W

FINANCIAL

October 16, 2015

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

**"Sample"**
**Most Recent Quarterly Letter**

re: W Financial Fund, LP – 3rd Quarter 2015 Update and Statement

Dear John,

We hope that you had a great summer filled with family, friends, travel and good health and that you're enjoying the transition to the autumn season. Here in New York, we had the most beautiful summer that I can ever remember!

Bridge Loans: the money goes out, and then the money comes back:

A healthy bridge loan portfolio turns over quickly – and that's exactly what occurred – in a big way - during the summer of 2015. Obviously a big part of our job is to make bridge loans that we are confident will be repaid. Sometimes lots of loans happen to get repaid within a short period of time. Our borrowers, of course, pay W Financial higher interest rates than they would pay at a bank. So what is the value proposition that our borrowers get in return for paying that premium?

Aside from getting rapid lender response and certainty of execution, another benefit that our borrowers are paying for is having a great deal of flexibility to choose the time to repay their loan (usually, but not always, there is a six-month minimum amount of interest due on a one-year W Financial loan, and then, thereafter, the borrower can repay when ready upon giving us an agreed-upon number of days' notice, typically 20 days). Sometimes (fortunately, not too often) we happen to get big clusters of loan repayments seemingly all at once. This will occur randomly from time to time. It's just part of the natural ebb and flow and an inevitable fact of life in the bridge lending business.

Too Much of a Good Thing:

Sometimes it drizzles, sometimes it rains, and sometimes, unpredictably, we experience a "torrential downpour" of loan repayments…

Within a short period of time (June 1 through August 31st), 20 loans totaling $99,385,000 were repaid in the normal course of business. This summer's "tsunami" of loan repayments first paid down our credit line and then resulted in our having substantial cash on hand which, as always, we have been steadily and carefully re-deploying in new loans. The resulting cash dilution is the reason our returns were lower than usual during this period.

The good news is that: a) coincidental loan repayments occurring in very close proximity on such a scale (i.e. this group of loan repayments happened to include some of our largest loans) are both unusual and rare,

and: b) our loan portfolio is performing well and our incoming deal flow, especially since Labor Day, has been strong. As of this writing, we have already closed six loans in October totaling $45,300,000 and based upon our pipeline, we expect to re-deploy our remaining cash soon and again be utilizing our credit line.

As we have mentioned before, our ideal cash-management scenario is to have all investor capital invested in loans and then be utilizing our credit facility to fund a number of additional loans.

We pride ourselves on our transparency and, as always, we invite our investors and their advisors to call us with any questions they may have on any aspect of the fund's operation and business model.

Fund Performance:

From our 2003 inception through September 30th, 2015, W has provided an average annual compounded return of 9.69%, net of fees; thus, $100,000 invested at our 2003 launch had increased to $305,798 as of September 30th, 2015, resulting in a total return since inception of 210.62%. Our net compounded, fund-level return was .66% in July, .58% in August and .51% in September.

New Loan Origination During the Third Quarter:

During Q3 W Financial funded 9 new loans totaling **$37,600,000**. As usual, our borrowers are focused on value-creation. Highlights are provided below:



*Henry Street, Lower East Side*

A **$2,500,000** bridge loan utilized to acquire a 5,100 square foot building located on **Henry Street** in **Manhattan's Lower East Side** neighborhood, which will be demolished and redeveloped. The borrower needed the bridge loan in order to close quickly on the purchase of the property and plans to refinance the W Financial bridge loan with a construction loan provided by a local bank.



*West 112th Street, West Harlem*

A **$5,750,000** bridge loan utilized to acquire a development site located on **West 112th Street** in **West Harlem** in **Upper Manhattan**. The borrower required a bridge loan in order to close quickly on the property. The collateral for W Financial's loan also includes several additional properties located in Brooklyn. The borrower plans to refinance the W Financial loan with a construction loan provided by a local bank.



*Fulton Street, Brooklyn*

A **$1,050,000** bridge loan collateralized by a mixed-use property located on **Fulton Street** in the **Bedford-Stuyvesant** neighborhood of **Brooklyn**. The borrower is refinancing an existing loan and plans to use surplus proceeds to gut renovate the property. Once the renovation has been completed and the property has been stabilized, the borrower then plans to refinance W's bridge loan with a permanent mortgage provided by a local bank.

A **$1,900,000** bridge loan to facilitate the acquisition of a 21,000 square foot development site located on **Somers Street** in the **Ocean Hill** neighborhood of **Brooklyn**. W's borrower is

a well-established real estate developer active in Brooklyn. The borrower needed a bridge loan from W Financial in order to be able to meet a time-of-the-essence closing deadline. Once all plans and approvals have been obtained, the borrower expects to refinance the bridge loan with a bank construction loan.



