W

FINANCIAL

April 20, 2017

W Financial Fund, LP Investor Letter
Q1 2017

Re: W Financial Fund, LP - 1st Quarter 2017 Update and Statement

It has now been 14 years since the launch of W Financial with 18 investors and approximately $2 million back in April of 2003. Today W Financial has approximately 600 investors in 34 states across the country with approximately $260,000,000 of investor capital under management, which is augmented by our $50 million revolving line of credit, which helps to optimize our cash management. This gives W approximately $310,000,000 of total lending capacity. We continue to pride ourselves on the transparency and accessibility that we always seek to provide to our investors, and, as always, we encourage each of you and your financial advisors to reach out to us with any questions that may arise regarding the real estate or lending terminology used in these letters, with which you may not be familiar, or about any of the investments that you see described herein.

W's Selective Lending Strategy:

We continue to pursue our selective approach to choosing loans and borrowers, as well as in the way that we structure the loans that we do choose to make. We continue our long-time focus on capital preservation and seeking to protect our downside risk. This lending philosophy has always served us well, including through the toughest market conditions during 2008 and 2009, and we intend to continue to implement the same lending discipline and strategy.

Q1 Portfolio Performance:

We are pleased to report that W Financial has completed the first quarter of 2017 with all investor capital fully deployed, and with $17 million of our $50 million credit line being utilized as of March 31, 2017.

From our 2003 inception through March 31st, 2017, W has provided an average annual compound return of 9.60%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $345,766 as of March 31, 2017, resulting in a total return of 252.91%.

Our 1, 3 and 5-year trailing net returns through March 31, 2017 were: 1-year: 8.81%, 3-year: 8.98%, 5-year: 8.83%.

New Loan Origination During Q1:

During the first quarter, W Financial funded five new loans totaling $29,900,000. Highlights are provided on the following pages:

- a $2,075,000 first mortgage bridge loan secured by a four-story, approximately 6,400 square foot, commercial building. The site is located on Sixth Avenue, between West 28th and 29th Streets in the NoMad neighborhood of Manhattan.



Avenue of the Americas, Manhattan

The property has approximately 15,000 square feet of available mixed-use development rights. A family has owned and operated the ground floor florist shop for more than a decade and had some issues with the business a few years back. Consequently their bank loan went into default and was sold to a private investor. W Financial refinanced the loan on the property giving the owners the time they need to properly market and sell the building. W expects to be repaid by the sale of the site.



Livingston Street, Brooklyn Heights

- a $17,000,000 first mortgage acquisition loan secured by a twenty-six story luxury high-rise apartment building located on the north side of Livingston Street between Court and Clinton Streets, in Brooklyn Heights. The property was delivered vacant and the sponsor plans to re-develop the building into full-floor luxury condominium residences. The borrower required W's bridge loan in order to be able to close quickly and plans to repay the W Financial loan with construction financing.

- a $5,200,000 first mortgage loan secured by a three-story, ~5,400 SF, commercial building located at the corner of Sixth Avenue and West 29th Street in the NoMad neighborhood of Manhattan. The property also has 12,500 square feet of mixed-use development rights. The borrower owns several of the contiguous properties and acquired this property to add additional development rights to the assemblage. The borrower plans to repay the W Financial loan with a construction loan once his development plans are completed and have been approved.



Avenue of the Americas, Manhattan



Maple Road, Inwood

- a $2,625,000 blanket first mortgage loan. There are three pieces of collateral for the loan: a two-story house on Maple Road in Inwood, NY, a two-story house in Brooklyn and a condominium unit (also located in Brooklyn). The loan is also cross-collateralized and cross-defaulted with two other existing W Financial loans, which are secured by: a) a property located on Bay Parkway in Brooklyn, and b) another property located on Surf Avenue – also in Brooklyn. The borrower is utilizing the loan proceeds to refinance an existing mortgage. The borrower plans to repay the W Financial loan from the sales proceeds of the condominium units from the Bay Parkway property and the refinancing of the homes.

- a $3,000,000 first mortgage loan secured by an approximately 2,600 square foot, luxury condominium unit with panoramic views of the city located on the sixty-fourth floor of the Four Seasons Private Residences on Park Place at the corner of Church Street in the TriBeCa neighborhood of Manhattan. The borrower purchased the condominium unit as a non-owner-occupied investment property and had a time-of-the-essence closing deadline which W Financial was able to meet. The borrower plans on repaying W Financial's bridge loan with a conventional bank loan once the unit has been leased.



View from Park Place, Tribeca, Manhattan

W Financial's 2016 Audited Financial Statements are now available:

As previously reported, W Financial completed 2016 with an 8.94% investor return, net of fees. Our auditor, Marcum LLP, has completed our 2016 audited financial statement, which is now available for your review by visiting our private, password-protected Fund Information website at the following link: www.w-financial.com/summary (please note that this link is case sensitive) - and then entering the username: w-fund and the password: twofive6. If you would prefer to have a copy mailed to you, then please contact Karen Mannoia at karen@w-financial.com or (212) 532-9178 or Wendy Ngai at wendy@w-financial.com | (212) 532-1122 x118, and we will be happy to mail you a hard copy.

