

## **WindSail Capital Group, LLC**

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### **Part 2A of Form ADV: Firm Brochure March 2024**

This “**Brochure**” provides information about the qualifications and business practices of WindSail Capital Group, LLC (hereinafter “**WindSail**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer (“**CCO**”), Jessica Hart by email at [jhart@windsailcapital.com](mailto:jhart@windsailcapital.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

WindSail is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that WindSail or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about WindSail is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

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This Brochure contains WindSail Capital Group, LLC's updates to Form ADV Part 2A.

Since the Annual Updating Amendment in March 2023, material changes of the Firm are listed below:

Effective January 1, 2024 investors in WINDSAIL CAPITAL FUND, L.P. are being redeemed pursuant to Section 5.7.9 of the Limited Partnership Agreement.

Effective January 1, 2024, WindSail Capital Group, LLC launched a new fund, WINDSAIL CAPITAL CLIMATE FUND II, L.P.

Further details for each fund are presented in Item 4 – Advisory Business.

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#### Item 4: Advisory Business

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WindSail Capital Group, LLC (hereinafter “**WindSail**” or the “**Firm**”) was organized in 2011 as a Delaware limited liability company with a principal place of business in Boston, MA. Ian Bowles and Michael Rand are the principal owners of WindSail.

WindSail provides discretionary investment management services to qualified investors through its private, pooled investment funds, (collectively the “Funds” or the “Clients”) as follows:

- WINDSAIL CAPITAL FUND, L.P. (the “Master Fund”), a Delaware limited partnership, (not open to new investments at this time)
  - WINDSAIL CREDIT QP FUND, L.P. (the “QP Fund”), a Delaware limited partnership,
  - WINDSAIL CREDIT FUND, L.P (the “Credit Fund”), a Delaware limited partnership; and
- WINDSAIL CAPITAL CLIMATE FUND II, L.P. a Delaware limited partnership (the “Climate Fund”)

Each Fund is operated by an affiliate of WindSail which serves as general partner (each, a “General Partner” and, collectively, the “General Partners”). The General Partners have ultimate responsibility for decisions relating to management and operations made on behalf of the Funds and have ultimate responsibility for the investment decisions made by the Funds but have delegated certain responsibilities to WindSail.

WindSail serves as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. WindSail does not tailor its advisory services to the individual needs of any particular investor.

WindSail’s investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents.**”

WindSail does not currently participate in any Wrap Fee Programs.

As of December 31, 2023, the Firm had regulatory assets under management of \$196,262,990 all managed on a discretionary basis.

## **Item 5: Fees and Compensation**

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The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

### ***Management Fee***

WindSail is paid an investment management fee (“**Management Fee**”) quarterly in advance equal to one-fourth (1/4) of one and a half percent (1.5%) of the sum of the net asset value of the Funds as detailed in governing documents and one-fourth (1/4) of three-quarters of a percent (.75%) of unfunded Capital Commitments at the opening of business on the first day of each quarter.

The Investment Manager, in its sole discretion, may waive or modify the Management Fee for any Investor.

### ***Other Types of Fees or Expenses***

WindSail is authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Firm.

Consistent with the Organization Documents of the Funds, each Fund shall pay from their own funds all other operating costs and expenses including, without limitation, interest, taxes (other than taxes that are treated as distributed to a Partner pursuant to Section 10.4), custodial fees, brokerage commissions, research expenses, legal, administrator, accounting, valuation and audit expenses, the cost of insurance benefiting the Partnership and/or the Investment Manager and filing fees. Any travel costs to be borne by the Partnership shall not include the cost of private airfare. The Partnership shall reimburse the General Partner for any operating expenses it pays on behalf of the Partnership unless the General Partner elects to waive its right to such reimbursement.

In general, each Investor will bear its proportionate share of the Fund expenses on a pro rata basis with respect to the size of such Investor’s capital account(s) or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund’s General Partners and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Fund’s General Partners and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. WindSail may waive any such reimbursement with respect to any Funds expenses. Any waiver by WindSail for reimbursement of any Funds expenses shall not serve as a waiver of reimbursement for any future Funds expenses to be paid by WindSail or its affiliates.

The recipients of this Brochure should refer to the governing documents of the Funds for specific information about expenses to be borne by each Funds.

