FINANCIAL

July 16th, 2016

W Financial Fund Investor Letter
Q2 2016

Dear W Investor,

As we enter the heart of summer here in the Northeast, we continue to steadily source good loan opportunities and to deploy capital productively. Our loan portfolio continues to "turn over" at its usual healthy pace (since inception, on the average, our loans tend to stay on our books for an average of approximately 1.1 years before being repaid).

As of June 30th, the Fund's Loan and Investment Portfolio (net of Participations) totaled $257,344,533, and our Closing Capital Balance was $236,637,249. This continues our evolution to a more efficient size, with healthy diversification as we currently have more than 70 investments in our portfolio.

We remain on a course consistent with our original 2003 goal of creating a cash-flowing, diversified portfolio of loans providing reliable income for our investors. We are pleased to report that we completed Q2 with all investor capital fully deployed, and with $19,200,000 of our $50,000,000 revolving credit line being utilized.

Fund Performance:

From our 2003 inception through June 30th, 2016, a period of more than thirteen years, W Financial has provided an average annual compound return of 9.65%, net of fees, thus $100,000 invested at our 2003 launch had increased to $325,245 as of June 30th, 2015, resulting in a total return of 231.21%. Our fund-level, net compounded return in June was .69%, with a .72% return in May and .70% in April.

New Loan Origination During the Second Quarter:

During the second quarter, W Financial funded eight new loans totaling $24,175,000. Highlights are provided below:



Flushing Avenue, Williamsburg, Brooklyn

- a $1,550,000 bridge loan secured by three cash-flowing condominium units located in the Williamsburg section of Brooklyn (two units are located on Flushing Avenue, between Lee and Bedford Avenues, and one is located on Skillman Street, between Flushing and Park Avenues). The owner wanted quick access to capital and therefore approached W for a mortgage. This repeat borrower plans to repay the W Financial loan either out of pocket or by refinancing with a conventional lender.

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- a $1,450,000 second mortgage secured by a multi-family building located on Berry Street, between North 9th and North 10th Streets in the Williamsburg section of Brooklyn. W Financial had provided a $1,600,000 acquisition loan back in March 2014. Since that closing, the borrower obtained approvals and permits and commenced construction. The borrower was able to add an additional story and also extend the building's footprint. The borrower needed the second mortgage to complete the construction and plans to repay the W Financial loan with a conventional bank loan once the construction is completed and the property is stabilized and cash flowing.



Berry Street, Williamsburg, Brooklyn


Bergen Street, Prospect Heights, Brooklyn

- a $525,000 first mortgage loan secured by an eight-unit, multi-family, walk-up building located on Bergen Street, between Carlton and Sixth Avenues in the Prospect Heights section of Brooklyn. The borrower needed the bridge loan to refinance a maturing first mortgage loan and did not have enough time to refinance with a traditional lender. The borrower plans to renovate one vacant unit, and then repay the W Financial loan with a conventional bank loan.

- a $1,000,000 first mortgage loan secured by an approximately 18,000 square foot property located on Bedford Avenue, between Rodney and Keap Streets in the Williamsburg section of Brooklyn. The buyer and seller had been involved in an ongoing dispute, and the sale is the result of third party arbitration. The seller is a school which, based upon the terms of the settlement, will remain in the property paying a below-market rate for three years. The borrower is using the bridge loan to acquire the property, and plans to refinance the W Financial loan with a conventional bank loan upon the expiration of the lease.


Bedford Avenue, Williamsburg, Brooklyn


Riverside Drive Portfolio, Manhattan

- a $7,300,000 loan secured by a portfolio of more than fifty Sponsor-owned, cooperative apartments located in five pre-war cooperative buildings in prime neighborhoods in Manhattan. The owner, a local real estate investor and the son of the original Sponsor that converted these buildings from rentals to co-ops, owned the units free and clear. He is tapping into his considerable equity and utilizing the W Financial loan to generate liquidity to enable him to expand his business. The borrower will repay the W Financial loan based upon a predetermined release price schedule as the individual units are sold over time. One of the properties is a 17-story, 143-unit building on Riverside Drive, at the corner of West

75th Street, which in the late 1920's was the home of two of America's greatest composers, George and Ira Gershwin (who famously lived in adjoining Penthouses), where they threw now-legendary parties. The great Russian pianist, composer and conductor Sergei Rachmaninoff lived in a five-story townhouse at this address in the early 1920's, which he sold in 1925. That building was then demolished to make way for the construction of the present building. The other four cooperative buildings are located on East 77th Street, West 86th Street, West 92nd Street and West End Avenue.



