

**Form ADV Part 2A: Firm Brochure**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Crosswinds AUM LLC (“Crosswinds” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Helen Martin, Crosswind’s Chief Compliance Officer (the “CCO”) at 212-521-1107 or [helen@crosswindsinc.com](mailto:helen@crosswindsinc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. References to Crosswinds as a “registered investment adviser” do not imply a certain level of skill or training.

Additional information about the Firm is also available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2- Material Changes**

There have been no material changes to this Brochure since the Firm's last Other-Than-Annual Amendment filed on December 1, 2015.

### Item 3 - Table of Contents

Item 2- Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 - Advisory Business .....	4
Item 5 - Fees and Compensation .....	4
Item 6 - Performance - Based Fees .....	5
Item 7 - Types of Clients.....	5
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 - Disciplinary Information .....	7
Item 10 - Other Financial Industry Activities and Affiliations .....	7
Item 11 - Code of Ethics, Participation or Interests in Client Transactions and Personal Trading .....	7
Item 12 - Brokerage Practices .....	8
Item 13 - Review of Accounts .....	9
Item 14 - Client Referrals and Other Compensation.....	9
Item 15 - Custody .....	9
Item 16 - Investment Discretion .....	9
Item 17 - Voting Client Securities.....	10
Item 18 - Financial Information.....	10
Item 19 – Requirements for State-Registered Advisers.....	10

## **Item 4 - Advisory Business**

- A. Crosswinds AUM LLC (“Crosswinds” or the “Firm”), a Delaware limited liability company formed in November 2014, is an investment adviser with its principal office located in New York, NY. Crosswinds Holdings Inc., a publicly held company, listed on the Toronto Stock Exchange (TSX: CWI), is the sole member of Crosswinds, and owns 100% of Crosswinds.
- B. Crosswinds intends to provide discretionary management services to its clients. Crosswinds manages the assets of an insurance company and insurance holding companies (each a “Client”, and collectively the “Clients”). Crosswinds provides advice only with respect to limited types of investments as provided for in the Investment Mandate (defined below).
- C. Crosswinds provides discretionary investment management services to the Clients pursuant to an investment advisory agreement (“Investment Advisory Agreement”) and manages the assets of the Clients in accordance with the applicable mandate (“Investment Mandate”) approved by the applicable board of directors (“Board of Directors”) and investment committee (“Investment Committee”), as well as in accordance with National Association of Insurance Commissioners guidelines, and other governing documents applicable to the Clients.
- D. Crosswinds does not participate in wrap fee programs.
- E. Crosswinds managed \$30,013,191 on a discretionary basis as of December 31, 2015.

## **Item 5 - Fees and Compensation**

- A. The Investment Advisory Agreement for each Client sets forth in detail the fee structure relevant to such Client. As compensation for its services, Crosswinds generally charges a management fee (the “Management Fee”) to the Clients. Crosswinds only provides investment advisory services to qualified purchasers, and therefore the fee schedule has not been disclosed.
- B. The Management Fee is billed to the Clients quarterly for payment in arrears. Crosswinds may elect to waive all or any portion of any future Management Fees.
- C. In addition to the Management Fee, the Clients are responsible for those fees associated with specific research requested of Crosswinds as outlined in the Clients’ Investment Advisory Agreement. Clients will incur brokerage and other transactions costs; please see item 12 of this Brochure, “Brokerage Practices”.
- D. The Clients do not pay fees in advance.
- E. Neither Crosswinds nor Crosswinds supervised persons accepts compensation for the sale of securities or other investment products.

## Item 6 - Performance-Based Fees

Neither Crosswinds nor any of Crosswinds' supervised persons accepts or expects to accept performance-based fees.

## Item 7 - Types of Clients

As described in Item 4, Crosswinds, as of the date of this Brochure, provides discretionary management services to insurance companies and insurance holding companies. The terms of such services are outlined in the Investment Advisory Agreement.

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

- A. The Board of Directors and Investment Committee are responsible for establishing Crosswinds' Investment Mandate on a quarterly basis. Crosswinds' investment objective is to maintain sufficient liquidity in its portfolio and to pursue an investment strategy that will achieve the objective(s) of the Investment Mandate.

