W | FINANCIAL

APRIL 26, 2025
W FINANCIAL FUND, LP
QUARTERLY INVESTOR LETTER
Q1 2025

Re: W Financial Fund, LP — 1st Quarter 2025 Update and Statement

Dear W Financial Investors,

This month marks the twenty-second anniversary since we launched W Financial Fund, LP. Since inception we have originated more than $2.4 billion of loans and have been able to deliver positive results each month, quarter and year.

As we begin our 23rd year, we continue to maintain our focus on protecting and growing our investors' capital and doing our best to navigate a steady course through evolving and sometimes challenging market conditions.

While no one can predict where the effects of the ongoing, chaotic rollout and then partial repeal of tariffs will eventually settle, as hundreds of W investors who have been with us for many years have been able to observe, (through both the Great Recession of 2007–2009 and then the stressful period of Covid), market instability has often resulted in increased opportunities being available for private credit sources like W Financial Fund to choose from. Our seat belts are buckled; we are alert to risks and ready to respond to opportunities and adjust to new market conditions.

Latest news re: East 79th Street and Lexington Avenue

Let's begin our Q1 portfolio review with some very good breaking news regarding the 5-building, prime property assemblage that we own, which is located at the corner of East 79th Street and Lexington Avenue on Manhattan's Upper East Side.

Here's the brief version:

With a lot of work and a little luck, two significant barriers to the re-development of our Lex and East 79th Street property have now been cleared; enabling the highest and best use of the property (as a development site) to be achieved, which increases the appeal and valuation of the property.

With these last obstacles finally eliminated, our property (along with the sixth parcel as described below), can now be served up to the best NYC luxury condominium developers, on a proverbial silver platter, ready for them to buy the site, design a new building, construct it and then sell the finished units. Now that the conditions are right, during Q1 we listed the assemblage for sale.

Here are the details:

After lengthy negotiations (initially with the tenant we inherited from our borrower: First Republic Bank [FRB], and then negotiations with JP Morgan Chase [JPMC], after they acquired FRB in early 2023 and succeeded FRB as our tenant), we finally reached an agreement with JPMC to terminate their lease early, on December 31, 2024.

Initially JPMC had been seeking a significant fee to terminate their lease early. We remained patient, knowing that JPMC had numerous other branch locations on the Upper East Side, in close proximity to ours, and would likely decide to close this branch. As a result of this successful strategy, we were able to terminate their lease early, without paying JPMC any lease termination fee.

Having all our buildings vacant is the key to "unlocking" their full development potential (i.e., their highest and best use), and now enables us to market and sell our assemblage to a developer, ready to be reimagined and redeveloped.

During this time, we were simultaneously working to enter into contract to control 1133 Lexington Avenue, which is an intervening parcel within our five-building assemblage. This property had been under contract to our borrower for $15,500,000 back when we closed our original loan (but he never closed on it and the contract lapsed).

During Q1, a close associate of ours entered into contract to purchase 1133 Lexington for $13,300,000, **thus we are now able to jointly market all six contiguous parcels, making the site "fully assembled" and a far more attractive proposition to a major Manhattan condominium developer.** A complete, six-parcel corner development site like this is a very rare commodity, especially on the Upper East Side, in the prime area between Lexington Avenue and Central Park, thus we are optimistic that we will be able to find the right buyer.

The most likely scenario is that a developer will choose to design and build ultra-high end, luxury condominium residences with retail at the base of the building. Such developments on the Upper East Side have been especially successful in recent years, including throughout Covid, so it is no surprise that we are receiving inquiries from some of the same developers

who have recently enjoyed success building similar developments in the neighborhood. You can Google 150 East 78th Street and also 109 East 79th Street for two good examples of what is likely to be built on our site.

Our sales broker is James Nelson of Avison Young. Here is a link to the listing:
www.avisonyoung.us/properties/150-east-79th-street

Reflecting all the changes noted above, the valuation of our property has increased. As we are starting to receive preliminary bids from developers that exceed the current $45 million book value of the property, we are therefore writing the value up by $5 million, to $50 million as of March 31, 2025. This increase in value appears on your Q1 investor statement on the 'Net Realized & Unrealized Gain/(Loss)' line item.

