TRANSITIONAL FUNDING PARTNERS LP
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(952-847-2450)

July 18, 2014

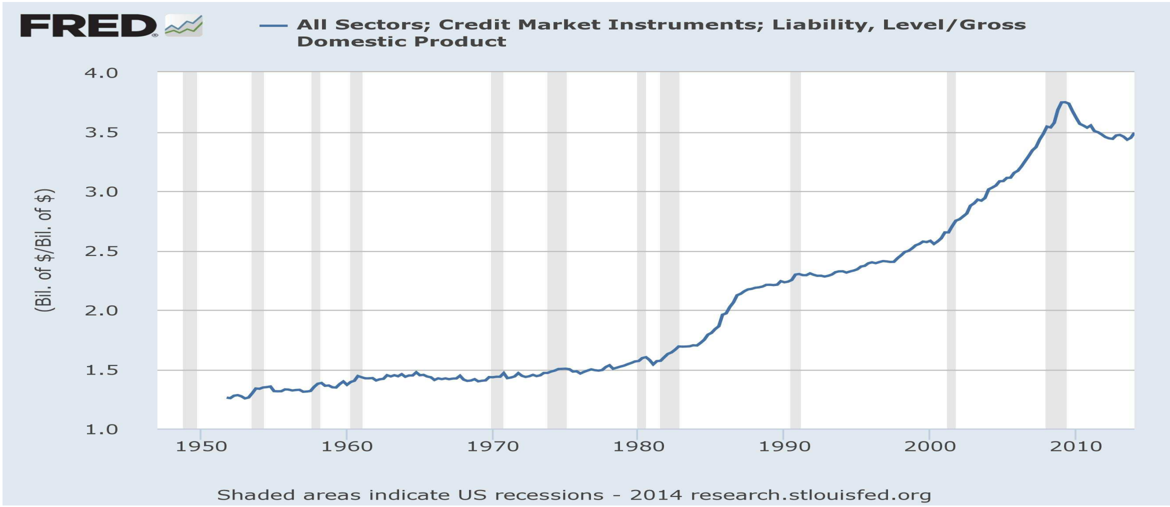
Dear Investor:

Transitional Funding Partners L.P. (the "Fund"), managed by its general partner TF Managers LLC, recorded a gain, including accrued interest, of 1.61% for the second quarter of 2014. The Net Asset Value of the Fund was approximately $9.7 million as of July 1, 2014. The Fund held $1.5MM of cash at quarter end as a result of one of its loans paying off early. We will put that money back to work as soon as possible. We have a loan commitment already made, and more fully described below, to draw loans maturing in H2. Assuming we can get the $1.5MM on the books now out promptly, we will then be primarily focused on growing the Fund's assets under management between now and year end.

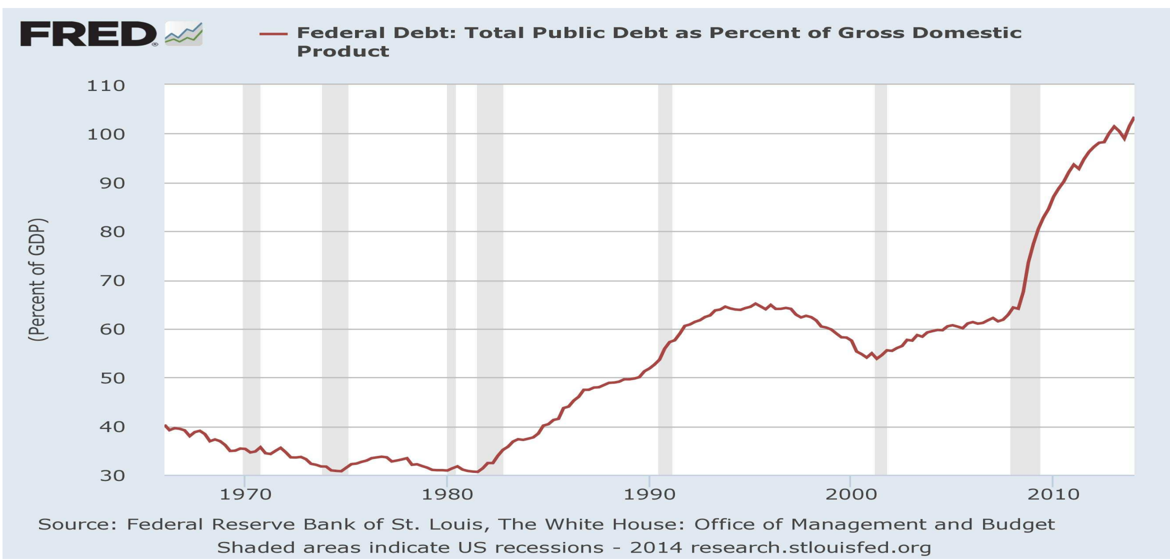
Enclosed please find your Limited Partner Statement for second quarter 2014 issued by Alternative Strategy Advisers LLC ("ASA") in its capacity as administrator of the Fund. Limited Partners who have so requested should have received an electronic version of the enclosed statement via email. Any investor who did not receive his/her statement electronically should contact ASA immediately to correct this problem.

