W | FINANCIAL

JANUARY 31, 2025
W FINANCIAL FUND, LP
INVESTOR LETTER
Q4 2024

Re: W Financial Fund, LP — 4th Quarter 2024 Update and Statement

Dear W Financial Investors,

Everyone at W Financial would like to wish you and your families a very healthy, happy and prosperous New Year!

Many of our investors, friends and colleagues hail from the state of California. We have all been following the news coverage of the devastating wildfires that have been ravaging the Los Angeles area. Their unprecedented intensity has wreaked havoc and disrupted so many lives, families, businesses and entire neighborhoods.

Our thoughts and our good wishes are with our many, friends, colleagues and investors living in Southern California. We hope that Congress acts swiftly to authorize significant emergency aid for the Golden State.

W Financial will soon begin its twenty-second year of successful operation. Since inception, we have originated more than $2.3 billion of loans, with 258 consecutive months of positive returns. During 2024, our lending team originated 42 new loans, totaling $166,715,000 ($163,715,000 net of loan participations).

Your 2024 K-1 will be issued by the end of March:

A quick reminder about our upcoming K1 tax reporting: Every year, we get a flurry of emails and phone calls inquiring when our K-1s will be issued. **You can expect to receive your K1 Tax Reporting forms during the last week of March 2025**.

Q4 and 2024 Portfolio Performance

In the fourth quarter, W Financial provided a .64% compounded, fund-level return in October, a .62% return in November and a .61% return in December. Our compounded, fund-level return was 8.29% for the year, net of management and performance fees. December marked our 258th month of positive fund performance. Our 1, 3 and 5-year trailing net returns through December 31, 2024, were: 1-year: 8.29%, 3-year 8.24% and 5-year 7.61%.

Since our 2003 inception through December 2024, W Financial has provided an average annual compounded, fund-level return of 8.93%, net of fees. Thus, $100,000 invested at our 2003 launch with distributions reinvested, grew to $607,283 as of December 31, 2024, resulting in a total return of 529.61%. Total investor capital in the fund (our closing capital balance for the year), was $356.11 million.

As of year-end our portfolio was comprised of 79 loans with an average loan size, net of participations, of $4,824,449. Our loan and investment portfolio totaled $437,471,751 as of the end of the year. Geographically, we ended the year with approximately half of our loans in the New York Metropolitan area, and approximately 50% in other markets nationwide. We expect that the percentage of New York Metro loans in our portfolio will continue to decrease over time, as we continue to originate more new loans in other markets across the country.

During 2024, 35 of W's loans were repaid in the normal course of business, and we also received partial paydowns on 15 other loans. Loan repayments for the year totaled $160,214,866.

We ended the year with all investor capital fully deployed, and with $79,900,000 drawn on our $125 million revolving line of credit, which helps us to optimize our cash management.

New W Financial Loan Origination During Q4:

During Q4, W Financial provided fifteen new loans totaling $81,575,000. Loan highlights are provided below:

- a $2,300,000 first mortgage bridge loan secured by a vacant retail condominium unit located in the Chelsea neighborhood of Manhattan. The borrower needed the bridge loan to finance the acquisition of the property and plans to refinance with a bank once the space has been leased.



CHELSEA – MANHATTAN – NEW YORK

- a $2,000,000 first mortgage bridge loan secured by a partially occupied, 26-unit multifamily property located in Memphis, Tennessee. The borrower required a bridge loan to finance the acquisition of the property and needed to close expeditiously. The borrower plans to refinance W's loan with a conventional lender.



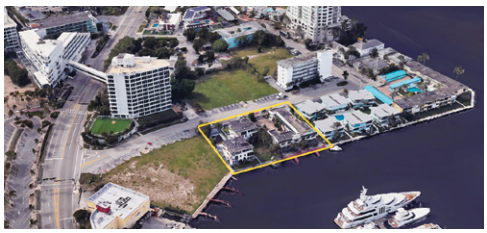
MEMPHIS – TENNESSEE

- a $13,000,000 first mortgage bridge loan collateralized by a partially occupied mixed-use property in the South Beach area of Miami, Florida. The property consists of retail on the ground floor and short-term residential units above. The borrower plans to repay W Financial's loan with conventional financing once the property is fully leased.



SOUTH BEACH – MIAMI – FLORIDA

- a $13,600,000 first mortgage bridge loan secured by a development site located in Fort Lauderdale, Florida. The waterfront site has entitlements for the construction of 36 high-end residential condominiums. The borrower required the bridge loan to refinance existing debt on the property and to complete plans in preparation for a construction loan. The borrower plans to repay the W Financial loan when he closes on a construction loan.



FORT LAUDERDALE – FLORIDA

- a $625,000 first mortgage bridge loan secured by a residential co-op unit located in the Battery Park City neighborhood in downtown Manhattan. The borrower needed the bridge loan to finance the acquisition of the co-op unit and plans to repay the W Financial loan with conventional financing.