As this is an unrealized gain, for those investors taking distributions, their pro rata share of this unrealized gain will not be included in their March 31st quarterly distribution. This unrealized gain will be distributed after the asset has been sold, and any gain has been realized. There will be no tax effect until the gain has been realized.

Likewise, the performance fee attributable to the unrealized gain will not be paid to the General Partner until the gain is realized. We hope to sign a contract and be able to target a closing for the sale of the property before the end of the year.

Naturally, we are pleased to finally be able to report this good news to you and will keep you posted as further progress occurs. As always, especially with so much information to digest in the foregoing paragraphs, feel free to call our CFO Adam Windwer with any questions regarding your statement, and David Heiden or Gregg Winter with any other questions that you may have per our contact info below.

Q1 Portfolio Performance

We are pleased to enclose your Q1 statements. W Financial ended the first quarter with $365.41 million of investor capital under management and a portfolio totaling $451.17 million.

The fund posted a .62% compounded, fund-level return for January, a .60% return for February, and a 1.70% return for March, (which was our 261st consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through March 31st were: 1-year, 9.28%, 3-year 8.70%, 5-year: 7.85%.

From our 2003 inception through the end of the first quarter of 2025, W Financial has provided an average annual compound return of 8.97%, net of fees*. Thus, $100,000 invested at our 2003 launch had increased to $642,707 as of March 31, 2025, resulting in a total return of 548.12%.

New Loan Origination During Q1

During Q1, W Financial provided eight new loans totaling $45,340,000 for properties located in Manhattan; Brooklyn; Columbus, Ohio; Union City, New Jersey; Wainscott, Long Island; Boca Raton, Florida; Edwards, Colorado and Fort Worth, Texas.

Highlights are provided below:

- a $2,600,000 first mortgage bridge loan secured by an occupied multi-family property located in the East Williamsburg neighborhood of Brooklyn. The borrower needed the bridge loan to refinance existing debt. The borrower plans to repay the W Financial loan with a conventional loan.
- a $19,500,000 first mortgage bridge loan secured by a mostly occupied multifamily property located in Columbus, Ohio. The borrower needed the bridge loan to refinance the subject property and to close expeditiously. W Financial was able to analyze, underwrite, inspect and close the loan in 4 business days. W's experience and ability to provide this



BOERUM PLACE – BROOKLYN – NY



COLUMBUS – OHIO

kind of rapid response, as well as our reputation for reliability in the marketplace, can sometimes be the most important factor to a borrower. This loan was structured with $15,000,000 provided at the initial closing, with an additional $4,500,000 available to the borrower later, as an earn-out.

- a $1,350,000 bridge loan secured by senior share loans on four adjacent, vacant co-op units located in a 21-story, 69-unit luxury Park Avenue cooperative in the mid-seventies, on Manhattan's Upper East Side. The borrower needed the bridge loan to refinance their existing loan and plans to refinance the W Financial loan with a construction loan, with the goal of combining the four units into one large residential co-op unit.



PARK AVENUE – MANHATTAN – NY

- a $475,000 first mortgage bridge loan secured by a fully occupied mixed-use property located in Union City, New Jersey. The building contains one ground-floor retail unit and one residential unit on the second floor. The borrower is a repeat client and needed the bridge loan for the acquisition of the property, which will be part of a bigger property assemblage.



UNION CITY – NEW JERSEY

- a $2,000,000 first mortgage bridge loan secured by a luxury single-family residence located in Wainscott, in the Hamptons area of Long Island, New York. The borrower needed the bridge loan to refinance the existing loan that was in foreclosure with a loan servicer. The borrower brought fresh equity to the closing and plans to refinance the W Financial loan with a bank.