The Investment Manager may also receive certain fees from the borrowers, such as a loan monitoring fee.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

#### **Item 6: Performance-Based Fees and Side-By-Side Management**

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The General Partners are generally entitled to a performance-based compensation. As a result, the General Partners or WindSail face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for WindSail to recommend investments which may be riskier or more speculative.

#### **Item 7: Types of Clients**

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WindSail provides discretionary investment advisory services to the Funds, each a pooled investment vehicle, and not individually to the Investors in the Funds. The Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors.

The Investors in the Funds are each “accredited investors” in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended (the “**Securities Act**”), and Regulation D promulgated thereunder and the Investors in certain of the Private Funds also are “qualified clients”, as such term is defined in Rule 205-3 of the Investment Advisers Act of 1940 (the “**Advisers Act**”), as amended. In addition, WindSail may, in the future, offer investment advisory services to other client accounts or pooled investment vehicles.

#### **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

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The descriptions set forth in this Brochure of specific advisory services that WindSail offers to Clients, and investment strategies pursued, and investments made by WindSail on behalf of its Clients, should not be understood to limit in any way such investment activities. WindSail may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that WindSail considers appropriate, subject to each Client’s investment objectives and guidelines as set forth in the Offering Documents. The investment strategies WindSail pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

#### ***Investment Objective***

The investment objective of the Funds is to generate strong risk-adjusted returns by providing

secured loans to companies within the energy innovation and sustainability industry.

The Investment Manager anticipates that the Fund's investments will generally be senior and, from time to time, subordinated secured loans to fund working capital and growth and in very limited cases debtor-in-possession facilities and loan to own situations. It is also anticipated that on a limited basis the Fund will provide project level lines of credit. Secured loans are structured so that the Fund will receive cash interest, paid-in-kind ("PIK") interest, and Equity Kickers, typically in the form of warrants.

The Investment Manager does not anticipate borrowing funds in order to increase its investment capabilities. The Investment Manager will generally limit the use of the Fund's line of credit to not more than 10% of the Fund's capital.

There is no guarantee that the Fund's investment objective will be met, and, in the discretion of the Investment Manager, the Fund may pursue other investment objectives.

### ***Risk Management***

WindSail's investment program is speculative and entails substantial financial risks. WindSail focuses on managing risk through its investment structure, the quality of the investment process and monitoring of investments. In addition, the Firm evaluates portfolio risk on a monthly basis. WindSail as a Firm does not bring on what it believes to be unnecessary risk without seeking to conduct a complete analysis and assessment of each potential investment.

The following risks are not intended to be a complete list or explanation of the risks involved in an investment in the Funds or strategies advised by the Firm. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Firm. For additional disclosures of the Funds' risk factors, please consult the Funds' private placement memoranda.

### ***Risk of Loss Factors***

An investment involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that WindSail will achieve its investment objectives. An investment carries with it the inherent risks associated with investments in publicly traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with WindSail.

*Non-Diversification.* It is anticipated that the Fund's portfolio will be invested primarily in secured loans made to energy innovation and sustainability companies. The Fund's portfolio will not be diversified among types of investments, types of borrowers, issuers or industries. Accordingly, the investment portfolio of the Fund may be subject to more rapid change in value (e.g., if the energy innovation and sustainability industry were to experience market declines and/or instability) than would be the case if the Fund were required to maintain a wide diversification among industries, types of investments, borrowers and issuers, and will not have the protection against risk that diversification provides.

*Lack of Liquidity of Fund Assets.* Many of the Fund's investments will be highly illiquid. Generally, there will be no readily available market for most of the Fund's investments, and no such market will be established or supported by the Investment Manager. The sale of any such illiquid

investments may be possible only at substantial discounts. Further, such investments may be extremely difficult to value with any degree of certainty.

*Exchange Rate Risk.* The Partnership will require that payments be made and will make distributions in United States Dollars. Consequently, for investors whose local currency is not United States Dollars, an investment in the Partnership involves a significant exchange rate risk. The Partnership could recognize substantial profits, but the real value of a Limited Partner's investment could decline due to a decrease in the value of United States Dollars relative to such Limited Partner's local currency.