The Lending Environment

Taking risk in the current environment is a tricky business. Most assets are at least 'fully valued' and cash is plentiful courtesy of the Fed and a reliquified, though perhaps somewhat more regulated, banking sector. As you can see in the graph below, most of the 'advances' in wealth and asset valuation over the last three decades can be traced to the levering of America. The Debt/GDP ratio in the US has roughly doubled in the last thirty years and now stands at roughly 350%.

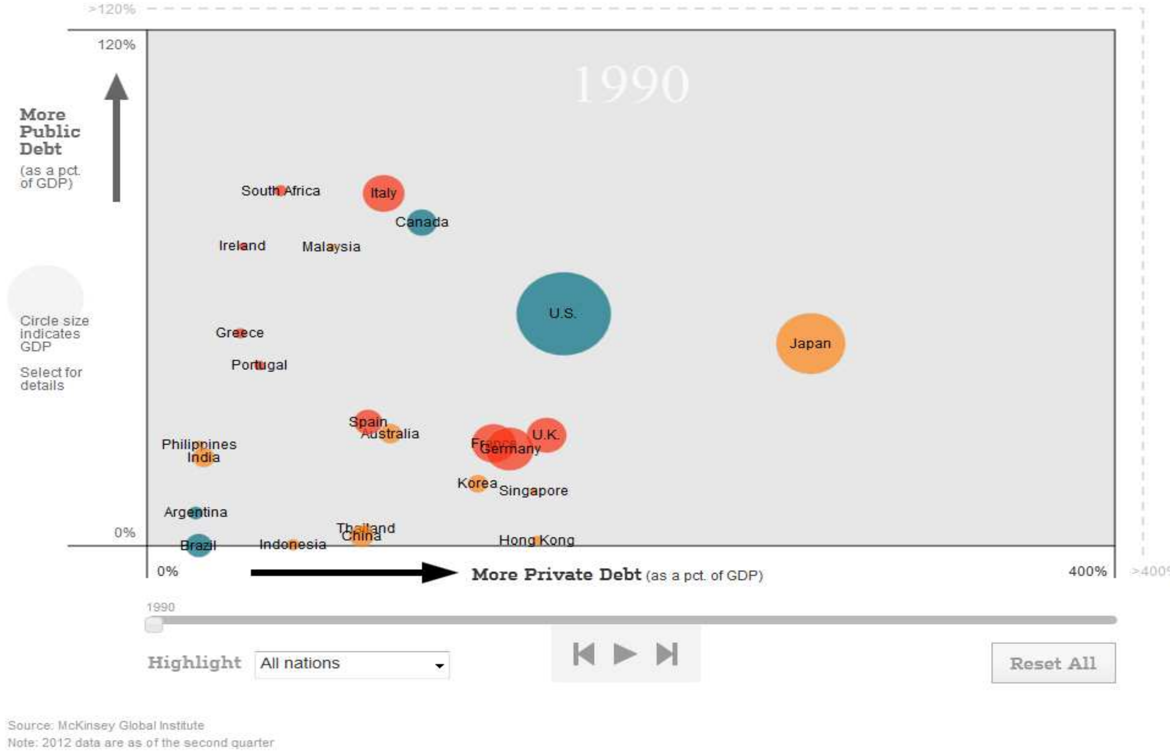


In recent years, there has been some delevering of individual/private sector balance sheets, but that debt has largely been taken on by the Federal (not State or Local) government, again facilitated aggressively by the Federal Reserve, as you can see here.