An investment in the Clients will involve significant risk and potential conflicts of interest. There can be no assurance that the objectives of a Client's Investment Mandate will be achieved, and actual investment results may vary substantially from the Investment Mandate. Clients should be prepared to bear these risks.

- B. *The descriptions contained below are a brief overview of different risks related to Crosswinds; however, they are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Clients. Each prospective Client should carefully review the applicable Client documents before deciding to make an investment in accordance with an Investment Mandate. Each prospective Client should consult with their own counsel and advisors as to all legal, tax, financial and related matters concerning the Investment Mandate.*

**Lack of Operating History.** The Firm is a newly organized. Although the principals have prior experience relating to the investments similar to those to be made by a Client, the Firm has limited operating history and limited basis upon which an evaluation of their investment decisions can be made.

**General Economic and Market Conditions.** The success of a Client's investment account will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Client's investments), and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of the Clients' investments. Volatility or illiquidity could impair the Clients' profitability or result in losses. The Clients may maintain substantial trading

positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

**Equity Risks.** Crosswinds has in the past and may in the future advise its Clients to invest in equity securities. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Client may suffer losses if it invests in equity securities of issuers whose performance diverges from Crosswinds' expectations or if equity markets generally move in a single direction and such Client has not hedged against such a general move.

**Investing in Foreign Securities.** Investing in foreign securities involves considerations for the Clients' account that are not applicable to investing in domestic securities, including unfavorable changes in currency rates and exchange control regulations, the potential imposition of restrictions on the repatriation of currency, reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees, local economic or political instability and greater market risk in general.

**Emerging Markets.** A Client's account may invest in markets outside of the United States. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may be subject to the following risks: less publicly available information; more volatile markets; less liquidity or available credit; political or economic instability; less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; a greater likelihood of severe inflation; unstable currency; and war and expropriation of personal property.

**Lack of Liquidity.** Certain of the securities in which a Client's account may be invested, from time to time, have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of Crosswinds to execute trade orders at desired prices in a declining market.

**Systemic Risk.** Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Client's account will interact on a daily basis.

**Counterparty Risks.** A Client's account may enter into many transactions, including over-the-counter transactions, with or through third parties in which the failure of the third party to perform its obligations under a contract with the Client could have a material adverse effect on the Client's account.

A Client's assets may be held in accounts maintained for the Client by one or more custodians and/or brokers. Such brokers or custodians, as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Clients' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a broker or custodian or any of their sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on a Client and its assets. Clients should assume that the insolvency of any of the Clients' brokers, custodians or other service providers could result in the loss of all or a substantial portion of the Clients' assets held by or through such entity.

***Competition; Availability of Investments.*** Certain markets in which a Client account may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Clients will be able to identify or successfully pursue attractive investment opportunities in such environments.

- C. Crosswinds does not recommend primarily a particular type of security.

## **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events involving either Crosswinds or any of its management persons that are material to Crosswinds' advisory business or the integrity of Crosswind's management.

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

- A. Neither Crosswinds nor Crosswinds' management persons are registered, or have a pending application to be a registered broker-dealer.
- B. Neither Crosswinds nor Crosswinds' management persons are registered, or have a pending application to be registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, nor are considered to be an associated person of the foregoing entities.
- C. Crosswinds does not have any relationship or arrangement that is material to its advisory business or the Clients with those entities described in this section and disclosed in Section 7A of Schedule D on Part 1A of the Firm's Form ADV.
- D. Crosswinds does not recommend or select other investment advisers for its Clients.

