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Real Estate Finance & Investments

WFP Opportunity Fund Announces Second Quarter 2020 Results

July 6, 2020, Newport Beach, California – The WFP Opportunity Fund, managed by Wilshire Finance Partners, announced a year-to-date loss of approximately 4.63% as of the end of the second quarter of 2020. The loss for the second quarter on a stand-alone basis was approximately 6.14%. As a result of the second quarter loss, the net annualized compounded return for the fund since its inception on September 23, 2013 through June 30, 2020 was reduced to 13.43%.

The WFP Opportunity Fund (the "Fund") seeks to provide higher risk-adjusted returns to its investors through debt and equity investments in real estate within the United States. Such investments will include, without limitation, direct and indirect equity investments, joint ventures, deeds of trust and mortgages, participating loans and other real estate related investments. The Fund is not correlated to the stock or bond markets and has little to no sensitivity to interest rates.

The loss incurred by the Fund in the second quarter was driven by the write-off of a loan secured by a retail property located near the University of Texas at Tyler (UT Tyler). As a result of the loss, the Fund's Net Asset Value (NAV) was reduced from $1,124.35 at March 31, 2020 to $1,063.08 at June 30, 2020.

Performance by the Numbers

As of June 30, 2020:

Net Annualized Non-Compounded Return/(Loss):	(4.63%)*
Quarterly Return/(Loss) (stand-alone basis):	(6.14%)
Net Annualized Compounded Return (since inception):	13.43%
Weighted Average Loan-to-Value:	69.29%**
Weighted Average Maturity:	23 months
Average Loan Size:	$734,640
Non-Performing Loans:	1

*Net of the increase in the Loan Loss Reserve.
** After the write-off of the defaulted loan.

<u>Loan Servicing Update</u>

At month end, the Fund's portfolio consisted of loans primarily secured in second lien position, either as second mortgages or B Notes, against residential, office, retail, and senior assisted living properties in Alabama, Florida, Illinois and Texas. The defaulted loan is secured by a B Note against a retail property located near UT Tyler.

The effect of the COVID-19 pandemic continued through June 2020 and has impacted real estate and real estate lending. Until the economy stabilizes and property cash flows normalize, the 11th day of each calendar month (i.e. the end of the 10 day grace period following the mortgage payment due date on the 1st day of each month) will continue to be a significant bellwether for the loans in the Fund's portfolio and the mortgage industry generally. Therefore, while the information in this release is based on the facts and circumstances Wilshire believed to be true as of date of this release, because the environment continues to be extremely dynamic and fast-paced, there may be other factors which surface later that may impact the Fund's performance. Further, regardless of the existence of formal modification, forbearance or settlement agreements, the commencement of foreclosure actions, or the management of real estate owned (REO), changes in the facts and circumstances surrounding a borrower or a property may positively or negatively impact a loan or a property's performance resulting in a change in the method or approach used by Wilshire, as the manager of the Fund, and the Fund's results.

The following summary provides an overview of certain key metrics and actions occurring within the Fund's loan portfolio in the second quarter of 2020:

Modification Agreements

As of June 30, 2020, the Fund did not hold any loans under modification agreements in its portfolio.

Forbearance Agreements

As of June 30, 2020, the Fund did not hold any loans under forbearance agreements in its portfolio.

Loans in Foreclosure

Number of Loans	Percentage of Total Loans	Aggregate Loan Amount	Percentage of Assets	Original WALTV*	Current / Modified WALTV*	Status
1	16.67%	$2,880,000	5.92%	77.01%	200%	Settlement Agreement Reached; B Note Write-Off

*WALTV means Weighted Average Loan-to-Value

At month end, a settlement agreement was reached in connection with the 1 loan the Fund has in foreclosure. The loan is secured by a retail property near the University of Texas at Tyler (UT Tyler). As addressed more fully below, whether there is performance or non-performance under the settlement agreement, there will be insufficient proceeds to pay the B Note and a recovery under the B Note is remote. Therefore, the B Note has been written-off by the Fund. The result of the write-off was the booking of a loss in the second quarter of 2020, which is reflected in the Fund's NAV.

As addressed in the WFP Opportunity Fund – Interperiod Update, dated May 29, 2020 (the "May 2020 Interperiod Update"), following the closing of the Fund's books and reporting on first quarter 2020 results, the UT Tyler loan went into default. UT Tyler shut down its campus and required that all classes be taught remotely as of the end of the first quarter of 2020. The owner of the property was attempting to turn-around the operations of the property and UT Tyler's decision to shut down its campus in response to the COVID-19 pandemic caused additional negative impacts to the property. The April 1, 2020 payment made by the borrower was returned for insufficient funds and the May 1, 2020 payment was not made. Wilshire commenced discussions with the borrower about potential payment relief and other loan workout solutions, however, those communications stalled. The borrower subsequently defaulted repayment of the loan on its maturity date of May 24, 2020.

