FINANCIAL

January 20, 2016

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

"Sample"
Most Recent Quarterly Letter

Re: W Financial Fund, LP - 4th Quarter 2015 Update and Statement

Dear John,

As all of us begin another New Year, we at W Financial are excited to report that last year ended with a big flurry of deal activity, allowing us to both redeploy our remaining cash, and to once again draw down on our revolving credit facility.

W Financial closed 23 loans totaling $110,525,000 during the fourth quarter. We completed Q4 with all fund capital redeployed and, as is our practice, in order to optimize our cash management, we were utilizing (as of year-end) $19,400,000 of our $35,000,000 LIBOR-based, revolving credit facility. Our portfolio totaled $237,778,289 as of the end of 2015. Including the positions held by our participants, the loan portfolio size was $269,600,789 as of the end of the year.

During the course of the year, W originated 50 loans totaling $205,997,500. In some cases, we brought in loan participants, thus W Financial's net portion of total loan origination during 2015 was $190,800,000.

W Financial provided a compounded fund-level return of .76%, net of management and performance fees, for the month of December, resulting in an 8.73% compounded, fund-level annual return, net of fees, for the year. Since our 2003 Inception through December 2015, W Financial has provided an average compounded annual return of 9.68%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $312,084 as of December 31, 2015, resulting in a Total Return Since Inception of 217.28%, net of fees.

As we begin 2016, the availability of new, incoming loan opportunities continues to be favorable. The regulatory environment which affects banks continues to tighten. Commercial real estate borrowers seem to be noticing this. The increasing regulatory burden affecting banks can have the effect of slowing down banks' approval and closing process. We can only surmise that the slower and more cumbersome the lending process becomes for banks, the more appealing nimble, albeit more expensive, private lenders like W can seem to borrowers who, more than anything else, require certainty of execution because they often need to close on new acquisitions within a short, and in some cases, non-extendable (i.e., "time of the essence"), time frame. Later, after such borrowers have closed on a property and improved its metrics, they can shop for permanent financing and seek to refinance their bridge loan with cheaper and longer-term bank financing.

2015 was a solid year for W, and we are very pleased that the fund delivered a net positive compounded annual return for 2015 of 8.73% despite an usually strong wave of loan repayments during the summer ($99,385,000), which impacted our returns until the cash was redeployed in new loans. As our December 2015 results show, the fund's capital has been successfully redeployed, and we are once again utilizing our credit line thus our returns are back in our more typical range.

New loan origination during Q4:

During the month of October, W Financial funded nine new loans totaling $53,300,000. Highlights are provided below:



East 2nd Street, East Village, Manhattan

- a $3,400,000 bridge loan utilized for the acquisition of a residential development site. The property is well-located on East 2nd Street between Avenue C and Avenue D, in the East Village neighborhood of Manhattan and is currently improved with a one-story commercial building totaling approximately 2,000 square feet. The borrower plans to construct a boutique luxury condominium building consisting of 9 full-floor units. The owner required the acquisition loan in order to close quickly and secure the purchase at an attractive basis. The W Financial loan enabled the borrower to move ahead with the acquisition quickly and smoothly.

- a $3,300,000 bridge loan utilized for the acquisition of a beautiful approximately 5,072 square foot single-family carriage house located on Columbia Heights in Brooklyn Heights. The property was purchased as part of a time-sensitive 1031 exchange. The building was previously owned by the Jehovah's Witnesses and was sold in 2012 to a developer who painstakingly renovated the 1899 carriage house creating a luxury single-family residence on one of the best blocks in Brooklyn Heights, adjacent to the Promenade. W Financial's expeditious financing enabled the borrower to complete her 1031 exchange successfully and to close on time.



Columbia Heights, Brooklyn Heights



North Third Street, Williamsburg, Brooklyn

- a $6,500,000 bridge loan secured by a development site in a prime location in Williamsburg, Brooklyn with frontage on both North 3rd Street and Metropolitan Avenue. The borrower is an established NYC development firm that is developing a seven-story, 75-unit, mixed-use building on the site with approximately 15,000 square feet of prime ground-floor retail space. The design will consist of two buildings fronting North 3rd and Metropolitan Avenue connected by a landscaped courtyard. The borrower had an urgent need for the short-term bridge loan as the closing of their committed construction loan was delayed. The seller, a joint venture partner in the development, had intended to utilize the sales proceeds for a 1031 exchange. However, due to the delay in the closing of the construction loan, the owner faced losing the benefits of his 1031 exchange. W Financial was able to step in and rapidly fund the bridge loan, allowing the transaction to close on time and to preserve the 1031 exchange, in advance of the closing of the construction loan. W's loan will be repaid upon the closing of the construction loan.