*Economic Conditions.* Changes in economic conditions, including, for example, interest rates, credit availability, inflation rates, systemic financial market instability, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax and other laws and innumerable other factors, can affect the Fund's investments and prospects materially and adversely. None of these conditions is within the Investment Manager's control, and it may not anticipate these developments. These factors may affect the volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

#### Risks Relating to Making Investments in Companies Within the Energy Innovation and Sustainability Industry

There are numerous risks associated with making investments in companies within the energy innovation and sustainability industry, including:

*Operating Risk.* Operation of a portfolio company's facilities may involve certain operational risks, which include, without limitation: the possibility of performing below expected levels of output, availability or efficiency; labor disputes; changes in law; failure to obtain or maintain necessary governmental permits; or catastrophic events such as fires, earthquakes, lightning, explosions, hurricanes, tornados, floods or similar occurrences affecting a portfolio company's facility. Such operating risks can expose the companies in which the Fund invests to significant risk of loss.

*Construction Risk.* Portfolio companies may be subject to significant construction risk, including, without limitation, the risk of substantial delay or increase in cost due to a number of unforeseen factors, including, without limitation: political opposition; regulatory and permitting delays; delays in procuring sites; equipment; labor disputes; lawsuits and other disputes; environmental issues; force majeure; or failure by third parties to perform in a timely manner (or at all) their contractual, financial or other commitments. New facilities have no operating history and may employ recently developed or technologically complex equipment that may take time to operate at peak levels of output and efficiency. A material delay or increase in cost could significantly impair construction project and result in a material adverse effect on the Fund's investment in such borrower.

*Board Positions.* Certain affiliates and employees of WindSail may serve as directors and officers of certain portfolio companies as deemed appropriate. In that capacity, such affiliates and employees will be required to make decisions that consider the best interests of such Portfolio Companies and their equity holders. In certain circumstances, actions that may be in the best interests of the Portfolio Company may not be in the best interests of the Funds, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties to the General Partners of the Funds and to the Portfolio Companies.

*Changes in the Utilities Industry.* The Fund may make investments in portfolio companies both in the United States and abroad. A number of countries, including, without limitation, the United States,



may consider or implement methods to influence supply and demand. To the extent the pricing and sale of electricity assume more characteristics of a commodity business, the economics

of independent power generation projects (and other energy projects) engaged in by a portfolio company may come under increasing pressure. If restructuring of the energy industry and the electricity sector is reversed, discontinued, delayed or modified, this could have an adverse effect on the portfolio companies in which the Fund may invest.

*Renewable Energy.* The market for renewable energy is emerging and rapidly evolving, and its future success is uncertain. If renewable energy technology proves unsuitable for widespread commercial deployment or if the demand for renewable energy products fails to develop sufficiently (including, without limitation, as a result of changes in market conditions, such as a decrease in the price of fossil fuels), the Fund's investments in portfolio companies involved in the renewable energy industry may be adversely affected. While renewable energy currently enjoys support from United States federal, state and local governments and regulatory agencies, there is no assurance that such support will continue in the future, and any reduction or elimination of governmental support will have an adverse effect on the portfolio companies in which the Fund invests.

*Commodity Risk; Price Volatility.* The portfolio companies in which the Fund invests may be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. Historically, the markets for oil, gas, coal and power have been volatile, and such markets are likely to continue to be volatile in the future. These market prices may fluctuate materially depending upon a wide variety of factors that are beyond the control of the portfolio company, including, without limitation, seasonality and weather conditions, market supply and demand, technological changes, force majeure (including, without limitation, earthquakes, hurricanes, tornados and floods), changes in law, the refining capacity of crude oil purchasers, domestic and foreign governmental regulations, the price and availability of alternative fuels and energy sources, the availability of fuel transportation and electric transmission facilities, political conditions in the United States and the Middle East and other oil and natural gas producing regions, terrorist acts or threats thereof, actions of the Organization of Petroleum Exporting Countries (and other oil and natural gas producing nations), the foreign supply of (and demand for) oil and natural gas, the price of foreign imports, coal supplies and rail capacity, and overall economic and market conditions. Such commodity risks can expose the portfolio companies in which the Fund invests to significant risk of loss.

