

TAILWIND MANAGEMENT L.P.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2014

TAILWIND MANAGEMENT, L.P.
(a Delaware limited partnership)

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INDEPENDENT AUDITORS' REPORT

To the General Partner
Tailwind Management L.P.

Report on Financial Statement

We have audited the accompanying financial statement of Tailwind Management L.P., which comprises the statement of financial condition as of December 31, 2014, and the related notes to the statement of financial condition.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Tailwind Management L.P. as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.



New York, New York
March 30, 2015

TAILWIND MANAGEMENT L.P.
(a Delaware limited partnership)

Statement of Financial Condition
December 31, 2014

ASSETS

Cash and cash equivalents	\$	1,138,634
Restricted cash		1,019,137
Accounts receivable (See Note F)		6,111,443
Prepaid and other assets		174,808
Fixed assets, net		<u>414,724</u>
	\$	<u>8,858,746</u>

LIABILITIES AND PARTNERS' CAPITAL

Liabilities:

Accounts payable	\$	2,313,134
Accrued liabilities		2,043,670
Incentive plan fee payable		418,409
Deferred portfolio income		<u>371,538</u>

Total liabilities		<u>5,146,751</u>
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Commitments and contingencies

Partners' capital:

General Partner		-
Limited Partners		<u>3,711,995</u>

Total partners' capital		<u>3,711,995</u>
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	\$	<u>8,858,746</u>
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TAILWIND MANAGEMENT L.P.
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Notes to Statement of Financial Condition
December 31, 2014

Unless otherwise noted, capitalized terms are defined in the Agreement (as defined below).

NOTE A - ORGANIZATION

Tailwind Management L.P. (the "Partnership") was formed on September 16, 2005 as a Delaware limited partnership by Tailwind Capital Group LLC ("General Partner") and commenced operations on November 18, 2005. The Partnership was formed to provide advisory, management, administrative, consulting and other services to Tailwind Capital Partners, L.P. and its related parallel investment partnerships ("Tailwind Fund I"), Tailwind Capital Partners II, L.P. and its related parallel investment partnerships ("Tailwind Fund II" or collectively the "Tailwind Funds"), TWCP L.P. and its related parallel investment partnerships ("TWCP Fund"), and affiliated entities ("Affiliates"). The Partnership is registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940. The original limited partnership agreement was amended and restated as of August 15, 2008 (the "Agreement"). On October 25, 2013, the Agreement was amended in its entirety and allowed for the admittance of additional Partners. The Partnership will continue until such time that the General Partner of the Partnership decides to dissolve or wind up its affairs.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

[2] Use of estimates:

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires the General Partner to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclose contingent assets and liabilities, at the date of the statement of financial condition. Actual results could differ from those estimates.

[3] Cash and cash equivalents:

Cash and cash equivalents include all highly liquid instruments purchased with original maturities of three months or less. The Partnership currently invests in cash management accounts with one major bank. In the event of that bank's insolvency, recovery may be limited to account insurance or other protection afforded such deposits.

[4] Fixed assets:

Fixed assets are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the respective assets or the lease term for leasehold improvements. Expenditures for repairs and maintenance are expensed as incurred.

[5] Revenue recognition:

Management and monitoring fees are recognized on an accrual basis as they are earned.

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Income taxes:

No provision for federal income taxes has been made since all income and losses are allocable to the limited partners for inclusion in their respective tax returns. The Partnership is subject to a 4% New York City unincorporated business tax. There are currently no income tax returns under audit. With few exceptions, the Partnership is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before December 31, 2011. Management is not aware of any tax positions which, more likely than not, will result in any material tax liabilities which should be recorded or disclosed in the accompanying statement of financial condition.

NOTE C - FUTURE ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In February 2015, the Financial Accounting Standards Board ("FASB") issued new guidance to improve consolidation guidance for legal entities (Accounting Standards Update ("ASU") 2015-02, Consolidation (Topic 810) effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in the ASU affect the consolidation evaluation for the reporting organization. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The Partnership is currently evaluating the impact of this guidance on its financial statements.