- a $19,000,000 loan used to acquire a large development site on 40th Road in Flushing, Queens. The property is improved with an approximately 99,600 square foot industrial building, which is occupied by month-to-month tenants. The W Financial loan enabled the borrower to close on the acquisition in a timely manner. Once the site has been fully prepared for development and all approvals have been obtained, it is expected that the borrower will obtain a conventional construction loan to refinance W Financial's bridge loan.



40th Road, Flushing, Queens



East 117th Street, East Harlem, Manhattan

- a $3,100,000 bridge loan secured by a development site located on East 117th Street (between Lexington and Third Avenues) in East Harlem. The borrower needed the bridge loan to repay a maturing first mortgage. The borrowers are active developers, who plan to use the surplus cash to fund the initial planning stages of the project. The borrowers plan to construct an 11-story, mixed-use, rental building located in close proximity to CUNY's brand new Hunter College. It is expected that once the project has been fully approved that W's loan will be refinanced with a construction loan.

- a $10,000,000 bridge loan for the acquisition of a 35-unit, mixed-use building located on Broome Street (between Ludlow and Orchard Streets) on the Lower East Side of Manhattan. The owner plans to take advantage of the building's considerable upside potential by bringing the rent roll up to market through tenant buyouts, lease expirations and property improvements. The loan proceeds were used to fund a portion of the purchase price and to establish a renovation reserve. The borrower plans to refinance the W Financial loan with a traditional bank loan once the property has been stabilized.



Broome Street, Lower East Side, Manhattan

- a $1,500,000 bridge loan used to acquire a 6-unit, multi-family building located on Park Avenue in the Bedford-Stuyvesant neighborhood of Brooklyn. The property is mostly vacant with the exception of one rent-controlled tenant. The W Financial loan was used to fund a portion of the purchase price and to establish a renovation reserve. The property is well-located at the Bedford Stuyvesant/Williamsburg border. The borrower expects to refinance the bridge loan with a traditional bank loan once the property is fully occupied.



East 81st Street, Upper East Side, Manhattan

- a $5,500,000 bridge loan secured by a mixed-use building located on East 81st Street (at York Avenue) on the Upper East Side of Manhattan. This is expected to be the first of a series of two loans. The owner also has the adjacent property under contract and he intends to close on the second building within the next couple of months. The borrower then plans to utilize the combined allowable development rights for the construction of one large building. The

W Financial loan enabled the borrower to close on the first property, giving him the time to file plans and obtain building permits.



East 44th St, Turtle Bay, Manhattan

- a $1,000,000 increase to an existing $9,000,000 loan secured by two adjacent walk-up buildings located on East 44th Street (between First and Second Avenues) in the Turtle Bay section of Manhattan. W's total loan amount is now $10,000,000. W Financial had closed the original loan back in October 2013. Typical of the sometimes long pre-development process in NYC, at the closing of the original loan, there were four rent-regulated tenants still in place, which delayed the borrower's ability to commence the re-development and thus unlock the property's tremendous development potential. Currently, there is one remaining rent-regulated tenant, with whom the owner is working to buy out or to temporarily relocate so that the development process can begin. The owner has filed applications with the D.O.B. (Department of Buildings) to construct a 41-story, 44-unit, mixed-use tower. W's loan proceeds will be used to continue the pre-development and planning stages of the project. It is expected that once the project has been fully approved, W's loan will be refinanced with a conventional construction loan.