The Fund holds a B Note secured by the property. The structure of a B Note results from a participation in single note where the note is split into a senior tranche (or "A Note") and a subordinate tranche (or "B Note"). B Notes typically carry a higher rate of interest and are subordinate to the A Note, but with respect to the borrower, are secured by a deed of trust in first lien position. The structure and relative rights of the holder of the A Note and the holder of the B Note are governed by a Loan Sale and Intercreditor Agreement (the "Intercreditor Agreement"). The acquisition of the B Note by the Fund at the time the loan was made was in alignment with the Fund's objective of seeking higher relative returns.

The split of the note was completed under the original loan structure in 2017. In accordance with the Intercreditor Agreement, the B Note held by the Fund represented a 20% subordinate interest in the loan and the A Note held by the WFP Income Fund REIT, LLC, a Delaware limited liability company and successor-in-interest to the WFP Income Fund, LLC (the "REIT"), represented an 80% senior interest in the loan.

As a result of the defaults and upon consultation with Fund's external legal counsel, accountants and other advisors, Wilshire commenced the following actions:

- Workout Limited Liability Company. A single asset limited liability company (the "Workout LLC") was formed to hold the note, commence foreclosure, and control the property if it reverts to the Workout LLC through foreclosure.

- Contribution of B Note. The Fund contributed the B Note to the Workout LLC in exchange for a 20% membership interest in the Workout LLC. Concurrently, the REIT contributed the A Note to the Workout LLC in exchange for an 80% membership interest. Further, in accordance with the Intercreditor Agreement, each of the Fund and the REIT contributed cash representing their pro rata share of the estimated mandatory advances for the protection and preservation of the property during the foreclosure and collection process. This resulted in the Workout LLC holding the entire single note secured in first lien position against the property. To keep the original economics and exposure under the split note intact, the rights, preferences and privileges under the Intercreditor Agreement, including the allocation of gains and losses under the senior-subordinate structure, were retained in the Workout LLC operating agreement.

- Foreclosure Preparation. In connection with the defaults and in preparation for the foreclosure action, Wilshire conducted pre-foreclosure due diligence on the property and the guarantors; including, obtaining a new third-party appraisal and obtaining current market lease rates and sales comparisons from several in-market commercial Realtors, leasing agents and property managers. Based on the information received, the value of the property was significantly lower than the original appraised value obtained in 2017.

- Foreclosure. The Workout LLC commenced and continues to maintain a foreclosure action against the property.

  Based on the current information, the value of the property was significantly lower than the original appraised value obtained in 2017. As of the May 2020 Interperiod Update, the Fund anticipated writing down the B Note with an estimated loss to investors in the Fund of approximately 6.59%. As of in the information available on June 30, 2020, the estimated loss to investors in the Fund based on the write-off of the B Note was approximately 6.14%.

- Settlement Negotiations. Following the filing of the foreclosure action, settlement discussions commenced with the borrower and the guarantors and in June 2020 a settlement agreement was reached. Those discussions and the resulting settlement amount were driven by a number of factors; including, the current estimated value of the retail center, the uncertainty of the timing of an economic recovery generally and a recovery of the retail center specifically, the potential stabilized value of the retail center post-COVID-19, the time and expense of a post-foreclosure action for deficiency, the uncertainty of results in litigation, the uncertainty regarding the potential amount of any award for deficiency, the time and expense related to legal action connected to the collection of post-judgment awards, if any, and the payment subordination of the B Note held by the Fund. Based on those factors, Fund could potentially increase its losses in the pursuit of a recovery which may not occur, or which is insufficient to fully cover the additional cost of collection. Upon consultation and after careful consideration, the settlement agreement was approved and the Fund recognized the loss through the present write-off of B Note.

- Legal Action. Notwithstanding the existence of the settlement agreement and the receipt of a first payment by the Workout LLC in connection with the same, significant counterparty risk remains in the form of the borrower's ability or willingness to perform under the settlement agreement. If the borrower does not fulfill its obligations under the settlement agreement, legal counsel will continue with the foreclosure action and review and pursue various claims post-foreclosure; including, claims for deficiency against the guarantors under the loan. To the extent there are any recoveries from those claims, they may act to offset the losses to the REIT and the Fund. Any such recoveries will first be paid to the REIT until it has recovered the unpaid principal amount and other sums due under the terms of the A Note, and, thereafter, any remaining recovery will be paid to the Fund under the terms of the B Note. However, should the Fund ultimately proceed against the guarantors under a deficiency claim, there are no certainties in litigation. Therefore, Wilshire cannot provide any representations or guarantees about the amount and timing of a recovery of all or a portion of the anticipated losses, if any.

