TRANSITIONAL FUNDING PARTNERS LP

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January 31, 2017

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 3.03% for the fourth quarter of 2016. The Net Asset Value of the Fund was approximately $18.6 million as of January 1, 2017. Year-end opportunities did not materialize as hoped. Or, more specifically, several of them have been pushed into January. We remain hopeful that our close percentage for origination will be at least 50%, because the loan sale market is pretty quiet in Jan-Feb.

Enclosed please find your Limited Partner Statement for the fourth 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

Clearly, the results of the election on November 8 were almost completely unexpected by most market participants. The ramifications of those results are still being handicapped. While the realities of poor demographics, huge debt and entitlement obligations, and a global economy already struggling with capacity overhang are going to be with us for many years, the market's perception is that single-party government in the US led by a brash businessman bent on infrastructure spending, deregulation, and tax reform will drive growth, employment, inflation and profitability, ergo even higher asset prices. While we expected the massive infrastructure spend proposals regardless of who won the election, the prospects for deregulation, tax reform/cutting, etc. really threw gas on the fire. With the Fed and Global CBs nearing the end of what they can realistically do, policy has shifted to the fiscal/structural side. While there is a lot of work to do, and good outcomes are far from certain, this path does seem to us to have some more legitimate chance of success than QE forever. The catch, of course, is that most of these policy initiatives cannot be paid for without yet more debt at a time when the deficit picture will only continue to deteriorate likely requiring QE indefinitely in order to 'fund' the burgeoning deficits. It all seems to feel a bit circular and a bit more like Japan, but if growth really accelerates to 3-4% compounded over a number of years, some of the current problems will become much more manageable.

In managing the Fund, we need to boil down all these macro cross currents into answers to two questions: 1) How available is money and how is it priced? 2) How reasonable/sustainable are asset prices, particularly those that collateralize our loans? Post-election and post-rate hike, the answer to the former seems to be that money is a touch more expensive. However, with Central Banks holding about $18-19 trillion of assets on their balance sheets ($13-14 trillion ex-PBOC), and interest rates still at or near zero in most of the developed world, money remains extremely cheap. Further, it appears bank lending is accelerating as bank reserve balances at the Fed have been dropping significantly over the past two years. This implies money is also even more readily available. Neither of these are particularly good news for the Fund. Nonetheless, we maintain that the real opportunity continues to be finding borrowers who have sound collateral but who are unable to access this easy money via financial markets or banks. While we would say the number of these borrowers has been declining steadily for the last few years, there are still special situations in which the Fund can provide value to borrowers while generating acceptable returns for investors. We just have to be cognizant of the scale of opportunities and manage the size of the Fund accordingly.

The question of appropriateness of asset prices is always hard to answer, except with the benefit of hindsight! We have been apprehensive about the level of asset prices for at least three years, but the band plays on. While there are a few apparent cracks in the dam, most liquid risk-asset prices continue to rise. It remains our opinion that commercial real estate prices are approximately 30% overvalued, residential prices 20%, and equities 25-50%, depending on the index. We are using these valuation metrics when making loans. Again, these opportunities exist, but they are idiosyncratic (alpha) rather than highly scalable (beta).

<u>Portfolio Composition</u>

We made one loan in Q4, received full payment on one loan and spent the remainder of the time managing existing borrowers and developing new loans for Q1 2017. All loans continue to 'perform', though three that matured at year end have been extended. The following is a recap of the Fund's assets.

I) First lien on three parcels of land, one in Hudson, WI and two in Grand Forks, ND. The parcel in Hudson is being developed into a Holiday Inn Express with an (existing) convention facility next door. The two lots in Grand Forks are highly desirable locations suitable for medical building development. The loan was originated by TFP in November 2016.
   - Loan Balance: $1,550,000
   - Annual mortgage rate: 12% of gross loan balance + 4 points upfront
   - Maturity: 11/15/2017
   - Payment: Monthly
   - Prepayment penalty: NA – Full 12 months interest due at payoff
   - Funds in escrow: $26,000
   - Status: Performing
   - Default rate: 20%

II) 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%

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: $350,000 monthly/running.

Real Estate Owned: NA

Individual Credit Review

I) The developer expects to close on the adjacent parcel of property, on which he has an option, in the near future. Once he owns both parcels, he can move on to closing his construction loan - some of which will be used to repay the Fund's loan - and begin construction of the hotel. We expect this to pay off sometime in the spring-summer.

II) Development of the main property supporting this loan is ongoing with the occupancy rate continuing to rise as new tenants move in. While we expect this borrower to have ample cash flow to service the debt by the time the debt service reserve is diminished, the exit strategy remains a refinance from a longer-term funding source, i.e. HUD.

III) Negotiations between our Borrower and the buyers of the collateral apartments are ongoing. The loan has been extended to Feb 28 at a higher interest rate to provide them more time to conclude a deal. If they are unable to conclude a sale, this loan will likely default, as the cash flows cannot support their cost structure and the debt service at current rates. However, we should note that the economics of this project look much healthier with $55/barrel oil, and with some tighter expense management, it can produce very healthy NOI if we do end up owning it at some point. We will know much more by next quarter's report, but probably 60% change the collateral is sold and we are paid, 40% chance it becomes a more contentious workout situation.

IV) The borrower is finishing development of the home. A six month extension was granted for additional compensation to the Fund. We expect the borrower will require the full six month period to sell the property and/or generate needed liquidity.

V) The borrower made regular monthly payments as prescribed through year end. She continues to work on either a refinance or sale of her property in order to repay TFP. As borrower did not wish to extend for six months, we have agreed to a month-to-month forbearance agreement at the default rate. It is the borrower's belief she will be able to repay in the near future, but, as previously noted, the underlying collateral is a nice asset, so a foreclosure would be fine from the Fund's perspective.

VI) Our goal remains to increase our factoring activity to over $1MM monthly on the books. This did not happen in 2016 and, in fact, progress has been slower than we had hoped. The returns are fine and the collateral is solid. The question is whether we can do enough of it to matter!

<u>Supply Pipeline and Outlook</u>

We are cautiously optimistic as we have four or five loans in process that could all be nice assets for the Fund. Of course, each is a different story with a different borrower needing a transitional loan for a different reason. If 50% or more close, we'll be happy. One is quite large ($7 million). If that were to come to fruition, we may have reason to seek a small round of capital in the first or second quarter and will give existing investors first shot!

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. 2016 was a solid year for the Fund and we hope you all had a wonderful holiday season to bring it to a close. We have our work cut out for us as we start anew, though there is significant reason for optimism. 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

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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.