NOTE D - RESTRICTED CASH

The Partnership has two twelve-month certificates of deposit ("CDs") for \$419,309 and \$101,053 to secure two letters of credit. The first letter of credit for \$404,000 represents the security deposit held for the Partnership's occupancy lease and is automatically extended, without amendment, for successive periods of one year with a final expiration date of May 31, 2017, unless written notice is provided no later than 60 days before the then existing expiration date. The second letter of credit for \$100,000 supports the Partnership's payroll and is automatically extended, without amendment, for successive periods of one year with a final expiration date of March 13, 2019, unless written notice is provided no later than 30 days before the then existing expiration date. Both CDs mature on March 6, 2016 and earn 0.25% interest, as of December 31, 2014.

NOTE E - FIXED ASSETS

Fixed assets, net at December 31, 2014 are as follows:

Furniture and fixtures	\$ 372,041
Equipment	756,774
Software	199,524
Artwork	17,719
Leasehold improvements	<u>650,320</u>
	1,996,378
Less: accumulated depreciation and amortization	<u>(1,581,654)</u>
Fixed assets, net	<u>\$ 414,724</u>

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December 31, 2014

NOTE F - ACCOUNTS RECEIVABLE

The Partnership pays for certain expenses on behalf of the Tailwind Funds, the TWCP Fund, their related portfolio companies, and Affiliates. As stated in the limited partnership agreements and the management services agreements with these entities, the Partnership is to be reimbursed for such expenses. As of December 31, 2014, the accounts receivable balance is comprised of:

Due from Tailwind Fund II	\$ 2,375,599*
Fundraising receivable (Note M)	2,076,324
Due from Portfolio Companies (including amounts relating to in process deals)	1,024,601
Due from Affiliates - Other	391,941
Due from Tailwind Fund I	215,620
Due from TWCP Fund	12,946
Other	<u>14,412</u>
Total Accounts Receivable	<u>\$ 6,111,443</u>

*Includes net management fee receivable of approximately \$787,000 (see Note G)

NOTE G - MANAGEMENT FEE

The Partnership earns management fees from the Tailwind Funds in return for investment advisory services. Such fees are paid semi-annually in advance from Tailwind Fund I and quarterly in advance from Tailwind Fund II and provide the primary source of income for the Partnership.

The Tailwind Fund I management fee is calculated at a rate of 1.5% per annum of non-affiliated limited partners' aggregate invested capital, subject to certain adjustments per the Tailwind Fund I partnership agreements, until the twelfth anniversary of the original last closing date. After such date, the fee will be calculated at a rate of 0.75% of non-affiliated limited partners' aggregate invested capital.

The Tailwind Fund II management fee is calculated at a rate of up to 2.0% per annum of non-affiliated limited partners' capital commitments, subject to certain adjustments per the Tailwind Fund II partnership agreements, until the sixth anniversary of the first closing date of Tailwind Fund II. Notwithstanding the foregoing provisions, certain limited partners may have different terms as described in their respective side-letter agreements. As a result of the admission of additional capital commitments on December 31, 2014, Tailwind Fund II owed the Partnership approximately \$787,000 of net management fees which is included in Accounts Receivable on the Statement of Financial Condition.

The Partnership has been appointed the manager for the TWCP Fund. In consideration of these services, the managing general partner of the TWCP Fund, TWCP-GP LLC, may elect to pay a fee to the Partnership.

NOTE H - DEFERRED PORTFOLIO COMPANY INCOME

The Partnership may receive monitoring and board fees from certain Tailwind Fund I and Tailwind Fund II portfolio companies. Of the fees received from the Tailwind Fund I portfolio companies, 80% are offset against the Tailwind Fund I management fee (see Note G) in the semi-annual period after which the fee is received. Of the fees received from the Tailwind Fund II portfolio companies, 100% are offset against the Tailwind Fund II management fee (see Note G) in the quarterly period after which the fee is received. As of December 31, 2014, the deferred portfolio company income balance on the Statement of Financial Condition relates to fees received from Tailwind Fund I portfolio companies and will offset the first half 2015 Tailwind Fund I management fee. No fees have been received from Tailwind Fund II portfolio companies.

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NOTE I - OTHER RELATED PARTY TRANSACTIONS

During 2014, the Partnership paid the General Partner \$375,000 in order for it to pay its entity level operating expenses.

