W

FINANCIAL

October 19th, 2016

W Financial Fund, LP Investor Letter
Q3 2016

Dear W Investor,

We are pleased to advise you that during the third quarter, W Financial has continued its pace of measured growth with current investor assets now totaling nearly $250,000,000 and with the size of our total loan and investment portfolio, (which includes our revolving credit facility and our net position in loan participations), having reached $273,834,000.

We are continuing to see good incoming deal flow, and our loan portfolio continues to turn over (meaning the pace at which new loans are being originated while existing loans are getting repaid), at an active and healthy pace.

Fund Performance:

From our 2003 inception through September 30th, 2016, a period of more than thirteen years, W Financial has provided an average annual compound return of 9.64%, net of management and performance fees, thus $100,000 invested at our 2003 launch had increased to $332,159 as of September 30th, 2016, resulting in a Total Return of 238.51%. Our fund-level, net compounded return in September was .72%, with a .72% return in August and .75% in July.

New W Financial Public Website:

We have updated and completely re-designed our public website (which is geared towards borrowers and commercial mortgage brokers). You will note that we have also added pictures and bios of everyone on our team. Please visit the new website on any device at www.w-financial.com when you have a few minutes, and let us know what you think.

New Loan Origination During the Third Quarter:

During the third quarter, W Financial closed six loans with net positions totaling $46,250,000. Highlights are provided below:

a $10,000,000 parri passu loan participation in a blanket first mortgage loan secured by 20 unsold sponsor units in an upscale 190-unit condominium development located on NE 188th Street in Aventura, Florida. The developer needed to refinance the remaining balance of the construction loan and desired the flexibility of being able to pay down the loan incrementally as the units are sold.



NE 188th Street, Aventura, Florida

W Financial and its participant offered a tailored solution and closed the loan within a short time frame. The borrower plans to repay the loan according to a predetermined release price schedule as the condominium units are sold. Project-wide, as of July 2016, 168 of the 190 units had already been sold.

In May 2015, W Financial originally provided a $10,000,000 acquisition loan secured by an approximately 11,850 square foot, 25' wide townhouse located on East 64th Street, between Lexington and Third Avenues, on Manhattan's Upper East Side. The borrower, an experienced developer, bought the site with plans to alter the existing structure and build new high-end, for-sale condo units.



East 64th Street, Upper East Side, Manhattan

Since closing the acquisition loan, the borrower has finalized his construction plans and budget, demolished much of the existing structure and began constructing the new building. The borrower then approached W Financial for additional proceeds to be utilized for the construction. W Financial reviewed the construction budget and offered the borrower a $5,000,000 construction loan, which will be funded in stages as the construction progresses and work is completed. The borrower plans to repay the W Financial loan, which is structured as a second mortgage (behind W's own first mortgage loan) with proceeds from the eventual sales of the condominium units.



Greene Street, SoHo, Manhattan

- a $2,900,000 bridge loan collateralized by an approximately 2,549 square foot loft condominium unit located on Greene Street, between Prince and Spring Streets, in the SoHo neighborhood of Manhattan. The borrower needed the loan to refinance mortgages that were coming due. The borrower is currently marketing the apartment for sale and plans to repay the W Financial loan with the sales proceeds.



Flushing Avenue, Bushwick, Brooklyn

- a $4,350,000 first mortgage loan secured by a four-story, approximately 7,390 square foot, mixed-use building located on Flushing Avenue, between Evergreen and Central Avenues in the Bushwick neighborhood of Brooklyn. The owner; a repeat W borrower, purchased the property in January 2016 using a short-term source of private financing. The borrower was seeking bank financing to repay his maturing acquisition loan but was uncertain that the bank would be able to close on time. W Financial was able to close the loan in a short time frame, and provided the borrower with an attractive freely pre-payable bridge loan, which will give the borrower both the time and the flexibility to pursue permanent financing.



Tiffany Place, Cobble Hill, Brooklyn

- a $17,000,000 mezzanine loan collateralized by the borrower's ownership interests in various cash-flowing multifamily properties located throughout Brooklyn and Long Island (two of which are pictured here). The borrower is a local real estate investor who was scheduled to close on a time-sensitive acquisition and required the funds in order to be able to close on time. W Financial was able to offer a creative solution to quickly free up some of the borrower's equity providing the liquidity he needed to close on his time-of-the-essence acquisition. Subsequent to our closing, our loan was paid down by $1,700,000 and a portion of the collateral was released. The borrower plans to repay the balance of W's loan by either selling or refinancing a portion of his portfolio.



Ocean Avenue, Brooklyn



West 47th Street, Far West Side, Manhattan

- a $7,000,000 first mortgage loan secured by a one-story, approximately 5,000 square foot, commercial building located on West 47th Street on the West Side Highway on the Far West Side in the Clinton neighborhood of Manhattan. The property offers approximately 200 feet of frontage on the West Side Highway and has significant development potential. The borrower; an owner-operator, required the bridge loan to fund an outside business venture and plans to repay the W Financial loan, which allowed him to access some of his equity, by either selling the property or by refinancing with a conventional lender.

<u>Update on the Shirokia Tower Foreclosure:</u>

As we have previously mentioned, this loan was originally structured with W Financial having a first mortgage position and with a mezzanine lender junior and subordinate to W's position. The value of this structure to a senior lender is that, in the event of a default, the junior lender needs to continue to make protective advances to the senior lender in order to protect its position. In this case, the Principal of the junior lender is both financially strong, as well as being a very experienced and skilled real estate owner and developer.

The junior lender has been making monthly protective advances while the litigation continues. We are confident that our first mortgage loan is conservative relative to the value of the property, and that we will ultimately have a positive outcome. Please feel free to call Gregg or David if you have any questions or would like more details on the progress of the above-referenced litigation.

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

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 also contact our Chief Financial Officer Adam Windwer with any questions that you may have regarding your statement at (212) 532-9284 | adam@w-financial.com.

Hoping that you and your families enjoy autumn and the upcoming holiday season.

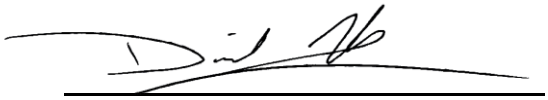
With warm regards,

W FINANCIAL FUND, LP

By: W Financial GP, LLC, Manager



By: Gregg Winter, Member



By: David Heiden, Member



By: Marc Bailin, Member