- Loan Loss Reserves. To rebuild the capital impacted by the losses and replenish the reserves, the accrual for the Loan Loss Allowance in the Fund was increased to 0.625% per quarter (or approximately 2.5% per annum).

  Wilshire will continue to assess the market and the adequacy of the reserves on a move forward basis and may make further adjustments, which may include specific reserves against particular problem assets. That said, there can be no assurance that the present or future amount of the Loan Loss Reserves will be sufficient to cover any and all losses which the Fund may experience. After the current conditions have subsided and the real estate market has normalized, Wilshire may distribute excess reserves, if any, to the then current investors in the Fund as a special dividend.

- Quarterly Dividends. There was no dividend distribution in the second quarter of 2020 as a result of the loss to the Fund.

  It is anticipated the dividend distributions will recommence in the third quarter of 2020. However, Wilshire will continue to assess the market and the adequacy of the reserves and dividend distributions on a move forward basis and may make further adjustments, which may include specific reserves against particular problem assets. That said, there can be no assurance that the present or future amount of the Loan Loss Reserves will be sufficient to cover any and all losses which the Fund may experience. After the current conditions have subsided and the real estate market has normalized, Wilshire may distribute excess reserves and loan recoveries, if any, to the then current investors in the Fund as a special dividend.

- Redemptions. After careful consideration, while Wilshire believes the impact of the current environment on the Fund has not been fully realized, Wilshire also recognizes our investor's need for liquidity. Therefore, the moratorium on redemptions has been modified as follows:

  - Generally. Redemption requests will be subject to the following limitations and restrictions:

    - Redemptions will be subject to a twenty percent (20%) holdback of the total amount requested; and

    - All requests will also remain subject to the requirements and restrictions in the operating documents of the Fund; including, without limitation, restrictions required to maintain regulatory compliance, ensure a sufficient level of capital in the funds, and strive for a level of stability in the funds for all investors with those investors.

- Bona Fide Healthcare Emergencies. To the extent there is sufficient cash in the Fund and any such redemption will not cause the Fund to be out of compliance with the Fund's organizational documents, Wilshire will attempt to honor and accelerate requests for redemption arising from bona fide healthcare emergencies to the extent possible. Such investors will be required to provide a hardship letter together with documentation supporting their request.

The approach Wilshire is taking on redemptions is driven by the need to maintain compliance with a number of rules and regulations impacting the Fund, make prudent decisions within the portfolio of the Fund, and address the potential impact on all investors in the Fund. Wilshire will continue to assess and, as necessary, adjust the redemption restrictions on a weekly basis.

Real Estate Owned (REO)

As of June 30, 2020, the Fund did not hold any real estate owned (REO) in its portfolio.

Loan Loss Reserve

Amount	Percentage of Total Assets	Percentage of Total Forbearance and Modification Agreements	Percentage of Total Loans in Foreclosure
$29,949	0.25%	N/A	0.82%

Historically, the Fund has taken a more aggressive approach with respect to maximizing both the returns and distributable cash to investors. As a result, the Fund has not previously maintained a Loan Loss Reserve. In response to the impacts on the real estate market and real estate lending resulting from the COVID-19 pandemic, the Fund established a Loan Loss Reserve in the second quarter of 2020 and began an accrual in the reserve at a rate of 0.625% per quarter (or approximately 2.5% per annum).

Wilshire will continue to assess the market and the adequacy of the reserves on a move forward basis and may make further adjustments, which may include specific reserves against particular problem assets. That said, there can be no assurance that the present or future amount of the Loan Loss Reserves will be sufficient to cover any and all losses which the Fund may experience. After the current conditions have subsided and the real estate market has normalized, Wilshire may distribute excess reserves, if any, to the then current investors in the Fund as a special dividend.

"As one of the larger investors in the Fund, we are aligned with and feel the impact of the second quarter loss alongside our investors in the Fund," said Don Pelgrim, CEO of Wilshire Finance Partners. "While the Fund is designed take additional risk in exchange for higher returns, this was the first loss experienced by the Fund since its inception in 2013. Despite that setback and although we are in a challenging environment, we remain cautiously optimistic about the performance of other investments in the Fund's portfolio and will continue to seek ways to mitigate risk while increasing the performance of the Fund. We have been an investor in the Fund since its and will continue to exercise patience and discipline on behalf of the Fund and all of its investors to help navigate the near-term impacts to and the opportunities present in the economy, the market, and the Fund."