NOTE J - LEASES

As of December 31, 2014, the Partnership is party to an occupancy lease agreement with a third party through April 2017. Future minimum annual rental payments under the lease at December 31, 2014 are as follows:

2015	\$ 795,536
2016	795,536
2017	<u>265,179</u>
Total	<u>\$ 1,856,251</u>

NOTE K - 401(K) PLAN

The Partnership provides a noncontributory 401(k) plan for the benefit of eligible employees.

NOTE L - CONTINGENCIES

The Partnership has an incentive plan in which certain employees are eligible to participate. The incentive plan is contingent upon carried interest earned in connection with a realization event by Tailwind Fund I as well as other requirements, as defined. Subject to certain thresholds, as described in the incentive plan agreement, amounts payable under this plan are payable within 120 days of the prior fiscal year end. As of December 31, 2014, there was approximately \$418,000 payable under this plan.

In the ordinary course of business, the Partnership is involved in a certain litigation proceeding. The Partnership believes that this claim is without merit and intends to vigorously defend against it. The estimated potential liability of this claim, if any, is not determinable.

NOTE M - COMMITMENTS

The Partnership has entered into various agreements with outside consultants who are paid to identify, analyze, evaluate and otherwise provide advice to the Tailwind Funds and/or the Partnership regarding potential and current investments. In several instances, these consultants are employed under flat retainer agreements, and the aggregate annualized retainers for these consultants equal approximately \$556,000. These consulting agreements terminate on various dates and may be further extended by the Partnership, with the agreement of the relevant consultant. As permitted by the terms of the Tailwind Funds' limited partnership agreements, the fees associated with these consulting agreements, including any retainer payments, may be reimbursed by the Tailwind Funds, in whole or in part, may be borne by one or more portfolio companies or may ultimately be borne by the Partnership, depending on the nature of the work being performed by the consultant. The amount payable in connection with these agreements is approximately \$34,000 currently reflected in the Accounts Payable balance on the Statement of Financial Condition.

During 2012, the Partnership entered into an agreement with a consulting firm, acting as placement agent for Tailwind Fund II. In addition to a set fee of \$1,500,000 paid in 2013, the consulting firm will receive payments subject to various milestones and thresholds. As of December 31, 2014, approximately \$2,412,000 (including the aforementioned \$1,500,000) has been paid and an additional \$680,000 is payable. The amount payable is currently reflected in the Accounts Payable and Accounts Receivable balance on the Statement of Financial Condition (Fundraising receivable, see Note F above). Subject to the terms described in certain limited partners'

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December 31, 2014

NOTE M – COMMITMENTS (CONTINUED)

side-letter agreements, the payments to this placement agent are generally drawn down from the non-affiliated limited partners of Tailwind Fund II and then offset against such non-affiliated limited partners' quarterly management fee.

NOTE N - GUARANTEES

The Partnership, along with certain Affiliates have obligations under certain guarantee arrangements associated with an agreement with a lending institution, whereby the lender will make credit available to certain parties and affiliates of the Partnership, which is secured by the borrowers' ownership interests in a specified affiliate. Guarantees include contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others. As of December 31, 2014, the Partnership had no liabilities associated with the guarantee arrangements.

NOTE O - INDEMNIFICATIONS

Under the Agreement, the Partnership indemnifies each of the partners and certain other indemnified employees of the Partnership for all losses arising from the business or affairs of the Partnership and its affiliated entities, except for losses resulting from such partner's gross negligence, willful misconduct or conduct constituting "cause". In addition, the Partnership has certain indemnification obligations to third parties under other contractual arrangements. The Partnership is unable to develop an estimate of the maximum potential amount of future payments that could potentially result from any hypothetical future claim, but expects the risk of having to make any payments under these general business indemnifications to be remote.

NOTE P - COUNTERPARTY RISKS

The Partnership enters into various transactions with counterparties. The Partnership does not have an internal credit function which evaluates the creditworthiness of its counterparties. This may impact the Partnership's ability to collect on such receivables and could result in potential losses.

NOTE Q - SUBSEQUENT EVENTS

The General Partner has evaluated events through March 30, 2015, the date that this statement of financial condition was available to be issued. The General Partner is not aware of any other disclosures and/or adjustments resulting from subsequent events through the date above that would necessitate disclosures and/or adjustments.