W | FINANCIAL

OCTOBER 20, 2017
W FINANCIAL FUND, LP
INVESTOR LETTER
Q3 2017

Re: W Financial Fund, LP — 3rd Quarter 2017 Update and Statement

We hope that you had a great summer and are enjoying the early days of autumn (although here in the Northeast, at least so far, it still seems very much like summer, which is perfectly fine with us!) Wherever you are, we hope that you enjoy the upcoming holidays, which will be here before we know it, and we hope that they will be filled with family, friends and good times.

Q3 Portfolio Performance

The third quarter brought good results and saw the favorable resolution of the Shirokia Tower (38th Avenue in Flushing, Queens) foreclosure. Our portfolio of short-term bridge loans continues to perform well. We have had quite a few of the larger mortgages in our loan portfolio repaid in the normal course of business during the third quarter, thus, as a result we have fully repaid our revolving line of credit and ended the quarter with $12,959,782 in cash, thus, we plan to defer admitting any additional capital until: a) all investor capital has been redeployed, and b) we are utilizing a significant portion of our $50 million revolving line of credit.

W Financial posted a .74% fund-level return for July, a .83% return for August, and a .63% return for September (which was our 171st consecutive month of positive performance). Our 1, 3 and 5-year trailing net returns through September 30th were: 1-year: 8.82%, 3-year: 8.85%, 5-year: 8.97%.

From our 2003 inception through September 30, 2017, W has provided an average annual compound, fund-level return of 9.58%, net of fees. Thus, $100,000 invested at our 2003 launch had increased to $360,425 as of September 30, 2017, resulting in a total return of 268.32%.

New W Financial Loan Origination During Q3

During Q3, W Financial provided nine new loans totaling $36,988,000 and opportunistically acquired a defaulted note deploying a total of $39,388,000. Loan highlights and a description of the note purchase are provided on the following pages:

- a $2,200,000 bridge loan for the acquisition of an approximately 29,000 square foot shopping center on Lockwood Ridge Road in Sarasota, Florida. The bridge loan enabled the owners to close on the property despite vacancies and several upcoming lease maturities. The borrower plans to stabilize the asset and cash flows and to then refinance the W loan with conventional bank financing.



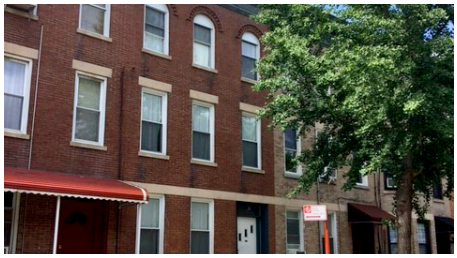
LOCKWOOD RIDGE ROAD, SARASOTA, FL

- a $1,000,000 bridge loan secured by a senior interest in two defaulted notes collateralized by a 60,000 square foot commercial building located on State Road 9 in Miami, Florida. The property is currently 100% owner-occupied. The borrower plans to repay the W Financial loan by completing a foreclosure on the mortgages, gaining ownership of the property, re-tenanting the property and then refinancing W's loan.



STATE ROAD 9, MIAMI, FL

- a $1,350,000 bridge loan for the acquisition of a fully vacant, ~3,425 sq. ft. multi-family building located on Morgan Avenue in Greenpoint, Brooklyn. The bridge loan provided both acquisition and renovation funds. Once the owners complete their business plan, they expect to repay the bridge loan with conventional financing.



MORGAN AVE, GREENPOINT, BROOKLYN

- a $4,250,000 bridge loan, secured by four cash flowing multi-family buildings located in Bergen and Hudson Counties, New Jersey. The borrower needed the capital for a time-of-the-essence acquisition. W expeditiously analyzed the collateral and funded the loan, and the cash-out refinance secured by these properties enabled the borrower to access the liquidity he needed in order to close on his acquisition on time.



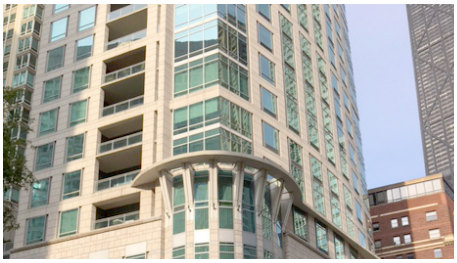
BERGEN & HUDSON COUNTIES, NJ

- a $6,688,000 bridge loan for the acquisition of 12 unsold, sponsor-owned condominium units in a recently converted luxury building located on East 88th Street, between Fifth and Madison Avenues, on the Upper East Side of Manhattan. The apartments are fully occupied, and the borrower plans to renovate and resell the apartments as vacancies occur over time. W Financial understood the strong value in the deal, and was able to facilitate the loan closing in a timely manner.