*East 59th Street, Manhattan*

A **$3,500,000** bridge loan to a mid-sized, NYC-based real estate firm that was in hard contract to buy a large multifamily portfolio with a fast-approaching, time-of-the-essence closing date. A portion of the equity the firm required in order to close on the multifamily portfolio was expected to come from the sale of two, just-completed, pre-built commercial condominium units in a Class A office building on **East 59th Street between Madison** and **Park Avenues** in **Manhattan's Plaza District**. The firm had recently subdivided this full-floor office condominium creating three, pre-built suites. One of the three suites had previously been sold for $875 per square foot as back office space to a well-known fashion retailer. When an expected sale of one of the pre-built units fell through, they needed a bridge loan ASAP, and their long-time attorney knew of W Financial's reliability and immediately set up a call.

The W team custom-crafted a solution that would provide the crucial additional liquidity, issued a term sheet and then rapidly closed the $3,500,000 bridge loan infusing liquidity that enabled the firm to successfully close on their acquisition. It is expected that W's bridge loan will be repaid upon the sale of the office condominiums.

A **$5,400,000** ground-up construction loan with a repeat borrower for the development of a luxury residential rental building located on **St. John's Place** in the **Crown Heights** neighborhood of **Brooklyn**. When completed, the building will be comprised of a mixture of 26 one and two-bedroom apartments with 13 parking spaces. Once construction has been completed and the building has been fully rented, the developer intends to refinance the W loan with a traditional bank loan.

A **$4,000,000** second mortgage secured by a large loft building on **Metropolitan Avenue** in **Williamsburg, Brooklyn**. W Financial had originally funded a $1,500,000 first mortgage loan in June 2012 to finance part of the acquisition price. Since then, the developer, who is a repeat borrower and a specialist in this type of value-added transaction, had negotiated and completed buyout agreements with IMD (Interim Multiple Dwelling) tenants in order to vacate the building and unlock significant value. Once plans have been filed and the developer receives his building permit, the borrower intends to refinance the bridge loan with a bank construction loan.

A **$10,000,000** bridge loan to facilitate the acquisition of two adjacent townhouses located on **East 62nd Street** on the **Upper East Side** of **Manhattan.** The developer is a repeat borrower, and this deal is typical of his strategy: he focuses on townhouse acquisitions in this desirable neighborhood and plans to combine the two adjacent 16' wide townhouses into a new 32' wide, six-story luxury condominium building. It is expected that he will repay W's loan either upon refinancing with a conventional lender or upon the sale of the completed condominium units.



*East 62nd Street, Upper East Side*

A **$3,500,000** bridge loan collateralized by a two-story industrial property located on **Eckford Street** in the **Greenpoint** neighborhood of **Brooklyn.** The borrowers had originally purchased the property all cash and are now in the process of obtaining approvals from the DOB (Department of Buildings) to convert the property to a hotel. Once the plans and approvals have been finalized, the borrowers intend to obtain a conventional construction loan to continue the development of the property.

Heightened Compliance Requirements:

Because of the provisions of the Dodd-Frank Act of 2010 and our recent registration as an Investment Adviser with the SEC, private funds such as W Financial and Registered Investment Advisers such as Sag Harbor Capital Management, LLC are now subject to a number of regulatory requirements. So, from time to time you may be hearing from Karen Mannoia or Wendy Ngai with any such requests relevant to your account type. For example, we are now required to have a photo ID on file for each investor. Depending upon the type of account(s) that you have with W Financial (such as individual, Trust, Corporate, etc.), Karen or Wendy will email you with the specific requirements for your type of account. Feel free to call Karen at (212) 532-1122 x2 or Wendy at (212) 532-1122 x118 with any questions that you may have.

ACH Direct-Deposit Distributions:

For those investors who have chosen to take distributions, in place of mailing checks, we have now started to implement direct ACH deposit to an investor's designated bank account. Karen and Wendy either already have been, or will be in touch with you or your adviser to implement this new enhancement.

Finally, we certainly appreciate all the interest that we have received from our investors and their advisers wishing to add to their accounts. While the fund is closed at the moment, we will advise if and when we feel the time is right to absorb additional capital.

If you have updated your email or mailing address, please let Karen Mannoia (karen@w-financial.com) or Wendy Ngai (wendy@w-financial.com) know.

As a reminder, always feel free to call Gregg Winter at (212) 532-1122 x1, David Heiden at (212) 684-8484 or Marc Bailin (212) 935-0900 with any questions that you may have, (including any questions about any content or real estate or lending 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 GP, LLC, General Partner

By: Gregg Winter, Member

By: David Heiden, Member

By: Marc Bailin, Member