TRANSITIONAL FUNDING PARTNERS LP
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May 12, 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 8.81% for the first quarter of 2014. The Net Asset Value of the Fund was approximately $9.5 million as of April 1, 2014. The Fund was almost entirely invested at quarter end. An additional $1 million of new capital investment should be to work by late April or early May. We are anticipating some payoffs over the Spring-Summer time period of perhaps $1-2MM. This will be reinvested in new deals as it comes in. We’ll then look to a mid-summer closing to try and grow our committed capital available for investments as we see them.

Enclosed please find your Limited Partner Statement for first quarter 2014 issued by Alternative Strategy Advisers LLC 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 dated May 12, 2014. Any investor who did not receive his/her statement electronically should contact ASA immediately to correct this problem.

General Loan Market Review

Q1 2014 was really a continuation of the trend we saw develop during 2013 in the lending markets: Credit globally remains very easy as large pools of capital are chasing lending opportunities. This has resulted in more highly leveraged private equity deals, more ‘covenant light’ deals getting done, and a return of the CLO/Leveraged finance market to 2006 highs. S&P recently released a report observing that the leveraged loan market in Europe – and we can infer the US market is similar or worse given the easier credit conditions that prevail here – is showing signs of overheating. “Low interest rates coupled with a continued supply-demand imbalance could lead to excessively borrower-friendly lending standards and more highly leveraged transactions,” the rating agency said. “Demand from both bond and loan fund managers for speculative-grade paper and the return of the CLO market have fuelled demand for leveraged debt. However, supply has not risen in line with demand, and the imbalance is leading to an increase in borrower-friendly terms and features on new issuance as well as a rapid re-pricing of existing loans.” Most importantly from our perspective, “Credit quality is generally holding firm amid broadly stable credit conditions in Europe but if the imbalance continues, it could prove highly destabilizing for credit quality,” S&P concluded.

In short, we are likely at an inflexion point in the credit cycle, i.e. we are in 2006 all over again. The Fed is trying to manage a very tricky balancing act as they walk the high wire over Niagara Falls without a net! They are attempting to create lending, velocity of money, and perhaps even some inflation by distorting – perhaps tragically – the price of capital. While many of the desired effects have not fully materialized, it is clear some of the undesirable effects – asset bubbles created by credit excesses – have. There is now too much money chasing loans and assets generally. Hence, remaining very nimble and conservative in underwriting will be key to success over the next year. We believe that as we move into 2015 and beyond, borrowers will again be more plentiful and in a far weaker position to dictate terms. All the excesses of 2005-2007 with ten year maturities will need to be refinanced again providing abundant lending opportunities. The key will be to avoid bad loans and develop a large pool of capital to capture those opportunities as they appear. Consequently, we will be very discriminating with our risk taking this year, even if this means growing the Fund somewhat more slowly. Discretion may be the better part of valor.

<u>Portfolio Composition</u>

The portfolio is similar to last quarter, though there have been some developments with a few of the loans which I will address in the credit review below. As outlined last quarter, here is a recap of the current portfolio:

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 commercial building and parking lot in Southeast DC. 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%

IV) First lien on a 90 room hotel in Wichita Falls, TX. The loan was purchased in a loan auction in December 2013.

Notional face: $4,374,015
Annual mortgage rate: 6.25% (Prime + 3%)
Maturity: 12/31/2014 with a performance-based extension option
Guarantees: personal guarantees (though not particularly valuable)
Payment: Monthly
Purchase price: $2,600,000
Funds in escrow: $86,662.03
Status: Performing thru December 31, 2013. Became non-performing/REO in January 2014.
Default rate: NA

V) 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.

Notional face: $980,000
Annual mortgage rate: 1 point + 14% running
Maturity: 12//2014 but will pay off sooner
Guarantees: personal guarantee of borrower
Payment: Quarterly
Purchase price: $980,000
Status: Performing
Default rate: 18%

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

<u>Individual Credit Review</u>

I) The Jackson loan status is unchanged. However, this loan will start to get interesting in the next 3 months as we get within 3 months of loan maturity, particularly if the asset is not under contract for sale with meaningful earnest money posted. The 18% default rate (22.4% yield to the fund) would certainly be attractive and we have no concerns about the ability of the collateral to support our loan.

II) Our expectations for full repayment on this loan were not met at the February due date. Instead, the borrower opted to pay us one percent (1 %) to roll the 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.

III) Nothing has changed here, though we do anticipate receiving a payoff of this loan sometime during the second quarter.

IV) This loan defaulted and we completed the foreclosure on March 4. We have set up a single-purpose entity, WF Hotel Management LLC, to own and operate the hotel in the coming months. Operating performance in January and February exceeded expectations. This allowed us to make capital improvements without injecting material cash into the business. March was about as expected. April has been slower than expected as we transition to a different franchise: Choice Hotels Mainstay Suites brand. The foreclosure caused some delay in the transition, but we expect to complete that transition this month and anticipate improved operating performance thereafter. Our objective is to improve operating results through the summer, receive bids during the fall, manage the due diligence process in winter 2015 and then sell shortly after March 4, 2015 to obtain long term capital gains treatment for the transaction. We will report quarterly how the plan is progressing. It should also be noted that the property was appraised at about $1MM more than our purchase price at time of the foreclosure and returns this quarter reflect realization of some of that value. Also, though not currently contemplated, we do maintain the right to pursue a judgment against the previous owners/borrowers if necessary to protect the Fund's interests.

V) The borrower drew the remainder of this credit line in early January, which brings the total balance to just under $1.5MM. It now appears he will keep the loan out perhaps for full term. The collateral is strong, so this would be fine with us. We anticipate having funding needs from another borrower in late 2014-early 2015 which will allow us to quickly redeploy these funds.

VI) Our partner in this activity anticipates adding two or three new clients in the next 90 days with funding requirements of about $500k. As stated earlier, we like building a diversified pool of factoring clients with the US Government as the ultimate credit. Our hope is to build this activity to 10-15% of the portfolio in 2014.

Supply Pipeline and Outlook

We have developed a pipeline of lending opportunities over the next 12-18 months to keep existing capital at work. These deals are very secure with low LTV and/or lots of borrower capital subordinate to the Fund's position. We are confident we can continue to grow the portfolio in high quality assets/loans, particularly in the fourth quarter this year. As previously noted, we anticipate raising some additional committed capital with a 'closing' this summer. Our intent, however, is only to draw it as we see strong opportunities with minimal downside and rates of return that exceed our hurdles. The rate at which we find such opportunities will dictate the rate at which we grow the Fund.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. We got off to a good start in 2014 with all capital deployed in high quality opportunities. Our expectation is to continue to grow the portfolio at a measured pace, which will serve to enhance the Fund's footprint in the market. Your continued support and trust is very much appreciated.

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.