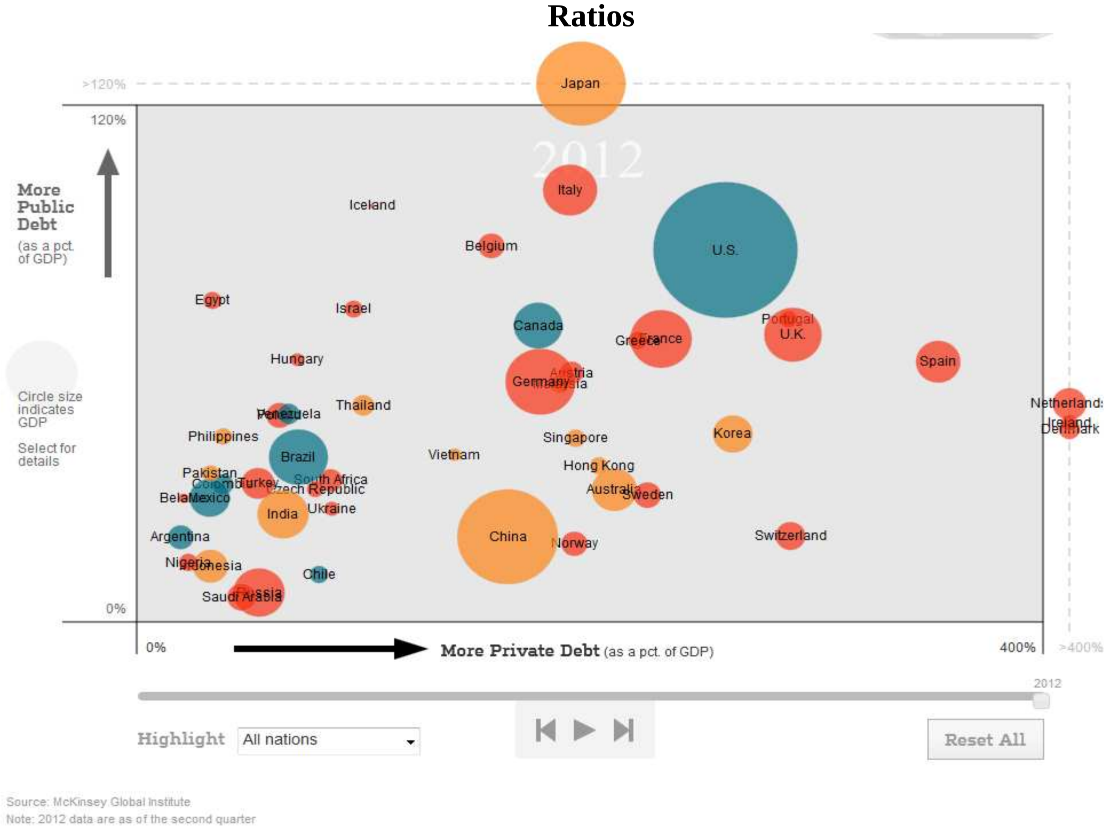


The rest of the developed world looks eerily similar with Japan, of course, topping the list at well over 500% debt/GDP. Keep in mind, this is all exclusive of underfunded entitlement obligations which are in the trillions of dollars. Courtesy of McKinsey & Co., we can see how this has evolved over time with most of the world resorting to progressively easier money and more debt as the easy way out vs. creating better educated, more productive citizens using better infrastructure who live much more within their means.

