W | FINANCIAL

October 24, 2022
W FINANCIAL FUND, LP
INVESTOR LETTER
Q3 2022

Re: W Financial Fund, LP — 3rd Quarter 2022 Update and Statement

Dear W Financial Investors,

Thankfully, the world is moving beyond the coronavirus pandemic, however many countries are facing significant inflationary and other economic challenges.

During the third quarter of 2022, we were more selective and decreased our volume of new loan originations. The Federal Reserve has continued its efforts to fight inflation by raising interest rates. As we've mentioned previously, as the Prime Rate increases, the interest rates on the majority of the loans in our portfolio increase commensurately. Based on recent economic news and statements from the Fed Chairman, it appears very likely that we will see another rate increase from the Fed at their next meeting scheduled for early November.

Q3 Portfolio Performance

W Financial posted a .54% fund-level return for July, a .60% return for August, and a .59% return for September, (which was our 231st consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through September 30th were: 1-year: 6.76%, 3-year: 6.77%, 5-year: 7.22%.

From our 2003 inception through September 30, 2022, W Financial has provided an average annual compounded, fund-level return of 8.96%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $505,867 as of September 30, 2022, resulting in a total return of 421.93%.

All investor capital was fully deployed during the third quarter of 2022, and we ended the quarter with $46,900,000 drawn on our $75 million revolving line of credit. As of quarter-end, our loan portfolio was comprised of 72 loans totaling $371,669,855.

Three loans totaling $16,550,000 were repaid during the third quarter. These loans were secured by properties located in Conroe, Texas; Greenville, South Carolina and Los Gatos, California. We also received partial loan paydowns totaling $7,274,215.69, on five other loans located in Los Angeles, California; Manhattan and Rancho Cordova, California. The total of these loan repayments and partial paydowns was $23,824,215.69.

New W Financial Loan Origination During Q3

We continue to diversify our loan originations and to focus on lending in strong markets nationally. During Q3, W Financial provided eleven new loans, comprised of three properties in New York, two in Florida, two properties in California and one property each in Louisiana, Michigan, Georgia and New Jersey totaling $61,650,000. Loan highlights are provided below:

- a $6,950,000 first mortgage bridge loan secured by two single-family homes located on Georgica Road in East Hampton, Long Island, New York. The borrower has already completed approximately half of the construction of one of the homes and has funded all the equity to date. He needed the bridge loan in order to purchase another property down the block. W Financial has a first mortgage on both properties as collateral for the bridge loan.
- a $6,200,000 first mortgage bridge loan secured by three multifamily properties, located in close proximity to Louisiana State University on Y.A. Tittle Avenue in Baton Rouge, Louisiana. The 100-unit apartment complex is comprised of studios, one, two and three-bedroom apartments. In May 2012 we had closed a $27.5 million loan with this borrower, which was paid off only six weeks after we closed.
- a $1,200,000 bridge loan secured by a first mortgage on a partially constructed three-family home located on East 10th Street, in the Midwood neighborhood



GEORGICA ROAD – EAST HAMPTON – NY



BATON ROUGE – LOUISIANA

of Brooklyn. The borrower had already contributed significant equity into the project and required the bridge loan to complete the construction. The borrower plans to refinance the W Financial loan with a residential mortgage.

- a $12,750,000 first mortgage loan secured by a mostly occupied office building located on Biscayne Boulevard in Miami, Florida. The borrower needed to refinance an existing loan within a short time frame, and he plans to refinance the loan with a conventional lender in the near future.

- a $1,700,000 first mortgage bridge loan secured by an approximately 16,000 square foot industrial building located on Ali Baba Avenue in Opa Locka, Florida. The borrower needed the bridge loan in order to purchase the property and move one of his businesses into the vacant commercial space. The remaining space is currently occupied by the seller, who will vacate post-closing. The borrower plans to refinance the W Financial loan once the property is stabilized.

- a $3,550,000 bridge loan collateralized by a vacant, 232,000 square foot, industrial building situated on more than 10 acres, on Groesbeck Highway in Roseville, Michigan. The borrower needed W's first mortgage bridge loan in order to acquire the property, and also received some subordinate seller financing. The borrower plans to lease the building, at which time he will seek to refinance the W Financial loan with conventional bank financing.

- In June 2021, we originated a $20,500,000 first mortgage loan collateralized by two commercial properties located on North Santa Cruz Avenue in Los Gatos, California. We brought in a participant for 50% of the loan, reducing W's exposure to $10,250,000. A year later, when the borrower missed his June 2022 payment, we commenced discussions with the borrower, and we simultaneously approached some investors who purchase



EAST 10TH STREET – BROOKLYN



BISCAYNE BOULEVARD – MIAMI – FLORIDA



ALI BABA AVENUE – OPA LOCKA – FLORIDA



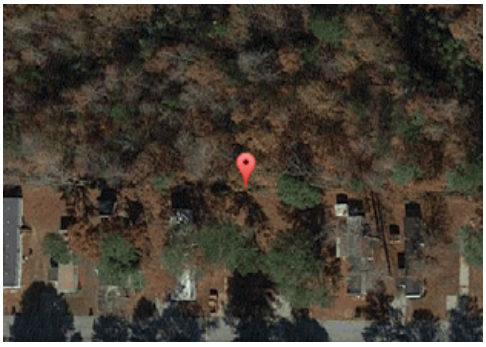
GROESBECK HIGHWAY – ROSEVILLE – MICHIGAN

defaulted notes. As these are very well-located properties, we were able to quickly sell our loan at par (meaning full value), plus our stated interest, to a third-party buyer. As part of the transaction, we (along with our participant), provided financing to the note buyer, who brought $6,900,000 of cash equity into the deal. This reduced our overall exposure from $20,500,000 (W portion $10,250,000), down to $14,000,000 (with W's portion being $7,000,000). Since the note sale, the note buyer (our new borrower), has been making their payments on time.

