

**Windrose Advisors LLC**  
**Form ADV Part 2A**  
**Investment Adviser Brochure**

**March 2015**

This brochure provides information about the qualifications and business practices of Windrose Advisors, LLC. If you have any questions about the contents of this brochure, please contact Jeff Reinke, Director, Chief Operations Officer and Chief Compliance Officer, at 857.241.2207 and/or [jreinke@windroseadvisor.com](mailto:jreinke@windroseadvisor.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC should not be assumed to imply a certain level of skill or training.

Additional information about Windrose Advisors, LLC is available on the SEC website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number, Windrose Advisors LLC's CRD Number is 152145.

Windrose Advisors, LLC  
Watermill Center  
800 South Street, Suite 600  
Waltham, MA 02453  
[www.windroseadvisor.com](http://www.windroseadvisor.com)

## **Item 2      Summary of Material Changes**

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In this Item of Windrose Advisors LLC's (Windrose or the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated March 26, 2014.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, the Firm has no material changes to report.

### **Full Brochure Available**

Windrose Advisor's Form ADV may be requested at any time, without charge by contacting Jeff Reinke, Director, Chief Operations Officer and Chief Compliance Officer, at 857.241.2207 and/or [jreinke@windroseadvisor.com](mailto:jreinke@windroseadvisor.com).

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## Item 4      Advisory Business

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Founded in 2009, Windrose Advisors, LLC (hereinafter referred to as “Windrose”, “company”, “firm” “we”, “us”, and “our”) delivers sophisticated, highly customized, financial advice to a select group of individuals, families, charitable foundations, and pooled investment vehicles. John D. Haase, Managing Partner, William A. Heitin, Partner and Chief Investment Officer, Fireman Capital Partners, LLC and Garnet Street Partners II, LLC are the principal owners.

Windrose develops close, trusting, relationships with clients. From the start of a relationship, we implement a careful and meticulous process to get to know our clients, understand their needs and map out a strategy that meets their needs and long term objectives. Risk tolerance, return expectations, liquidity constraints, time horizon, and overall financial goals are reviewed and discussed before formalizing an investment plan. We also provide education and integrated financial planning into investment recommendations and strategy. Once the Windrose team and client agree on an appropriate strategy, we often formalize our plan in an Investment Policy Statement (IPS). This statement serves as our investing roadmap.

The IPS is a dynamic document, reviewed periodically with clients. An important part of the IPS is the target asset allocation, as well as possible variations from the target, that will satisfy client goals. The target asset allocation ties to a portfolio benchmark, which is used to compare asset allocation and investment manager performance.

Windrose has developed a proprietary investment platform across all asset classes. We source, diligence, review and manage each investment we recommend to clients. Clients enjoy full access to our research. They also review research documents prior to each investment being authorized. We believe proprietary direct investments or “in-house” products create a potential conflict of interest. We gain access to and partner with high-quality external investment managers. We employ mainly active, but also passive styles of investing depending on the asset class and client needs.

Windrose provides financial planning services to clients and integrates this service into investment recommendations and strategy. Financial planning often includes charitable giving, generational wealth transfer, liability management, retirement planning, and estate planning and insurance. We work closely with other professional service providers, such as attorneys and accountants, who directly advise and execute strategy for clients.

In addition, Windrose occasionally creates pooled investment vehicles to invest client funds in other private investment funds. Windrose also serves as investment advisor to these privately offered pooled investment vehicles. These pooled investment vehicles are available only to persons who are “accredited investors” under the Securities Act of 1933, or, in the case of some of the funds, “qualified purchasers” under the Investment Company Act of 1940, as amended. These pooled investment vehicles are not made available to non-Windrose clients and are not registered investment companies.

As of December 31, 2014, Windrose provided investment advice on approximately \$1,496,287,001 in assets. \$1,394,271,213 is managed on a non-discretionary basis, and \$102,015,788 is managed on a discretionary basis.

## **Item 5      Fees and Compensation**

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Windrose charges a fee, paid quarterly in advance, for investment advisory services. The fee is based on the market value of the financial assets we oversee. Our fee practices are fully transparent and clients receive a written “Investment Advisory Agreement” capturing all fees.

Our annual advisory fee typically ranges from 0.5 to 1.0% and covers all services provided by Windrose. Should a client decide to terminate our relationship, Windrose will refund any unearned fees on a pro-rated basis.

The fees paid by Windrose clients are the only form of compensation received by the firm.

### **Administrative Fees – Pooled Investment Vehicles**

When needed, Windrose creates pooled investment vehicles. Clients may pay an annual administrative fee up to 23 bps, depending on the structure of the pooled vehicle. The fee strictly covers specific administrative costs directly associated with the pooled investment, such as custody, legal, tax, audit, accounting and reporting costs.

### **Fees of Other Managers and Service Providers**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs incurred by clients. Clients may incur costs associated with custodians, brokers, third party investment managers and other third party service providers. In some cases, investments recommended by Windrose may be available from other, unaffiliated investment advisors at potentially different fee structures.

Windrose does not receive any portion of these fees and only receives compensation from clients.

