TRANSITIONAL FUNDING PARTNERS LP

601 Carlson Parkway
Suite 1125
Minnetonka, MN 55305
(952-847-2450)

April 28, 2016

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 2.49% for the first quarter of 2016. The Net Asset Value of the Fund was approximately $14.8 million as of April 1, 2016. Fortunately, we were able to get some attractive loans closed at the end of last year that have carried the Fund thus far in 2016. Otherwise, we have grown the factoring book a bit and have essentially managed to redeploy capital from payoffs into new loans. At time of writing, the Fund is holding significant cash, though deploying most of it in the next sixty days looks likely. This should drive reasonable performance for much of 2016.

Enclosed please find your Limited Partner Statement for the first quarter of 2016 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

Just when we thought the central bankers couldn't do any more of "all that it takes," they did it again! After watching what was only a small glimpse of what market clearing might actually look like for asset prices during Q1, central bankers around the globe quickly blinked. They couldn't get to the microphone fast enough to coddle markets with assurances of, "whatever it takes", "more stimulus", "tightening is off the table". It's almost comical to watch the Pavlovian response that ensues when the markets say, "Jump." Central bankers reflexively say, "How high?" (…or low as it relates to interest rates). With most of the developed world now living in the Bizarro world of negative interest rates and much of the developing world brimming with cheap debt – large portions of which are dollar-denominated - the world is probably left with only two more 'tools' from policy makers who continue to try to defy the gravity of markets clearing: i) Helicopter money, i.e. truly printing money and sending it directly to consumers, or ii) massive fiscal stimulus, public works programs and/or government mandated 'income increases'…and borrowing yet more to pay for it, presumably. I have given up speculating both on i) the extent to which policy makers/meddlers will go in mis/re allocating capital and ii) what the ultimate unintended consequences will be. Nonetheless, it certainly makes investing using a rigorous analytical method very difficult. Assets are mispriced and most involved know it, but they have to keep dancing 'til the music stops. Perhaps it will be a self-fulfilling prophesy. Specifically, it is so scary to imagine what it looks like if the central bankers and politicians fail that we all have to bet as if they will succeed. Because we all make those risky bets, they will succeed…at least until the next heart attack which turns out to be the big one.

We continue to try and keep our toes in the water without risking a leg. It appeared real opportunities might start presenting themselves in February. However, the distress was fleeting, at least for now, with the Bloomberg financial conditions index back up to .30 at time of writing (from a low of -.85 in mid-February). Anything north of .50 would certainly be back in 'bubble' territory, where we have spent much of the past four years. Caution and extreme selectiveness are warranted in this environment.

<u>Portfolio Composition</u>

For the most part, we have been servicing existing loans and harvesting some gains year to date. The following is a review of the portfolio as of March 2016 quarter end with new additions first.

I) First lien on a 14.67 acre commercial property containing two 27 unit apartment buildings (54 units total) in Williston, ND. The loan was purchased by TFP in March 2016.
   Loan Balance: $4,452,381
   Annual mortgage rate: 8.75% (plus 3.25% accruing if loan not paid timely)
   Maturity/term of forbearance: 12/31/2016
   Payment: Monthly
   Prepayment penalty: NA
   Funds in escrow: NA
   Status: Performing
   Default rate: 12%

II) First lien on a 5.61 acre residential property containing a 2,935 sq. ft. home being remodeled in Greenwich, CT. The loan was originated by TFP in December 2015.
   Loan Balance: $1,800,000 (initially $1,050,000 at closing with $750,000 remaining to disburse)
   Annual mortgage rate: 14%
   Maturity: 12/18/16
   Payment: Quarterly
   Prepayment penalty: 9 months of interest minimum
   Funds in escrow: NA
   Status: Performing
   Default rate: 20%

III) First lien on a 7,484 sq. ft. home in NW, Washington DC. The loan was originated by TFP in December 2015.
   Loan Balance: $2,000,000
   Annual mortgage rate: 14%
   Maturity: 12/23/16
   Payment: Monthly after initial six month period
   Prepayment penalty: 10 months of interest minimum
   Funds in escrow: $175,000 includes interest reserve
   Status: Performing
   Default rate: 20%

IV) First lien on a 12.9 acre commercial property zoned for multi-family development in Vineyard, UT. The loan was originated by TFP in December 2015.

