TRANSITIONAL FUNDING PARTNERS LP

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October 10, 2013

Dear Investor:

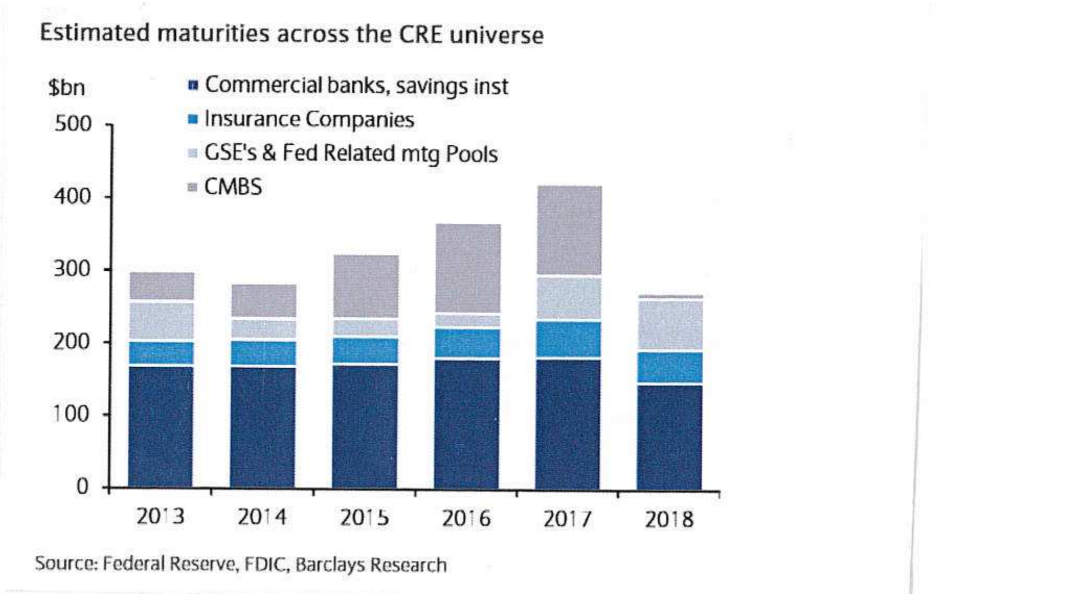
Transitional Funding Partners L.P. (the "Fund"), managed by its general partner TF Managers LLC, recorded a gain, including accrued interest, of 2.24% for the third quarter: Jul 1 – Sep 30, 2013. The Net Asset Value of the Fund was approximately $7.5 million as of October 1, 2013. The Fund is approximately 250% in cash but expects to get this balance to work plus making some additional investment before year end. Normally, Q4 offers good opportunity to pick things up as year-end approaches and funding tightens.

Enclosed please find your Limited Partner Statement for third quarter 2013 issued by TF Managers LLC ("TFM") in its capacity as administrator of the Fund. Partners who have so requested should have received an electronic version of the enclosed statement via email dated October 10, 2013. Any investor who did not receive his/her statement electronically should contact ASA immediately to correct this problem.

## General Loan Market Review

Prices for both impaired performing and non-performing loans, traded on prominent loan trading sites, have remained relatively stable in recent months after increasing from 2012 levels. CMBS loan pricing is up about 2% in the past year with impaired or non-performing loans up slightly less. Interestingly, measures of marketplace loan liquidity indicate a decline of more than 10% over the past year. This is often indicative of toppy markets, which, of late, have been fueled by the Fed's easy money policies. While we expect policy rates to remain at zero for years still and Quantitative Easing to continue for all of 2014, we do believe this fall may provide some better opportunity as expansive fiscal policy begins to hit its limits globally and the impact of more monetary easing declines. In short, markets will project to the end, once the beginning of the end starts, and price assets accordingly - perhaps abruptly so.

Longer term, both absolute yields and credit spreads will impact the ability of the Commercial Real Estate (CRE) market to roll over its sizeable debt from 2013-17. Though the Fed will use all tools it has remaining to maintain low rates, shrinking bank and GSE balance sheets should provide ample opportunity for workouts and restructuring of debt by non-traditional 'transitional' funders Like TFP and other hedge funds for years.




2.50% for ten year Treasury yields is an important level. Ten year Treasury rates much above 2.50% will pose significant refinancing risk for tens, maybe hundreds, of billions of dollars of CRE unless the Fed is more successful in driving CRE/CMBS debt yield spreads tighter than the 3-5% (spread) range where they have been since 2011.

**Portfolio Composition**

The Fund added one new loan for the quarter and is working on two or three current transactions to get all current capital to work plus $1-3MM waiting in the wings before Thanksgiving. Additional positions before year end will be driven by new capital contributions and abundance of quality lending opportunities. The Fund currently owns four loans as follows:

I) First lien on land and second lien on an estate home in Jackson Wyoming. The loan was purchased in a loan auction in December 2012.

Loan Balance: $1,878,759
Annual mortgage rate: 5.75%
Maturity: 11/16/2014
Payment: Monthly
Purchase price: $1,511,000 (17% yield)
Status: Performing
Default rate: 18%

II) First lien on a commercial building in Washington DC – U Street Corridor. The loan was originated by TFP in February 2013.

