

CRESTLINE DENALI CAPITAL, L.P.
FORM ADV PART 2A

ITEM 1. COVER PAGE

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Date: 3/30/2015

Note: This brochure provides information about the qualifications and business practices of Crestline Denali Capital, L.P. If you have any questions about the contents of this brochure please contact us at (630) 928-2571 or SMarienau@denalicap.com. The information in this brochure has not been approved by the United States Securities and Exchange Commission or by any state securities authority.

Crestline Denali Capital, L.P. is a registered investment adviser. Registration does not imply a certain level of skill or training.

Additional information about Crestline Denali Capital, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

This Firm Brochure, dated March 30, 2015, provides you with a summary of Crestline Denali Capital, L.P.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.

2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

Please contact us for the full disclosure brochure. Our firm's contact information is located on the preceding cover page, attached to this document.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated March 4, 2014:

On October 10, 2014 Dave Killion, Greg Cooper and John Thacker, the principals of Denali Capital LLC (the "Principals"), entered into a strategic partnership with Crestline Management, L.P. to enhance and continue their syndicated non-investment grade loan business through new Collateralized Loan Obligations and other accounts and funds to be managed for investors. Upon entering into this new partnership, Denali Capital LLC was converted to a Delaware Partnership and renamed as Crestline Denali Capital, L.P. The Principals will continue to manage and control DC Funding Partners LLC and its managing member separate from Crestline Denali Capital, L.P.

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ITEM 4. ADVISORY BUSINESS

CRESTLINE DENALI CAPITAL, L.P. (“Crestline Denali”) is an investment management firm specializing in the sourcing, investment, management, and administration of non-investment grade bank loans. Crestline Denali, formerly known as Denali Capital LLC, was established in March 2001. Crestline Denali’s principal owners are Crestline Management, L.P. (“Crestline Management”), an entity primarily owned by Mr. Douglas K. Bratton, and, through their trusts, Mr. David P. Killion, Mr. John P. Thacker and Mr. Gregory R. Cooper (the “Principals”).

As of December 31, 2014 Crestline Denali had approximately \$123 million of par value of bank loans and cash directly under management in one client fund. While at certain times authority may be limited, Crestline Denali typically has, and expects to have, full discretionary authority over its existing client fund, and future client funds, under its management

The advisory services offered by Crestline Denali are tailored to the specific needs of its client funds, as set forth in their operative or offering documents. Client funds are typically subject to strict guidelines on the types of securities they may own. The stage a client fund is in in terms of its life cycle (i.e. warehouse, reinvestment or amortization period) may influence security selection. Day to day monitoring of a client fund’s portfolio composition enables Crestline Denali to customize its services to the needs of each of its client funds.

Generally, the investment advice offered by Crestline Denali is within the bank loan market space. Crestline Denali only provides advisory services to entities with which it has entered into an advisory management contract.

Crestline Denali does not participate in wrap programs.

ITEM 5. FEES AND COMPENSATION

The management and incentive fees of each client fund are established during the structuring of the client fund and are set forth in the offering documents provided to fund investors.

Management fees for client funds structured as a collateralized loan obligation are typically determined as a percentage of a fund’s assets, billed quarterly and paid in arrears. Such fees typically range between .35% and .50%, per annum.

Incentive fees for client funds structured as a collateralized loan obligation are contingent on meeting specified client fund returns and are determined as a percentage of client fund return. Upon achievement of the specified return incentive fees are billed quarterly and paid in arrears. The trustees of each client fund confirm all management and incentive fee

calculations and distribute the fees to Crestline Denali on predetermined payment dates. Crestline Denali does not deduct fees directly from any client's account.

Other expenses that client funds may pay besides management and incentive fees include, but are not limited to, interest expense on securities outstanding and fees for placement, structuring, trustee, legal, rating agency, accounting, tax, systems and loan pricing services. Client funds may also incur brokerage and other transaction related costs. See Item 12 of this brochure for more information on Crestline Denali's brokerage practices.

The operational services agreement between Crestline Denali and DC Funding Partners LLC ("DC Funding") provides for an operational services fee to be paid to Crestline Denali by DC Funding based on a percentage of servicing assets under management. The percentage varies from .20% to .825%, per annum, based upon the total value of assets Crestline Denali administers and supports on behalf of DC Funding. The operational services agreement between Crestline Denali and DC Funding can be amended, or terminated, upon mutual consent. The operational services fee is billed quarterly and paid in advance. DC Funding may obtain a prorated refund of any unearned management fee upon early termination. According to the operational services agreement, Crestline Denali is authorized to pay DC Funding's expenses on its behalf, including the operational services fee. Crestline Denali authorizes the transfer of money from DC Funding to Crestline Denali to pay the operational services fee and for reimbursement of expenses.

