TRANSITIONAL FUNDING PARTNERS LP
601 Carlson Parkway
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Minnetonka, MN 55305
(952-847-2450)

July 20, 2018

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 1.06% for the second quarter of 2018. The Net Asset Value of the Fund was approximately $22.3 million as of July 1, 2018.

Enclosed please find your Limited Partner Statement for the second quarter of 2018 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

Chairman Powel just finished his semi-annual report to the Senate and apparently said what the markets wanted to hear. He reiterated the Fed's plans to stay the course in raising rates "for now," but, as any good Fed Chairman would do, he gave himself some latitude to slow the pace of hikes if the Fed deems such to be prudent. Bonds are un-changed and stocks re-gained positive momentum with the NASDAQ reaching new all-time highs. The curve is now essentially flat, bond and stock volatility is hovering near all-time lows, and stocks continue to levitate as the current bull market is set to eclipse the longevity record set in the '90s. In real estate, cap rates are abysmally low with sellers and brokers now routinely offering 5% cap rates and suggesting that is 'attractive' with a straight face. Looks to us like a great time to be selling risk assets!

It is not surprising then that the deal flow we are seeing is, at best, uninspiring. Essentially, everything we are seeing has significant development components to it, which is obviously riskier. The volume of loans offered by brokers has dried up and what is there is i) longer maturity, around par paper, ii) large pools – dozens to hundreds of assets requiring significant diligence and servicing– or iii) real junk. This has been the trend for some months now and it is hard to know when things will change. Most likely, when it does happen, it will be violent per Minsky: "Stability breeds instability."

Portfolio Composition

We have spent most of Q2 cleaning up the problems we have on the books, which is simply a part of the business, though not always the most productive use of time. The following were the loans in portfolio at the end of Q2 2018:

I) First lien on a residential property on Lake Minnetonka, MN. The loan was originated by TFP in June 2017.
Loan Balance: $2,560,000
Annual mortgage rate: 14% plus one point
Maturity: 06/22/2018 extended six months to 12/22/2018
Payment: A twelve-month interest reserve was in escrow. Monthly starting 6/22/18
Prepayment penalty: Now NA
Funds in escrow: $39,657
Status: Performing
Default rate: 24%
Additional credit support: PG of third party

II) First lien on 101 +/- acres and water rights in Peoa, UT. The loan was originated by TFP in May 2017.
Loan Balance: $140,000 remaining
Annual mortgage rate: Flat fee for closing on or about Aug 1, 2018
Maturity: 05/31/2018 with remaining balance extended to 8/1/2018
Payment: P&I on 8/1/18
Prepayment penalty: NA
Funds in escrow: $0
Status: Default. Forbearance until August after partial payment in June.
Default rate: NA

III) First lien on a 13-acre commercial property zoned for multi-family development in Houston, TX. The loan was originated by TFP in November 2017. We expect repayment to begin in Q2.
Loan Balance: $1,600,000
Mortgage rate: 15% flat ($240,000) + one point
Maturity: 08/17/2018 with 3% monthly interest on any remaining balances until 11/17/2018
Payment: Upon closing of townhome sales
Prepayment penalty: NA
Funds in escrow: $25,500
Status: Performing – All units presold
Default rate: 36%

IV) First lien on a 2.33-acre commercial property currently containing a bar and liquor store in Williston, ND. The parcel can be entitled for broader commercial development and lies directly across Highway 2 from the airport. The loan was originated by TFP in March 2018.
Loan Balance: $600,000
Mortgage rate: 15% flat + 2points prepaid interest
Maturity: 03/26/2019
Payment: Monthly
Prepayment penalty: NA – One-year interest due if prepaid
Funds in escrow: $23,559
Status: Performing
Default rate: 20%

V) US Government contract factoring – Current exposure: $170,000 plus interest. In default. Collection process ongoing.

VI) Real Estate Owned:
5.61-acre residential property containing a roughly 7,200 sq. ft. newly constructed main residence plus a guest house in Greenwich, CT. This loan was restructured twice before we took possession of the property in February 2018. We are actively marketing the property currently after some delays in completion. There is a friendly second lien behind our first, which complicates matters slightly.

Loan Balance: $2,800,000 including interest (increased to complete project, carry and market)

Status: REO

Individual Credit Review

I) The Borrower was unable to sell the property and make payment at maturity in June. However, he exercised his right to extend the loan for six months by paying the extension fee and stub interest for June. Borrower is now committed to monthly interest payments as well as paying carry costs. A sale of the property is needed to resolve this loan cleanly.

II) This is a repeat borrower who paid off a loan on portions of this same property in 2016. The loan paid off one remaining lien on the property and provided the borrower with some needed operating cash. The Borrower defaulted on monthly interest payments in March, sold a parcel and paid the loan down further in early June and has another parcel slated for sale on or about August 1 that will provide full and final payment of principal and interest.

III) This is a repeat borrower with a healthy slug of equity behind our first mortgage. We know he can and will perform and don't anticipate any issues. We have been repaid all principal and expect to get interest paid before the end of July via the next set of townhome sales. We are in negotiations to fund their next Texas project in the Fall.

IV) We finally closed this loan at the end of the first quarter. The loan is to a repeat borrower who found himself in a short-term cash crunch. It is too early to gauge whether to anticipate any issues with this one. The Borrower has a lot of moving parts in his financial world. His level of financial distress is significantly impacted by other lenders on other projects, so we will have to wait and see how those negotiations play out. Thus far, he has made all payments timely.

V) This activity has been disappointing. We are exploring other ways of building this business internally. We are now in the process of collection on the final balances still outstanding (much of which is interest) with the partner we had been working with. Legal action has been taken and is slow but ongoing.

VI) After repeated restructurings and extensions, this borrower finally gave up the property via a deed-in-lieu type arrangement in February. We took over the site in late December and have been working to complete the interior and site work ever since. Poor New England weather and some negligence on the part of the borrower have hampered completion of the project. It is largely completed and staged now with a few punch list items to complete.

Supply Pipeline and Outlook

As we have often advised, the 'risk' of an investment in TFP is not substantial loss of capital in our view. We believe conservative underwriting, senior secured position in the capital structure, and sound diligence mitigate much of this risk. The real 'risk' is in not being able to invest enough of the Fund's capital in loans that meet our expected return bogey. This scenario has certainly been the case over the last several months. Of course, this could change at any time if/when some 'instability' returns. However, in the current environment, we believe low to mid double-digit return expectations, given the risk we are willing to take, are optimistic. Mid-single digits are more realistic, and, it should be noted, our fee structure is designed to make sure investors keep most of the return in a lean environment like the current one. We welcome your view on whether that risk-return profile is acceptable to you as we wait for better opportunities in to come.

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 at ASA if you or others you know have questions about the Fund or would like to discuss current opportunities or our investment management 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, Enhanced Municipal Managers LLC, ASA Managed Account Managers LLC, Transitional Funding Partners LP, TF Managers LLC, Occum Partners LLC, and Occom Opportunity Partners LLC.