TRANSITIONAL FUNDING PARTNERS LP
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(952-847-2450)

October 26, 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 3.75% for the third quarter of 2016. The Net Asset Value of the Fund was approximately $17.0 million as of October 1, 2016. While much of our existing cash on hand is 'invested' through November, we have begun to receive back, via pay downs, significant sums and are working hard to get $10MM back to work by year end. We have two or three loans at various stages in the pipeline. The extent to which they close will govern how much, if any, additional capital we seek before December 31.

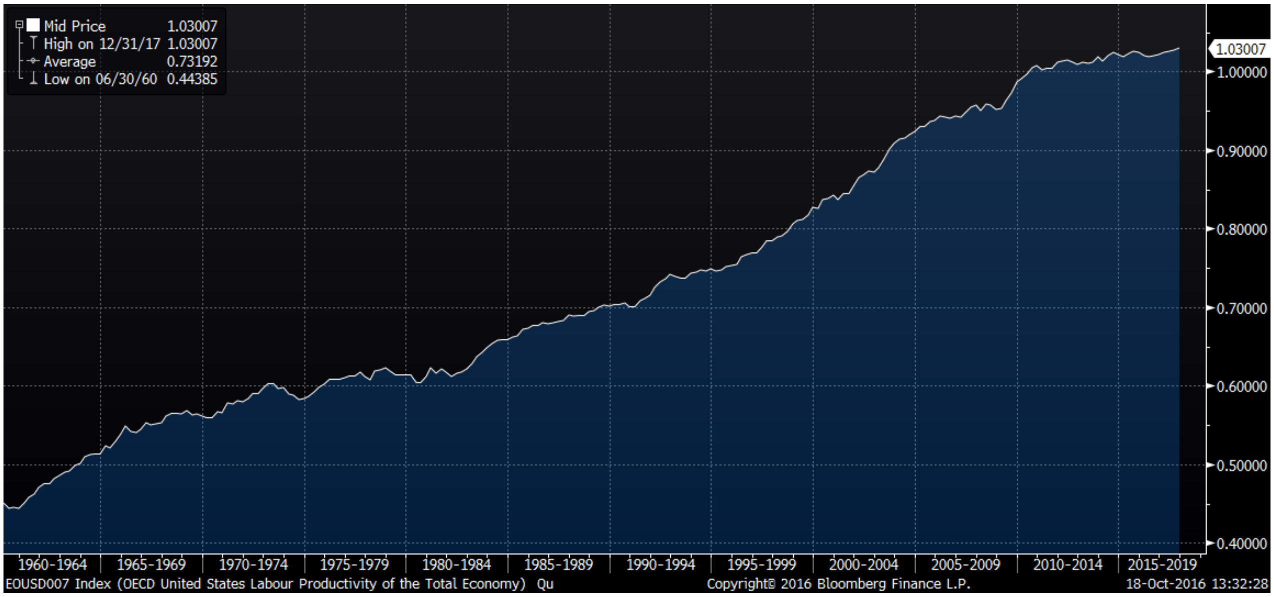
Enclosed please find your Limited Partner Statement for the third quarter of 2016 issued by Alternative Strategy Advisers LLC ("ASA") in its capacity as administrator of the Fund. Limited Partners who have so requested should have received an electronic version of the enclosed statement via email. Any investor who did not receive either his/her statement electronically should contact ASA immediately to correct this problem.

The Lending Environment

It seems that the global QE machine is starting to run out of steam and/or its impact has dwindled to insignificance. Even with the combination of i) Japan and Europe maintaining negative rates and still aggressively buying assets, along with ii) the Fed, despite its more hawkish talk, still adding about $10Bn/month to its portfolio in reinvestment proceeds, global economic growth continues to stall. Demographics and the weight of outstanding debt/obligations are going to be with us for many years and there is little more central bankers can do to fight this economic gravity. Having said this, policy makers have certainly surprised in the past with the lengths to which they will go to postpone, but perhaps exacerbate, the inevitable. We anticipate the next wave to be massive infrastructure spending, fueled by endless Quantitative Easing, i.e. debt cancellation, which may forestall a reckoning with market forces yet longer.