1990 Global Debt to GDP Ratios



2012 (Q2) Global Debt to GDP Ratios



In short, much of the developed world has a balance sheet that is completely unsustainable in any kind of 'normal' interest rate environment barring some huge, unforeseen productivity – not debt – driven GDP gains.

While this is all a bit high level, it is very relevant to anyone looking at risk and investment opportunities in the current environment, because the divergence of possible outcomes is so extreme and we are likely approaching or at an inflexion point. Does the world simply devolve into one huge Japan with too much debt, lots of zombie organizations, an inability to innovate rapidly, an aging, entitled population, and global central banks constantly trying to combat deflation, including, over the longer term, asset deflation. This would be an environment in which investing skill and prudence will be substantially rewarded whereas general risk takers are likely to be punished. Conversely, do central banks broadly succeed in their reflation efforts resulting in a 1970s redux? We think this would be largely fine for the Fund as higher yielding, short term lenders with inflating assets as collateral. But, generally, this would be a painful scenario for all longer duration assets, including broader equity markets. Presumably, the path between Scylla and Charybdis is the needle the Fed is now trying to thread: Ever so slowly normalizing rates with modest inflation pickup and some exogenous source of growth in GDP. This could be technology, energy or something currently unforeseen. Unfortunately, I would assess a pretty low probability to this third scenario, particularly given the country's failure to educate, retrain, and invest in infrastructure over the last thirty years.

Our handicapping of these scenarios is probably something like 65% for scenario one, 25% for scenario two and 10% for scenario three. Given that, we have to be very disciplined and prudent in our lending. We should expect some uptick in the level of defaults we experience, particularly maturity defaults, which will be abundant in the market over the next 3-4 years as 2005-07 loans all come due. To clarify, we generally consider a default to be a good thing because we don't underwrite a loan until our due diligence leads us to believe we would be happy to own the underlying asset collateral at our loan value. We think this environment will be very good for the Fund and its objectives - i.e. those taking very calculated risk with a senior position in quality assets will prosper whereas those taking broad market risk in assets where the numbers 'don't really work' will likely give back much of the outsized gains made in recent years.

Portfolio Composition

The portfolio has many of the same assets as last quarter with the loan in Washington DC SE paying off and one new loan in Park City, UT originated:

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
    Guarantees: personal guarantee of Borrower
    Payment: Monthly
    Purchase price: $1,511,000 (17% yield)
    Status: Performing
    Default rate: 18% (22.4% on purchase price)

II) First lien on a commercial building in Washington DC – U Street Corridor. The loan was originated by TFP in February 2013.
  Loan Balance: $775,000
  Annual mortgage rate: 14%
  Maturity: 02/15/2014 extended to 8/15/14 for 1 point
  Guarantees: personal guarantee of Borrower
  Payment: Monthly
  Funds in escrow: $43,403
  Status: Performing
  Default rate: 16%

III) First lien on a luxury home in Amagansett, NY (Long Island). The loan was originated by TFP in December 2013 as a line of credit.
  Loan Balance: $1,480,000
  Annual mortgage rate: 1 point + 14% running
  Maturity: 12/15/2014
  Guarantees: personal guarantee of Borrower
  Payment: Quarterly
  Status: Performing
  Default rate: 18%

IV) First lien on land and retail/residential development in Park City, UT. The loan was originated by TFP in April 2014 as a two phase loan.
  a) Notional face: Phase 1 - $750,000
  Annual mortgage rate: 3 points + 16%
  Maturity: 10/15/2014
  Guarantees: limited personal guarantee of Borrower
  Payment: Monthly
  Funds in escrow: $18,775
  Status: Performing
  Default rate: 24%
  b) Notional face: Phase 2- $3MM minimum/$4.5MM maximum in draws
  Annual mortgage rate: 5/8 point + 16%
  Origination: January, 2015
  Maturity: December 31, 2016
  Guarantees: limited personal guarantee of borrower
  Payment: Monthly
  Funds in escrow: $18,775
  Status: Contingent on closing of ten townhome sales with 30% deposits
  Default rate: 24%

V) US Government contract factoring – We have put about $100,000 to work with one client and have worked out the administrative issues in this activity. Maturity is generally < 30 days with the experienced rate of return at 20%.