EAST 88TH STREET, UPPER EAST SIDE

- a $3,500,000 bridge loan secured by a senior position in a $4,000,000 defaulted note. The borrowers are using the loan proceeds to provide liquidity for another investment. The underlying mortgage is secured by a retail condominium located on North Rush Street in the prestigious Gold Coast district of Downtown Chicago. The borrower plans to repay the W loan once the underlying borrower refinances or sells the asset.



NORTH RUSH STREET, CHICAGO, IL

- W Financial had originally provided acquisition financing totaling $14,750,000 for the acquisition of three contiguous townhouses in a highly desirable location on East 62nd Street between Lexington and Third Avenues in the Lenox Hill neighborhood on Manhattan's Upper East Side. Now, W has provided a $10,500,000 construction loan for the development of a luxury condominium building on the combined site. The construction loan brings the total loan balance to $25,250,000. We have worked with this borrower before and he specializes in developing this type of product on the Upper East Side. The borrower plans to repay the bridge loan through sales of the completed condominium units.



EAST 62ND STREET, UPPER EAST SIDE

- a $6,500,000 bridge loan for the acquisition of an approximately 9,500 square foot, pre-war multi-family building located on East 82nd Street, between Fifth and Madison Avenues, steps from Museum mile on Manhattan's Upper East Side. The borrower; a foreign national, needed the loan in order to close on the acquisition. Once the borrower implements his value-add business plan, he then plans to refinance the W Financial loan with a conventional lender.



EAST 82ND STREET, UPPER EAST SIDE

- a $1,000,000 bridge loan secured by an occupied apartment building located on East 89th Street on the Upper East Side of Manhattan. The owner of the property passed away and the building is held by his estate. The borrower needed to refinance the existing mortgage in order to be able to pay costs associated with the administration of the estate. The borrower expects to refinance the W loan with a conventional lender.

- W Financial has opportunistically acquired a 50% interest in a defaulted first and second mortgage which are collateralized by a 60,000 square foot commercial building on State Road 9 in Miami, Florida. The second mortgage was purchased at its face value and has a significant amount of accrued default interest outstanding. We are aggressively pursuing the litigation against the owner. The joint venture agreement is structured so that W Financial shall receive priority repayment of its +/-$2,400,000 equity and 50% of any profits realized. Once the foreclosure is completed we expect to either sell the property or lease it to a new tenant.



EAST 89TH STREET, UPPER EAST SIDE

Update on the Shirokia Tower foreclosure action, Flushing, Queens

We have been providing quarterly updates on Shirokia Tower since we commenced a foreclosure action against the borrower on this 11-story, mixed-use property back in March 2016. The foreclosure was fully resolved during Q3 when the property was sold, and our first mortgage was repaid.

As we have previously reported, even though the loan was in default, W had been receiving its normal monthly interest payments from the mezzanine lender, rather than from the borrower. Because of the way the loan was structured, once the foreclosure process had started, the mezzanine lender was obligated to make W's first mortgage payments in order to protect its position. The mezzanine lender did, in fact, make every payment as required, and the sale price of the property provided enough proceeds to satisfy both W Financial's first mortgage loan position and the mezzanine lender's subordinate loan.

55 North Moore Street, TriBeCa, Manhattan

This matter, which has been mentioned in previous quarterly updates, where the loan was in default for a period of months, but we elected not to immediately commence a foreclosure action because the Borrower was actively working to either refinance or sell the property, was also fully resolved during the third quarter when the borrower refinanced W's loan.

Our new and improved W Financial private website

We welcome you to visit our new and improved W Financial Investor and Advisor private website. In order to improve your ability to easily browse, read and print all W Financial information and documents, we have updated our private, password-protected website.

The latest versions of our subscription agreements, fund documents, audited financial statements, archived quarterly letters and the most recent monthly report are all available in a much improved, user-friendly format that facilitates much easier reading and will scale properly for easy navigation on any phone, tablet or computer. You and your financial advisor can access it here: http://private.w-financial.com (username: w-fund, password: twofive6). We suggest that you bookmark it for your future reference.

The Alternative Opportunities Fund – latest update

Our new real estate private equity fund is now fully up and running. As you will see in the Alternative Opportunities Fund Update, available on the link below, we have now closed on our first three property acquisitions and we are very close to completing the full renovation and lease-up of our first property, 1063 Bedford Avenue in Brooklyn, NY. We welcome any questions that you may have about Alt-Opp, which focuses on buying and improving value-added real estate. Alt-Opp is currently open to new accredited and qualified investors.

You may visit the following link for more information: www.alt-opp.com (username: Alt-Opp, password: fourseven9). Note that both the username and password are case-sensitive.

Contact Us

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 or email Gregg Winter at (212) 532-9170 | gregg@w-financial.com or David Heiden at (212) 684-8484 | david@w-financial.com 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). Contact our CFO Adam Windwer with any questions that you may have regarding our audited financial statements, or your account statement at (212) 532-9284 | adam@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