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

- A. Crosswinds strives to adhere to the highest industry standards of conduct based on principles of

professionalism, integrity, honesty and trust. In seeking to meet these standards, the Firm has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all Crosswinds employees are expected to uphold:

- employees must at all times place the interests of Clients first;
  - all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
  - employees must not take any inappropriate advantage of their positions;
  - information concerning the identity of securities and financial circumstances of the Clients, including the Clients' investments, must be kept confidential; and
  - independence in the investment decision-making process must be maintained at all times.
- Clients may request a copy of the Code by contacting Crosswinds at the email address listed on the first page of this document.
- B. Neither Crosswinds nor Crosswinds' related persons recommends to the Clients, or buys or sells for Client accounts, securities in which Crosswinds or Crosswinds' related persons has a material financial interest.
- C. From time to time, Crosswinds or Crosswinds' related persons may invest in the same securities that Crosswinds or Crosswinds' related persons recommends to the Clients. As a result, the Firm and its related persons may benefit from market activity by the Clients.
- D. Neither Crosswinds nor Crosswinds' related persons recommends securities to the Clients, or buys or sells securities for Client accounts at or about the same time that Crosswinds or Crosswinds' related persons buys or sells securities for the Firm or the related person's own account.

## **Item 12 - Brokerage Practices**

- A. Crosswinds strives to select broker-dealers, investment banks or financial intermediaries that provide the Clients with favorable execution capabilities and qualities. Certain entities are utilized for the Clients due to its presence in specific markets and their ability to trade certain securities or complete specialized types of transactions. Research or additional ancillary services not associated with the transactions provided by such service providers are not determining factors for engaging a particular service provider.
1. Research and Other Soft Dollar Benefits: Crosswinds does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with Client



securities transactions.

2. Brokerage for Client Referrals: Neither Crosswinds nor any of its related persons receives Client referrals from any broker- dealer or third party.
  3. Directed Brokerage: Crosswinds will not request or require that its Clients direct the Firm to execute transactions through a specified broker-dealer.
- B. Securities in various Client accounts will not be aggregated. The Investment Mandates for each Client will differ and all given trades will be distinct. As such trades will be distinct, there is not expected to be a circumstance in which the opportunity for aggregation will arise. As the opportunity to complete aggregated trades will not arise, there is no additional cost to the Clients.

### **Item 13 - Review of Accounts**

- A. The Clients' investments are continuously monitored and reviewed. The CCO, Chief Executive Officer, and the Clients' Investment Committee are primarily responsible for conducting such review. The Chief Financial Officer, at all times, is given access and authority to review Client accounts.
- B. Crosswinds monitors the Client accounts on a periodic basis.
- C. On a monthly basis all Clients will receive brokerage and custodial statements directly from the Firm's administrator.

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

- A. Crosswinds does not receive economic benefit from anyone who is not a Client for providing investment advice or other advisory services.
- B. Crosswinds nor Crosswinds' related persons directly or indirectly compensates any person who is not a supervised person for Client referrals.

### **Item 15 - Custody**

Crosswinds does not have custody or any form of custodial arrangement with respect to its Clients' funds or securities.

### **Item 16 - Investment Discretion**

As outlined in Item 4 of this Brochure, Crosswinds has investment discretion over the assets of its Clients' portfolios within the scope of the Investment Mandate as approved by the Investment Committee of the Board of Directors.

## **Item 17 - Voting Client Securities**

- A. Crosswinds has adopted a proxy voting policy as required by the Advisers Act. The policy provides that Crosswinds will vote proxy proposals, amendments, consents or resolutions in a prudent and diligent manner that will serve the best interests of its Clients.

Crosswinds' proxy voting policy includes guidelines to follow when Crosswinds receives proxies, how these proxies are documented, and the determination for how such proxies shall be voted. The Clients have the option to request to vote on a particular matter themselves.

The proxy voting policy also includes guidelines for the CCO to follow if a material conflict of interest arises between Crosswinds and its Clients to ensure that such conflict is resolved in the best interest of the Clients. In such cases, Crosswinds will disclose the conflict and its voting intention, and offer the Clients the opportunity to vote themselves.

Crosswinds will produce a summary of its voting record annually to be distributed to the Clients. This summary as well the proxy voting policy and procedures are available for review more frequently upon request.

- B. Not Applicable.

## **Item 18 - Financial Information**

- A. Crosswinds does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance, and therefore has not included a balance sheet.
- B. Crosswinds does not believe that there are any conditions that are reasonably likely to impair its ability to meet contractual commitments to its Clients.
- C. Crosswinds has not been the subject of a bankruptcy proceeding.

## **Item 19 – Requirements for State-Registered Advisers**

Not Applicable.