $29,250,000 to $27,107,968. This reduced our exposure, protecting the fund, and also made it easier for the borrower to refinance the loan. In exchange for this principal reduction, we gave the borrower 90 days, (along with an option for a 30-day extension) to refinance our loan at par. The Borrower exercised the option for their 30-day extension in August 2021 and made an additional $150,000 payment which was applied to further reduce our principal balance down to $26,957,968.

The borrower was unable to refinance our loan prior to the September 2021 maturity of the forbearance agreement and we then negotiated and executed an amendment to the forbearance agreement which required our Borrower to commence making interest payments at the contract rate. The borrower honored the terms of the forbearance agreement and paid us all agreed-upon interest for the next nine months until they paid off the loan on May 25, 2022. Upon payoff, we also collected our $292,500 Deferred Origination Fee. Our contact rate on this loan was 8.875% and despite the loss of interest for nearly a year, at the end of the day we were able to generate an approximately 6.57% IRR (Internal Rate of Return) on this loan. We hope this provides additional insight into how we approach a workout on a defaulted loan.

Update on the 150 East 79th Street Foreclosure:

As we have been reporting, we are making steady progress towards reaching the foreclosure sale. Since our last update, the court has approved our calculations of the amount owed as of May 5th, 2022, and the per-diem amount to be added from that date until the foreclosure sale. On June 9th our attorney filed a motion asking the court to approve scheduling the foreclosure sale.

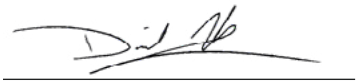
Contact Us

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

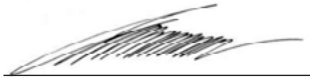
Our office is located at 60 Cutter Mill Road, Suite 601, Great Neck, NY 11021. Come visit us when you are in the New York area!

As a reminder, always feel free to call or email David Heiden at (516) 633–1424 | david@w-financial.com or Gregg Winter at (212) 532–9170 or (917) 885–0990 | 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.

Very truly yours,
W FINANCIAL FUND, LP



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.*