During the month of November, W Financial funded three new loans totaling $7,550,000. Highlights are provided below:



Sagaponack (Hamptons), Long Island [Rendering]

- a $6,000,000 loan collateralized by a nearly-completed single-family residence located on 1.3 acres in the heart of Sagaponack, which is a very desirable Village in the Hamptons on the East End of Long Island. The Village of Sagaponack gave the developer permission to move a historic cottage located on the property to a spot nearby, and to then construct a new main house, connecting the two structures with a climate-controlled underground tunnel. Connecting the main house and cottage qualified the new home to be classified as a single-family home under local zoning rules and also created a unique and special product for the eventual buyer. The multi-building compound has views overlooking twenty-five acres of protected farmland adjacent to the property. In addition to the main house and cottage, the compound includes a saltwater pool, spa, pool house and garage. W's loan enabled the developer to refinance existing debt, recoup a portion of the initial equity, and establish a construction reserve to fund the completion of the project. The borrower is an experienced builder, who specializes in high-end residential developments. Once completed, the borrower plans to repay W's loan with the proceeds of a sale.



35th Street, Astoria, Queens

- a $600,000 loan collateralized by a six-unit, multi-family building located on 35th Street between Hoyt Avenue South and Astoria Boulevard, in the Astoria neighborhood of Queens, an easy bike or subway ride across the East River

from Manhattan. The owners needed to satisfy a tax lien and cure a default on their existing first mortgage loan. The property is located in a strong residential market and is fully cash-flowing. The borrowers plan to eventually replace W's loan with conventional financing provided by a local bank.



Bowery, Chinatown, Manhattan

- a $950,000 loan collateralized by four, cash-flowing commercial condominium units located on the Bowery, between Hester and Canal Streets, in bustling Chinatown on Manhattan's Lower East Side. The proceeds of W's loan refinanced a small existing loan on the property and provided the borrower with surplus cash to facilitate the time-sensitive acquisition of another property. W Financial stepped in to provide the financing when the lender that the borrower had anticipated closing with fell through at the last moment. The borrower plans to eventually refinance either the office condominiums or the newly acquired property in order to repay W's loan prior to maturity.

During the month of December, W Financial funded eleven new loans totaling $49,675,000. As has often been the case since the fund's 2003 inception, sometimes W Financial engages in loan participations with others in order to achieve the desired position size for each loan held in our portfolio. December loan highlights are provided below:



East 117th St., East Harlem, Manhattan

- a $950,000 loan collateralized by a four-unit, four-story, multi-family building located on East 117th Street (between Lexington and Third Avenues), in the East Harlem neighborhood of Manhattan. The owner originally purchased the property in an all cash transaction and will use the proceeds from W's loan to recoup a portion of their initial investment. The borrower is an experienced developer who plans to renovate and maintain the building as a rental property. There is currently one month-to-month tenant remaining in the building. The borrower plans to repay the W Financial loan with a conventional bank loan once the property is fully occupied and cash flowing.



West 72nd Street, Upper West Side, Manhattan

- a $1,500,000 short-term bridge loan collateralized by two, high end, pre-war, cash flowing residential condominium units located in prime neighborhoods on Manhattan's West Side (one on West 58th Street between Fifth and Sixth Avenues, and the other on West 72nd Street between Central Park West and Columbus Avenue). The borrower plans to eventually refinance the condominiums or the newly completed property in order to repay W's loan prior to maturity.

- a $1,275,000 bridge loan used for the acquisition of an approximately 5,400 square foot, six-unit, multi-family building located on Menehan Street (between Bushwick and Evergreen Avenues) in the Bushwick neighborhood of Brooklyn. Our borrowers are experienced real estate owners and investors who primarily focus on value-add transactions in Brooklyn. They have previously borrowed from W Financial and have successfully repaid more than twenty bridge loans since their first loan with W closed back in 2010. The W loan was used to finance a portion of the purchase price, establish a renovation reserve and to establish a tenant buyout reserve. The borrowers plan to add value by buying out tenants and making improvements and then plan to refinance the W Financial loan with a traditional bank loan once the rent roll has been increased and the property is fully cash flowing.



Menehan St, Bushwick, Brooklyn



King of Prussia, Pennsylvania

- a $2,550,000 bridge loan for the acquisition of a three-story, approximately 40,777 square foot medical office building located in King of Prussia, near Philadelphia, Pennsylvania. The borrower is a substantial real estate investor and a repeat borrower, who owns properties throughout New York, New Jersey and Pennsylvania. At closing, a large portion of the property was vacant. The W Financial loan allowed the borrower to close on the transaction and will give him ample time to lease up the property. Once fully occupied, the borrower plans to refinance the W Financial loan with a traditional bank loan.