*Electric Power Price Volatility.* A portfolio company's performance may be subject to prevailing electric power prices, which are highly volatile and uncertain. Execution of power purchase agreements by companies with off-takers may be reflective of variable electric power price sentiment and even if entered into at a fixed price, may be evaluated on an ongoing basis by off-takers by reference to prevailing market prices. Revenues generated by companies under net-metering arrangements (as defined below) will also be dependent on the regulated price at which utility customers credit asset owners for net-metered power and will be subject to changes in key market-influencing commodity prices such as the prices for natural gas, copper and steel. Net-metering payments over the duration of the investment are not known and will be linked to utilities' prevailing cost of electric power. Net-metering arrangements take advantage of state regulatory programs that allow a project to deliver to a local distribution company excess electric power produced by a renewable generating asset in excess of power used by an on-site "host" of such an asset. Some net-metering programs allow a project company to receive a cash payment from the local distribution company or to otherwise allocate a credit for such excess power where such credit is applied to the account of another customer of the local distribution company. In cases where a portfolio company accrues and allocates credits to another customer or customers of the local distribution company, the company would arrange for payment by such other customers at a predetermined price, monetizing the value of these unique credits for the benefit of the company.

*Regulatory Approvals; Permits.* Portfolio companies in which the Fund invests are expected to be

required to comply with numerous federal, state and local statutory and regulatory standards, including, without limitation, those related to air emissions, water discharge, waste disposal, the environment and safety and health, and to maintain numerous permits and approvals required for their operation. Compliance with these various regulations may cause portfolio companies to incur significant costs and may impact almost every aspect of their businesses. In addition, portfolio companies may be required to obtain the consent or approval of applicable regulatory authorities in order to carry on their business. There can be no assurance that a portfolio company will be able: (i) to obtain all required regulatory approvals and permits; (ii) to obtain any necessary modifications to existing regulatory approvals and permits; or (iii) to renew and otherwise maintain required regulatory approvals and permits. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals and permits (or amendments thereto) or delay or failure to satisfy any regulatory conditions or other applicable requirements (which may change over time), could prevent operation of a portfolio company's business.

*Regulatory Changes.* A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or changes in judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such portfolio company, the markets in which the portfolio company operates or such portfolio company's industry generally. Additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in a portfolio company's customer(s), or for other reasons. Changes in laws and regulations could result in increased compliance costs, additional capital expenditures or additional potential liabilities. A portfolio company also could be materially and adversely affected by regulations that have been vacated by court decisions. There is considerable uncertainty as to how many state and federal environmental programs will be modified and/or ultimately implemented. Any such modifications could alter the competitive landscape and/or the nature of the markets in which a portfolio company operates in a material and adverse manner.

*Use of Derivatives and Other Specialized Techniques.* Companies in the energy and power industry engage in derivatives transactions and other hedging techniques to insulate against a number of risks, including, without limitation, commodity price risk, exchange rate risk and interest rate risk. Portfolio Companies in which the Fund invests may engage in other derivative or similar transactions. These transactions may involve the purchase and sale of commodities or commodity futures, the use of forward contracts, swap agreements, put and call options, floors, collars or other arrangements. Such instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in the price of commodities or other underlying assets or market conditions. Derivative instruments may trade principally on markets organized outside the United States and markets for derivative instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost. The investment techniques related to derivative instruments are highly specialized and may be considered speculative. Such techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of these projects. For all the foregoing reasons, the use of derivatives and related techniques can expose the portfolio companies in which the Fund invests to significant risk of loss.

*Broken Deal Expenses.* Investments in portfolio companies often require extensive due diligence activities. Due diligence may include, without limitation, feasibility and technical studies, preliminary engineering and marketing studies, and legal and environmental review, any or all of which may entail significant third-party expenses. In the event that an investment is not consummated, the Fund may bear some or all of such third-party expenses and any termination fees.

*Reliance on Portfolio Company Management.* Identifying capable management and operations teams is one of the Fund's major investment criteria. There can be no assurance, however, that the management of a portfolio company will be able to operate their company successfully. While the Investment Manager expects to monitor portfolio companies and will interact with companies' management, company management or third-party operations teams will ultimately be responsible for day-to-day operations. There can be no assurance that the management and operations teams will be able to operate, manage, and maintain a portfolio company successfully. Many companies may rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the company's performance.

*Variable Generation Resources; Weather Risks.* Wind and solar generating assets are variable or intermittent resources whose output will depend on the daily and seasonally available wind and solar resources available for collection by a project as well as ambient temperatures in projects' locations. Output from wind turbines and solar photovoltaic systems may vary from projections and models as weather patterns change and there is no assurance that well-situated companies will produce their expected output. Companies may be exposed to decreased output due to storms, including coverage of solar photovoltaic systems with snow, reduction of solar energy from cloudy weather and foliage growth causing shading, or temporary stoppage of wind turbines due to dangerously high winds or decreased output from unexpectedly low winds. Temporary or prolonged cessation of operations may affect revenues under output contracts and in some cases may result in obligations of the company to pay out amounts to off-takers for decreased availability or production from the generating asset.