Client funds may only terminate advisory services in accordance with the terms of the advisory contract.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Principals will manage and control DC Funding and its managing member separate from Crestline Denali Capital, L.P. and therefore there may be a conflict of interest between allocating investment opportunities among Crestline Denali and DC Funding.

Both Crestline Denali and DC Funding are entitled to receive incentive fees from client funds under their management upon achieving client fund-specific levels of return on investment. Conflicts may arise in the management of the Crestline Denali client funds and DC Funding managed funds, as either manager may have an incentive to favor client funds for which the attainment of the incentive is more likely. As a registered investment adviser Crestline Denali acknowledges it has a fiduciary duty to act in the best interest of each of its client funds regardless of compensation. Crestline Denali's credit policy and compliance manuals, which is relied upon and uniformly applied to all DC Funding managed funds, contain policies and procedures to mitigate any incentive to favor one manager or client fund over another manager or client fund.

While Crestline Denali currently has one client fund under management the policies and procedures it has established will mitigate conflicts of interest which may arise when deciding on how to allocate loan purchases to multiple client funds under management by Crestline Denali or DC Funding. Crestline Denali's credit policy manual states that, in determining allocations of approved purchases, Crestline Denali's and DC Funding's investment committee's shall take into consideration all pertinent information concerning the specific characteristics of the asset being purchased in light of the investment parameters of each client fund. When an asset to be purchased is equally attractive for more than one manager or client fund, the investment committees will generally allocate its anticipated assignment amount proportionally among the client funds. Given limited availability, the anticipated assignment amount may be too small to proportionally allocate among all relevant client funds, in which case the investment committees may prioritize the allocation amount first to the client fund(s) whose investment parameters are best matched to the specific characteristics of the asset and second to the client fund(s) which have the most available capital to invest. The investment committees may also take into account other similar opportunities concurrently available when allocating among its client funds (especially when there are several similar trade opportunities) with an overall objective that each fund receive its proportional share of all relevant trade opportunities over time. Additionally, closed client funds may receive preference of allocations over client funds still in the pre-pricing warehouse phase.

Additional considerations may apply with respect to loan trades intended to be held for the short term only and sold at a profit. In the course of reviewing investment opportunities, Crestline Denali may determine that the anticipated market demand for a new loan offering vis-à-vis secondary trading levels for loans of similar type may provide an opportunity to realize a gain on the purchase, short term hold, and subsequent sale of the loan. Crestline Denali vests the authority to execute purchase, short term hold, and subsequent sale trades in the Senior Managing Director or certain Directors. Due to the high market demand that gives rise to Crestline Denali's determination that a purchase, short term hold, and subsequent sale trade opportunity exists, Crestline Denali may not be allocated a sufficient amount to fill the order on behalf of all eligible Crestline Denali or DC Funding client funds. In such circumstances the investment committees of Crestline Denali and DC Funding allocate purchase, short term hold, and subsequent sale trades on a rotational basis among those client funds for which purchase, short term hold, and subsequent sale trading is an express or implied investment strategy and excludes any client fund that expressly excludes such trading from its investment strategy. In addition, a client fund will be bypassed in the rotation if the loan asset subject to the purchase, short term hold, and subsequent sale trade would be ineligible for investment by the client fund. Limitations on discretionary trading by certain client funds may also affect the allocation of purchase, short term hold, and subsequent sale trades. Finally, any client fund that has not yet issued its permanent debt and equity securities will not be included in the purchase, short term hold, and subsequent sale trade rotation if it is determined that Crestline Denali, or its affiliates, will directly benefit from such trade activity. For instance, Crestline Denali, or its affiliates, may be a direct beneficiary of any purchase, short term hold, and subsequent sale trade gain realized during the warehouse period because it provides all, or a substantial portion of, the "first loss" capital in support of a

client fund's temporary financing facility. If such an instance occurs the client fund will not be included in the purchase, short term hold, and subsequent sale trade rotation until a client fund's permanent financing has been issued unless, by virtue of any of the preceding limitations, there is at the time of the purchase, short term hold, and subsequent sale trade no closed client fund for which the trade can be made. Only non-proprietary client funds are eligible to participate in the purchase, short term hold, and subsequent sale trade rotation.