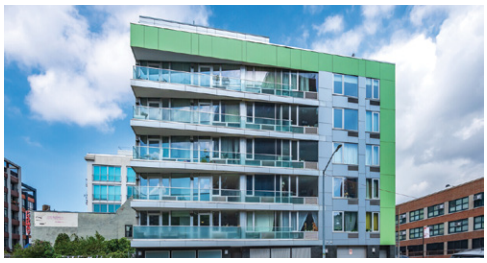
BATTERY PARK CITY – MANHATTAN – NEW YORK

- a $4,300,000 second mortgage bridge loan (behind our own $10,000,000 first mortgage) collateralized by a development site in the Design District of Miami, Florida. The additional loan proceeds will be used to fund additional hard and soft costs. The original loan was made at a low loan-to-value to a borrower that we have worked with successfully several times before and has recently repaid another loan. The borrower plans to repay W Financial's loan with a construction loan.



MIAMI – FLORIDA

- an $11,650,000 first mortgage bridge loan secured by a mostly occupied multifamily property located in the Dumbo neighborhood of Brooklyn. The borrower required the bridge loan to fund the acquisition of the property. The borrower plans to obtain conventional financing to pay off W's loan once the property stabilizes.
- an $8,125,000 first mortgage bridge loan collateralized by a package of 10 residential condominium units located in the Long Island City neighborhood of Queens, New York. The borrower needed the bridge loan to refinance the existing debt on the condominium units. The borrower plans to repay W's loan with the sale of the condominium units.
- a $2,000,000 first mortgage bridge loan secured by an occupied retail property located in the Crotona Park East neighborhood of the Bronx. The borrower owns the property free and clear of any debt and needed the bridge loan to free up some of his equity to use for another business venture. The borrower plans to repay W Financial's loan either with conventional financing or via the sale of the property.
- a $5,300,000 first mortgage bridge loan secured by a mostly occupied mixed-use property located in the Woodside neighborhood of Queens. The borrower needed the bridge loan to refinance existing debt on the property. He plans to repay W Financial's loan upon the sale of the property.
- a $2,200,000 first mortgage bridge loan secured by a vacant retail condominium on the Lower East Side of Manhattan. The borrower required the bridge loan to refinance existing debt and was offered a discount by the lender to close by the end of the year. The borrower also brought fresh equity to the deal and plans to refinance with a conventional bank once his new tenant has built out the space, moved in and commenced paying rent.



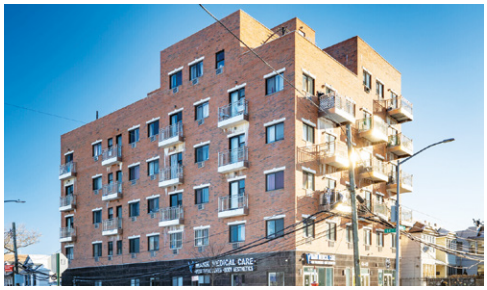
DUMBO – BROOKLYN – NEW YORK



LONG ISLAND CITY – QUEENS – NEW YORK



BRONX – NEW YORK



WOODSITE – QUEENS – NEW YORK



LOWER EAST SIDE – MANHATTAN – NEW YORK

- a $1,075,000 first mortgage bridge loan secured by an occupied 3-story; 14-unit multifamily property located in the town of Saugerties in Upstate New York. The borrower needed the bridge loan for the acquisition of the property and to fund capital improvements. The borrower plans to refinance W's loan with a conventional mortgage.
- a $4,400,000 first mortgage bridge loan secured by a mostly occupied, 96-unit multi-family property located in Cedar Rapids, Iowa. The borrower required the bridge loan for the acquisition of the property and needed to close expeditiously. The borrower plans to refinance the W Financial loan with a conventional loan.
- a $2,500,000 first mortgage bridge loan secured by a mostly occupied, 100-unit multi-family property located in Del City, Oklahoma. The borrower needed the bridge loan for the acquisition of the property and to fund planned capital expenditures. He plans to repay the W Financial loan with conventional financing.
- an $8,500,000 first mortgage bridge loan collateralized by a package of nineteen sponsor-owned condominium units within a 53-unit condominium building located in Great Neck, Long Island, New York. The borrower needed the bridge loan to buy out a partner and plans to pay off the W Financial loan as condominium units are sold or by refinancing with a conventional bank. All nineteen of the units are currently rented and cash flowing.

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.



