



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
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IN REPLYING
PLEASE QUOTE
FW-3166

August 15, 2008

Re: SEC v. W Financial Group, LLC, et al, Case #08-0499

Dear Investor:

During the past two months, I have received a large number of telephone calls from victims of the W Financial fraud. I apologize to you that my duties in the W Financial case and cases involving other victims have not permitted me to respond to these inquiries. I hope this letter will provide W Financial investors with a satisfactory summary of the past events in the case as well as the present status of the matter.

On March 21, 2008, Securities and Exchange Commission filed a lawsuit against W Financial Group, LLC, Adley H. Abdulwahab aka Adley Wahab, Michael K. Wallens, Sr. and Michael K. Wallens, Jr. in the United States District Court for the Northern District of Texas. The Commission's Complaint alleges that the Defendants' offer and sale of Secured Debt Obligations violated the anti-fraud and securities registration provisions of the federal securities laws. The Commission seeks permanent injunctive relief, disgorgement with prejudgment interest, and civil money penalties against each of the Defendants.

Concurrently with the filing of the Complaint, the Commission requested that the Court enter an Agreed Order Appointing a Special Master to Monitor the Sale of Assets Held by Defendants. The Court entered the Agreed Order on March 28, 2008 and appointed Vernon T. Jones, Jr. to serve as Special Master. Under the Agreed Order, the Special Master is charged with overseeing Defendants' sale of certain assets and preserving the proceeds of the sales for eventual distribution to investors. The assets covered by the Agreed Order are assets that the Defendants admit purchasing with W Financial investor funds.

When the liquidation process delineated in the Agreed Order commenced, the Commission believed, based on information supplied by the Defendants, that the liquidation might yield sufficient funds to provide investors with a full return of principal. Unfortunately, an initial analysis by the Special Master indicated that sale of the assets specified in the Agreed Order will likely produce proceeds equal to only approximately 40 percent of investor principal. One asset represented as having a value of several million dollars, the National Power Company,

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turned out to be worthless and the company was shut down because it no longer met Texas state regulatory requirements.

In June 2008, the Commission determined that the welfare of W Financial investors required more stringent remedies than those contained in the Agreed Order. Accordingly, on June 5, 2008, the Commission asked the Court to freeze all of the Defendants' assets and appoint a Receiver to marshal, conserve and liquidate these assets for the benefit of investors. The Court issued the asset freeze, but determined that further evidence would be needed before making a decision to appoint the Receiver.

Twice, once on June 25 and again on July 25, the Commission was prepared to present evidence to the Court in support of continuing the asset freeze and appointing the Receiver. On June 25, 2008, the Court informed the Commission that, due to unexpected events, it would not be able to provide a full hearing. On July 25, counsel for the Commission and the Defendants again appeared in Court; the Commission was again prepared to present evidence from a large number of witnesses.

Before the commencement of the hearing on July 25, however, the Defendants expressed a willingness to accept provisional remedies that the Commission believed were in the best interests of W Financial investors. These remedies were subsequently memorialized in two orders entered by the Court.

First, the Defendants agreed to a comprehensive asset freeze, covering their personal assets as well as assets purchased with W Financial investor funds. In connection with this freeze, moreover, each of the Defendants are required to submit a detailed financial accounting which will disclose, among other information, their present assets, their assets during past two years, and the disposition of all investor funds. The accounting will be conducted by an aggressive and highly regarded accounting firm.

Second, the Defendants agreed to an order permanently enjoining them from further violations of the federal securities laws. In essence, this order relieves the Commission of the obligation to prove that the Defendants committed fraud and leaves open only the question of the appropriate monetary relief the Court should impose on the Defendants. The Commission hopes that this "interlocutory judgment" will significantly reduce the amount of time required to complete this case and, therefore, will hasten the distribution of funds to defrauded investors.

These are the events that have transpired in the case so far. The future course of events is less certain. There are many unanswered questions that may have an impact on the timing and amount of any distribution to investors. We cannot predict whether the Defendants will fully cooperate in obtaining a final resolution of this matter. Also, until the accounting described above is completed, we will not have a clear idea of the ability of the Defendants to contribute to the restitution of investors, beyond the specific assets that are subject to the Agreed Order.

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In the mean time, the Agreed Order remains in effect and the Special Master continues to oversee the liquidation of assets purchased with investor funds. Once these assets are liquidated, the Commission will likely ask the Court to approve an immediate interim distribution of the proceeds to investors. If the Commission and Defendants cannot agree on a satisfactory conclusion to the case, we will then need to litigate in order to obtain from Defendants additional funds and assets to provide investor relief.

To keep you apprised of the progress of the case in the future, the Commission has set up a website specifically dedicated to the W Financial matter. The site address is: <http://www.sec.gov/divisions/enforce/claims.htm>, W Financial will be listed alphabetically on this page.

To assist the Commission with accurate investor information, if you have not already done so, please contact Deborah Minnick, Paralegal at 817-900-2617 with the following information:

1. Investor contact information (name, address, telephone numbers, (business, home and cell), e-mail address).
2. Amount of investment.
3. Copy of all promotional documents, contracts and/or applicable subscription documents relating to your investment.
4. Copy of front and back of cancelled check representing as your investment.

If you have any additional questions, please contact Deborah Minnick at 817-900-2617 or MinnickD@sec.gov.

Thank you for your patience during this process.

Respectfully,

Jeffrey B. Norris

Jeffrey B. Norris
Senior Counsel

c: Vernon Jones, Jr.
c: Randy Williams, Esq.