Real Estate Owned (foreclosure completed March 4, 2014):

VI) 90 room, 65,000 sq. ft. hotel in Wichita Falls, TX rebranded to Choice/Mainstay in June. We also maintain the right to pursue a judgment against the former borrowers for between $860,000 and $1.8MM. The loan was purchased for $2.6MM in a loan auction in December 2013.

Individual Credit Review

I) The Jackson loan status is unchanged. It matures in four months. The borrower is in negotiations to sell the property, in which case we will be repaid at sale closing. If not, the default rate is 18% (22.4% yield to the fund), which would certainly be attractive. We have no concerns about the ability of the collateral to support the loan.

II) As mentioned above, the borrower opted to pay us one percent (1 %) to roll this loan until August 15, 2014 at the current 14% rate. This obviously makes the Fund's annualized rate 16%. The collateral has only increased in value, so we are happy to extend this loan as long as the Borrower wishes to do so. We anticipate receiving payment in August. However, the next step would likely be to simply agree to forebear and receive the default rate of 16% for at least a few months unless/until we could deploy it elsewhere more attractively.

III) Nothing has changed here. The loan is performing as anticipated and the collateral is very sound. The good news is that the Borrower is leaving the loan out longer than we expected at 14% running.

IV) We spent some time negotiating with this borrower and were glad to finally structure a deal that worked for both of us. We have now deployed the first $750k of this loan and received significant upfront points. The developer has done all demo, environmental work, and is continuing construction of footings and foundation. He is also due to receive final platting for his project in the next thirty days. This is significant, because once this is done, he can formally close on all ten townhomes under contract and collect about $4.5MM of non-refundable deposits. He will then use this money to repay the first phase of our loan and continue construction until he needs the final draws from us to complete the structure. We were careful to lay out the loan this way so we didn't put ourselves in a position of owning a half completed building. Though the developer is a capable and solid guy, and the property is in a fantastic location, this loan is structured such that we would be very happy to own the property and all the development on it at any time we have exposure.

V) Our partner in this activity has been somewhat slow in adding the new clients we anticipated, though we imagine there could be a rush of demand as two or three all need funding at once. Our objective is to move this activity up to a $500k monthly exposure and see how that goes for a few months with the objective of ultimately making this approximately 10% of the Fund. We like building a diversified pool of factoring clients with the US Government as the ultimate credit.

VI) This workout has required some effort and has hit a few bumps along the way. Specifically, we rebranded from Lexington to a Choice Mainstay Suites, which we expect will increase the value of the property over time. Unfortunately, the foreclosure caused about a two month delay in transitioning the franchise to us. During that period, the hotel was essentially 'off line' without a brand and its sales suffered. We are back up, re-signed, ramping up activity and hoping to be able to demonstrate solidly improving cash flows to get a $4MM plus valuation and sale sometime next spring-summer. Though there are obviously no guarantees, our expectation is to generate a 60% plus long term gain at sale. We have been reinvesting most cash flow to date in capex to meet the requirements of the new franchisor. We expect to get much of this done in the next two months, so we can begin distributing cash to the Fund.

Supply Pipeline and Outlook

Though we are always on the hunt for new opportunities, the Park City loan will help us redeploy most of the capital from any maturing loans in a relatively timely fashion. Ideally, we will ramp up our factoring activity, find one more $1-2MM loan in Q3, and then move on to drawing capital from new commitments as loans appear in the late third and fourth quarter. We are confident we can deploy another $25-30MM over the next six months and will then look to expand investment professional resources as market opportunities warrant further growth.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. We are off to a good start in 2014. Our expectation is that high quality loans may be a little scarce through the summer with better opportunities emerging in the fall. We expect 2015-17 to be a great period for the Fund and hope to cultivate enough capital now to capture those opportunities fully. Your continued support and trust is very much appreciated.

Sincerely,
/s/ Rob Albright
Managing Member
TF Managers LLC

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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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