Crestline Denali may from time to time direct the purchase of a loan from, or the sale of a loan to, another client fund managed by Crestline Denali, DC Funding or an affiliate. Crestline Denali's policy on cross fund transactions states such transactions must be conducted on an arm's-length basis and be at an established fair market value of the particular loan. Because of the nature of these cross fund transactions, a potential conflict of interest exists. Crestline Denali will not conduct cross fund transactions with any client fund in which DC Funding, Crestline Denali, or any affiliates or Members thereof, have an ownership interest unless Crestline Denali obtains the written approval of such client fund's third party fiduciary. Additional information regarding Crestline Denali's cross fund trading activities is available to any existing or prospective client fund upon request.

ITEM 7. TYPES OF CLIENTS

The typical client fund managed by Crestline Denali is an offshore, non-public, closed-end, pooled investment fund often structured as either a collateralized loan obligation or hedge fund. While each client fund is structured separately, they often operate very similarly to one another. A client fund is owned by a group of investors who contribute typically 8% to 15% of the total capital structure. Crestline Denali, or its affiliates, will often, but not always, be a member of this ownership group. Debt investors will contribute the remaining portion of the capital structure. The money provided by the debt and equity investors will be managed by Crestline Denali per each client fund's operative agreement to purchase primarily portions of syndicated, below investment grade, commercial bank loans and selectively other assets. Subsequent to initial closing the client funds managed by Crestline Denali are typically closed to new investors.

Crestline Denali participates in a unique environment which makes it impractical to establish a minimum client fund size requirement. Crestline Denali's decisions to enter into and maintain fund advisory engagements are primarily based on the amount and likelihood of receipt of management and incentive fees.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Crestline Denali will tailor its investment strategy, which is best summarized as primarily long only, buy and hold, to each client fund. Crestline Denali attempts to keep its client funds reasonably fully invested at all times by purchasing primarily first lien senior secured non-investment grade syndicated bank loan obligations extended primarily to

U.S.-based companies operating across numerous industries. This strategy is intended to create diverse investment portfolios designed to help mitigate default risk and to enable its client funds to profit from the interest rate arbitrage between the interest earned on the underlying investment pool and the interest paid on its borrowing source.

Crestline Denali targets small investment positions typically equal to .3% - 2.0% of an individual client fund's total size in an effort to minimize individual obligor default risk.

Crestline Denali will generally invest in bank loan obligations possessing the following core credit attributes:

- The transaction will involve a private company and be sponsored by a private equity sponsor firm having significant or meaningful capital invested or at risk or a transaction with a public or privately-held company represented by a financial intermediary.
- The borrower will have a professional management team with a combination of experience, balance and depth.
- The borrower will be a market leader or possess a demonstrable strategic advantage.
- The borrower will have a proven or provable record of earnings in line with the capital structure in place or proposed.
- The transactions will be generally structured along one or more of the following key financial ratios:
 - Pro forma Senior Debt/EBITDA average of 3.5x (4.0x upper range)
 - Pro forma Total Debt/EBITDA average of 5.0x (5.5x upper range)
 - Pro forma Cash Flow Interest Coverage greater than 2.0x
 - Pro forma Fixed Charge Coverage greater than 1.2x
 - Sub-debt plus equity at least 40% of total capitalization
 - Cash equity at least 20% of total capitalization

The investment strategies of Crestline Denali pose the following material risks to its client funds under management and client fund investors:

- **Limited Liquidity:** There is limited ability to sell the client funds' investments as secondary markets often do not exist and the ability to transfer ownership to another entity is restricted. This risk may be heightened in times of economic downturn or in response to a specific economic event. In addition, loans to companies at the smaller end of the syndicated loan market trade less frequently than loans to larger companies and, in some instances, have no, or only a limited, trading market.
- **High Leverage:** The client fund is highly leveraged and this may result in situations where the interest expense due is greater than interest income collected. The more subordinate the investor, the greater risk of non-payment.
- **Credit:** A borrower may not make required principal or interest payment under its borrowing terms.

- Interest rate and prepayment: Companies are likely to prepay their outstanding loans during periods of declining interest rates. Proceeds received from prepayment may be reinvested in a lower yielding investment.
- Non-investment grade investments: Non-investment grade loans will have greater credit and liquidity risk than investment grade obligations and are more likely to be impaired during periods of economic downturn.
- Risk retention rules: Section 941 of the Dodd-Frank Act generally requires sponsors of asset-backed securities to retain not less than 5% of the credit risk of the assets collateralizing the asset-backed securities. Risk retention rules could limit the ability of a fund to issue additional notes or undertake any refinancings, re-pricings, or other amendments.

Client funds and their investors should be prepared to bear the risk of loss of principal when investing in bank loans.