*Environmental Risks.* A portfolio company may become liable for past and future damages caused by environmental pollutants located on, emitted from or otherwise attributable to the site on which a portfolio company is located, as well as for the costs of remediation and, in some circumstances, fines or other penalties. While the Investment Manager will exercise reasonable care to lend to companies that do not present a material risk of such liabilities, environmental liabilities may arise as a result of a large number of factors, including changes in laws or regulations and the existence of conditions that were unknown at the time of acquisition.

*Natural Disasters and Force Majeure Events; Adequacy and Availability of Insurance.* Portfolio Companies may be subject to catastrophic events and other force majeure events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of a portfolio company's business or significant down-time resulting in lost revenues, among other potentially detrimental effects. While the Fund will seek to make investments in portfolio companies where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from such events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such events and risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses or a replacement or rehabilitation. In addition, certain catastrophic loss events may be either uninsurable or insurable at such high rates as to adversely impact a portfolio company's profitability. For example, in general, losses related to terrorism are becoming harder and more expensive to insure against, and most insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total cost of casualty insurance. As a result, it is unlikely that any of the Fund's portfolio companies will be insured against damages attributable to acts of terrorism. A major uninsured loss with respect to a portfolio company in which the Fund invests could expose the Fund to significant risk of loss.

## Risks Relating to the Fund's Lending Activities

There are numerous risks associated with the lending activities that will be carried out by the Fund, including:

*General Loan Risks.* The risks of loans include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower of such loan during periods of economic downturn, (iv) the obligor is often a small or mid-size company representing only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, (vi) if subordinated, subordination to the prior claims of other loans or senior lenders, and (vii) with respect to lines of credit, the lender may have obligations to continue to make advances under the facility even if the borrower is not performing well. Loans are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and adversely affect the value of outstanding loans and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for loans is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

Loans are generally illiquid and possess credit risks. Loans may become non-performing for a variety of reasons. Non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and historically the trading volume in the loan market has been small relative to the market for high yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying borrower. In addition, the Fund may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan. Although it is the intention of the Fund to lead lending from syndicates, the Fund may have only minority voting rights with respect to an individual loan and there can be no certainty that the Fund will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such loan to determine the outcome of such vote.

*Second Lien Loans.* The Fund may invest in loans that (i) are not (and by their terms are not permitted to become) subordinate in right of payment to any other debt for borrowed money incurred by the obligor on the loan, other than another senior secured loan and (ii) are secured by a valid and perfected security interest or lien on specified collateral securing the obligors' obligations on such loan, which security interest or lien is not subordinate to the security interest or lien securing any other debt for borrowed money other than another senior secured loan on such specified collateral; provided that, with respect to clauses (i) and (ii) above, such right of payment, security interest or lien may be subordinate to customary permitted liens, such as, but not limited to, tax liens ("Second Lien Loans"). Generally, Second Lien Loans are structured as senior debt obligations that rank *pari passu* in right of payment with the first lien debt. However, Second Lien Loans are secured by a junior lien on the same pool of collateral that secures the first priority debt. Second Lien Loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the second lien creditors to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights,

both before and during a bankruptcy of the obligor. In addition, during a bankruptcy of the obligor, the holder of a Second Lien Loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

*Obligations to Make Advances under Revolving Lines of Credit.* Many of the Fund's investments in cleantech companies will be structured as tranching term loans pursuant to which the Fund will commit a certain amount to be available for drawdown by the borrowing company. As a result, the Fund will be required to maintain cash reserves necessary to meet its obligations under such lines of credit. These reserves will reduce the amount available for investment in other situations, reinvestment and/or distribution to Limited Partners that have made a Withdrawal Election and may reduce returns.

