FINANCIAL

April 17th, 2014

"Sample"
Most Recent Quarterly Letter

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

re: W Financial Fund, LP – 1st Quarter 2014 Update and Statement

Dear John,

Although the calendar says "springtime", we're still mainly wearing overcoats and scarves here in NYC. Nevertheless, we are delighted to report that the Northeast's extra-cold and snowy winter of 2013-2014 did not slow down the pace of our lending team, which continued to source and underwrite a prodigious number of high-quality bridge loans despite the freezing temperatures, the snow and ice.

Our loan portfolio continues to perform well, and as the Fund approaches its **eleventh** anniversary, having successfully traversed the treacherous waters of 2008 – 2011 without any negative outcomes, it is interesting to observe that the loan portfolio diversification that Marc Bailin and I had originally envisioned at our seminal lunch way back in 2002 (which led to the creation of the Fund), has, in fact, now been realized largely due to the work of David, Jarret and the rest of the W Financial lending and loan servicing team. While back in the Fund's early years the number of loans at any one time in our loan portfolio was generally between 10 and 15, these days our loan portfolio tends to be north of 40 loans at any given time (and, as of the end of the quarter, consisted of 43 loans).

Size does matter in this business, and as a result of our measured, organic growth over the years, the Fund has now attained a size and critical mass that enhances our smooth and effective operation, enabling us to admit new investors in an orderly fashion, and to add staff as needed to ensure our ability to successfully manage and service our growing loan and investment portfolio.

The response in the investment community to the recent profile of W Financial Fund in *Barron's* has been remarkable and we are pleased to welcome numerous new investors from around the country that learned of W as a result of that article. The response seems to confirm the appeal of a strategy that prioritizes downside protection and seeks to provide reliable high-single-digit net returns.

Fund and Portfolio Performance:

From our 2003 inception through March 31st, 2014, W has provided an average annual compound return of 9.78%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $269,515 as of March 31st, 2014, resulting in a total compound return of 172.67%.

We ended the first quarter with all investor capital fully deployed, with a portfolio of 43 loans and an average loan size of $3,549,716. **Thirteen new loans** totaling **$56,745,000** closed during Q1. Our March 2014 return was .81%, following .71% in January and .72% in February, bringing W Financial to a 2.26% compounded return year-to-date.

New Loan Origination During Q1:

On January 6th, W provided a **$625,000** first mortgage bridge loan for the acquisition of a development site on **Grand Street** between **Bedford Avenue** and **Berry Street** in the **Williamsburg** neighborhood of **Brooklyn**. Our borrower intends to develop the property as a three-story, mixed-use building with one retail store and two residential apartments above.

On the following day, W provided a **$520,000** first mortgage loan for the acquisition of a 7,129 square foot, two-story, mixed-use building with seven residential apartments and a retail store on **Morris Avenue** in **Elizabeth, New Jersey**. Our borrower owns and operates the successful restaurant, which is located on the building's ground floor, and he wanted to take advantage of an opportunity to purchase the building and plans to eventually refinance with a local bank.



Kent Ave, Williamsburg, Brooklyn (rendering)

On January 29th, W closed a **$9,750,000** senior participation in a **$12,750,000** first mortgage bridge loan utilized to acquire a development site located on **Kent Avenue** near the **Williamsburg** waterfront in **Brooklyn**. The borrower plans to develop an 8-story commercial building where the ground floor will be leased to several retail tenants and ~10,000 square feet to a recognized supermarket chain. The second and third floors are expected to be parking, with office space above. The property is surrounded by numerous large and medium-sized luxury residential condominium and rental buildings. The borrower needed a bridge loan in order to meet a tight, time-of-the-essence closing deadline.

On January 30th, W provided a **$4,250,000** first mortgage bridge loan to facilitate the $7,750,000 acquisition of an existing 5-story, 25' wide, mixed-use office building on **West 37th Street** in **Manhattan** between **Fifth** and **Sixth Avenues**. The borrower, an experienced hotel developer and builder, plans to develop an ~25,575 square foot 17-story hotel on the centrally located Midtown Manhattan site. During the term of our bridge loan, the developer will vacate the building, line up his construction financing and work on finishing his plans and obtaining his approvals from the D.O.B in preparation for construction.



West 37th Street, Manhattan



Atlantic Ave, Brooklyn Heights

On February 7th, W provided a **$2,500,000** first mortgage bridge loan for the acquisition of a well-located, off-market, four-story mixed-use building with two retail stores and six residential apartments located at the **corner of Atlantic Avenue** and **Hicks Street** in **Brooklyn Heights**. This transaction represents a typical, value-added strategy type of acquisition for our borrowers who intend to buy out some of the tenants and then renovate two of the apartments. They also plan to upgrade the retail tenancy over time in this super-hot Brooklyn neighborhood. In addition to the acquisition loan noted above, W Financial also made a $400,000 joint venture equity co-investment in this property, which we feel has significant upside potential.