Additional risk factors are set out in detail in the offering documents for the client funds, which are available to prospective investors prior to a client fund's closing. Existing investors may receive an additional copy of the offering document upon request.

ITEM 9. DISCIPLINARY INFORMATION

Crestline Denali has no disciplinary information to report.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Crestline Denali has entered into an agreement with DC Funding, a related party, that is material to its advisory business. DC Funding is a registered investment adviser and is the portfolio manager of approximately \$1.3 billion of bank loans and cash across six collateralized loan obligation funds ("CLOs"). Crestline Denali's employees perform operational and administrative services on behalf of DC Funding to support DC Funding's CLO management responsibilities. DC Funding and Crestline Denali may provide advisory services on the same type of securities. See Item 6: Performance-Based Fees and Side-By-Side Management for information on investment allocation procedures.

Crestline Denali's principal owner, Crestline Management, is a registered investment advisor. Certain affiliates of Crestline Management will sponsor a series of new CLOs to be managed by Crestline Denali. Certain principal owners of Crestline Management have an indirect ownership interest in Crestline Denali. Because of the principals' ownership interest in Crestline Denali, those related persons share in the fees, revenues or profits that Crestline Denali generates.

Crestline Denali does not select or recommend other advisers for its client funds.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

In order to meet its obligations as a fiduciary, Crestline Denali has adopted a code of ethics, which incorporates general principles which all Crestline Denali employees are expected to uphold. As an investment adviser, Crestline Denali is a fiduciary of its client funds. Accordingly, Crestline Denali has a fiduciary duty at all times to place the interests of its client funds before the interests of itself and all access persons.

In accordance with the code of ethics, neither Crestline Denali nor a related person buys or sells for client funds securities in which Crestline Denali, or its affiliates, have a material financial interest. Neither Crestline Denali nor a related person is permitted to invest in the same, or similar, securities that it recommends to its client funds. However, securities Crestline Denali purchases for its client funds may be the same type of, or similar, securities DC Funding purchases for its client funds.

The Principals have a direct and/or indirect beneficial interest in the following funds managed by DC Funding: Denali Capital CLO IV, Ltd., Denali Capital CLO V, Ltd., Denali Capital CLO VI, Ltd., Denali Capital CLO VII, Ltd., and Denali Capital CLO X, Ltd.

Under the code of ethics, all Crestline Denali employees are deemed to be access persons and required to provide all personal securities transaction reports to Crestline Denali's compliance area. Access persons also must obtain the pre-approval of the compliance area before entering into trades involving initial public offerings or private placements. All employee personal securities transactions must be conducted in a manner consistent with the code of ethics and avoid any actual or potential conflicts of interest or any abuse of an employee's position. Employees may not take any inappropriate advantage of their positions at Crestline Denali. Information concerning the identity of securities and financial circumstances of client funds and their investors must be kept confidential. Crestline Denali maintains a list of all companies with public debt or equity from whom it has received financial or other material information. Employees are restricted from investing in securities of companies on this list. This list of companies is updated and available to all employees on a weekly basis. All employee brokerage accounts are monitored for any activity with companies on the restricted list.

Employees are prohibited from accepting or giving a gift, favor, entertainment, special accommodation, or other item of value of more than de minimis value (\$200).

A copy of the code of ethics is available to any existing or prospective client fund upon request. You may obtain a free copy of the code of ethics by contacting Scott Marienau at 630-928-2571 or smarienau@denalicap.com.

ITEM 12. BROKERAGE PRACTICES

Crestline Denali trades on behalf of its clients in bank loans on both a primary and secondary basis. A primary transaction occurs when an issue first comes to market, as a result of an acquisition, refinance or recapitalization of a company or business. Crestline Denali typically accesses a primary transaction through large commercial or investment banks, regional banks or specialty finance companies. In a primary transaction one organization is usually responsible for the syndication of the bank debt and as such is the party Crestline Denali negotiates the possible purchase. A secondary transaction involves one existing holder of the bank debt selling its position, in full or part, to another institution. These transactions usually occur through a trading desk whose function is to bring buyers and sellers together. Crestline Denali is from time to time both a seller and a buyer in the secondary market. As a result of Crestline Denali's, and its predecessor Denali Capital LLC's, long standing participation in this market sector, it believes it has more than adequate access to assets for its client funds.