*Risk of Fraud.* Of concern in investments in loans is the possibility of material misrepresentation or omission on the part of a borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying a loan or may adversely affect the ability of the Fund to perfect or effectuate a lien on the collateral securing the loan. The Investment Manager will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

*Credit Risk.* Credit risk is the risk that a borrower will fail to make interest or principal payments when due because the borrower experiences a decline in its financial status. Borrowers may be highly leveraged and financial covenants may affect the ability of borrowers to operate effectively. If the principal payments on a loan cannot be refinanced, extended, or paid with proceeds from other capital transactions, such as new equity capital, the borrower's cash flow may not be sufficient to repay all maturing debt outstanding. In addition, a borrower's obligation to comply with financial covenants, such as debt-to-asset ratios and secured debt-to-total asset ratios, and other contractual obligations may restrict a borrower's range of operating activity. A borrower, therefore, may be limited from incurring additional indebtedness, selling its assets and engaging in mergers or making acquisitions, which may be beneficial to the operation of the borrower.

*Distressed Companies.* The Fund may lend to companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies, and similar transactions. The companies may also be out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions. Providing loans to or making other investments in these distressed companies may be particularly risky investments, although they also may offer the potential for high returns. The ability of these companies to pay their debts on schedule could be affected by changes in the general economic climate, economic factors affecting a particular industry or specific developments within the companies. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.

*Companies in Default.* The Fund may make loans to (or invest in the securities of) companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the company than is generally assumed by a lender. This may subject the Fund to litigation risks or prevent the Fund from disposing of its investments. In a bankruptcy or other proceeding, the Fund as a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors. While the Fund will attempt to avoid taking the types of actions that would lead to equitable subordination or creditor liability, there can be no assurance that such

claims will not be asserted or that the Fund will be able to successfully defend against them.

*Post-reorganization Loans.* Post-reorganization loans typically entail a higher degree of risk than loans made to companies which have not undergone a reorganization or restructuring. If the Investment Manager's evaluation of the anticipated outcome of a post-reorganization investment situation should prove incorrect, the Fund could experience a loss.

*Risk of Litigation.* Reorganizations can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The General Partner, the Fund, the Investment Manager and certain of the Investment Manager's personnel may be named as defendants in civil proceedings relating to such reorganizations. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Master Fund and would reduce net assets or could require Limited Partners to return to the Partnership distributed capital and earnings.

*Insolvency Considerations.* Any investments held by the Fund may be subject to various laws enacted in the home country (if a foreign company), jurisdiction or state of the applicable borrower for the protection of creditors. Insolvency considerations may differ depending on the jurisdiction in which each borrower is formed. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower entity, such as a trustee in bankruptcy, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such investment and, after giving effect to such indebtedness, the borrower: (i) was insolvent; (ii) was engaged in a business for which the remaining assets of such borrower constituted unreasonably low capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was "insolvent" after giving effect to the incurrence of the indebtedness constituting the investment, or that, regardless of the method of valuation, a court would not determine that the borrower was "insolvent" upon giving effect to such incurrence. In addition, in the event of the insolvency of a borrower, payments made on the applicable loan could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before insolvency. In addition, if a borrower is the subject of a bankruptcy proceeding, payments to the Fund with respect to such investment may be delayed or diminished as a result of the exercise of various powers of the bankruptcy court, including, without limitation, the following: (A) an "automatic stay," under which the Fund will not be able to institute proceedings or otherwise enforce its rights against the borrower or obligor with respect to the Fund's investment without permission from the court; (B) conversion by the bankruptcy court of the Fund's investment into more junior debt or into an equity obligation of the borrower or obligor; (C) modification of the terms of the Fund's investment by the bankruptcy court, including, without limitation, reduction or delay of the interest or principal payments thereon; and (D) grant of a priority lien to a new money lender to the borrower or obligor on the applicable loan.

*Lender Liability Considerations; Equitable Subordination.* A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that a lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Although the Fund does not intend to engage in conduct that it expects would form the basis for a successful cause of action based upon lender liability, the potential for such a cause of action exists. In

addition, under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder or otherwise to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination”. Although the Fund does not intend to engage in conduct that it expects would form the basis for a successful cause of action based upon the equitable subordination doctrine, the potential for such a cause of action exists. The Fund will seek to maintain reserves for advances against loan commitments and lines of credit in order to reduce the risk of claims of lender liability and equitable subordination.

*Risks Associated with Bankruptcy Cases.* Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where the Fund, by virtue of such action, is found to exercise “domination and control” of a debtor, the Fund may lose its priority if the debtor can demonstrate that its business was adversely impacted, or other creditors and equity holders were harmed by the Fund.

