

FINANCIAL

SPECIAL SITUATION FINANCING
FOR COMMERCIAL REAL ESTATE℠

April 20, 2009

Mr. John Smith
1234 Forest Avenue
Forest Hills, NY 11375

re: W Financial Fund, LP – 1st Quarter 2009 Update and Statement

Dear John,

We are pleased to enclose your 1st Quarter 2009 statement. During the first quarter, the Fund's year-to-date compounded net return was +2.26% (January: .72%, February: .70% and March: .82%). **Thus from inception through March 2009 our average annual net compound return has been 11.09%, and our total return since our July 2003 inception is 80.64%.** While the financial markets still have a long way to go before they normalize, we are pleased to see the continuing contrast between our steady performance and the volatility of the equity markets. The first quarter of 2009 continues to illustrate that W Financial's performance is not correlated to the stock and bond markets. This is typically a reason that investors have been seeking out Alternative Investments like W Financial in order to balance their overall portfolios and to reduce their exposure to the volatility of equities.

During the 1st quarter we closed a new $500,000 loan on a well-located multifamily asset in Cobble Hill, Brooklyn. While smaller than our usual loan size, the extremely conservative loan-to-value ratio, strength of the sponsor, simplicity of the strategy and exit scenarios made the investment attractive. During the first quarter we sourced, analyzed and negotiated dozens of other prospective investments, many of which did not make the cut, and some of which are expected to come to fruition and close in Q2.

Here is an example of how we approach the servicing of our loan portfolio. You may recall that W Financial made a bridge loan back in October 2008 on 38 units in a newly completed 64-unit condominium in North Williamsburg, Brooklyn. The developer's plan was to rent out the 38 unsold units, refinance our bridge loan with a local bank, and then begin to sell them in two or three years when the sales market revives. Having already rented more than 20 of the units, he is making good progress towards that goal, so when he came to us in early March to say that he might have trouble making that month's payment on time, we explained to him that we felt that this property was clearly the best asset in his portfolio. We expressed our opinion that he should protect it above all others.

After convening a meeting at our attorney's office with the borrower, his attorneys and advisors for a face to face discussion he said he would wire the payment within two business days, which he did. As always, we want our investors to understand the "landscape" within which we operate, and how we approach not only sourcing and closing loans but also how we approach servicing our loan portfolio and handling any problems that may occur. While we only make loans that we are confident will be repaid (as is clearly supported by our nearly six-year track record, where every loan thus far has been fully repaid), we will also only make loans where we feel that the Fund would be well served owning the asset at the dollar basis of our loan amount in the event of default. Now, a month after the meeting at our attorney's office, all of our borrowers including this one have also made their April payments on time.

Our portfolio continues to perform well. In fact, the $2,700,000 bridge loan that we made in early December on three multi-family buildings in Greenpoint, Brooklyn was recently repaid by the developer with the proceeds of sales of some of his Upper East Side Manhattan condo inventory (he had already repaid his construction loans so all additional sales would be profit). W's loan, (which had a requirement that the fund would earn a minimum of 4 months' interest) was paid back early. The borrower achieved his business plan and repaid our loan sooner than expected, thus the Fund earned an extra 42 days of interest. Of course, as a consequence of this and other loan repayments, we are sitting on more cash than we would like but clearly at this point in the real estate cycle it pays for us to filter all potential new loan opportunities very carefully.

We continue to parse through many prospective loan opportunities that we see each week, focusing only on the most compelling – the "pick of the litter" so to speak. We continue to expect that 2009 and 2010 will present the Fund with a larger than usual number of opportunities to select from.

As a reminder, **$100,000 invested at our July 2003 launch would now be worth $180,444 as of March 31, 2009.**

If you have elected to receive interest distributions, your check is also enclosed. For those investors whose funds were in Special Escrow during any portion of the fourth quarter, a copy of your bank statement is also included.

Please use our new subscription agreement for any add-on investments that you may wish to make. We expect to be able to admit new investments to the Fund as of June 1st. Contact Karen Klinke (k@winter1.com or (212) 532-1122 x2 for the forms or with any questions you may have on how to complete them.

As always, please feel free to call Gregg Winter at (212) 684-2283 x111, David Heiden at x114, or Marc Bailin at x108 with any questions that you may have. Alternatively, you can email us directly at gregg@w-fund.com, david@w-fund.com and marc@w-fund.com. Finally, you are always invited and encouraged to visit our offices when you are in town to review any of our loan books or to meet our staff.

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