

TRANSITIONAL FUNDING PARTNERS LP

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July 24, 2015

Dear Investor:

Transitional Funding Partners L.P. (the “Fund”), managed by its general partner TF Managers LLC, recorded a net of fees gain, including accrued interest, of 2.78% for the second quarter of 2015. YTD total return net of fees is 7.81%. The Net Asset Value of the Fund was approximately \$14.0 million as of July 1, 2015. The Fund held \$3.5 million of cash at quarter end. While almost \$2 million of that is still earning interest through the end of July, we are starting to build up cash balances which will need to go to work in the next sixty days. While we have a handful of opportunities on our plate, this time of year is always difficult as no one is really under the gun to get anything done quickly. The general lack of distress is also adding to the challenge of finding loans that meet our return bogeys with appropriate risk.

Enclosed please find your Limited Partner Statement for second quarter 2015 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 either his/her statement electronically should contact ASA immediately to correct this problem.

The Lending Environment

Very little has changed in the last three months. Bank lending volumes are increasing somewhat and Net Interest Margins (NIM) have improved modestly as rates have backed up. The Fed continues to threaten to tighten but won't/can't and most risk assets, particularly equities, continue to look overvalued. Velocity of money is still falling off the floor and there have been a few tiny rumblings that indicate everything may not be fine – Greece, Puerto Rico, Illinois, and China among others. Still, most people are pretty comfortable that everything is fine and are busily focused on how they are going to gather more assets and increase returns rather than how they will preserve capital. Just a quick look at historical performance of the banking and insurance ETFs (IYF and KIE) demonstrates that the markets think all's well. Essentially, the entire financial sector went from the biggest bubble/boom in history in 06-07 to bankrupt in 08 and now is within 20-25% of previous highs in banking and is 15-20% above previous highs for the insurance sector. Free money and the subsequent asset inflation are very powerful. We hope the world's policy makers and Central Bankers are as adept at getting the money back as they were at putting it out!

US Financials ETF (IYF) and SPDR S&P Insurance ETF (KIE) Price History



Source: Bloomberg

Portfolio Composition

Q2 was pretty quiet for the Fund. Lots of deals reviewed and bid on, but no new exposure added. We are expanding our factoring activity modestly and have prospects to significantly increase that in coming months. We received partial payoffs on the multi-family development in Utah and expect that to be paid in full with interest by the end of July. Though technically on the books at quarter-end, our loan collateralized by the school and residence in Virginia paid in full on July 2, so we will remove that from the portfolio as part of the more detailed review of loans currently on the Fund's balance sheet as follows:

- I) 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: Extended to 9/30/15 for 1 point
 - Guarantees: personal guarantee of Borrower
 - Payment: Quarterly
 - Status: Performing
 - Default rate: 18%
- II) First lien on a 157 acre ranch with home in Peoa, UT. The loan was originated by TFP in December 2014.
 - Loan Balance: Up to \$1,000,000 (\$840,000 now disbursed)
 - Annual mortgage rate: 14%
 - Maturity: 6/22/2016
 - Guarantees: personal guarantee of Borrower and his wife
 - Payment: Monthly

- Funds in escrow: \$8,240
 Status: Performing
 Default rate: 24%
- III) First lien on a .65 acre residential property containing an 8,095 sq. ft. home in Ponte Vedra, FL. The loan was originated by TFP in February 2015.
 Loan Balance: \$1,700,000
 Annual mortgage rate: 15%
 Maturity: 2/2/16
 Payment: Monthly
 Prepayment penalty: 7 months of interest minimum
 Funds in escrow: \$27,000
 Status: Performing
 Default rate: 20%
- IV) First lien on a 12 acre commercial property zoned for multi-family development in Herriman, UT. The loan was originated by TFP in February 2015.
 Loan Balance: \$3,100,000 (initially \$2,256,000 at closing. Fully disbursed at time of writing)
 Mortgage rate: 20% flat (\$620,000)
 Maturity: 8/4/2015 with 3% monthly interest on any remaining balances until 2/4/2016
 Payment: Upon closing of townhome sales
 Prepayment penalty: NA
 Funds in escrow: \$14,115
 Status: Performing – \$1,700,000 collected with payment of the balance to happen in the next week or two.
 Default rate: 36%
- V) US Government contract factoring – Discount factoring of US government contracts. Returns are 20% plus. Current exposure: \$150,000 monthly/running.

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) Nothing has changed here. The loan is performing as anticipated and the collateral is very sound. We extended the note for six months to Sep 30, 2015 for payment of a one point extension fee. This, along with quarterly interest, was paid timely on June 30, 2015. The underlying collateral property is now under contract at \$2,850,000 and is expected to close August 18. Obviously, if the sale is consummated, our loan will be paid off on or about August 18.
- II) This loan took the form of a payoff of existing liens, a small cash takeout, and the rest earmarked for property improvements to prepare it for a sale. The Fund also holds the water shares for the property as collateral. (This is quite important for property in Utah and other mountain states.) The property is located 15 minutes from Main Street Park City and is worth \$3-4MM though fairly illiquid. The borrower has drawn approximately \$40,000 of additional funds to improve the property and pay for plans and approvals.

- III) The borrower is an LLC. One of the members in the LLC had a pre-arranged right to buy the property at an attractive price as part of a rent-to-own lease. TFP funded the LLC's acquisition of the property for the commercial purpose of reselling the property. It is currently on the market for \$2.8MM. While we would be very happy to own the property at our loan value, we think that is unlikely.
- IV) This project is well beyond the risky stage. We are now simply harvesting the gains and expect to be moving on to the next opportunity with this developer in the near future.
- V) We can only repeat previous comments related to factoring. The business we are doing is great. We just need more clients. We do now have seven applications pending through our partner on this activity. Our target is to have at least \$500,000 monthly on the books by year end.
- VI) Closing date on the sale of the property is August 15 and initial deposits have gone 'hard' at time of writing. In short, the probability of closing this transaction is increasing with each passing day. While we have owned this property perhaps 3-4 months longer than would have been our preference, the good news is that its operating performance over that time has really been very good. Occupancy and operating cash flow are at levels we consider to be 'meeting expectations', so the sale delays have not cost much in the way of returns.

Supply Pipeline and Outlook

It remains our intent to grow the Fund in a measured way by adding to capital as attractive opportunities arise. We continue to believe this is the most prudent approach and is most likely to produce the best returns for our investors in the long run. Consequently, we only took in \$1MM of new capital in Q2 and have more waiting to come in but only after we gain more certainty that a handful of opportunities we are working on will close.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. Q2 2015 was a solid, if unspectacular, quarter for the Fund. As discussed earlier, we have received some pay downs or full payoffs this quarter and expect much more cash inflows in the next thirty days. The August-November period is normally a slow period before the usual flurry of activity at year end. We do have some interesting opportunities in front of us, though, as always, the questions will be i) Can we get the terms, collateral and returns we require? And ii) How long will it take to negotiate those terms and ultimately get to closing? We will continue to take prudent risks with preservation of capital as the first priority.

Enjoy the rest of your summer and please feel free to contact us if you have questions about the Fund or any of ASA's 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.

*Affiliated entities include ASA Tax Advantaged Relative Value Fund L.P., ASA Tax Advantaged Advisors LLC, ASA Municipal Convergence Fund L.P., ASA Convergence Partners LLC, Enhanced Municipal Managers LLC, ASA Managed Account Managers LLC, Transitional Funding Partners LP, TF Managers LLC, and Occum Partners LLC.