Generally, the duration of a bankruptcy case can only be roughly estimated. Unless the Fund’s claim in such case is secured by assets having a value in excess of such claim, no interest will be permitted to accrue and, therefore, the Fund’s return on investment can be adversely affected by the passage of time during which the plan of reorganization of the debtor is being negotiated, approved by the creditors, and confirmed by the bankruptcy court. The risk of delay is particularly acute when a creditor holds unsecured debt or when the collateral value underlying secured debt does not equal the amount of the secured claim. Under most circumstances, unless the debtor is proved to be solvent, no interest or fees are permitted to accrue after the commencement of the debtor’s case, as a matter of U.S. bankruptcy law. It should also be noted that reorganizations outside of bankruptcy are also subject to unpredictable and potentially lengthy delays.

U.S. bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Fund’s influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class.

The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

The Investment Manager, on behalf of the Fund, may elect to serve on creditors’ committees or other groups to ensure preservation or enhancement of the Fund’s position as a creditor. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If the Investment Manager concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Fund, it will resign from that committee or group, and the Fund may not realize the benefits, if any, of participation on the committee or group. In addition, if the Fund is represented on a committee or

group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.

Although the Investment Manager does not currently anticipate purchasing creditor claims, the Fund may in the future purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

#### Risks Relating to the Fund's Equity Investments

There are numerous risks associated with the Fund's equity investments, including:

*General Equity Investment Risks.* The Fund may be subject to the risks associated with any equity investment strategy. Sharp downward market moves may adversely impact the Fund's positions and result in losses. Losses may also be incurred on individual positions as a result of issuer-specific matters such as unexpectedly disappointing earnings, lawsuits, analyst action or other matters. Equity returns are volatile and may fluctuate substantially over time.

*Lack of Liquidity of Equity Securities.* The Fund may acquire equity securities that are not publicly traded or are very thinly traded and which are restricted as to their transferability under applicable securities laws or are otherwise illiquid. The Fund may own securities that are relatively liquid when acquired but that become illiquid after the Fund's investment. The sale of any such illiquid securities may be possible only at substantial discounts. Further, such securities may be extremely difficult to value with any degree of certainty.

*Small Cap Issuers.* The Fund may often invest in smaller-to-medium sized companies of a less seasoned nature. Securities of such issuers often involve significantly greater risks than the securities of larger, better-known companies. While smaller companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller companies to changing economic conditions.

In addition, smaller companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations or may have difficulty in repaying any loans which are floating rate.

*Information Sources and Analysis.* The Investment Manager selects equity investments for the Fund based in part on information and data that the issuers of securities make directly available to the Investment Manager or that it obtains from other sources (including through filings made by the issuer with various government agencies). The Investment Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be readily available.

The Investment Manager is not in a position to obtain all relevant information regarding a company or a security. Further, the Investment Manager may misinterpret or incorrectly analyze the



information that it has about a particular company or security. These and other factors may cause the Investment Manager to (a) invest in securities at times that will lead to losses in the Fund's portfolio and may cause an investor to lose a significant portion of its investment in the Partnership or (b) refrain from investing in a particular security at times that would have resulted in gains in the Fund's portfolio if the Investment Manager would have caused the Fund to invest.

*Investing in Foreign Securities and Emerging Markets.* The Fund's investments may include securities of issuers in global markets, including emerging markets, some of which may be particularly sensitive to economic, market, industry and other variable conditions. In addition, there may be limited information available about investment targets and the targets may have limited internal reporting and accounting systems. The Fund is subject to various risks incidental to investing in businesses abroad, including nationalization, expropriation or confiscatory taxation, political and economic instability and diplomatic developments, which could affect investments in those countries. The economies of emerging market countries may differ favorably or unfavorably from the economies of more industrialized countries, in such respects as growth of domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Moreover, economic factors in various global markets can affect demand for the goods and services of issuers of securities held by the Fund. In addition, there is greater difficulty in monitoring business abroad.

*Non-controlling Investments.* The Fund anticipates that it will hold minority equity interests in portfolio companies and, therefore, will have a limited ability to protect the Fund's position in such portfolio companies. In such cases, the Fund will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Fund is not affiliated and whose interests may conflict with the interests of the Fund.

*Investments in Undervalued Securities.* The Fund may seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities theoretically offer the opportunity for above-average capital appreciation, these investments may involve a high degree of financial risk and can result in substantial losses. The Fund may be forced to sell, at a substantial loss, securities which it believed to be undervalued, if they are not in fact undervalued. In addition, the Fund may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the Fund's assets would be committed to the securities purchased, thus possibly preventing the Fund from investing in other opportunities.

