FINANCIAL

October 17, 2012

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

"Sample"
Most Recent Quarterly Letter

re: W Financial Fund, LP – 3rd Quarter 2012 Update and Statement

Dear John,

W Financial is pleased to announce that the Fund has completed Q3 2012 at its highest AUM (assets under management) to date, which, as of this writing, is fully deployed in a portfolio of 23 loans with portfolio quality and performance continuing to be excellent. In addition, new loan origination continues at a brisk pace with six new loans ($26,025,000) and two additional loan fundings totaling **$28,525,000** meeting our tough selection and underwriting criteria. The fund provided a **.74% return, net of fees for the month of September.**

Two factors would seem to account for the velocity of new loan opportunities reaching our desks: On the one hand, transaction volume and activity in general in the New York City area has been increasing (the third quarter of 2012 saw commercial property sales reach their highest point in four years), and on the other hand, as time goes on, W Financial has continued to burnish its reputation in the Borrower and Brokerage communities, thanks to our partner David leading the charge on new loan originations and being responsive to new business inquiries 24/7. We have, therefore, developed a growing repeat clientele primarily comprised of seasoned real estate professionals who choose to reach for the W Financial "arrow" in their quiver when they need to move more quickly than banks are capable of doing. One typical example of this occurs when a buyer wants to sign a non-contingent contract to buy a property (giving that buyer an edge over competing buyers), and therefore, requires both the speed and certainty of execution that a private lender like W can provide.

While bank interest rates continue to be very low, a) banks are very slow compared to W's "SWAT team" approach, and, of course, b) banks favor fully-stabilized properties. Real opportunity generally comes in a less-than-fully-finished, not yet ready for prime-time form, thus many of our borrowers are targeting precisely those off-market, transitional properties that will require the application of their know-how and operational expertise in order to realize the property's full potential value. This value-added approach often requires bridge financing of the type that is W Financial's specialty.

During Q3, all loans in our portfolio have paid as scheduled. As of the end of the quarter, our loan portfolio consisted of 23 loans with an **average portfolio-wide loan-to-value ratio of ~55%** and an average loan size of $3,071,740.

W Financial has now completed **111 consecutive months of positive returns**. Since inception, W has provided an **average annual compound return of 9.92%**, **net of fees**. $100,000 invested at our 2003 launch had increased to $237,781 as of September 30, 2012.



Montague Street, Brooklyn Heights NY

New loan origination during Q3:

On July 17th, W Financial provided a **$7 million bridge loan** for the acquisition of a full-floor office condominium in a 14-story, 296,555 square foot office building on Montague Street in Brooklyn Heights, NY.

In addition to a first mortgage on the unit being purchased, our collateral also includes second mortgages on eight other commercial condominium units in the building owned by our borrower. The borrower also utilized some of the loan proceeds to buy out another partner. He is an experienced owner of commercial real estate who plans to renovate and sell three of the full-floor units and then refinance with a bank.



Sackett Street, Cobble Hill, Brooklyn

On the same day, W closed a **$1,250,000 first mortgage bridge loan** to facilitate the off-market acquisition of a 4-story, mixed-use building on Sackett Street, in a desirable residential neighborhood called Cobble Hill, Brooklyn. The borrower specializes in sourcing off-market properties, adding value and then either refinancing with a bank and holding for the long term or selling for a higher price. In this case, they are planning to make light renovations to the residential units and to increase the rent roll, and then to exit the W loan by refinancing with a local bank.

On August 23rd, W Financial provided a **$3 million first mortgage bridge loan** to refinance a cash-flowing, mixed-use property located on East 15th Street between Union Square and Irving Place in Manhattan, which also presents a compelling re-development opportunity. Currently the 4-story building totals 6,525 square feet with 4 residential apartments and 1 ground floor retail space. The retail tenant is a long-established bar and restaurant. The borrower plans to either redevelop the building himself or to sell it to a developer. This is an excellent piece of real estate in a great location.



15th Street, Manhattan NYC



Hendricks Street, Staten Island NY

On August 28th, W closed a **$775,000 first mortgage bridge loan** to facilitate the acquisition of a newly-renovated, 3-story, multifamily property on Hendricks Street in Staten Island. The property just received its certificate of occupancy and the borrower will now focus on leasing up the building. Eventually, once fully rented with stabilized cash flow, the borrower will refinance the bridge loan with permanent financing from a local bank.

On September 11th, W provided an **$11,000,000 first mortgage bridge loan** to refinance and provide completion dollars for the conversion of a 4-story, brick industrial building on Metropolitan Avenue between Roebling Street and Driggs Avenue in the heart of Williamsburg in Brooklyn, NY. The conversion of the 32,000 square foot building is nearly complete and will have 25 rental apartments and six stores. The repeat borrower is an experienced owner and operator of dozens of similar multifamily properties in Brooklyn. Once the property is completed and fully leased, the borrower will begin to approach banks and seek to refinance W Financial's bridge loan.



Metropolitan Ave, Williamsburg Brooklyn, NY

On September 20th, W Financial closed a **$3 million first mortgage bridge loan** to finance a portion of the **$6,920,000 purchase price** for a desirable development site in Jersey City, NJ. **The borrowers, who invested nearly $4 million of cash at the closing**, are experienced owners, operators and developers of similar multifamily properties, primarily in New Jersey. They plan to build a 112-unit property on the site and to refinance the W Financial bridge loan upon the completion of the plans and closing of a construction loan. Alternatively they may decide to sell the site to another developer.

As is typical for the Fund, all of the above-referenced loans were personally guaranteed by the borrowers.

Portfolio Management:

As of this writing, our portfolio is fine-tuned exactly as we like it best: a) all investor capital is deployed in loans, and b) we are utilizing our very favorable and inexpensive credit line to fund several of our new loans. This provides us with a very effective "buffer" and cash-management tool so that, for example, when one of our $3 million loans gets repaid, we can pay down our credit line rather than having the money sit in a money market account until it can be re-deployed. As you have seen over time, a healthy bridge loan portfolio turns over quickly (our oldest loan was originated on February 11th, 2011), therefore having an effective cash-management strategy is the key to maximizing the time that our investor capital is deployed and minimizing the time it spends waiting on the sidelines to be re-deployed.

We continue to be exceedingly selective, seeking the highest quality, rather than the highest yielding, bridge loans to populate our Fund portfolio.

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 November 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