Shirokia Tower, Queens:

We have been providing quarterly updates to our investors on the progress of this litigation which we commenced in March 2016. Here is the latest update:

As required by the court, on April 7th, 2017, the borrower filed a draft plan of reorganization which requires that the property (a recently completed, 11-story mixed-use condominium building on 38th Avenue in Flushing, Queens, with four commercial condominium units, 23 condominium apartments and 47 parking spaces), is being marketed (the entire property – not the individual units) by a court approved investment sales broker and will be sold through an auction to be conducted not later than August 15th, with a closing to occur not later than September 15, 2017. The fund managers do not expect this litigation to have a material impact upon the fund's financial condition.

55 North Moore Street, TriBeCa, Manhattan:

On February 7, 2017 we sent a default notice to the borrower for failure to make payment when due on February 1, 2017. Thereafter, on February 13, 2017, we sent a second letter to the borrower accelerating the loan. Payments due under this loan remain outstanding. Since the value of our collateral exceeds the loan amount, and because the borrower is already in the process of both marketing the property for sale and also refinancing the loan with another lender, we do not expect to immediately commence a foreclosure action. As of today, the borrower has requested a loan pay-off calculation from W Financial, anticipating that they will be refinancing with another lender in early May. We anticipate that the proceeds of such refinancing or sale will be used to fully satisfy W Financial's loan.

As always, we will keep our investors posted on the progress of the above matters, and we encourage any investors or advisors who would like more information or have any questions to contact either Gregg Winter at (212) 532-9170 | gregg@w-financial.com or David Heiden at (212) 684-8484 | david@w-financial.com and we will be happy to discuss.

Latest form ADV:

As required each March, W Financial's Investment Manager, Sag Harbor Capital Management, LLC, a Registered Investment Advisor, files an updated form ADV. These regulatory documents are available on our Summary Page: www.w-financial.com/summary. Username: w-fund, Password: twofive6. As a reminder, the W Financial Summary Page (which is a private, password-protected website for Investors and Advisors), always has the latest version of each of our fund and regulatory documents, our audited financial statements, additional subscription agreements, redemption forms, etc. Alternatively, if you would like this, (or any) of our fund documents mailed to you, just ask Karen Mannoia or Wendy Ngai and they will be happy to send you a copy. Their contact information is listed below.

Our New Value-Add Real Estate Fund: The Alternative Opportunities Fund, LP –

Our Alt-Opp Investor Presentation and fund documents are now completed and are ready for distribution to those W Financial Investors who may be interested in learning more about it.

Many of you have already been in touch with us in connection with the launch of our new value-add real estate strategy, which we previewed in our Q4 letter. The Alternative Opportunities Fund, LP (Alt-Opp) is a real estate fund that will focus on buying neglected or under-managed, older multifamily and mixed-use walk-up apartment buildings in gentrifying neighborhoods. We will target properties which we believe have a lot of potential to be improved and transformed (via physical improvements, better apartment layouts and, when possible, tenant buyouts). We will primarily buy properties through joint ventures with experienced Operating Partners in select markets, and it is likely that the some of the income generated by Alt-Opp may be taxed at capital gains rates when properties that are acquired, improved and held in the fund for more than one year are eventually sold. As always, we would suggest that you discuss this aspect of an investment in a real estate private equity fund with your financial advisor.

It is important to note that nothing will change with regard to W Financial, which will continue along the same path that it has successfully followed since its 2003 inception.

Investor Qualifications and Suitability for the Alternative Opportunities Fund, LP:

As with W Financial, investors interested in the Alternative Opportunities Fund will need to qualify as both Accredited Investors and Qualified Clients. Investor qualifications are specified on the following AI/QC form: www.alt-opp.com/aiq.

Real estate private equity funds acquire, improve, and manage properties, often holding properties for a period of years, and therefore are not readily liquid investments. Because of this, we would suggest that the Alternative Opportunities Fund is only suitable for long-term investors and, as with any real estate private equity fund, will not be an appropriate choice for any investors that may require liquidity during the projected five to six-year term of the fund. The minimum investment will

be $250,000 (which is reduced to $100,000 for current W Financial investors), and net investor returns are estimated within the 10% - 13% range.

Full information is available for your review on the private website below, and, of course, you can always speak to your financial advisor or call Gregg or David if you have questions and would like to discuss this exciting new opportunity.

Alt-Opp's private, password-protected website is now live: You can visit the following link to see our Investor Presentation, Deal Example, Frequently Asked Questions, Subscription Booklets, and the Alt-Opp fund documents. www.alt-opp.com (username: Alt-Opp, password: fourseven9). Note that both the username and password are case-sensitive.

This letter does not constitute an offer to sell or a solicitation of an offer to purchase interests in the Alternative Opportunities Fund, LP. Such an offering will be made only pursuant to definitive offering materials which will be provided to prospective investors and should be read carefully prior to any investment in Alternative Opportunities Fund, LP for a description of the merits and risks of such an investment.

If you have updated your email or mailing address, please let Karen Mannoia or Wendy Ngai know. Karen can be reached at karen@w-financial.com | (212) 532-9178, and Wendy can be reached at (212) 684-2283 x118 | wendy@w-financial.com.

As a reminder, always feel free to call Gregg Winter at (212) 532-9170 or David Heiden at (212) 684-8484 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 that you may have regarding our audited financial statements, or your statement at (212) 532-9284 | adam@w-financial.com. Alternatively, you can always email us directly at gregg@w-financial.com, david@w-financial.com, and marc@w-financial.com.

Very truly yours,

W FINANCIAL FUND, LP

By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



By: Marc Bailin, Member