W

FINANCIAL

July 16, 2014

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

"Sample"
Most Recent Quarterly Letter

Re: W Financial Fund, LP - 2nd Quarter 2014 Update and Statement

Dear John,

We would like to wish our investors, their advisors and their families a fun and enjoyable summer.

Q2 2014 was another solid quarter for W Financial, with strong loan origination and an investment portfolio performing as scheduled.

A reliable sign of a healthy loan portfolio is turnover. Q2 brought plenty of turnover as many of our loans were repaid not only on, but well ahead of schedule.

During the course of the second quarter, the amount of our revolving credit facility was increased from $25 million to $35 million. The credit line gives us greater flexibility and enhances our ability to successfully keep our investor capital fully deployed (so, for example, during the first two quarters of the year, all investor capital [net of our normal cash reserves] was deployed more than 99% of the time, for 179 out of 180 days).

The interest rate on our credit line remains very favorable at 3.25% points above 30-day LIBOR (which is currently only .15%, thus our cost of this capital is currently ~3.4%). Per our business plan, our strategic use of the credit line has proven to be a very effective cash management tool for the Fund. We concluded Q2 with an average loan position size of $3,081,974 and with our loan portfolio performing as scheduled. The Fund closed **9 new loans totaling $26,965,000** during the second quarter, **completing its 132nd consecutive month of positive returns, with no down months.**

Since our 2003 Inception through June 2014, W Financial has provided an average Compounded Annual Return of 9.76%, net of management and performance fees. Thus, $100,000 invested at our 2003 launch had increased to $275,200 as of June 30th, 2014, resulting in a Total Return Since Inception of 178.55%, net of fees.

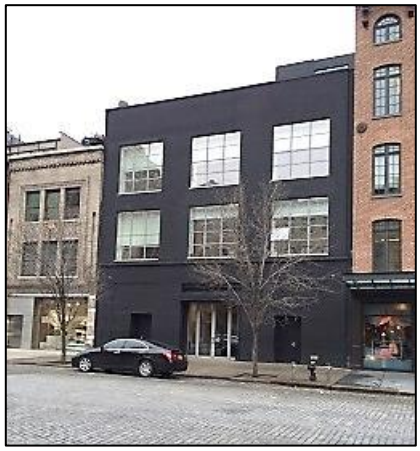
We Maketh the loans and they Payeth them back….

While we know it can sometimes seem frustrating for new or existing investors who wish to add capital at a given time to learn that they may need to wait a month or two for their capital to be admitted, it's important to remember that **the very reason our performance has been very solid for more than eleven years** (and, of course, the reason that we were able to sidestep the widespread destruction of 2008's recession and real estate downturn) **is due to our level of discipline in carefully choosing new**

loans to add (or, even more importantly, to NOT add) to our portfolio. We carefully filter the large pile of loan opportunities that we see every week VERY aggressively.

For example, if we **love** the real estate but have serious reservations about the sponsor, we won't do a loan. If we like the real estate AND the Sponsor but they want a bigger loan than we think is prudent, we still won't do the loan. The list of such examples goes on and on, and ultimately adds up to the reason that we have been able to maintain a quality loan portfolio for the past eleven years (both for our investors and for ourselves, as it is worth noting that the managers and their spouses have more than $7 million invested in the fund right alongside our investors). Our first priority is always to optimize the fund size so that all existing investors' capital is as close to fully deployed as possible. Only then, with an adequate supply of desirable loan opportunities will we admit additional capital to the fund.

New Loan Origination During Q2:



West 14th Street, Manhattan

On April 8th, W provided an **$8,250,000** second mortgage bridge loan for a three-story, 15,000 square foot retail property on **West 14th Street** in **NYC's Meatpacking District**, located **near the High Line** and at the nexus of what has become **a sought-after location for high-end retailers and luxury brands**. The property is a commercial condominium unit. W's loan is junior to a seller-provided, purchase money mortgage and was utilized to fund a tenant buyout so that a lease can be signed with a new tenant at a much higher rent. Our borrowers, who are repeat customers of the Fund, are highly-experienced and successful owners and operators of high-end retail properties in Manhattan. At the loan closing, the property was net-leased to one of the world's top luxury automakers who will transform the space to help promote their brand. They needed our quick-close loan in order to fund a buy-out of the old tenant in order to vacate the property for the new tenant. The site will become an event space, gallery, lounge and retail boutique, where people can experience the brand well beyond going to a dealership. For W, it's simply a very attractive bridge loan at our loan basis, with strong guarantors and a new, deep-pocketed, institutional-quality tenant. Given the strength of the location, the borrower and the tenant, the borrower has already informed us that they are refinancing and will soon be paying off our loan.



