W

FINANCIAL

October 15, 2013

Mr. John Smith
ABC Company
123 Smith Street
New York, NY 10003

"Sample"
Most Recent Quarterly Letter

re: W Financial Fund, LP – 3rd Quarter 2013 Update and Statement

Dear John,

W Financial has completed Q3 2013 with a portfolio that has grown to 39 loans with an average position size of $2,354,475 and with its portfolio continuing to perform well. The Fund closed 8 new loans totaling $15,850,000 during the third quarter, completing its 123rd consecutive month of positive returns, with no down months.

From our 2003 inception through September 30, 2013, W has provided an average annual compound return of 9.80%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $257,938 as of June 30, 2013, resulting in a total compounded return of **160.69%.**

Portfolio Performance:

During Q3, our portfolio continued to perform as scheduled. As a brief preview of Q4, while we ended the quarter on September 30th with $14,855,327 in cash, by October 11th we were once again fully deployed and utilizing our credit line **thanks to five new loan closings totaling $28,000,000** (details on these will follow in the Q4 letter). In addition, several other loans are in the pipeline and expected to close in October.

Bridge Loans as a Tool for Real Estate Professionals:

Acceptance of the use of private mortgages continues to grow within the real estate community, particularly in "more-demand-than-supply" markets like New York City. While bank financing remains available for stabilized properties, **it remains elusive for exactly the kind of value-added acquisitions that W Financial's borrower base likes to pursue**: off-market acquisitions where a rapid closing is essential on a transitional property, that is, a property that is being converted from one use to another, or simply being improved. Typically such transitional properties require the operational expertise of the new buyer (our borrower) in order to bring the property up to its full potential and unlock its true value.

New Loan Origination during Q3:

On July 3rd, W provided a **$3,500,000** loan to fund the time-sensitive acquisition of 5, two-story, garden-style apartment buildings with 56 primarily one bedroom apartments on **Hampton Street** in **Pemberton, New Jersey.** The borrower plans to later refinance the 42,336 square foot property with a conventional lender.



Knickerbocker Avenue, Bushwick, Brooklyn, NY

On July 29th, the Fund closed a **$2,900,000** loan to fund the acquisition of a former school on **Knickerbocker Avenue in Bushwick, Brooklyn, NY**. The borrower eventually plans to convert the approximately 25,200 square foot property and re-develop it as a multifamily residential property. It is likely that our loan will be refinanced once the plans have been approved and a construction loan closes. Upon completion, the developer plans to lease the units at market rates and then refinance with a conventional lender.

On July 30th, W closed two small loans: a **$700,000** loan to refinance a three-story multifamily building on **West 123rd Street in Harlem, Manhattan** with eight residential units that are leased to a NYC organization that leases units for emergency housing. The borrower needed a bridge loan to purchase another property and plans to refinance conventionally. The other loan was an **$850,000** bridge loan to finance the acquisition of a three-story, mixed-use building with four residential units and one retail unit on **Wilson Avenue** in **Bushwick, Brooklyn.** As is typical for a value-add acquisition (where a buyer plans to enhance a property's value based on value creation as the result of their operational expertise), the borrower intends to make improvements, increase the rent roll and then refinance with a conventional lender.



West 123rd Street, Harlem, Manhattan



Meserole Avenue, Greenpoint, Brooklyn

On August 13th, W provided a **$1,700,000** loan to fund the time-sensitive acquisition of a four-story, eight-unit, 7,500 square foot multifamily building on **Meserole Avenue** in **Greenpoint, Brooklyn.** The borrower plans to add value by renovating the building and then leasing the units at market rates. He will later either seek permanent bank financing or sell the building, making this a very typical deal for the Fund.



East 97th Street, Upper East Side, Manhattan

On August 21st, the Fund closed a **$1,200,000** loan on a free-and-clear Townhouse under development nearing completion on **East 97th Street** between **Park and Lexington Avenues** on **Manhattan's Upper East Side**. The borrower needed the loan proceeds in order to complete the acquisition of another property downtown in **TriBeCa** in Lower Manhattan. The loan is expected to be repaid when the Townhouse is completed and then either sold or rented and refinanced conventionally.



Mercer Street, SoHo, Downtown Manhattan

On September 12th, W provided a **$3,250,000** loan for the $4,400,000 acquisition of a retail building on **Mercer Street in SoHo**, in downtown Manhattan. The purchaser is a savvy and experienced real estate owner who is interested in unlocking the development potential (the square footage of this gem of a building, which can be expanded from 1,800 – approximately 6,000 square feet) on this super-hot, cobblestone SoHo street. As he typically does, the borrower will begin to prepare to develop the property to its full potential while negotiating a buyout with the existing retail tenant. In the end, our borrower may simply flip the property at a profit rather than develop it if he can successfully negotiate the tenant buyout.

On September 16th, the Fund closed a **$1,750,000** loan secured by two, 3-story multifamily walk-up buildings with a total of twelve apartments; one located on Linden Street, and the other on Greene Avenue in **Ridgewood, Queens**. The borrower will make improvements to some of the units, which will then be re-leased at market rates. Then once the NOI (net operating income) has been optimized, our borrower will either refinance with a local bank or sell the properties.



Linden Street, Ridgewood, Queens

As is typical for W Financial, all the above referenced loans were also personally guaranteed by the borrowers.

Transaction Insurance:

There is an interesting offshoot of our lending platform that sometimes occurs, which can be beneficial to both the borrower and the Fund: When the stakes to close on a particular date are high, and a time-of-the-essence deadline means that a delayed closing is simply not an option, borrowers will sometimes utilize a private lender to provide what amounts to "transaction insurance" to backstop a parallel application for a bank loan. (In other words, the borrower would, of course, prefer to close with a 5% bank loan if possible but wants W Financial ready and waiting in the wings just in case the bank fails to make it to the finish line on time).

In the event that the Fund underwrites, and is prepared to make such a loan, but in the end the borrower does not need the loan because the bank is able to close on time, then per our agreement with the borrower, the Fund is entitled to keep the unspent balance of the deposit paid when the borrower accepts our term sheet. Bottom line: This is good for the borrower (having a reliable backup plan), and also a win-win for the Fund, which either: a) earns some fee income, or b) is happy to close the loan in the event the bank is not ready in time.

New or Add-on Investments:

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 a reminder, we want you to always 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, (including any questions about any content or terminology in this letter that you would like us to explain in greater detail). 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