Crestline Denali has full discretionary authority to place trades on behalf of its clients. As a result, Crestline Denali is obligated to obtain best execution of securities transactions for its client funds. Best execution is generally described as a duty to execute securities transactions so that a client's total costs or proceeds are the most favorable under the circumstances. The Securities and Exchange Commission (the "SEC") has stated that, when seeking best execution, an adviser should consider the full range and quality of a broker-dealer's services in placing trades. Best execution therefore is not necessarily determined by the lowest possible commission costs, but rather by the best qualitative execution. Factors Crestline Denali may consider when selecting broker-dealers generally include price, execution risk, market conditions, and historical performance.

In placing specific orders to purchase and sell securities for its client funds, Crestline Denali considers a number of factors in selecting the appropriate broker-dealer, such as:

- (i) determining which broker-dealers with whom Crestline Denali conducts business make an active market in the asset;
- (ii) determining what their respective current bid or offer prices, as applicable, are;
- (iii) comparing what, if any, assignment fees may be charged depending on which broker-dealer is selected;
- (iv) taking into account whether the quoted prices are immediately actionable (i.e. whether the broker-dealer actually owns and is ready to sell an asset, or is ready to confirm an order for purchase).

Crestline Denali does not seek to obtain products or "soft dollars," research or services other than transactional services from its intermediaries.

ITEM 13. REVIEW OF ACCOUNTS

Weekly reviews of client fund performance and portfolio composition are performed by middle and senior management to ensure each client fund is managed in accordance with its respective operative agreements. In addition to internally performed reviews, third party service providers such as administrators, accounting firms, and trustees independently review client fund and advisory activities monthly to ensure further compliance with each client fund's governing document.

Reports are distributed to each client fund and its investors as required by each client fund's operative agreement. Middle and senior management perform a detailed review of all reports for accuracy and compliance prior to distribution. Reporting requirements differ by client fund and range from detailed reports of underlying transactions to a summarized view of client fund activity. Crestline Denali or third party service providers prepare quarterly investor letters and monthly and quarterly portfolio reports. These documents may be distributed directly to investors by Crestline Denali or by the service provider.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Neither Crestline Denali nor its related persons operate under any arrangement where it or they receive compensation or any economic benefit from a non-client for providing advisory services to a client.

In consideration for certain holders of a class investing in a substantial portion of a client fund's equity Crestline Denali may share with such holders a percentage of the management fees paid by a client fund. These amounts are payable to such holders solely when the management fees are paid in cash from the client fund.

ITEM 15. CUSTODY

Crestline Denali does not have custody of the client funds under its management. Any cash and securities owned by the client funds under its management are maintained with trustees and can only be disbursed by the trustees according to defined uses as outlined in each client fund's operative agreements. The client funds and their investors receive account statements, prepared independently from Crestline Denali, directly from the trustees. The client funds and its investors should carefully review these account statements and are encouraged to compare these account statements with those statements and letters they receive from Crestline Denali.

ITEM 16. INVESTMENT DISCRETION

Crestline Denali has full discretionary authority over all client funds to operate within the parameters of each client fund's operative agreements. Crestline Denali performs a thorough review of the operative agreements of its clients and engages in day to day

monitoring of client fund performance and portfolio composition to ensure customization of its services to the needs of each of its clients.

ITEM 17. VOTING CLIENT SECURITIES

Crestline Denali does not engage in typical proxy voting activities as defined by the SEC but considers voting on loan amendments, modifications, waivers, and other similar items to be similar to proxy voting. Crestline Denali has authority to vote on behalf of client funds as granted to it within each client fund management agreement.

The chief credit officer of Crestline Denali possesses the overall responsibility to ensure compliance with procedures relating to approval of amendments, modifications and waivers, and other similar items. All positions with respect to such items must be approved by the required individuals in accordance with Crestline Denali's current Delegations of Authority and Pre-Funding and Amendment Authority matrices.

Crestline Denali's general policy is to vote in favor of proposed amendments it believes are a necessary aspect of a business' operations and/or that Crestline Denali believes will preserve or enhance the value of the investment for each client fund. Crestline Denali must act as a fiduciary when voting on behalf of its client funds. In that regard, Crestline Denali will seek to avoid possible conflicts of interest in connection with voting. If a conflict of interest with respect to voting exists, Crestline Denali must either seek the client fund's informed direction or abstain from voting. Crestline Denali will not make any decisions as to whether to participate in or opt out of a class action involving securities in which client funds are invested.

Additional information regarding Crestline Denali's voting policies and procedures and any specific voting decision are available upon request. Contact Scott Marienau 630-928-2571 or smarienau@denalicap.com to obtain further information.

ITEM 18. FINANCIAL INFORMATION

As of the date of this report, to the best of Crestline Denali's knowledge, no financial condition exists that is reasonably likely to impair Crestline Denali's ability to meet its contractual commitments.