## **Item 6      Performance-Based Fees and Side-by-Side Management**

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Windrose does not accept performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client) due to the potential conflict of interest. Performance-based compensation may create an incentive for an adviser to recommend an investment that carries a higher degree of risk to the client.

## **Item 7      Types of Clients**

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Windrose provides sophisticated, highly customized, financial advice to a select group of individuals, families, and charitable foundations. Our clients generally have investable assets ranging between \$50.0 million to over \$1.0 billion. We typically advise on a client's complete asset base. We reserve the right to make exceptions and we closely consider each new client relationship.

Windrose, as previously mentioned, will occasionally create pooled investment vehicles for clients. We do not distribute or market these pooled vehicles to non-Windrose clients.

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

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Windrose takes particular care to consider all aspects of a client's financial situation. We suggest investments to clients that fit their specific portfolio. In accounts where we have discretion, transparency is still considered paramount with investment recommendations based on extensive information, education and research provided by our firm.

Our firm has developed a thorough and proprietary due diligence process. Our process includes but is not limited to: performance analysis, interviews, background checks, reference checks, analysis of business continuity plans, interviews with personnel, on-site visits, marketing and legal documentation review, etc. During the course of our diligence process, we visit the investment manager's offices at least once and generally multiple times. We also consider the manager's investment process, team bench strength, turnover, overall experience, operations and financial condition. Typically, multiple Windrose team members are involved in the diligence process.

Before a manager becomes part of the Windrose investment platform and eligible for recommendation to clients, an investment must be approved by our Investment Committee. Diligence reports are reviewed by the Chief Investment Officer (CIO) and submitted to the Investment Committee for additional review. The Investment Committee meets to discuss each investment manager and a vote is conducted before a manager is approved (or not). The committee consists of the CIO, Managing Partner and key senior investment analysts.

Our investment philosophy is rooted in deep experience across all asset classes, several market cycles and with the world's most sophisticated institutions. We believe outstanding investment opportunities constantly exist, and we exploit them by carefully selecting the highest quality investment managers. Our evaluation of managers and markets may lead to tactical investments in inefficient, undervalued and overlooked asset classes.

We focus in the most inefficient asset classes, where we feel the greatest opportunities are found with top quartile managers. In all asset classes, we seek to utilize exceptional independent managers and build a portfolio of core and niche investments. We customize portfolios for each client through a mix of active and passive investments.

As previously noted, we develop an IPS to help define an investing roadmap as well as to provide a benchmark for performance measurement.

All investments pose a risk of loss that clients should be prepared to bear. We discuss risks with clients, both on a portfolio level as well as at an individual manager level. We mitigate risks through diversification across geographies, asset classes, sectors and managers. We conduct scenario analysis and simulations to help capture potential risks and losses. Losses beyond those projected or historically experienced by an investment manager are possible.

## **Item 9      Legal and Disciplinary Information**

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Windrose is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of the Firm's advisory business or the integrity of the Firm's management. Windrose has no information to disclose applicable to this Item.

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

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Windrose and its employees may serve on the board of advisors of investment managers. These are non-compensated positions and provide the firm with additional insight on a firm and their investments.

We are not registered as a broker-dealer, futures commission merchant, commodity pool operator or a commodity trading advisor.

Fireman Capital Partners, LLC ("FCP"), is an affiliated investment advisor registered with the SEC. Windrose does not provide advice or recommendations relating to FCP. We do not receive any form of compensation from FCP. Clients may independently choose to invest with FCP.

In certain cases, Windrose creates pooled investment vehicles, and acts as a managing member to those pooled investment vehicles. When appropriate, we create these vehicles to reduce investment minimums on behalf of our clients or to meet specific criteria required by a chosen investment manager.

Windrose may select other investment advisors for its clients. Windrose does not receive any compensation directly related to the selection of other investment advisors.

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

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Windrose has a formal written Code of Ethics ("Code") that includes the policies and procedures governing the conduct of Windrose's partners and employees.

The Code describes our high standard of business conduct, fiduciary duty to clients and contains provisions designed to prevent misconduct and conflicts of interest and to detect any violation. The Code's key provisions include:

- Statement of General Principles
- Policy on and Reporting of Personal Securities Transactions
- A Prohibition on Insider Trading
- Restrictions on the Acceptance of Significant Gifts
- Procedures to Detect and Deter Misconduct and Violations
- Requirement to Maintain Confidentiality of Client Information

Annually, Windrose partners and employees are required to acknowledge receipt and understanding of the firm's Code of Ethics.

Clients and prospective clients may obtain a copy of our Code of Ethics upon request.

As noted above under "Other Financial Industry Activities and Affiliations," FCP may organize and offer interests in investment funds that invest in individual companies. Windrose clients may invest in those funds directly, but we do not provide advice or recommendations on these investments.

Windrose partners and employees may, from time to time, invest in the same investments as clients. We prohibit trading public securities ahead of or alongside clients. Our Chief Compliance Officer maintains a list of restricted securities that partners and employees may not purchase or

sell based on inside or non-public information. In addition, our Chief Compliance Officer reviews all employee trades quarterly.