WAINSCOTT – LONG ISLAND [HAMPTONS] – NY

- a $16,500,000 first mortgage bridge loan secured by a mostly occupied, 224-unit apartment complex located in Fort Worth, Texas. The borrower needed the bridge loan to refinance the subject property quickly. Upon closing, the property benefited from a major tax incentive program. The borrower plans to exit W Financial's loan with either a refinance or sale of the property.



FORT WORTH – TEXAS

- a first mortgage bridge loan of $2,775,000 secured by a luxury single-family residence located in Edwards, (near Vail) Colorado. The borrower needed the bridge loan to refinance the subject property and pay off some additional monies owed for completing the construction of the home. The borrower's exit plan is a sale of the property.

- a second mortgage bridge loan of $140,000 (behind W's own first mortgage), secured by a luxury single family residence located in Boca Raton, Florida. The second mortgage was to help fund an interest reserve for both the first and second mortgages. Since the closing of the original loan, the borrower has invested significant additional equity into the house towards a high-end, gut renovation. The borrower plans to repay W Financial's loans with conventional financing.



EDWARDS – COLORADO



BOCA RATON – FLORIDA

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 Q1, six loans were repaid on properties located in Brooklyn, the Bronx, Queens and Monticello, New York and Fayetteville, North Carolina totaling $20,240,000. In addition, there were partial paydowns in the amount of $6,965,255. During the quarter, all investor capital was fully deployed, and $88 million of our $125 million revolving line of credit was outstanding as of March 31, 2025.

Updates on REO and Loan Defaults

The Marquand – 11 East 68th Street, (between Madison and Fifth Avenue) Manhattan:

Further to our report last quarter, after a long-time tenant passed away, we now have possession of a vacant condominium unit that we can sell. We have just listed this two-bedroom, two-bath apartment for sale. The sale of this unit will further reduce our carrying costs and reduce our basis in our five remaining condominium units.

The Marquand is a beautiful Beaux-Arts-Revival style luxury pre-war condominium building right down the block from Central Park, in a neighborhood otherwise dominated by co-op buildings. Many prospective buyers would prefer to buy a condominium unit to give them greater flexibility with financing and board approval as well as having the ability to rent the unit out (which can be difficult or impossible for co-op apartments), thus we hope to identify a buyer and sell it before the end of the year.

129 West 46th Street (between Sixth and Seventh Avenues in the Times Square area of Manhattan):

As previously reported, last year a borrower defaulted on a $16,650,000 first mortgage secured by a 79-room hotel located on West 46th Street, in the Times Square area of Manhattan. Then the borrower approached us wanting to make a substantial payment and get W's loan reinstated.

We negotiated a forbearance agreement, which included a Consent Judgment of Foreclosure and required an immediate payment of $1,040,000 and reinstatement of timely monthly payments going forward.

The borrower made their next three scheduled monthly payments, as well as making a required $100,000 principal paydown, but then missed their next payment. W Financial then promptly filed a Motion for Summary Judgment, which was fully briefed to the court on January 24, 2025. The borrower did not file any opposition, and as of the end of Q1 we are still waiting for the court to rule.

Given the vitality and currently favorable conditions in the Manhattan hotel market, (and especially in the Times Square area), we are optimistic that W Financial will achieve a positive outcome.

53 East 67th Street (between Madison and Park Avenues):

53 East 67th Street is a pre-war, 5-story, 7,800 square foot 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.

Further to our report in Q4, during Q1 we were able to successfully complete the Deed in Lieu of Foreclosure negotiations, as outlined below:

We originally closed this $10 million loan in July 2018, and the balance was reduced over time to $9,751,000. During this time, the property was intentionally left vacant in order to facilitate its renovation into a high-end, single-family townhome.

The borrower eventually exhausted his funds and after lengthy negotiations with us, he executed a Deed in Lieu of Foreclosure agreement ("DIL"), which is our preferred alternative method to avoid a lengthy foreclosure. The DIL provides the borrower a limited window of time to sell the property, and thereafter W Financial has the right to market the property for sale, and at our discretion, we can take title any time during the following six months.

We are confident that we will be able to sell the property within a reasonable time frame and thereby achieve a positive outcome for the fund.