## **Item 9: Disciplinary Information**

Neither WindSail nor any of its officers or employees have been sanctioned or disciplined by any federal securities or commodities regulatory agency, self-regulatory organization or state for any violation of their statutes, regulations or rules nor have they ever been involved in any civil or criminal action relating to any violation of the federal or state securities or commodities laws.

## **Item 10: Other Financial Industry Activities and Affiliations**

Neither WindSail nor management persons are registered as broker-dealers, and neither has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions, & Personal Trading**

### ***Code of Ethics***

WindSail has adopted a “**Code of Ethics**” that establishes the high standard of conduct that WindSail expects of its employees and procedures regarding employees’ personal trading of securities. Employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of WindSail’s Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees are permitted to trade “**Reportable Securities**” (as defined in the Code of Ethics, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives) with the exception of securities maintained on the Firm’s Restricted List both personally and on behalf of WindSail’s Clients. The Restricted List is kept up to date and made readily available to all employees.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; (ii) making any private investments; or (iii) participating in Initial Public Offerings (“**IPOs**”).

WindSail will provide a copy of the Code of Ethics to existing Investors, or any prospective investor, upon request.

## **Item 12: Brokerage Practices**

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WindSail focuses on making investments in private securities; thus, it does not ordinarily deal with any financial intermediary such as a broker-dealer. In the event WindSail engages a broker-dealer, it is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, WindSail does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not WindSail's practice to negotiate "execution only" commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

WindSail shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

### ***Best Execution***

Commissions are not ordinarily payable in connection with such investments. To the extent WindSail might transact in public securities for the Funds, it will select brokers based upon the broker's ability to provide best execution for the Funds. WindSail is generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Funds or any of their investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions. In making its decisions regarding the allocation of brokerage transactions for the Funds, WindSail will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although WindSail generally would seek competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

WindSail does not participate in any soft dollar arrangements.

## **Item 13: Review of Accounts**

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WindSail's investment professionals monitor and analyze the Fund's positions to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents. WindSail will review the Funds' investments on a regular basis with a view to evaluating, among other things, economic developments, industry outlook and other issues related to the investments.

## ***Account Reporting***

WindSail will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. WindSail also distributes quarterly unaudited capital account statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

### **Item 14: Client Referrals and Other Compensation**

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WindSail does not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither WindSail nor any related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

WindSail has entered into third-party marketing arrangements with respect to the sale of interests in the Funds. Such third-party placement agents are compensated through WindSail, at no cost to the investors in the Fund.

### **Item 15: Custody**

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WindSail will be deemed to have custody of Client funds and securities because WindSail has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to WindSail.

WindSail will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) (i.e., the “custody rule”) by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund’s annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), WindSail will distribute the Fund’s audited financials to Investors within 120 days of such Fund’s fiscal year end.

### **Item 16: Investment Discretion**

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WindSail, subject to the direction and control of the General Partners of the Funds, has investment discretion in managing the investments of the Funds and in calling additional capital or reinvesting capital for the acquisition of new investments by the Funds. The terms of these investments as well as the investment strategy and guidelines around the use of this discretion are described in detail in the Funds’ Offering Documents.

WindSail assumes, subject to the direction and control of the General Partners of the Funds, investment discretion and day-to-day operations over the Funds by virtue of the execution of the partnership agreement of the Funds by each Investor in the Funds.

### **Item 17: Voting Client Securities**

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WindSail does not generally invest in publicly traded securities. However, in the future WindSail may be in receipt of public securities as it relates to its private equity investment strategy. In those instances, WindSail will vote in the best interest of the Funds and in accordance with its fiduciary duty to the Funds. If there is an actual or potential material conflict of interest in connection with a prospective vote, such conflict will be resolved in accordance with the Offering Documents and WindSail’s policies and procedures. WindSail may abstain from voting in any instance if it deems

that such abstention is in the best interests of the Funds. Fund investors may not direct proxy voting decisions. However, Fund investors may obtain information on how the Firm voted on behalf of the Funds by contacting the CCO. Additionally, investors may also obtain a copy of WindSail's proxy voting policies and procedures by contacting the CCO.

#### **Item 18: Financial Information**

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WindSail is not required to include a balance sheet for the most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients and has not been the subject of a bankruptcy petition at any time during the past ten years.