W

FINANCIAL

July 19, 2012

"Sample"
Most Recent Quarterly Letter

Mr. John Smith
ABC Company
123 Smith Street
New York, NY 10001

re: W Financial Fund, LP – 2nd Quarter 2012 Update and Statement

Dear John,

We hope that you are enjoying the summer wherever your travels have been taking you.

Meanwhile, here at W headquarters, we have been continuing to safeguard the funds that you and your advisors have entrusted to us, employing our battle-tested strategy and seeking to make the best real estate secured bridge loans available in the marketplace. It is also worth noting that New York City, which is the main focus of our lending activities, continues to be the strongest real estate market in the country.

During the 2nd quarter all loans in our portfolio have paid as scheduled, and new loan activity was brisk, with **five new loans totaling $25,900,000** meeting our tough selection criteria. As of the end of the quarter, our loan portfolio consisted of 21 mortgages with an **average portfolio-wide loan-to-value ratio of ~52%** and an average loan size of $2,299,511.

W Financial has now completed **108 consecutive months of positive returns**. Since inception, the fund has provided an **average annual compound return of 9.98%**, **net of fees**. $100,000 invested at our 2003 launch had increased to $233,556 as of June 30, 2012. Perhaps most importantly, our focus on lending conservatively and protecting the downside for our investors has now been validated over a period of more than 9 years, including through the rough waters of the recent recession and real estate downturn.

W closed six new loans during the second quarter:

On April 17th W Financial provided an **$8,500,000 bridge loan** that the borrower utilized to facilitate the **time-sensitive, deeply discounted acquisition of a $47.3 million note** secured by 17 units and a commercial garage condominium in a 96-unit, 15-story, park-front, architecturally distinguished luxury condominium development on Grand Army Plaza in Park Slope, Brooklyn. The loan was quickly repaid as the condominium units, many of which were already in hard contract, were sold (with one such unit being a penthouse, which sold for $5,100,000 shortly after our loan closing). This unique transaction combined some of our favorite ingredients: 1) low loan-to-value ratio, 2) a well-defined exit strategy, 3) a borrower with a "time problem", i.e., a need for rapid turnaround, which banks are simply unable to deliver, 4) a distinctive product (in this case a Richard



Grand Army Plaza, Park Slope, Brooklyn

Meier-designed building with sweeping views of Prospect Park), and finally, 5) a personal guarantee from a very substantial borrower.



North 8th Street
Williamsburg, Brooklyn

On April 19th W funded a **$1,400,000 bridge loan** for the $1,900,000 acquisition of a 10-unit multifamily building on North 8th Street in Williamsburg, Brooklyn. The borrower, who owns and operates many similar multifamily properties, intends to renovate some of the units in order to reconfigure the space more efficiently. This will help to increase the rent roll, the net operating income and thus the property's value. Once the foregoing has been accomplished, then the borrower plans to refinance the bridge loan with a conventional loan from a local bank.



Suydam Street
Brooklyn, NY

On May 14th the fund provided a **$950,000 bridge loan** utilized to facilitate the time-sensitive acquisition of a cash-flowing, rent-stabilized, four-story, eight-unit multifamily property on Suydam Street in Brooklyn. Each of the apartments in the recently renovated building has two bedrooms and one bath. The borrower wanted to close quickly and definitively with a bridge loan, and plans to refinance in due course with a conventional bank mortgage.



East 80th Street
Upper East Side, NYC

On June 6th W Financial structured a **$13,000,000 bridge loan** for the developer of a luxurious, meticulously designed and gut-renovated single-family townhouse on East 80th Street on the Upper East Side of Manhattan. The bridge loan repaid a maturing bank construction loan, and will give the borrower adequate time to properly market the well-located, 22' wide mansion in order to achieve the highest possible price. Such properties are in high demand and short supply in desirable Manhattan neighborhoods, and it is not unusual to see them fetch prices north of $2,500 per square foot. Employing our typical approach to risk management, **W Financial structured the loan with our fund having an $8,500,000 first mortgage loan,** and we brought in another lender to do a subordinate $4,500,000 mezzanine loan. The 10,800 square foot carriage house has nine bedrooms and 8 ½ baths, an elevator and many other dramatic amenities including a two-story waterfall, a private garden and terraces. With an appraised value of $23,800,000 and the above-noted structure, the loan to value ratio to W's last dollar of exposure is only ~36%.



Avenue T, Brooklyn, NY

On June 15th W provided a **$1,000,000 first mortgage bridge loan** secured by a three-unit, 6,000 square foot residential investment property on Avenue T in Brooklyn, NY. The cash-flowing rental property had been owned free and clear, but the owner decided to obtain a short-term bridge loan in order to take advantage of an opportunity to purchase another property. Our loan-to-value ratio is approximately 34%.



Central Ave., White Plains, NY

On June 21st W Financial closed a **$1,050,000 first mortgage bridge loan** to refinance maturing debt on a well-located office building on Central Avenue in White Plains, New York. Completed in 2009, the 10,000 square foot, three-story office building has 4 commercial tenants and 30 parking spaces. Our loan to value ratio is approximately 53%.

All the above-referenced loans were personally guaranteed by the borrowers.

We are well aware that <u>our investors count on us to be exceedingly selective,</u> therefore we <u>seek the highest quality, rather than the highest yielding</u> bridge loans. That focus explains how we have been able to provide continuous cash flow since inception, while steering clear of litigation. We also structure each loan so that if trouble does develop, we are best positioned to achieve a positive outcome similar to the excellent result achieved on 20 Bayard Street in 2011, where a difficult period of litigation turned into a strong gain for the fund.

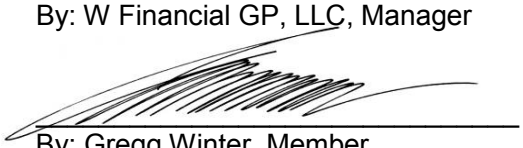
Enjoy the rest of the summer, and by all means, if your travels bring you to NYC, please stop in and say hello.

Please use our **Additional Subscription Form** for any add-on investments that you wish to make www.w-financial.com/add. That form as well as our other Fund documents are available at this link: www.w-financial.com/documents (username: w, password: financial) or you can call Karen, and she will email or mail you the form. We expect to be able to admit new investments as of Sept 1. Contact Karen Mannoia (karen@w-financial.com) or (212) 684-2283 x112 with any questions on how to complete the forms.

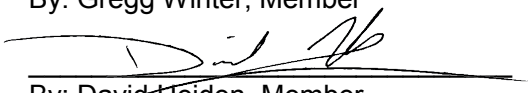
If you have updated your email or mailing address, please let Karen know. If you have elected to receive interest distributions, your check is also enclosed.

As always, please feel free to call Gregg Winter at (212) 532-1122 x1, David Heiden at (212) 684-8484 or Marc Bailin at (212) 935-0900 with any questions that you may have. Alternatively, you can email us directly at gregg@w-financial.com, david@w-financial.com and marc@w-financial.com.
Very truly yours,

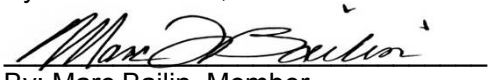
W FINANCIAL FUND, LP
By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



By: Marc Bailin, Member