- a $10,750,000 bridge loan collateralized by an approximately 32,750 sq. ft. condominium building located on Bay Parkway (between 86th Street and Benson Avenue) in Brooklyn's Bensonhurst neighborhood. The sponsor converted the property from a rundown, vacant nursing home facility into a 38-unit luxury condominium building. The borrower is utilizing the loan proceeds to refinance the existing first mortgage and to finance a portion of the purchase price of a property located on Surf Avenue in Brooklyn. He plans to repay the W Financial loan from the eventual sales proceeds of the condominium units.



Bay Parkway, Bensonhurst, Brooklyn



77th Street, Elmhurst, Queens

- a $900,000 loan utilized for the acquisition of a 2.5-story, cash-flowing property located on 77th Street (between Roosevelt Avenue and 41st Avenue), in Elmhurst, Queens. The property has a Certificate of Occupancy, which permits its use as a hostel. The borrower plans to continue to operate the property as such. The property is well located and in close proximity to the Elmhurst hospital. The owners plan to refinance the W Financial loan with conventional financing prior to maturity.

- a $17,850,000 bridge loan secured by an eleven-story, mixed-use condominium building located on 38th Avenue (between Union and Bowne Streets) in Flushing, Queens. The development consists of twenty-three residential condominium units, retail and community facility space, as well as 47 parking spaces. The developer needed to refinance the existing first mortgage because the current lender did not allow for the sale and release of individual condominium units, leaving the owner with an untenable exit strategy. W Financial was able to structure a deal to refinance the existing financing. The borrower plans to start selling the residential condominium units and will repay the W Financial loan according to a predetermined release price schedule as the units are sold off.



38th Avenue, Flushing, Queens



57th Avenue, Elmhurst, Queens

- a $1,550,000 first mortgage loan collateralized by a vacant commercial property located on 57th Avenue in the Elmhurst neighborhood of Queens. The borrower purchased the property using seller financing which had an impending maturity. The W Financial loan was used to refinance a portion of the existing first mortgage with the borrower providing the balance. The owner intends to either lease the property as-is or redevelop it.

- a $8,750,000 first mortgage loan used for the acquisition of the former Coney Island Shore Theater, a seven-story, mixed-use property consisting of ground floor retail, office, and theater space located on Surf Avenue (between Stillwell Avenue and West 15th Street) in the Coney Island neighborhood of Brooklyn. The borrower plans to complete an extensive renovation of the property in order to restore the once-grand, Neo-Renaissance Revival property's original character and to revive the site as a popular Coney Island destination. The loan will allow the borrower to close on the purchase and will afford him the time to finalize his construction plans. Once plans are complete, the borrower anticipates refinancing the W Financial bridge loan with a construction loan.



Surf Avenue, Coney Island, Brooklyn



North Moore Street, TriBeCa, Manhattan

- a $2,250,000 bridge loan collateralized by a vacant mixed-use co-op unit, which consists of a small retail storefront and a larger residential apartment located on North Moore Street (between Hudson and Greenwich Streets) in TriBeCa in downtown Manhattan. The unit features high end finishes and is currently being marketed for sale. The borrower utilized W Financial to refinance an existing loan and plans to repay the W Financial loan with the proceeds from an eventual sale.

- a $1,200,000 first mortgage loan collateralized by a package of eighteen vacant lots located on or within close proximity to, Van Brunt Street, which is the main commercial thoroughfare in Red Hook, Brooklyn. The future development sites include two large assemblages. The borrower is a family that acquired the properties over an extended period of time and is using W's loan to fund a time-

sensitive obligation. The borrower is marketing several of the parcels for sale, and plans to use the sale proceeds to repay the W Financial loan.

2015 K-1's

As usual, we expect to be able to deliver your W Financial K-1's towards the end of March.

If you have updated your email or mailing address, please let Karen Mannoia or Wendy Ngai know. Karen can be reached at karen@w-financial.com | (212) 532-9178, and Wendy can be reached at (212) 684-2283 x118 | wendy@w-financial.com.

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 of the content or 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.

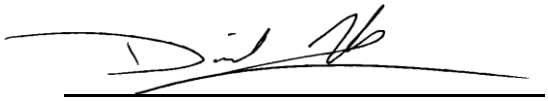
Very truly yours,

W FINANCIAL FUND, LP

By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



By: Marc Bailin, Member