- a $4,000,000 acquisition loan secured by a 172-pad mobile home park located in Club Circle in Ellenwood, Georgia. The property features a combination of tenant and park-owned homes. The borrower plans to continue to stabilize the property and then to refinance with a conventional lender in the near future.
- a $2,000,000 first mortgage bridge loan collateralized by a recently constructed Holiday Inn Express & Suites hotel, located on US Highway 1S in North Brunswick, New Jersey. The borrower required the bridge loan to acquire the hotel and plans to refinance W's loan with bank financing.
- a $6,400,000 first mortgage acquisition loan secured by a gut-renovated, single-family home located on North Hillcrest Road in Beverly Hills, California. The borrower needed to close prior to all permits being signed off, thus a bridge loan was required. The borrower plans to repay the bridge loan either via a sale or conventional refinancing of the property.
- a $2,900,000 first mortgage bridge loan secured by six condominium units located on West 148th Street in Manhattan's West Harlem neighborhood, and one condominium unit located on Collins Avenue in Miami Beach, Florida. The borrower needed to refinance the existing loan on the Manhattan condominium units in order to provide equity for another property that needed to close within a short time



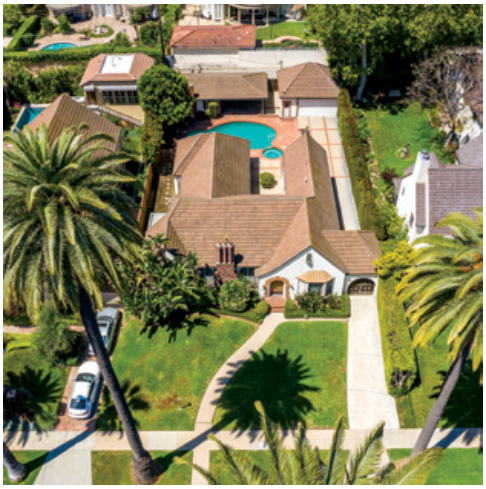
NORTH SANTA CRUZ AVENUE – LOS GATOS, CA



CLUB CIRCLE – ELLENWOOD – GEORGIA



US HWY 1S – NORTH BRUNSWICK – NEW JERSEY



NORTH HILLCREST ROAD – BEVERLY HILLS – CA

frame. The borrower plans to repay the W Financial loan with either a conventional loan refinance, or by selling one or more of the condominium units.

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.



WEST 148TH STREET – MANHATTAN

150 East 79th Street at Lexington Avenue– Status Update:

As we reported in our August Mid-Quarter Letter, the judge in the foreclosure case has signed the Judgement of Foreclosure and Sale, and now the court has established February 1, 2023, as the date for the foreclosure sale of this five-building assemblage located at the corner of East 79th Street and Lexington Avenue on the Upper East Side of Manhattan. Given the scarcity of sizeable and desirable prime Manhattan corner development sites suitable for a mixed-use condominium development, we are optimistic about achieving a favorable outcome at the foreclosure sale.

Meanwhile, we are taking full advantage of the time between now and the court-scheduled date of the sale to pre-market the property to local developers. Once we are able to sell this property and redeploy that capital at today's interest rates, we are likely to see a positive effect on the fund's performance.

A Note About our NYC UBT Tax Refund:

As our office lease in Manhattan neared expiration, we engaged in discussions with our professionals to research whether the Fund would still be subject to paying New York City's 4% UBT tax, if we moved our office outside of NYC.

After extensive research and discussions, it was determined that we would no longer be subject to this tax once we moved outside of New York City. After moving to Great Neck, Long Island, we subsequently applied for, and eventually received, a refund of the applicable amount of the UBT tax that we had prepaid, but were no longer subject to.

Once we had received the refund, we were advised by our professionals to wait until the three-year statute of limitations had expired, before distributing the tax refund to our investors. This period expires in October 2022. As such, this distribution will be reflected in our October numbers, thus will be part of our Q4 reporting.

As always, if you have any questions, please contact our CFO Adam Windwer, whose details are below.

Contact Us

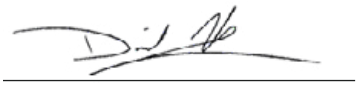
If you have changed your email or mailing address, please let Karen Mannoia in Investor Relations know. Karen can be reached at karen@w-financial.com | (212) 532–9178 or (631) 750–0937.

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.

We would also like to introduce you to Ryan DeLissio (212) 684–2259 | ryan@w-financial.com who was recently hired as Head of Business Development. Along with Gregg and Karen, he will also be available to assist our investors with any questions that may arise, or materials they may need.

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-Private**, password: **delta14six**

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.*