OVERVIEW

SAIL CAPITAL PARTNERS

SAIL was founded in 2002 as a pioneer in the cleantech investment sector and continues to be one of the sector's recognized thought leaders. Our comprehensive portfolio currently includes fourteen leading companies spanning the universe of sustainable innovations in the areas of energy storage and efficiency, renewable fuels, electrical efficiency, green cleaning products and water purification.

In this era of profound changes in the way we produce and consume valuable resources, SAIL focuses on exceptional profit opportunities as a result of inefficiencies in the global markets. Our team of uniquely talented investors employs their decades of experience and cleantech-related networks to the most exciting venture investment opportunities.

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Global advisory services leader Ernst & Young have released a new report which indicates that despite challenging market conditions, cleantech companies are finding their feet again. The number of cleantech companies globally is growing, despite bankruptcies and consolidation.

“We’ve seen a notable upturn in the performance of the 424 public pure-play cleantech companies globally,” said Gil Forer, EY’s Global Cleantech Leader. “Despite a challenging period of consolidation in certain cleantech segments, fiscal issues in some countries and the continuing impact of the financial crisis; we’ve seen an annual gain of 18% in market capitalization (US$170b), and 12% increase in headcount (512,500). Growth in the Asia-Pacific region was a major factor in these increases.”

The public pure-play companies are drawn from the Bloomberg New Energy Finance database and limited to those companies deriving 50% to 100% of their total value from clean energy as of April of this year (excluding public investment funds and acquisition vehicles, and those companies participating in carbon market activities).

The cleantech industry is also providing a growing number of jobs, up 12% from 2012 to 512,500. Over half this headcount can be found in China, who was the primary driver for this growth, adding huge numbers to their solar and wind industry.

Forer concludes: “The cleantech sector globally has shifted to growth. Resource scarcity, energy security concerns, population growth and increasing consumption, by expanding middle classes in emerging markets, will continue to drive this cleantech market growth.”
Xtrme Power Projects Announced as ESNA Finalists

Game-changing energy storage projects are being deployed throughout North America, providing a diverse new tool kit for addressing today’s grid challenges. We are pleased to announce that multiple projects from SAIL portfolio companies were announced as finalists for the 2013 ESNA Innovation Awards, given annually for excellence in developing Energy Storage Projects.

The 2013 Awards, themed “Multiple Value Streams,” will go to projects that offer the most benefits in multiple areas for customers across North America. The award ceremony, emceed by Dr. Imre Gyuk from the Department of Energy, will place at the Energy Storage North America Conference in the San Jose Convention Center on September 11, 2013.

Here are the two Xtreme Power projects that are ESNA finalists:

Notrees Wind Energy Storage—Xtreme Power

Everything truly is bigger in Texas, including the installation of Duke Energy’s wind energy storage system. With a 36MW energy storage and power management system installed at the Notrees Wind project, the Duke Energy system regulates and optimizes the delivery of energy. Using Xtreme Power’s Powercell™ battery, the storage system addresses the intermittency issues of the Notrees Wind project while using a battery made of non-hazardous, recyclable materials. In addition to being the largest wind connected project in North America, this project was instrumental in changing the paradigm for energy storage in Texas. As the first project of its size in TX, much like the earlier pioneering projects in PJM, it expanded the horizon for interconnection requirements, and was instrumental in creating the fast responding regulation service pilot in ERCOT. Thus the project had major impacts in both demonstrating the technology at scale, but also important policy and regulatory impacts in TX, opening a new market for energy storage. Finally, the project was partially funded by DOE, demonstrating success as a key public-private partnership to move the storage market forward.

Pillar Mountain

In an effort to significantly reduce the usage of diesel fuel for power generation in Kodiak, Alaska, Kodiak Electric Association (KEA) developed a wind project to generate approximately 20% of the system’s annual power needs. The remaining 80% is generated with hydroelectric power, which was already an existing infrastructure. After modeling KEA’s system, it was obvious that KEA’s grid could not support the variation of 9 MW’s of wind power without some type of energy storage. After examination of different solutions, the Xtreme Power package was chosen. The installation of the wind turbines and BESS system took place in the fall of 2012. The system has preformed wonderfully. The BESS system operates over 200 times a day to system frequency issues. It is set up in droop mode and has saved the system from many frequency issues.
CNS Response announced this month that all 25 of its note holders who have held convertible notes issued between October 2010 and February 2012 have agreed to convert $7.8 million of principal and interest into common stock. This conversion substantially reduces the Company’s debt outstanding, simplifies the Company’s capital structure and greatly improves the Company’s working capital position. CNS Response CFO Paul Buck commented, “We appreciate the confidence our investors have demonstrated in the Company by converting their long-held debt to equity. This conversion also makes it easier for us to finance expansion of our PEER Interactive trial with the US Military.”