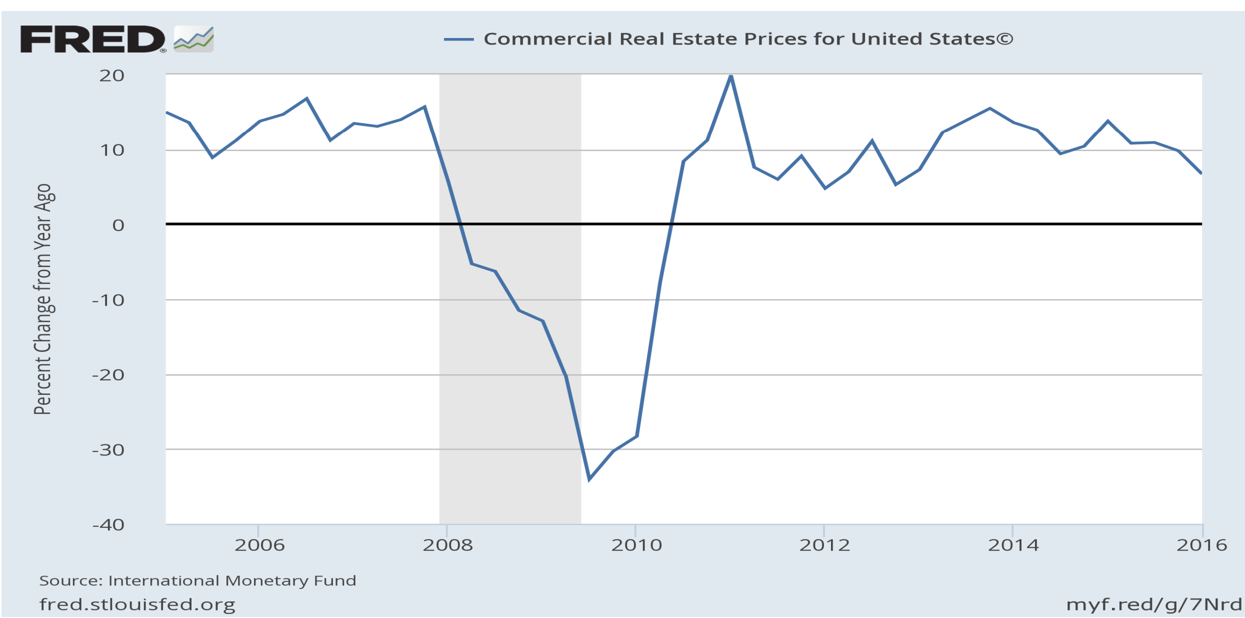
It is interesting to take a quick look at long term labor productivity as perhaps a cause – effect? – of the post-crisis malaise the world has been experiencing.

OECD US LABOR PRODUCTIVITY

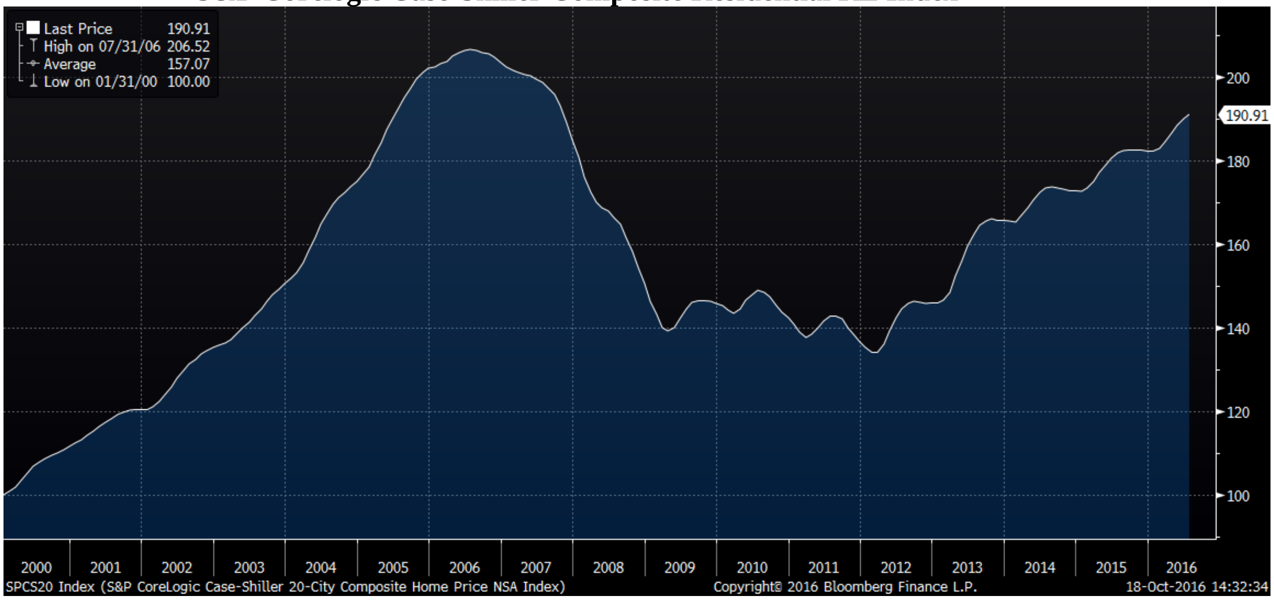


Source: Bloomberg

While the poor productivity of this decade looks very similar to the 1970s and early 80s, the policy prescription and certainly effect on asset prices was very different then than now. With the benefit of hindsight, it is clear the ‘70s offered the cheapest asset prices available in the post-war era with the economic challenges being inflation and tight supplies of goods and services. Debt burdens were relatively low because the cost of debt was very high. After Volcker administered the bitter medicine required to break that cycle, the policy tool ever since has been ever-increasing debt at ever-lower rates to produce growth. Unfortunately, we have now reached the end of that road and have a sort of mirror image of the ‘70s: Similarly poor growth and weak productivity gains but excess supply of global goods and services causing goods and services deflation. Most concerning for us as an asset-based lender, though, is that, rather than flat-lining for a decade as in the ‘70s, asset prices have skyrocketed over the past six years. Asset prices surely go up when you discount future cash flows at zero!