On February 10th, W provided an **$18,750,000** first mortgage bridge loan collateralized by two cash-flowing Manhattan properties - one located on **Spring Street** in **SoHo** and one on **West 46th Street**. W Financial's loan refinanced existing first mortgages on both properties and provided surplus proceeds which will be utilized to address a time-sensitive, working capital requirement for the owner, who runs several successful businesses. As is often the case, speed was an important factor in W's ability to win this assignment, thus the personally guaranteed, one-year, low-leverage, interest-only bridge loan went from first phone call with the owner's mortgage broker to closing in just over one week.



Spring Street, SoHo, NYC



Meserole Ave, East Williamsburg, Brooklyn

On February 12th, W closed a **$2,400,000** construction loan to partially fund the development of a 25' wide mixed-use building on **Meserole Avenue** in the **East Williamsburg** neighborhood of **Brooklyn**. $432,797 was funded at the closing and, as is typical for construction loans, the balance of the loan proceeds will be funded in stages as the work progresses and is verified by W's team and its professionals and advisors.



Melrose Street, Bushwick, Brooklyn

On February 25th, W closed a **$600,000** first mortgage bridge loan to facilitate the $1,350,000 acquisition of a three-story, 4,350 square foot mixed-use building on **Melrose Street** in the **Bushwick** neighborhood of **Brooklyn**. The borrower, who injected nearly $800,000 of equity into the purchase, wanted to close quickly and thus decided to obtain a bridge loan.



Elizabeth Street, NoLiTa, NYC

On February 26th, W provided an **$11,500,000** first mortgage bridge loan to facilitate the **$21,000,000 acquisition** of a prime development site located at the corner of **Elizabeth** and **Kenmare Streets** in the **NoLiTa** neighborhood of Downtown **Manhattan** (NoLiTa stands for "North of Little Italy"). Including closing costs, the buyers have **more than $10,000,000 of equity** invested in the project. As the developers have hired the industry-acclaimed, Pritzker Prize winning architect **Tadeo Ando** to design the eight luxury condominium units (each to be sold with an indoor parking space, which is a pretty big deal here in NYC), there is a lot of interest in the project, which will be the world-renowned architect's first ground-up development in New York. It is expected that our bridge loan will be repaid once the plans have been completed and approved at which time, (typically within a year of acquisition), we anticipate that W's bridge loan will be refinanced with a construction loan provided by a bank. The property is currently a cash-flowing garage, and the terms of our loan prohibit demolition of the existing structure until W's loan has been repaid. Although the borrower had a commitment letter from a bank, the bank was too slow in getting to the finish line, thus with a time-of-the-essence closing looming, the mortgage broker recommended W Financial as the surest way to meet their closing deadline.



Berry Street, Williamsburg, Brooklyn

On March 3rd, W provided a **$1,600,000** acquisition loan for the $2,600,000 acquisition of a six-unit, 25' wide, three-story multifamily building on **Berry Street** in **Williamsburg**, Brooklyn. Our borrower plans to renovate the building and add an additional floor increasing the size of the building from 3,750 to 6,000 square feet.



Grand Street, East Williamsburg, Brooklyn

On the same day, W provided a **$500,000** acquisition **l**oan for the $1,900,000 purchase of a small, mixed-use building on **Grand Street** in the **East Williamsburg** neighborhood of Brooklyn. The building is currently configured with one, ground-floor retail unit and two residential apartments above. With a typical value-added plan of attack, our borrower realized that the existing building was under-built and plans to take advantage of the building's excess floor area ratio and to redevelop the property with the result being a 10,100 square foot, twelve-unit multifamily building.

On March 6th, W provided a **$3,750,000** bridge loan (our position within a $7,500,000 loan that we are sharing with a participant) collateralized by a portfolio of assets in **Williamsburg**, Brooklyn. The collateral package includes first mortgages on two buildings on Flushing Avenue and a 140' x 200' parking lot on Franklin Avenue in Brooklyn.



Flushing Avenue, Williamsburg, Brooklyn

W Financial's 2013 Audited Financial Statements are now available:

Marcum LLP has completed our 2013 audited financial statements, and they are available for your review at the following link: http://www.w-financial.com/2013audit (please note that this link is case sensitive) – and then enter username: fund, password: 1delta1. If you would prefer to have a copy mailed to you, kindly contact Karen Mannoia at karen@w-financial.com or (212) 532-1122 x2, and we will be happy to mail you a hard copy.

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 June 1st. Contact Karen Mannoia (karen@w-financial.com) or (212) 532-1122 x2 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, 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 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

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