

DC FUNDING PARTNERS LLC
FORM ADV PART 2A

ITEM 1. COVER PAGE

Name: DC FUNDING PARTNERS LLC
Address: c/o Crestline Denali Capital, L.P.
2001 Spring Road, Suite 220
Oak Brook, IL 60523
Phone: 630-928-2560
Fax: 630-572-0801
SEC file number: 801-62552
CRD number: 127379
Website: www.denalicap.com
Date: 3/30/2015

NOTE: THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF DC FUNDING PARTNERS LLC. 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.

DC FUNDING PARTNERS LLC IS A REGISTERED INVESTMENT ADVISER. REGISTRATION DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

ADDITIONAL INFORMATION ABOUT DC FUNDING PARTNERS LLC 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 DC Funding Partners LLC'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 preceeding 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:

In October 2014, the managing member interest in DC Funding Partners LLC ("DC Funding") was distributed by Denali Capital LLC to its sole member, Denali Capital LP. DC Funding also entered into an operational services agreement with Crestline Denali Capital, L.P. ("Crestline Denali"), formerly known as Denali Capital LLC, under which Crestline Denali's employees will provide operational and administrative services to DC Funding.

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ITEM 4. ADVISORY BUSINESS

DC Funding Partners LLC (“DC Funding”) is an investment management firm specializing in the sourcing, investment, and management of non-investment grade bank loans. DC Funding has been in business since March of 2001 and has been owned by Mountain Line L.P. and Denali Capital LLC or Denali Capital LLC’s sole member Denali Capital LP (collectively “Denali”) since DC Funding’s inception. Denali is the managing member of DC Funding and provides all advisory services to DC Funding’s client funds. Through their trusts Mr. David P. Killion, Mr. John P. Thacker and Mr. Gregory R. Cooper (the “Principals”) own Denali.

As of December 31, 2014, DC Funding had approximately \$1.3 billion of bank loan securities and cash under management across six leveraged, structured finance funds. DC Funding has full discretionary authority over all client funds under its management.

The advisory services offered by DC Funding are tailored to the specific needs of each of its client funds, as set forth in their operative or offering documents. The client funds are subject to strict guidelines on the types of securities they may own. Where a client fund is 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 DC Funding to customize its services to the needs of each of its client funds.

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

DC Funding 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 client fund investors.

Management fees are determined as a percentage of client fund assets, are billed quarterly, and paid in arrears. Management fees typically range between .40% and .525%, per annum.

Incentive fees are contingent on meeting specified client fund returns and are determined as a percentage of client fund total 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 DC

Funding on predetermined payment dates. DC Funding does not deduct fees directly from any client's account.

Other expenses client funds may pay besides management and incentive fees include, but are not limited to, interest expense on securities outstanding and bank borrowings 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 DC Funding's brokerage practices.

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 and therefore there may be a conflict of interest between allocating investment opportunities among Crestline Denali and DC Funding.

Both DC Funding and Crestline Denali 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 DC Funding client funds and Crestline Denali 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 DC Funding acknowledges it has a fiduciary duty to act in the best interest of each client fund regardless of compensation. DC Funding relies upon and uniformly applies the policies and procedures in place within Crestline Denali Capital, L.P.'s credit policy and compliance manuals to mitigate any incentive to favor one manager or client fund over another manager or client fund. See Item 10 of this brochure for more information on Crestline Denali Capital, L.P. ("Crestline Denali").

Conflicts of interest may arise when deciding on how to allocate loan purchases to the client funds under management by DC Funding or Crestline Denali. Crestline Denali's credit policy manual states that, in determining allocations of approved purchases, DC Funding's and Crestline Denali's investment committees 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 client 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 warehouse phase.

Additional considerations may apply with respect to trades intended to be held for the short term only and sold at a profit. In the course of reviewing investment opportunities, DC Funding 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. Due to the high market demand that gives rise to DC Funding's determination that a purchase, short term hold, and subsequent sale opportunity exists, DC Funding may not be allocated a sufficient amount to fill the order on behalf of all eligible DC Funding or Crestline Denali client funds. In such circumstances the investment committees of DC Funding and Crestline Denali allocate purchase, short term hold, and subsequent sale trades on a rotational basis among those client funds for which such trading is an express or implied investment strategy and excludes any fund that expressly excludes such trading from its investment strategy. Currently Denali Capital CLO VI, Ltd. and Denali Capital CLO VII, Ltd. are excluded due to this provision. 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 fund. Currently Denali Capital CLO IV, Ltd., Denali Capital CLO V, Ltd., and Spring Road CLO 2007-1, Ltd. are excluded on this basis. 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 is a collateralized loan obligation 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 DC Funding, or its affiliates, will directly benefit from such trade activity. For instance, DC Funding, 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.