President Obama has made technology investments in mental health care a national priority, as he reaffirmed at the Disabled Veterans of America Convention on August 10, 2013:

"We also need to keep improving mental health services, because we've got to end this epidemic of suicide among our veterans and troops...We're going to focus on developing more effective ways to prevent, diagnose and treat mental health conditions like TBI and PTSD. And to get it done, we're moving ahead with more than $100 million in new research."

CleanTech OC’s Annual Conference & Expo is coming up on Monday, September 16. The event is between 8:00 AM – 5:00 PM at the Hyatt Regency Irvine. This fourth annual conference and expo promotes economic growth in the Orange County clean technology industry. Attended by cleantech entrepreneurs & industry leaders, investors, policy makers, and many others, this is the only annual conference in Orange County dedicated to covering the clean technology space and connecting industry stakeholders from throughout the region & state.

SAIL Capital Partners has spoken at many CleanTech OC events, and several portfolio companies have been recognized by the organization as leading cleantech companies in Orange County.
SAIL Capital Partners is pleased to announce that it has been selected by the US Department of Commerce to participate in the first Impact & Sustainable Certified Trade Mission. The Trade Mission will take place September 30 - October 3 in Zurich, Amsterdam, and London, and provides a venue for European institutional investors to meet ten U.S. investment fund managers with differentiated investment strategies including private equity and private debt.

The area of impact and sustainable investing is a high growth and high interest sector. The event is an excellent opportunity to hear from U.S. fund managers with diverse sector focus including microfinance, water, energy efficiency, consumer products, farmland and others. Attendees include family offices, fund of funds, institutional investors, asset owners, and advisors. The event is a great opportunity for interaction, dialogue, and mutual discovery between two areas of the world that are on the forefront of impact investing.

Last year, SAIL Capital Partners was chosen by the U.S. Department of Commerce to co-lead with Deutsche Bank the U.S. Trade Mission on Clean Energy to Germany.

Walter Schindler, previously a Fulbright Scholar in Italy, has been chosen to serve on Fulbright Canada’s Board of Directors. Ten members are US citizens appointed by the US Ambassador to Canada, and ten are Canadian citizens appointed by the Canadian Minister of Foreign Affairs.

The duties of the board include establishing broad policies and objectives, selecting, appointing, supporting and reviewing the performance of the CEO, ensuring the availability of adequate financial resources, approving annual budgets, and accounting to the Foundation’s various stakeholders for the organization’s performance.

The members of the board include the Canadian Ambassador to the United States, the US Ambassador to Canada, one senior government official from each country, three university presidents from each country, and five private sector members from each country. The current board chair is Dr. Luc Vinet of Montréal, Quebec.
SAIL Capital Partners invests in leaders—leading companies, and equally important, strong leadership teams. In appreciation of the exceptional teams at our portfolio companies, each month the newsletter highlights an individual who has significantly contributed to the growth and success of a SAIL portfolio company.

This month, we’re recognizing Alain Castro. Alain is the Chief Executive Officer of Ener-Core, Inc. He has spent the vast majority of his career developing, financing and building new power generation plants, as well as optimizing older energy infrastructure assets across many countries throughout Europe, Latin America and North America. Most recently, he was interim CEO of the North and South America divisions of Akuo Energy, a leading international developer/operator of renewable energy projects with over $1 Billion in operational power plants. He also founded International Energy Ventures in 2002, which has invested capital and nurtured the growth of companies across the areas of fuel cells, batteries, wind energy and biofuels.

Prior to his career in the renewable energy sector, Alain was a Partner at Ernst & Young Consulting, and held overall responsibility for the firm’s oil & gas industry consulting practice across the South America region.

In addition to his role with Ener-Core, Alain is currently an executive advisor to one of the largest global manufacturers of utility-scale wind turbines, as well as a member of the advisory board of Global Energy Innovations, a leading provider of diagnostics solutions for the utility-scale energy storage and standby power sectors.

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SAIL Capital Partners (www.sailcapital.com) is a leading cleantech investment firm with a global vision of technologies, markets and opportunities. We invest in cleantech companies with proven technologies, visionary leadership, measurable impact and exciting growth potential. We have invested in a number of today’s leading cleantech companies including Xtreme Power, Ice Energy, The Cleantech Group, Enerpulse, SNTech, Flex Power, Paragon Airheater Technologies, M2 Renewables, Clean Technology Solutions, CNS Response and WaterHealth International. SAIL has offices in California, Toronto, New Orleans and Washington D.C. as well as a global network of investors and advisors.

DISCLAIMER

This is an informal newsletter about SAIL and its portfolio companies. It is not an official report and may not be relied upon for any investment purpose. SAIL is not responsible for the accuracy of external sources of information.

SOURCES

- Ernst & Young
- Energy Storage North America
- CNS Response
- Fulbright Canada
- CleanTech OC
- Watershed Capital