W

FINANCIAL

January 15, 2015

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

"Sample"
Most Recent Quarterly Letter

Re: W Financial Fund, LP - 4th Quarter 2014 Update and Statement

Dear John,

The "Big Chill" is settling in upon us for the first time this winter here in New York City. The other night, we had temperatures of 7 degrees with wind chills way below that, thus we are envious of our many investors in Southern California and Florida who have wisely chosen to escape the cold. All of us here at W Financial wish you and your families a very healthy and happy new year.

We are pleased to report that W Financial has completed Q4 of 2014 with all fund capital deployed and, as is our practice in order to optimize our cash management, utilizing (as of year-end) $13,700,000 of our $35,000,000 revolving credit facility.

Six loans totaling **$30,200,000** were closed in December, with 13 loans and additional advances totaling **$54,925,000** closing during the fourth quarter. During the course of year, W originated **forty-six loans** totaling **$190,050,000** with net loan positions (meaning the W Financial portion of funds advanced, excluding any amounts funded by any loan participants) of **$176,050,000**. By comparison, during 2013 the fund originated 39 loans totaling $116,460,000. During the course of 2014, **thirty-three loans totaling $104,640,282 were repaid**, resulting in net-positive loan origination of **$71,409,718.**

The sale of 330 West 86th Street:

In our Q3 letter we reported that we had signed a contract to sell our 10-unit apartment building located at 330 West 86th Street (between West End Avenue and Riverside Drive) on the Upper West Side of Manhattan. As expected, the sale closed on December 1, 2014. That capital has now been re-deployed adding to our investment portfolio, which totaled **$198,171,491** as of the end of the quarter and the year.

W Financial provided a return of .**80%, net of fees, for the month of December**, resulting in a **9.43% return, net of fees, for the year**. **Since our 2003 Inception through December 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 $287,989 as of December 31, 2014, resulting in a Total Return Since Inception of 191.81%, net of fees.**

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Outlook for 2015:

Adhering to our usual modus operandi, we continue to take a conservative approach to underwriting loans – especially in a market where buyers are competing for good properties and bidding up the prices. Our memories are long, and we never forget that real estate markets are cyclical. This philosophy served us well during the 2008-09 recession and real estate downturn, thus we will continue to maintain our disciplined approach to bridge lending.

As the fund approaches its twelfth anniversary, we continue to focus on seeking to populate our loan portfolio with conservatively-underwritten mortgages, and borrowers whom we feel are capable of executing their business plan and successfully repaying their loans, rather than seeking to create a loan portfolio that will provide the highest possible yields.

New loan origination during Q4:

During the month of October, W Financial funded four new loans totaling **$11,725,000**. Highlights are provided below.

- A **$5,000,000** bridge loan collateralized by several commercial properties located on **Roosevelt Avenue** in **Corona, Queens,** as well as two properties on **Merrick Boulevard** in **Jamaica, Queens** totaling nearly 190,000 square feet. The Roosevelt Avenue property consists of a large industrial building, which is owner-occupied by a major NYC lumber and building materials supplier, as well as a one-story commercial building leased to two separate tenants. The Merrick Boulevard property consists of a large industrial building and lot, which is also leased to the same building materials supplier. The borrower needed the bridge loan in order to provide working capital for a business opportunity, which required them to move quickly. The borrower plans to refinance the W Financial loan with financing from a local bank.

- An **$825,000** bridge loan used to acquire a two-story single-family residence located on **East 21st Street** in the **Flatbush/Ditmas Park** neighborhood of **Brooklyn**. The lot size is 4,000 square feet and the site has a FAR (floor area ratio) of 4, which allows for a potential total of 16,000 buildable square feet. The borrower plans to demolish the existing building and build a multi-family building. The borrowers needed the bridge loan in order to close quickly on the property. Once the borrowers finalize their plans and approvals, they will seek a conventional construction loan.



East 21st St., Brooklyn



Prospect St., Inwood, Queens

- A **$3,750,000** bridge loan used for the acquisition of a vacant, five-building industrial complex, located on **Prospect Street** in **Inwood, Queens**. The property will be converted from its current use of warehouse space into a religious school for girls. The borrowers are in the process of securing the proper permits and completing the building plans. Once the plans have been finalized,

the borrowers plan to refinance the W Financial loan with a conventional construction loan.

- A **$2,150,000** bridge loan to acquire a four-story, eight-unit building located on **Dean Street** in the **Prospect Heights** section of **Brooklyn.** The borrowers will seek to buy out rent-regulated tenants and then either renovate and keep the property as a rental building or alternatively convert to condominium units. W's loan was needed to facilitate a fast closing.



