

FINANCIAL

SPECIAL SITUATION FINANCING
FOR COMMERCIAL REAL ESTATE℠

July 17, 2009

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

re: W Financial Fund, LP – 2nd Quarter 2009 Update and Statement

Dear John,

We are pleased to enclose your 2nd Quarter 2009 statement. During the first half of the year, the Fund's compounded net return was +4.21%. **Thus from inception through March 2009 our average annual net compound return has been 10.98%, and our total return since our July 2003 inception is 84.07%. $100,000 invested at our July 2003 launch had increased to $183,164 as of June 30, 2009.**

While it is still very clear that the economy and the financial markets have a long road to travel until they normalize, we are pleased to see the continuing contrast between our steady performance and the volatility of the equity markets. As the second quarter of 2009 continues to illustrate, W Financial's performance is non-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 portfolio and to reduce their exposure to the volatility of equities.

During the 2nd quarter we agreed to extend our low leverage $4,350,000 first mortgage bridge loan on a property immediately adjacent to the High Line (see attached memo describing New York City's newest amenity) in West Chelsea, NYC. This was originally a $6,750,000 loan when it closed in June 2008, and as we had anticipated at the time, the loan was paid down to its current level of $4,350,000 by the borrower by means of the sale of excess High Line transferable development rights. In the intervening time the borrower has invested more than $12 million **out-of-pocket** to advance the project, and, in the process, also has improved our loan-to-value ratio. As is the case with many of our loans, this transaction is a true "needle in a haystack" scenario where our developer has members of one of America's wealthiest families as his equity partners. Even in the rough waters of the current recession, we feel that several factors set this transaction apart. These include the desirability of the award-winning design (which actually cantilevers up and over the High Line), the massive infusion of equity already invested by the owner into the project, and the quality and integrity of the team, which all combine to make this an excellent loan for our fund. The terms of our extension called for the establishment of a full 15-month interest reserve and the payment of a 2.25% extension fee (pro-rated for 15 months), both of which were funded out-of-pocket by the borrower at the June closing of this loan. It is anticipated that the building will be completed by mid-2010.

A quick update on the $17,400,000 loan in North Williamsburg that we profiled in the 1st quarter (January 2009) letter:

In short, all is well. The borrower has been making each monthly payment on a timely basis, and he has been making significant progress executing his business plan. Now that our bridge loan has allowed him to begin to rent out his 37 unsold units, he has been able to generate the stabilized NOI (net operating income) that banks require to see in place before they will consider making a loan.

Accordingly, he now has obtained term sheets from a couple of regional banks that are interested in making him a 5-year bridge loan (in the 6.25% range). Back when we closed this loan in October 2008, it had been our expectation to see this very scenario playing out. Meanwhile, the developer has successfully rented 85% of the units (having sold one along the way, paying our 50% share of the loan down to $8,487,536), and he is now close to selling another unit.

Our portfolio continues to perform well with all loans being paid according to schedule. Naturally in the midst of a recession, we feel it appropriate to "raise the bar" of our due diligence even higher than our usual high level of screening, so while we are looking at dozens of new loan opportunities each week, very few make the cut. As a result, we have a fair amount of cash on hand, which is temporarily lowering our earnings, but also positioning us to be ready to pounce on new opportunities as they reveal themselves. We are close to closing a new $2,500,000 first mortgage bridge loan on Ocean Parkway in Brooklyn and deep into due diligence on several others. Being very picky has served us well during this economic downturn, and we intend to continue our highly-disciplined lending approach.

As many banks are still dysfunctional, we continue to expect that 2009 and 2010 will present the Fund with a larger than usual number of opportunities from which to choose.

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 September 1. Contact Karen Klinke (k@winter1.com or (212) 684-2283 x112 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-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