Bedford Ave, Brooklyn (Rendering)

On April 10th, W provided a first mortgage construction loan with an initial funding of **$5,500,000** for the gut rehab of a former church on **Bedford Avenue** in **Bedford-Stuyvesant in Brooklyn, NY**. The completed project will have 36 residential units, a large community space and 2 ground-level retail units. The sponsor is a borrower that W has worked with many times in the past, and has repeatedly demonstrated his ability to complete projects of this scope and size successfully. The property spans the entire block from Bedford Avenue to Skillman Street and also has frontage on **Skillman Street.** This loan is being shared with one of our regular participants. Upon completion, the property will be rented

and then once cash-flowing and stabilized, it is expected that the borrower will obtain permanent financing from a bank and refinance the W Financial loan.



Third Place, Carroll Gardens, Brooklyn

On April 21st, W provided a **$1,400,000** bridge loan for the acquisition of a four-story, eight-unit, 6,277 square foot multifamily property located on **Third Place** in **Carroll Gardens, Brooklyn**. Two of the eight units are vacant, and can be readily renovated and re-rented at market rents. As per their usual playbook, our borrowers sourced the transaction off-market, and they intend to buy out the remaining rent-stabilized tenants, renovate those units and increase the rent roll and thus the building's NOI (net operating income). **The borrowers required a bridge loan in order to facilitate a time-of-the-essence closing** and will seek to refinance with a local bank once they have executed their business plan.

On April 25th, W Financial provided a **$3,750,000** first mortgage bridge loan to facilitate the acquisition of a three-story office building on **Walt Whitman Road** in **Huntington Station, Long Island, NY**. The 30,200 square foot suburban office building occupies a 38,430 square foot lot with 75 parking spaces. Our borrower plans to lease the 10,000 square feet of vacant retail space and then seek to refinance with a conventional lender. Our loan also includes a 12,500 square foot mixed-use building located in **Union City, NJ** as additional collateral.



Huntington Station, Long Island, NY



North Galleria Drive, Middletown, NY

On April 29th, W Financial provided a **$1,750,000** first mortgage bridge loan for the acquisition of a 95,000 square foot shopping center situated on 6.1 acres located on **North Galleria Drive** in **Middletown, NY**. Current tenants include Pier One, Petco and OTB. The borrower purchased the property at an auction, which necessitated a 30-day closing from the signing of contract. The borrower plans to re-tenant the vacant space, make some cosmetic improvements and then once stabilized, to seek permanent financing with a conventional lender.

On May 13th, W provided a **$950,000** bridge loan for the $1,475,000 acquisition of a two-story, mixed-use building on **Broadway** at the corner of **Cornelia Street** in the **Bushwick neighborhood of Brooklyn.** The borrower contributed more than $700,000 of equity and plans to renovate the property into 5 residential units above a 4,000+ square foot ground floor retail store. When complete, the property will total ~11,200 square feet.



Broadway, Brooklyn



East 19th St., Prospect Park South, Brooklyn

On May 22nd, W Financial provided a **$1,315,000** bridge loan for the off-market acquisition of a 10-unit, three-story, multifamily property located on **East 19th Street** between **Albemarle and Beverly Roads** in the **Prospect Park South** neighborhood of **Brooklyn**. The borrowers will follow their usual business plan and intend to negotiate buy-outs with tenants and then plan to renovate units during the term of our loan. Once the building's NOI (net operating income) has been increased, they will then seek to either refinance W's loan with a local bank or to sell the property. The borrower required a bridge loan in order to meet a short time-of-the-essence closing deadline.

On May 27th, W Financial provided a **$2,250,000** bridge loan for the acquisition of an 8-unit, four-story, 7,800 square foot multifamily building with 8 apartments on **Guernsey Street** in **Greenpoint, Brooklyn**. The borrower plans to renovate six of the units and then lease them at higher rents. Once the work is complete and the building is fully occupied, he intends to refinance the bridge loan with permanent financing from a local bank. The borrower contributed more than $1.5 million of equity at the closing of our loan, of which $1 million was held back in a Capital Improvement Reserve. During the term of the loan, W will make disbursements to pay for the renovations upon inspection and verification of the work being completed.



Guernsey Street, Brooklyn



Classon Ave., Prospect Heights, Brooklyn

On June 30th, W provided a **$1,800,000** loan for the acquisition of a four-story, eight-unit multifamily property on **Classon Avenue** in the **Prospect Heights** neighborhood of **Brooklyn**. Three units are vacant and the balance of the apartments are rent-stabilized. Consistent with their usual game plan, the borrowers intend to negotiate buy-outs of some of the rent stabilized tenants and to then renovate those units with the result of bringing the rent roll up to current market levels. Once the NOI (net operating income) of the building has been thus increased the borrower will then either seek to refinance the building with a local bank or to market and sell the building at a profit.

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 updated 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 September 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.

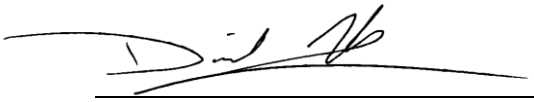
As a reminder, always feel free to call Gregg Winter at (212) 532-1122 x1, David Heiden at (212) 684-8484 or Marc Bailin at (212) 935-0900 with any questions that you may have, (including any questions about any content or terminology in this letter that you would like us to explain in greater detail). 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