Dean St., Brooklyn

During the month of November, W Financial originated three first mortgage loans totaling **$13,000,000**. Highlights are provided below:

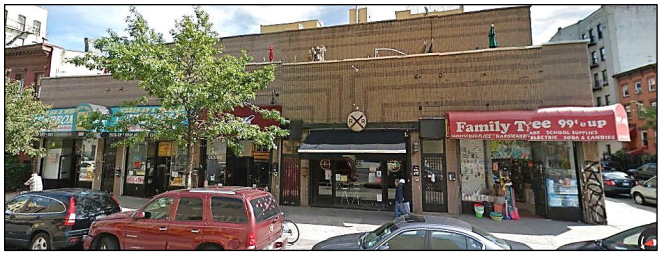


Eleventh Avenue, West Side, Manhattan

- A **$5,000,000** bridge loan collateralized by a two-story, commercial property located on **Eleventh Avenue** on **Manhattan's West Side**. W Financial's loan provided liquidity for another one of the borrowers' investments. The borrower plans to refinance the W Financial loan with a traditional bank loan.

- A **$2,000,000** additional funding for a transaction that originally closed in April 2013, where our collateral is a development site on 60th Street in the **Borough Park** neighborhood of **Brooklyn, NY**. Originally, W Financial was a $6,000,000 parri passu participant in a $12,000,000 first mortgage loan. In the current transaction, W Financial bought out a participant and now has an $8,000,000 senior position within a $12,000,000 first mortgage. Since our original closing, the developer has been working through New York City's byzantine approval process and has made a great deal of progress in designing the project. On December 30th, a new building permit application was filed to build 13 six-story buildings on the site, which are slated to have ~128 units. This is a neighborhood with tremendous demand for the type of housing that will be created.

- A **$6,000,000** bridge loan collateralized by a cash-flowing, mixed-use property located on **Roebling Street** in **Williamsburg, Brooklyn**, consisting of four retail units and five residential units. In a typical value-add strategy, W's borrower plans to buy out the retail tenants and to re-lease the space at market rents. In addition, the borrower may decide to add additional stories to the building. The borrower is an active real estate investor with a large portfolio of properties who originally closed all-cash on the property. W Financial's loan proceeds were utilized to recapitalize a portion of the borrower's initial investment. The exit strategy is to employ a value-added strategy to bring the building up to market rents and to then refinance the bridge loan with a conventional bank loan.



Roebling St., Williamsburg, Brooklyn

During the month of December, W Financial funded six loans and additional fundings totaling **$30,200,000**. Highlights are provided below:

- A **$1,150,000** loan for the acquisition of a three-story, six-unit, mixed-use building located on **Stanhope Street** in the **Bushwick** neighborhood of **Brooklyn**. The borrower was able to acquire the property in an off-market transaction and needed to close quickly. The borrower will work to increase the rent roll and thus the building's NOI (net operating income) and then expects to refinance the W Financial loan with conventional bank financing.



Stanhope St., Brooklyn


Metropolitan Ave., Ridgewood, Queens

- A **$3,500,000** loan for the acquisition of a four-story, 35,000 square foot industrial building on **Metropolitan Avenue** in the **Ridgewood** neighborhood of **Queens**. Our borrower intends to reposition it by dividing the building into smaller spaces and then renting them to loft office tenants. Once they have effectuated their business plan and the property is fully cash-flowing, they expect to refinance the W Financial bridge loan with conventional financing from a local bank.

- A **$16,000,000** senior position in a **$24,250,000** construction loan in a prime location on **Wythe Avenue** in **Williamsburg, Brooklyn**. The property will be completed as an eight-story, 150-room boutique hotel. Construction is already well under way, and significant capital to fund construction has been advanced by our junior participant. Our loan is expected to be repaid when the senior loan is refinanced with a bank.



Wythe Ave., Williamsburg, Brooklyn



Myrtle Ave., Ridgewood, Queens

- A **$4,800,000** loan for the acquisition of a property comprised of a one-story building and a three-story building with four residential units and a large retail store located on **Myrtle Avenue** in the **Ridgewood** neighborhood of **Queens**. The borrower needed to close on this fully cash-flowing property quickly. The borrower plans to add value by adding square footage to the building.

- A **$2,750,000** loan for the acquisition of a six-story commercial property located on **87th Street** in the **Bay Ridge** neighborhood of **Brooklyn**. The borrower needed to close quickly and plans to build out the ground floor retail space and then market it for rent.


87th St., Bay Ridge, Brooklyn

- A **$2,000,000** additional funding for an existing **$12,000,000** loan secured by six contiguous mixed-use properties located on **West 28th Street** in the **Flower/Flatiron District** of **Manhattan**. During the loan term thus far, the borrower has increased the rent roll by replacing expiring leases with new

tenants paying market rents. In addition, the borrower has negotiated two buyout agreements with IMD (Interim Multiple Dwelling) tenants, adding significant value to the property. The original acquisition loan, which had a term of two years and closed on October 29, 2013, anticipated an additional funding of up to $2,000,000, which would be available to be accessed by the borrower for a period of up to 18 months to fund such tenant buyouts to further enhance the value of the property.

If you have updated your email or mailing address, please let Karen Mannoia know. If you have elected to receive interest distributions, your check is also enclosed. Karen can be reached at karen@w-financial.com (212) 532-1122 x2.

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 the real estate 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