## **Item 12     Brokerage Practices**

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Windrose considers brokerage practices when evaluating investment opportunities in both publicly traded and private investment funds. The practice of investment managers varies and certain managers may not utilize the lowest cost broker for trade execution. In addition, execution costs may be charged through soft dollar or commission recapture agreements which allow for execution costs to fund research services and products. Windrose expects our managers to comply with the SEC's interpretations of the safe harbor for the use of brokerage research services that is provided by section 28(e) of the Securities Exchange Act of 1934. Windrose does not utilize soft dollar arrangements and we thoroughly consider and analyze the practices of the investment managers we hire.

Windrose has not received client referrals from broker-dealers nor engaged in any fee sharing arrangements with broker-dealers.

We execute brokerage transactions on behalf of our clients. Clients either specify their preferred broker or allow us to choose a broker. In our evaluation, we consider cost, responsiveness, trade execution capability and broker financial stability. If directed by our client to use a specific broker, the total trade execution cost may be higher.

In no case will Windrose accept fees or compensation from Broker-Dealers.

Trade aggregation is the act of trading a large block of a security in a single order. Shares of a purchased security are then allocated to the appropriate accounts in the appropriate proportion. The main purposes of order aggregation are (i) for ease of trading and (ii) to obtain a lower transaction cost associated with trading a larger quantity. Windrose does not aggregate or block trades. As a result, clients purchasing securities around the same time may receive a lower or higher price than other clients. As to transaction costs, trades enacted on the Schwab platform are charged transaction fees at the account level, therefore there would be no transaction cost benefit to block trading versus trading each account separately.

## **Item 13     Review of Accounts**

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At the firm level, William A. Heitin, CIO; John D. Haase Managing Partner and investment committee meet regularly to discuss asset allocation strategy, investment manager performance and the implementation of our investment platform for clients.

Each client relationship is assigned a direct team of four people representing four disciplines: relationship management, investment analysis, client service, and financial planning. The client coverage team meets regularly to review and discuss client relationships. At a minimum, teams formally review client portfolios and strategy twice per year. These formal reviews typically include meeting with clients to both review results and agree on a plan forward.

IPS' are reviewed on an on-going basis. Generally, once per year we validate the IPS to reflect changing client needs and objectives. By maintaining a relatively low ratio of clients to



professionals, we are able to maintain regular dialogue with clients and encourage client communication.

Each quarter, clients receive customized performance reports from Windrose. In addition, they are offered daily access to web statements. Lastly, clients receive account statements directly from custodians, as required, on a quarterly basis.

Client meetings are regularly scheduled. Supplemental written reports, with more detailed manager information including investment performance are provided at meetings as well. Each new investment is reviewed in-person or on the phone. Windrose strives to maintain regular dialogue and communication, education and information that client's value.

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

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Windrose does not receive or pay any compensation for referrals. The firm's only source of compensation is the advisory fee paid directly by our clients.

## **Item 15    Custody**

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For Windrose clients, publicly traded assets are primarily held in custody at State Street Bank and Trust Company, an independent custodian and administrator. In certain circumstances assets may be held at an unaffiliated broker-dealer or bank. Wiring and money movement instructions are created with clients and those instructions are followed by both Windrose and the custodian. The custodian maintains a direct relationship and account with each Windrose client.

Windrose is the Managing Member of several investment related Pooled Investment Vehicles in the form of Limited Liability companies, in which clients invest. Windrose has custody of the investment assets of the vehicles by reason of legal ownership or access to such assets. Windrose complies with the SEC's Custody Rule with regard to the custody of the vehicle. Each pooled investment vehicle is audited annually by an independent accountant in accordance with the custody rules. Investors receive audited financial statements within 120 days after the end of each fund's fiscal year as required.

The client's custodian is required to send a statement to the client. The statement is a formal report on the assets held in the account and transactions in the account. Clients are urged to carefully review such statements and compare them to the account statements or other reports that we provide. Our performance reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Windrose contracts with Private Client Resources to generate customized and consolidated performance reports for clients. These reports are sent to clients electronically, via carrier mail or via on-line access. Quality controls are conducted by Private Client Resources and Windrose to insure data integrity and accuracy.

## **Item 16     Investment Discretion**

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Windrose Advisors will accept discretionary investment authority on client accounts.

## **Item 17     Voting Client Securities**

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Windrose does not request nor have authority to vote proxies on behalf of clients. Clients retain the rights and responsibilities associated with receiving and voting proxies for securities maintained in their portfolios; clients receive proxies directly from either custodians or transfer agents.

In most cases, client securities are professionally managed by third-party investment managers in separately managed accounts. These third party managers typically vote proxies and other corporate actions on behalf of their investors.

Clients may contact Jeff Reinke at 857.241.2207 for information about proxy voting.

## **Item 18     Financial Information**

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Windrose has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Windrose does not require prepayment of fees of both more than \$1,200 per client, and more than six months in advance; and therefore is not required to provide a balance sheet to clients.