Notional face: $775,000
Annual mortgage rate: 14%
Maturity: 02/15/2014
Payment: Monthly

Purchase price: $775,000
Funds in escrow: $43,403
Status: Performing
Default rate: 16%

III) First lien on 14,000 acres in Geyser Pass, Utah along with UCC filing on 1,700 head of cattle. Originated by TFP in March 2013.
Notional face: $2,200,000
Annual mortgage rate: 14%
Maturity: 03/15/2014
Extension option: 1 six month extension upon payment of two points
Payment: Quarterly
Purchase price: $2,200,000
Funds in escrow: $10,832
Status: Performing
Default rate: 20%

IV) First lien on commercial building and parking lot. Originated by TFP in August 2013.
Notional face: $975,000
Annual mortgage rate: 14%
Maturity: 09/01/2014
Guarantees: Deceased owner's estate and the operating business entity
Payment: Monthly
Purchase price: $975,000
Funds in escrow: $36,605
Status: Performing
Default rate: 19%

**Individual Credit Review**

I) The loan is a second lien on a $9MM estate home and a first lien on a $1MM adjacent lot in Jackson Wyoming. The entire property is currently offered at $15.9MM. The $10MM total valuation is the tax assessor's valuation of the collateral property. The first lien on the home has a face amount of $1.5MM. All loans on the collateral are performing. The loan was purchased at a loan auction in December, 2012 and we were able to collect an extra $36,000 in back interest thereafter. It appears the borrowers were not able to sell the home over the active summer months. We will see if they get a bit more aggressive as time to loan maturity shortens.

II) The loan is secured by a bar in the popular U Street corridor, near Howard University, Howard University Hospital, and the Howard Theater. The property is assessed by the tax assessor at $1,028,000 and is currently leased to 2016 at a $144,000 per year triple net. All leases and rents have been assigned to the Fund in the event of default. We were able to originate the loan in February, 2013 because the borrower needed to refinance an existing private loan that was maturing. That lender did not wish to roll the loan as a result of some health issues, which provided the opportunity for us. The loan is performing and we believe this is a borrowing relationship we can expand in the future. At an 18.5% cap rate, we would clearly be happy to own the property if anything unexpected were to happen to the borrower.

III) As previously mentioned, this loan is secured by a very large parcel of upper altitude grazing and timber land in Southeastern Utah. The land is largely surrounded by national forest. At $157/acre loan value, we are very comfortable our collateral is worth substantially more than the loan. Additionally, as on all our originated loans, we have the personal guarantees of the borrowers, who own several thousand additional acres and lease approximately 200,000 acres from the Bureau of Land Management. Interestingly, we also have filed a UCC lien on most of their cattle herd (1,700 head) and there is a well-defined process for securing this collateral. While this is somewhat unorthodox collateral, we like it because it is relatively (3-6 months) liquid. The borrower is a substantial cattle ranching family that has been in the area for a hundred years.

IV) This loan was originated on August 31, 2013. It is collateralized by a funeral home in Southeast DC. While the collateral is not in a great neighborhood, this loan was attractive for a number of reasons: i) Our $975,000 loan is secured by property assessed by the tax assessor at over $1.8MM. ii) The operating business in the building throws off about $200,000 of net cash each year that can clearly support our debt. The business is a guarantor of the debt. iii) The estate of the former owner has other assets and it has also guaranteed our debt. iv) The Federal government is aggressively expanding its presence all around the subject collateral and the area's gentrification is starting to look like that of other parts of the city that have been completely transformed in recent years. v) The borrower's trustee is actively seeking to finance and buy the property so we have a built in exit for our loan, i.e. refinance by the current manager/trustee.

**Supply Pipeline and Outlook**

We were a little disappointed over the last quarter with the ratio of loans closed to loans reviewed (conversion ratio). There is no shortage of borrowers in the market, however, we are being selective in what we spend our time and energy on with the goal of achieving 30% conversion rates. We will be bidding on three loans being sold at auction in October and have three other loans we are negotiating for origination. The total value of all would be approximately $12MM, from which, we hope to actually get $3-5MM invested before Thanksgiving. We will then have to see what two of our current borrowers do in terms of prepayments before we can gauge the need for additional capital prior to year end.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. Please feel free to call any of us here if you have questions about the Fund or if would like to discuss our investment services.

Sincerely,

/s/ Rob Albright
Managing Member
TF Managers LLC

# Privacy Policy Notice

Under rules of the Securities and Exchange Commission or other regulatory bodies, financial institutions like Alternative Strategy Advisers LLC (ASA) and its affiliated entities* are required to provide privacy policy notices to their clients. We believe that protecting the privacy of your nonpublic personal information is of the utmost importance, and we are committed to maintaining the privacy of your nonpublic personal information in our possession. As required by the rules, we are providing you with the following information.

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on managed account agreements or fund subscription documents and related forms (for example, name, address, Social Security number, birth date, assets, income, and investment experience); and

- Information about your transactions with us (for example, account activity and balances).

We do not disclose any nonpublic personal information about our customers or former customers to anyone other than in connection with the administration, processing and servicing of customer accounts or to our accountants, attorneys and auditors or as otherwise permitted or required by law.

We restrict access to nonpublic personal information about you to our personnel who need to know that information in order to provide products or services to you. We maintain physical, electronic and procedural controls in keeping with federal standards to safeguard your nonpublic personal information.

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*Affiliated entities include ASA Tax Advantaged Relative Value Fund L.P., ASA Tax Advantaged Advisors LLC, ASA Taxable Relative Value Onshore Fund L.P., ASA Taxable Relative Value Offshore Fund Ltd., ASA Taxable Relative Value Fund Ltd., ASA Taxable Advisors LLC, ASA California Tax Advantaged Fund L.P., ASA California Managers I LLC, ASA Opportunity Fund L.P., ASA OF Advisors LLC, ASA New York Tax Advantaged Fund L.P., ASA New York Managers LLC, ASA Municipal Convergence Fund L.P., ASA Convergence Partners LLC, Enhanced Municipal Managers LLC, ASA Managed Account Managers LLC, Transitional Funding Partners LP and TF Managers LLC.