Walworth Street, Brooklyn

- a $7,250,000 first mortgage loan secured by two, one-story industrial properties totaling approximately 24,860 square feet. The properties are located on Walworth and Sanford Streets, at the border of the Williamsburg and Bedford Stuyvesant neighborhoods in Brooklyn. The borrower previously purchased the properties in an all-cash transaction and is using the W Financial loan to recoup a portion of their capital investment. The seller is currently occupying the space subject to a short-term lease and plans to relocate their business. Once the space has been vacated, the borrower will seek a market-rate tenant, and then plans to repay the W Financial loan with a conventional bank loan.



Wheatley Road, Old Westbury, Long Island, NY

- a $1,500,000 first mortgage loan secured by two wooded, quiet and very private lots, one of which has a large, partially-completed luxury home on Old Wheatley Road in the prestigious neighborhood of Old Westbury in Long Island, NY. The borrower needed the W Financial loan to free up cash to complete an unrelated business venture. The collateral is currently under contract to be sold for $3,800,000, and the borrower plans to repay the W Financial upon completion of the sale.



West 46th Street, Hell's Kitchen, Manhattan

- a $3,600,000 first mortgage loan secured by two mixed-use, walk-up buildings located on, West 46th Street (known as Restaurant Row), between Eighth and Ninth Avenues in the Hell's Kitchen neighborhood of Manhattan. The borrower's existing first mortgage loan was coming due and the two restaurants, which are owner-occupied, were not performing well due to the closing of the sidewalk for 18 months as a result of the construction of a new hotel, (the tall grey building which you can see to the right of the property in the picture), next door. The hotel is now completed and the sidewalk has been reopened. The borrower plans to refinance the W Financial loan with a conventional bank loan in the near future once the income of restaurants fully recovers.

Shirokia Tower, Queens - update:

You may recall we reported that we had commenced a foreclosure action on this mortgage, which was described in our first quarter letter. Our collateral for this loan is a first mortgage on a completed, 11-story, mixed-use condominium building on 38th Avenue in Flushing, Queens. Foreclosure litigation moves slowly in New York City, however, as mentioned in our Q1 letter, when we originated this loan, we had invited a mezzanine lender (who holds a subordinate position to W Financial's) to provide a portion of the capital stack. Since the borrower's default, in order to safeguard and protect its collateral position, the mezzanine lender has been making all required monthly payments on our first mortgage loan, thus, to date; the fund's cash flow has been comparable to what it would have been with the borrower making each scheduled payment. Meanwhile, the mezzanine lender is moving in court (in its own separate legal action) to take possession of 100% of the ownership interest in the property. (The collateral for a mezzanine loan is the ownership interest, which is typically held in an LLC, of a property). In general, we are optimistic that there will be a positive outcome in this matter given several factors: a) the property's value, b) our secure first mortgage position, and, c) the above-mentioned litigation already commenced by the mezzanine lender. We will keep you posted on further developments in this matter, and, as always, feel free to call Gregg or David if you have any questions or would like to discuss.

New W Financial Website and Investor Portal:

We are excited to report that in the coming months we will be rolling out an entirely new public website, which we expect will enhance our ability to penetrate our target market (commercial mortgage brokers and owners of commercial real estate). Content on the new website will size and format automatically for any device (desktop computers, iPad's and phones, etc.) and should help us to communicate our message of speed and reliability to an even wider universe of prospective borrowers.

Also, within the next few months we expect to launch a new, highly-secure, password-protected Investor Portal. We are researching prospective portals, which will enable us to more efficiently and securely distribute our investor letters, statements, and K-1's. We hope to have this up and running in time for the Q3 or Q4 letters and statements. Once implemented, then all future Investor letters and statements will be distributed electronically, however, if any investors would prefer to continue receiving printed letters, rather than accessing their letters and statements in the secure portal, then kindly let Karen and Wendy know your choice so they can notate your account accordingly. Their contact information follows:

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

As a reminder, always feel free to call or email Gregg Winter at (212) 532-9170 | gregg@w-financial.com, David Heiden at (212) 684-8484 | david@w-financial.com or Marc Bailin (212) 935-0900 | marc@w-financial.com 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). You can contact our CFO Adam Windwer with any questions that you may have regarding your statement at (212) 532-9284 | adam@w-financial.com.

Enjoy the summer!

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