DC Funding may from time to time direct the purchase of a loan from, or the sale of a loan to, another client fund managed by DC Funding, Crestline Denali or an affiliate. DC Funding'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. DC Funding 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 DC Funding obtains the written approval of such client funds third party fiduciary. Additional information regarding DC Funding'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 DC Funding is an offshore, non-public, closed-end, pooled investment fund often structured as either a collateralized loan obligation. 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. DC Funding is often, but not always, 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 DC Funding per each client fund's operative agreement to purchase primarily portions of syndicated, below investment grade, commercial bank loans and selectively other assets. All client funds currently managed by DC Funding are closed to new investors.

DC Funding participates in a unique environment which makes it impractical to establish a minimum client fund size requirement. DC Funding's decisions to enter into and maintain client 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

DC Funding will tailor its investment strategy, which is best summarized as primarily long only, buy and hold, to each client fund. DC Funding 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. These diverse investment portfolios are intended 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. DC Funding 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.

DC Funding will generally invest only in bank loan obligations possessing the following core credit attributes:

- A private company transaction sponsored by 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 DC Funding 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:** There is risk that a company 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 amendment.

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 closed to new investment, and are available to current client fund investors.

ITEM 9. DISCIPLINARY INFORMATION

DC Funding has no disciplinary information to report.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

DC Funding has entered into an operational services agreement that is material to its advisory business with Crestline Denali, a related party and registered investment advisor. Under the operational services agreement Crestline Denali's employees perform operational and administrative services on behalf of DC Funding to support DC Funding's client fund 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.

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

In accordance with the code of ethics, neither DC Funding nor a related person buys or sells for client funds securities in which DC Funding has a material financial interest. Neither DC Funding nor a related person may invest or is permitted to invest in the same, or similar, securities that it recommends to 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.

DC Funding has a direct beneficial interest in the following client funds: 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 DC Funding'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 Crestline Denali 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. Crestline Denali employees may not take any inappropriate advantage of information obtained as a result of their positions at Crestline Denali or services performed for DC Funding. Information concerning the identity of securities and financial circumstances of client funds and their investors must be kept confidential. As part of the services performed under the operational services agreement with Crestline Denali a list of all companies with public debt or equity from whom DC Funding has received financial or other material information is maintained. Crestline Denali employees are restricted from investing in securities of companies on this list. This list of companies is updated and available to all Crestline Denali employees on a weekly basis. All Crestline Denali employee brokerage accounts are monitored for any activity with companies on the restricted list.

Crestline Denali 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

DC Funding trades on behalf of its client funds 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. DC Funding 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 with whom DC Funding 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. DC Funding is from time to time both a seller and a buyer in the secondary market. As a result of DC Funding's and Crestline Denali's long standing participation in this market sector, it believes it has more than adequate access to assets for each of its managed client funds.

DC Funding has full discretionary authority to place trades on behalf of its clients. As a result, DC Funding 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 over the long term. 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 DC Funding 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, DC Funding considers a number of factors in selecting the appropriate broker-dealer, such as:

- (i) determining which broker-dealers with whom DC Funding 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).

ITEM 13. REVIEW OF ACCOUNTS

Weekly reviews of client fund performance and portfolio composition are performed by Crestline Denali middle and senior management to ensure each DC Funding client fund is managed in accordance with its operative agreements. In addition such 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 operative agreement. Crestline Denali 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. Denali, as managing member of DC Funding, or third party service providers prepare quarterly investor letters and monthly and quarterly portfolio reports. These documents may be distributed directly to investors by Denali, as managing member of DC Funding, or by the service provider.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Neither DC Funding 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 of security nominating DC Funding for appointment as the successor to an unrelated collateral manager or investing in a substantial portion of a client fund's equity DC Funding, as instructed by its managing

member, 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

DC Funding 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 may be disbursed by the client fund only according to defined uses as outlined in each funds operative agreements. The client funds and their investors receive account statements, prepared independently from DC Funding, directly from the trustees. The client funds and their investors should carefully review these account statements and are encouraged to compare these account statements with those statements and letters it receives from DC Funding or Denali on behalf of DC Funding.

ITEM 16. INVESTMENT DISCRETION

DC Funding has full discretionary authority over all client funds to operate within the parameters of each client fund's operative agreements. DC Funding performs a thorough review of its clients' operative agreements 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

DC Funding 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. DC Funding has authority to vote on behalf of client funds as granted to it within each client fund management agreement. Unless specifically addressed within a client fund's management agreement, client funds are unable to direct or influence DC Funding's voting.

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.

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

Additional information regarding DC Funding's voting policies and procedures and any specific voting decision are available upon request. Contact Scott Marienau at 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 DC Funding's knowledge, no financial condition exists that is reasonably likely to impair DC Funding's ability to meet contractual commitments to its client funds.