Loan Balance: $2,750,000 (initially $1,800,000 at closing with $950,000 remaining to disburse)
Mortgage rate: 15% flat ($412,500)
Maturity: 6/30/2016 with 3% monthly interest on any remaining balances until 12/31/16
Payment: Upon closing of townhome sales
Prepayment penalty: NA
Funds in escrow: $40,000
Status: Performing – All units presold
Default rate: 36%

V) 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 ($855,000 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%

VI) US Government contract factoring – Discount factoring of US government contracts. Returns are 20% plus. Current exposure: $450,000 monthly/running.

Real Estate Owned: NA

Individual Credit Review

I) The Fund purchased this loan at a substantial discount and closed at the end of March. We have since been in discussions with the borrower, which has also made its first interest payment due. Clearly, this is a bet on the stability/existence of the oil industry in the Bakken. We believe we acquired this asset near 'bottom', but prospects for the outcome are heavily dependent on need for decent housing in Williston and environs. This, in turn, is heavily, though not entirely, dependent on the health of oil and gas exploration, development, production, storage, transportation, etc. While only time will tell, we believe that with oil above $40/barrel, this situation pays in full and is a big winner for the Fund. The Fund will make good money with oil in the $30-40/barrel range, but it will be a longer, harder slog, which may require taking ownership. Less than $30/barrel for an extended period of time will certainly diminish the returns ultimately realized.

II) We extended about $300,000 of construction draws to this borrower during Q1 and estimate most of the $450,000 balance will be extended by late summer in order to complete renovation of the property. While there are always potential issues that come up with construction, we know the borrower well and feel good about both the property and his ability to execute.

III) This loan is the classic 'transitional' loan, which came to us from a new source. The collateral is very high quality – great property and location – with no moving parts, i.e.

completed in 2004 with no construction involved. The complexity is the borrower's situation. Q2 will be the critical period to determine whether there is sufficient cash flow from business operations to support debt service and, consequently, lead to a refinance or, alternatively, the asset will need to be liquidated.

IV) While technically still outstanding as of quarter end, this loan is now fully paid. The Fund received the full term of interest over two months early, and, it appears, this borrower has another similar project on the calendar to close in late May so we can redeploy the money. We will be doing diligence this coming month to make sure we can get comfortable with our security for the loan and the prospects for yet another successful project.

V) 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 likely worth $3MM, though fairly illiquid. The borrower has drawn approximately $64,000 of additional funds to improve the property and pay for plans and approvals. He is negotiating a sale of some or all of the property now. We will facilitate the sale to the extent we maintain more than sufficient collateral to protect the Fund's remaining loan balance.

VI) Our target remains to increase this activity to over $1MM monthly on the books by year end 2016. We moved in the right direction in Q1. We also have another sizeable AR funding we are looking at, which could broaden this business in Q2.

Supply Pipeline and Outlook

The pipeline of good opportunities we see is encouraging for this time of the year. It is important that we get much of our cash put to work this coming quarter. These loans will support the Fund's performance through year end, by which time, we should have some payoffs that will provide ready capital to reinvest in what is almost always the most fertile quarter of the year (Q4). Should additional attractive opportunities hit our desk, we may contemplate taking some additional capital at that time.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. The Fund is off to a good start in 2016 and has some exposures that certainly have outsized return potential. As noted, we will be looking to put capital to work this quarter, because things invariably slow down by July and don't pick up again until October or later. We do not plan to be sitting with substantial cash over the summer lull! 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 and our investment management services.

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

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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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