SAUGERTIES – NEW YORK



CEDAR RAPIDS – IOWA



DEL CITY – OKLAHOMA



GREAT NECK – LONG ISLAND – NEW YORK

News on REO (Real Estate Owned) and Loan Defaults:

150 East 79th Street:

There have been some new developments in connection with our 5-building, corner development site during Q4, which include sensitive negotiations that require the utmost in confidentiality; therefore, we feel it is best not to go into any greater detail here in this letter. However, we do expect to be able to report in full detail in our Q1 quarterly letter. In general, Manhattan's Upper East Side continues to be a coveted location for developers of luxury condominium buildings, with a great deal of demand and very few available multi-building, corner assemblages for sale, therefore, we expect to do well with this property. Meanwhile, if you would like to discuss, or have any questions, please reach out to Gregg or David by phone, per our contact information below.

News on The Marquand:

The Marquand is a Beaux Arts-Revival style luxury condominium building located at 11 East 68th Street, between Fifth and Madison Avenues, down the block from Central Park. As we have previously reported, several years ago we took over ownership of seven occupied apartments, and then we sold one of the apartments to the occupant in 2023 for $1,500,000. We recently learned that the occupant of another apartment passed away, and we are currently in discussions with her family about turning the unit over to us. Once we receive possession, we will be able to sell the two-bedroom, two-bath unit at a market price. Once sold, this will bring the number of apartments down from the original seven to five.

129 West 46th Street:

Last July, in our Q2 2024 letter, we reported that we had just commenced a foreclosure action against our borrower who owns this 79-room hotel in the Times Square area of Manhattan. When the borrower stopped receiving payments from his tenant, he stopped making his payments to W. When the borrower subsequently received payments from the City, he made a $1,040,000 payment to W Financial, subject to the terms of a forbearance agreement that we had successfully negotiated with him, which reinstated the loan at the stated interest rate.

The most important provision of the forbearance agreement was the borrower agreeing to sign a Consent Judgement of Foreclosure (essentially fast-forwarding us to the end of the foreclosure process if he failed to live up to the terms of the forbearance agreement).

The borrower continued to make monthly interest payments for the next three months and pursuant to the term of the forbearance agreement, he also paid down the principal balance of W's first mortgage loan by $100,000 on November 15, 2024, reducing our loan balance to $16,650,000. He had originally acquired the property in 2019 for $24,000,000.

When the borrower failed to make his December 1, 2024, payment, we promptly filed a Motion for Summary Judgment which was fully briefed to the court on January 24th. Since the borrower did not file any opposition; we expect the court to rule in our favor during Q1 2025. We have received a lot of interest from third parties to buy the property once we take ownership, therefore we expect to have a positive outcome.

53 East 67th Street:

53 East 67th Street is a pre-war, 5-story multifamily building with 8 apartments and a ground floor professional office in a superb location, between Madison and Park Avenues on Manhattan's Upper East Side, near Central Park. The ~7,800 square foot property was being developed by an experienced townhome developer who was working to convert the building into a luxury, single-family townhome. It was intentionally left vacant in order to facilitate the renovations, and the borrower planned to repay W Financial upon obtaining and closing a construction loan. In the interim, he had been paying his $9,750,000 W first mortgage, out-of-pocket for an extended period of time.

At the end of 2024, the borrower stopped making payments and W sent a default notice and initiated foreclosure proceedings. We are now in active negotiations with the borrower whereby he would agree to convey the property to W in exchange for releasing him from his personal guaranty. We would be happy to take ownership of this property at our desirable loan basis via a deed-in-lieu agreement, at which point we plan to market the property for sale to both developers and end-users (i.e. single-family home buyers). Given the rarity of multifamily townhomes in such a prime location that could be converted to a single-family home, which would be considered the highest and best use, we are confident that W will be able to sell the property and achieve a positive outcome.

Baton Rouge:

As previously reported, after the borrower defaulted, we successfully foreclosed and within a short time took title to this 100-unit multifamily property. We have completed the renovations of the exterior and 91 of the apartments. We have been making good leasing progress with the renovated units, having now reached 55%, and we will continue to work to stabilize the property.

Private lending is by its nature, an opportunistic business. Since our first loan closed back in 2003, we have always maintained the discipline of underwriting potential loan opportunities making sure that we would be more than happy to own the property at our loan basis, in cases where a borrower fails to execute his game plan. This has proved to be an effective strategy for the fund over the years, as we have done well in prior cases where borrowers defaulted and we either took possession or sold the properties to third party buyers.

W Financial is Open for Existing and New Investors

The fund remains open to both existing investors and to new investors. As usual, you can coordinate the process of adding to an account or opening a new account with Karen Mannoia. Karen's contact information is provided below.

We are pleased to enclose your Q4 statements. As a reminder, note that we have a guide for our investors called "How to Read Your Statement" which is available on our private investor website: https://private.w-financial.com username: W-Private, password: **delta14six**.

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 statements (212) 532–9284 | adam@w-financial.com.

Along with Gregg and Karen, Ryan DeLissio (212) 684–2259 | ryan@w-financial.com is also available to assist our investors with any questions that may arise, or materials they may need.

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.*