The WFP Opportunity Fund is approved for both retirement and non-retirement accounts on the following alternative investment platforms:

- Charles Schwab; (SSID Number available through an Advisor)

- Fidelity Investments (National Financial Services or NFS); CUSIP Number 94699B948

- TD Ameritrade as WFP OPPORTUNITY FUND NSA; CUSIP Number 93099C100

The WFP Opportunity Fund is also open to investors, wealth managers and individual investment advisors directly through Wilshire Finance Partners.

For more information on Wilshire Finance Partners or the WFP Opportunity Fund please call (866) 575-5070 or visit www.WilshireFP.com.

About Wilshire Finance Partners and our investment alternatives.

Wilshire Finance Partners, Inc. ("Wilshire") specializes in real estate finance and investments and is the manager of the WFP Income Fund, LLC ("WFP Income Fund") and the WFP Opportunity Fund, LLC ("WFP Opportunity Fund" and collectively with the WFP Income Fund, the "Funds"). The WFP Income Fund invests in a diversified pool of residential, multifamily, and commercial real estate related short-term bridge loans secured by first trust deeds and mortgages. The WFP Opportunity Fund invests in a diversified pool of residential, multifamily, and commercial real estate related short-term bridge loans, participating loans, real estate joint ventures, and direct real estate investments. Wilshire commenced operations in January 2008 and launched the WFP Income Fund and the WFP Opportunity Fund in September 2013.

The WFP Income Fund is approved for both retirement and non-retirement accounts on the following alternative investment platforms:

- Charles Schwab; (SSID Number available through an Advisor)

- Fidelity Investments (National Financial Services or NFS); CUSIP Number 94699K534

- Pershing as WFP INCOME FUND LLC; CUSIP Number 929LP9220

- TD Ameritrade as WFP INCOME FUND LLC NSA; CUSIP Number 93099B102

- Wells Fargo Advisors; No CUSIP number required

The WFP Opportunity Fund is approved for both retirement and non-retirement accounts on the following alternative investment platform:

- Charles Schwab; (SSID Number available through an Advisor)

- Fidelity Investments (National Financial Services or NFS); CUSIP Number 94699B948
- TD Ameritrade as WFP OPPORTUNITY FUND NSA; CUSIP Number 93099C100

In addition, each of the WFP Income Fund and WFP Opportunity Fund are approved for self-directed retirement accounts and various other platforms without the need for the CUSIP number, including, Community National Bank, Equity Trust Company (Sterling Trust), Millennium Trust Company, Pensco Trust Company, Provident Trust Company, Strata Trust Company and Shareholder Services Group.

Each of the WFP Income Fund and WFP Opportunity Fund is open to investors, wealth managers and individual investment advisors under the above referenced platforms using standard subscription and transfer procedures.

Investors and advisors may also invest directly through Wilshire. Individual investors not using a third-party advisor may be required to meet additional requirements of the platform providers.

Safe Harbor Statement

This communication is not an offer to sell or the solicitation of offers to purchase the securities of either of the Funds, individual loan or trust deed investments, or otherwise (individually and collectively, the "Securities"). The purpose of this communication is to provide an overview of the respective Securities and their private placement. Persons interested in learning about the Securities and their private placement will be provided with the respective Private Placement Memorandum (inclusive of exhibits thereto and any supplements, the "Memorandum"), which provides a description of the Securities, the terms of their private placement, a discussion of risk factors, a copy of the limited liability company operating agreement for the fund (as applicable), a subscription agreement and other information related to the Securities.

This communication contains certain forward-looking statements regarding the Securities and the investment objectives and strategies of each of the Funds. The forward-looking statements are based on current expectations that involve numerous risks and uncertainties which are difficult or impossible to predict accurately and many of which are beyond the control of Wilshire, as the manager of the Funds. Although Wilshire believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements, the inclusion of such information should not be regarded as a representation by Wilshire, any placement agent, or any other person, that the objectives and strategies of the respective Securities or the Funds will be achieved.

Investments in the Securities may only be made solely by accredited investors (which for natural persons, are investors who meet certain minimum annual income or net worth threshold), who are provided with the Memorandum and who complete, execute and deliver the subscription documents included therein. Each of the Securities is being offered in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the Securities Act) and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act. The Securities Exchange Commission has not passed upon the merits of or given its approval to the Securities, the terms of the offering, or the accuracy or completeness of any offering materials. Each of the Securities is subject to legal restrictions on transfer and resale and investors should not assume they will be able to resell the Securities. Past performance is not indicative of future results. Investing in any of the Securities, including the Funds, involves substantial risk, including loss of investment, and is not suitable for all investors.

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