S&P Corelogic Case-Shiller Composite Residential RE Index



Source: Bloomberg

As can inferred from the previous graphs, commercial real estate prices have now surpassed pre-recession peaks and residential prices are nearing those heights as well. Honestly, it is easy to be a lender when your collateral is going up by 10-15% every year! We continue to believe we are very near an inflexion point in risk asset prices and must be vigilant in safeguarding the Fund's capital in the event our collateral were to fall by 30%. At the same time, we must keep lending to generate acceptable returns. Our challenge will be to sidestep the collapse in collateral value with low LTVs providing a cushion, and then be able to marshal meaningful amounts of capital to put to work when returns are the highest. We expect to see how we fair on this test in the next several months.

Portfolio Composition

There was minimal activity in Q3, which is often the case. The portfolio remained unchanged with all assets continuing to perform as anticipated. The following is a recap of the Fund's assets.

I) First lien on a 67 unit apartment building and six residential row houses in Baltimore, MD. Second lien on a five unit multi-family building and a commercial office building also in Baltimore, MD. TFP also holds a UCC-1 on all LLC personal property, the pledge of the member interest and a pledge of cash held in a 1031 Exchange account. The loan was originated by TFP in June 2016.

    Loan Balance: $2,088,000
    Annual mortgage rate: 14% of gross loan balance
    Maturity: 7/1/2017
    Payment: Monthly after initial ten month period
    Prepayment penalty: 10 months of interest minimum
    Funds in escrow: $288,000
    Status: Performing
    Default rate: 19%

II) First lien on a 27.52 acre commercial property zoned for multi-family development in American Fork, UT. The loan was originated by TFP in May 2016.

    Loan Balance: $5,000,000 (initially $3,500,000 at closing with $1,500,000 remaining to disburse)
    Mortgage rate: 15% flat ($750,000)
    Maturity: 12/1/2016 with 3% monthly interest on any remaining balances until 6/1/17

Payment: Upon closing of townhome sales
Prepayment penalty: NA
Funds in escrow: $25,000
Status: Performing – All units presold
Default rate: 36%

III) 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%

IV) First lien on a 5.61 acre residential property containing a 2,935 sq. ft. home plus guest house 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 the remaining $750,000 now fully disbursed)
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%

V) 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 (now ended)
Prepayment penalty: 10 months of interest minimum
Funds in escrow: $25,000
Status: Performing
Default rate: 20%

VI) US Government contract factoring – Discount factoring of US government contracts. Returns have averaged slightly over 20% annually. Current exposure: $450,000 monthly/running.

Real Estate Owned: NA

<u>Individual Credit Review</u>

I) Development of the main property supporting this loan is ongoing with the occupancy rate continuing to rise as new tenants move in. We will likely spend the next six months working with our borrower to prepare his application to HUD, so he can acquire the longer term, cheaper funding that has been the exit strategy from the outset. At this point, that plan appears to be on track.

II) We have received most of our principal back slightly ahead of schedule on this loan. We anticipate full and final payment in the next thirty days and then will wait to see if this developer has another project coming on line that will require the type of flexible, shorter term financing we provide.

III) The Borrower here anticipates having a purchase and sale agreement in place to sell the underlying multi-family collateral by the end of this month and expects to close on that sale around year end. Of course, we would be paid in full from the sale proceeds. While there will likely be some bumps along the way, we now have a fairly clear path to what would be a very successful conclusion to this loan. We should have much better transparency over the next thirty days.

IV) The loan has been fully drawn and we are outside of the prepayment penalty period. We expect the borrower will repay the loan by year end from sale proceeds of another asset and/or a refinance of the property when completed. However, a six month extension may be necessary and that would also be a good outcome for the Fund.

V) We have been in regular contact with the borrower since the interest reserve was exhausted at the end of June. She is making regular monthly payments as prescribed and we expect her to either refinance or sell her property between now and year end in order to repay TFP. That said, the underlying collateral is a nice asset, so an extension scenario or even a foreclosure would be fine from the Fund's perspective.

VI) Our target remains to increase our factoring activity to over $1MM monthly on the books by year end 2016. We made progress toward that goal by adding a new funding client recently. Our next objective is to have three or four clients each having $250-500,000 in government receivables to factor per month.

<u>Supply Pipeline and Outlook</u>

As noted earlier, the investing climate is pretty challenging at present. Both economic and political uncertainty necessitate considerable caution, yet many investors recognize caution won't pay the bills. We actually hope for some turmoil in the fourth quarter to offer more and better lending opportunities (better collateral/lower LTV/higher rate). Only time will tell, which is why we have been very conservative in fundraising. Discipline and discretion remain critical until the asset inflation dam finally breaks.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. The Fund is largely invested in a strong and diverse portfolio of loans that should drive returns for the rest of 2016 with significant cash to be reinvested starting in December. 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, 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.