



TAILWIND MANAGEMENT L.P.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

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 the Financial Statement

We have audited the accompanying financial statement of Tailwind Management L.P. (the "Partnership"), which comprises the statement of financial condition as of December 31, 2013, 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 company'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 company'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, 2013, in accordance with accounting principles generally accepted in the United States of America.



New York, New York
March 31, 2014

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

Statement of Financial Condition
December 31, 2013

ASSETS

Cash and cash equivalents	\$	3,132,363
Restricted cash		579,133
Accounts receivable		4,069,850
Prepaid and other assets		159,488
Fixed assets, net		645,481

\$ 8,586,315

LIABILITIES AND PARTNERS' CAPITAL

Liabilities:

Accounts payable	\$	127,416
Accrued liabilities		1,608,046
Deferred portfolio income		2,226,000

Total liabilities 3,961,462

Commitments and contingencies

Partners' capital:

General Partner		-
Limited Partners		4,624,853

Total partners' capital 4,624,853

\$ 8,586,315

TAILWIND MANAGEMENT L.P.

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Notes to Statement of Financial Condition December 31, 2013

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 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] 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.

[2] 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.

[3] 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.

[4] Revenue recognition:

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

[5] 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, 2010. 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.

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**Notes to Statement of Financial Condition
December 31, 2013****NOTE C - RESTRICTED CASH**

The Partnership has two twelve-month certificates of deposit ("CDs") for \$418,416 and \$160,717 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 \$157,000, which was decreased to \$100,000 on March 6, 2014, 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, 2015 and earn 0.10% interest, as of December 31, 2013.

NOTE D - FIXED ASSETS

Fixed assets, net at December 31, 2013 are as follows:

Furniture and fixtures	\$ 372,041
Equipment	726,325
Software	199,524
Artwork	17,719
Leasehold improvements	<u>650,320</u>
	1,965,929
Less: accumulated depreciation and amortization	<u>(1,320,448)</u>
Fixed assets, net	<u>\$ 645,481</u>

NOTE E - 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, 2013, the accounts receivable balance is comprised of:

Fundraising receivable (Note L)	\$ 2,242,201
Due from Portfolio Companies (including amounts relating to in process deals)	428,718
Due from Tailwind Fund II	499,476
Due from Affiliates	353,148
Due from Tailwind Fund I	194,855
Due from TWCP Fund	89,388
Other	<u>262,064</u>
Total Accounts Receivable	<u>\$ 4,069,850</u>

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**Notes to Statement of Financial Condition
December 31, 2013****NOTE F - 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 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.

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 G - DEFERRED PORTFOLIO COMPANY INCOME

The Partnership receives monitoring and board fees from certain Tailwind Fund I portfolio companies, of which 80% of such fees are offset against the Tailwind Fund I management fee (see note F) in the semi-annual period after which the fee is received. As of December 31, 2013, approximately \$2,223,000 of the deferred portfolio company income balance will offset the first half 2014 Tailwind Fund I management fee.

NOTE H - OTHER RELATED PARTY TRANSACTIONS

During 2013, the Partnership paid the General Partner \$250,000 and an additional \$75,000 is in accrued liabilities on the statement of financial condition as of December 31, 2013.

NOTE I - LEASES

As of December 31, 2013, 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, 2013 are as follows:

2014	\$ 795,536
2015	795,536
2016	795,536
2017	<u>265,179</u>
Total	<u>\$ 2,651,787</u>

NOTE J - 401(K) PLAN

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

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**Notes to Statement of Financial Condition
December 31, 2013****NOTE K - CONTINGENCIES**

The Partnership has an incentive plan in which certain employees are eligible to participate. The incentive plan is contingent upon carried interest earned 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. For the year ended December 31, 2013, the Partnership made payments totaling \$52,035 which related to 2012 amounts payable under the plan. As of December 31, 2013, there were no additional amounts 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 L - COMMITMENTS

The Partnership has an agreement with a consulting firm to identify, analyze, evaluate and provide advice to the Tailwind Fund for potential investments which receives a fixed monthly retainer of \$8,667 through December 31, 2013 and \$17,000 per month thereafter. This agreement will terminate on March 31, 2014, unless further extended by the General Partner.

During 2012, the Partnership entered into an agreement with another consulting firm, acting as placement agent for Tailwind Fund II, which receives quarterly payments of \$250,000 up to a total of \$1,500,000. As of December 31, 2013, the entire \$1,500,000 was paid to this consulting firm and is currently reflected in the Accounts Receivable balance (Fundraising receivable, see Note E above). In addition, the consulting firm will receive payments subject to various milestones and thresholds. No such amounts are due nor have been paid as of December 31, 2013.

NOTE M - 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, 2013, the Partnership had no liabilities associated with the guarantee arrangements.

NOTE N - 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.

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**Notes to Statement of Financial Condition
December 31, 2013****NOTE O - 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 P - SUBSEQUENT EVENTS

The General Partner has evaluated events through March 31, 2014, 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.