Baton Rouge:

During Q1, we continued to make steady progress leasing up our 100-unit multifamily property located in Baton Rouge, near LSU (Lousiana State University). We signed a number of new leases, increasing occupancy to 71%. Once the property is fully leased and has six months of stabilized cash flow, we plan to list it for sale.

2618 West 44th Street, Minneapolis:

As an update to our report from Q3 2024, on March 7, 2025 we took ownership of this cash-flowing, 36-unit multifamily building, with views overlooking Lake Harriet in an upscale residential neighborhood of Minneapolis. The property was built in 2020 and is currently 75% leased. We are actively leasing the seven vacant units and expect to have it fully stabilized within the next 90 days.

10 Norden Place, Norwalk, Connecticut:

We closed a $12,500,000 first mortgage loan in March 2022 secured by a large, vacant industrial building suitable for a distribution/logistics center use situated on 32 acres of land located in Norwalk, Connecticut. The 615,000 square foot building is adjacent to Interstate I95, with good on/off access to the highway.

In 2024 our borrower was approached to subdivide and sell three acres of the land to a plant nursey, which would reduce our collateral to 29 acres. We agreed to approve the land sale, subject to a $2,100,000 pay down on our loan, reducing W's loan balance to $10,400,000. One of the two guarantors is in litigation on several other properties and is unable to continue to pay our debt service out of pocket. As such, the borrower defaulted, and we have entered into negotiations with them about giving us the deed to the property.

W Financial's 2024 Audited Financial Statements:

W Financial completed 2024 with an 8.29%, compounded, fund-level return, net of fees*. Our auditor, CBIZ, LLP (cbiz.com) which acquired Marcum LLP during 2024, has completed our 2024 audited financial statement, which is now available for your review by visiting our secure, private, password-protected Investor Information website at the following link: private.w-financial.com and then entering the username: **W-Private** and the password: **delta14six**.

Scroll down to “Audited Financial Statements” and then click on the 2024 box. If you would prefer to have a copy mailed to you, please contact Karen Mannoia in Investor Relations (per her contact info below), and we will be happy to mail you a hard copy.

2024 K-1 Tax Reporting:

You should have already received your 2024 Schedule K-1 in March. Your K-1 reflects REIT Dividend Income. The REIT dividend income qualifies for the Qualified Business Income tax deduction. If you or your accountant or tax preparer have any questions, please feel free to contact our CFO Adam Windwer (212) 532–9284 adam@w-financial.com.

Latest Form ADV:

As required every March, W Financial’s Investment Manager, Sag Harbor Capital Management, LLC, a Registered Investment Advisor, files an updated form ADV with the SEC. These regulatory documents (along with the latest versions of our other fund documents) are always available here: private.w-financial.com (username: **W-Private**, password: **delta14six**).

W Financial is Open for Existing and New Investors:

The fund remains open to our existing investors for additions to existing accounts, 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.

Contact Us

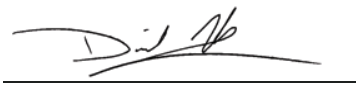
If you have updated your email or mailing address, please let Karen Mannoia know. Karen can be reached at karen@w-financial.com | (631) 750–0937 | (212) 532–9178.

As a reminder, our door is always open to our investors. Always feel free to call David Heiden at (516) 633–1424 or Gregg Winter at (212) 532–9170 with any questions that you may have, (including any questions about any of the content or real estate terminology in this letter that you would like us to explain in greater detail). Contact our CFO Adam Windwer with any questions regarding our audited financial statements, or your quarterly statement at (212) 532–9284 adam@w-financial.com. Alternatively, you can always email us directly at gregg@w-financial.com and david@w-financial.com.

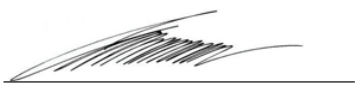
Along with Gregg and Karen, Ryan DeLissio (212) 684–2259 | ryan@w-financial.com is also available to assist our investors with any questions that may arise, or materials they may need.

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 mat*