Crosswinds Holdings Inc. Management's Discussion and Analysis for the Three Months Ended March 31, 2016

Introduction

This interim management's discussion and analysis ("MD&A") for Crosswinds Holdings Inc. ("Crosswinds" or the "Company") includes information designed to help you understand management's perspective of our unaudited condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2016. This information is presented as at March 31, 2016 and updated based on information available up to May 13, 2016.

We encourage you to read our unaudited condensed interim financial statements and the related notes as you review this MD&A. You can find more information about Crosswinds, including our financial statements and our most recent annual information form dated as at March 28, 2016 (the "AIF"), on our website at www.crosswindsinc.com or on The System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Company's common shares ("Shares") are listed and traded on the Toronto Stock Exchange ("TSX") under the symbol "CWI". Unless we have specified otherwise, all dollar amounts in this MD&A are in Canadian dollars. Certain amounts are shown in U.S. dollars ("USD"). The USD to Canadian dollar closing exchange rate on March 31, 2016 was $1.2987 and averaged $1.3724 for the first three months of 2016 based on the Bank of Canada closing exchange rates.

FINANCIAL HIGHLIGHTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

- Revenues of $106,578 compared to $104,279 for the same period in 2015;
- Net gain from results of investments of $21,550 compared to $343,836 for the same period in 2015; and
- Net loss of $(446,830) or $(0.08) per Share attributable to Crosswinds' shareholders compared to net income of $456,211 or $0.09 per Share attributable to Crosswinds' shareholders for the same period in 2015.

FINANCIAL POSITION AS AT MARCH 31, 2016

- Cash of $2,524,384 or $0.48 per Share;
- Investment in Monarch of $17,490,127 or $3.30 per Share;
- Investment in Salbro valued at $2,469,140 or $0.46 per Share; and
- Net book value of $22,461,351 or $4.23 per Share[1] of which $19,962,894 or $3.76 per Share[1] is attributable to the shareholders of Crosswinds.

[1]Net book value per share is a non-IFRS financial measure and is calculated as total shareholders' equity under IFRS divided by the number of Shares outstanding at period-end. The Company has reported two net book value measures: one reflecting net book value on a consolidated basis including non-controlling interests with respect to the Company's investment in the Monarch (as defined herein) and the other reflecting the net book value attributable solely to the Company's shareholders without non-controlling interests. See the cautionary statement regarding use of non-IFRS financial measures on page 3 of this MD&A.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains information that is forward-looking and is subject to risks and uncertainties. Forward-looking information includes information concerning the Company's possible or assumed future operations, financial performance, achievements, results, business strategy, plans, goals, and objectives. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "potential" or "continue", similar words or words with similar connotation or the negative thereof. These statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees and there can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur.

Factors which could cause actual results to differ materially from those set forth in the forward-looking statements include (but are not limited to): risks associated with general economic conditions; the Company's dependence on management of portfolio companies and joint venture partners; the limited number and concentration of the Company's investments; the Company's dependence on key personnel and contractors; leverage of the businesses in which the Company invests; the market for the Company's securities, limited liquidity and volatility of trading price; the trading price of the Company's Shares relative to the net book value (net asset value); risks affecting the Company's investments; the need for the Company to make follow-on investments in portfolio companies; use of investment proceeds; investments by the Company in illiquid securities including private issuers; joint investments with third parties; conflicts of interest; no guaranteed returns; ability to execute the Company's growth and investment strategies; availability and available terms of any required capital to implement corporate objectives and those of portfolio companies; availability and terms of any required financing; availability and timing for receipt of any required regulatory, shareholder or other approvals; the potential loss of investment in Shares; management of the future prospects of the Company; the availability of suitable acquisition opportunities; competition for investments; the Company's limited operating history in certain segments where it invests; shifts in target exit dates and investment rates of return for investments; tax treatment; fluctuation of currency exchange; remaining eligibility and continued qualification for exchange listing on the stock exchange on which the Company's Shares trade; heavy regulation of the insurance business and risk of changes in regulation which could reduce the profitability of investments and limit growth; concentration of credit risk; ability to maintain minimum capital and surplus requirements for insurance investments; performance of investments being impacted by business cycles in the property and casualty insurance industry; ratings received by investees by insurance rating agencies and other risks detailed from time to time in the Company's continuous disclosure documents.

The reader should not place undue reliance on forward-looking statements and information because they involve significant and diverse risks and uncertainties. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Unless otherwise stated, all forward-looking statements speak only as of the date of this MD&A. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law. These cautionary statements expressly qualify all forward-looking information in this MD&A.

CAUTIONARY STATEMENT REGARDING THE VALUATION OF INVESTMENTS IN PRIVATE ENTITIES

In the absence of an active market for its investments in private entities, fair values for these investments are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private market transaction multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the Company's investments in private entities could be disposed of may differ from the fair value assigned and the differences could be material.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS FINANCIAL MEASURES

This MD&A makes reference to the net book value per Share, both on a consolidated basis including non-controlling interests with respect to the Company's investment in Monarch and on a non-consolidated basis attributable solely to the Company's shareholders without non-controlling interests. These measures are non-IFRS financial measures. The Company calculates the net book values per Share as it believes these to be important metrics that shareholders use and frequently request and refer to because shareholders often view the Company as a holding company of investments. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to a similar measure presented by other issuers. This classification is not an IFRS measure and should not be considered either in isolation of, or as a substitute for, a measure prepared in accordance with IFRS.

The Company

For a review of the Company and its operations, please refer to the Company's most recent annual management's discussion and analysis and the Company's most recent annual information form as updated by periodic news releases, all available under the Company's profile on SEDAR at www.sedar.com.

Operational Review

During the first quarter of 2016, the Company's joint venture investment in Monarch Delaware Holdings LLC and its subsidiaries (together, and each, as the context requires, "Monarch"), which has been operational for a year, recorded a profit. Monarch also applied for and subsequent to quarter end received approval from the Florida Office of Insurance Regulation (the "OIR") to decrease its premium rates on its homeowners' insurance program in Florida. This rate decrease is expected to increase Monarch's market competitiveness and has resulted in increased premium writing. The Company's results during the quarter were impacted by foreign exchange fluctuations as Monarch, which represents the majority of the Company's assets, is a USD denominated investment. During the quarter, management further advanced the establishment of Crosswinds Re and has been working to identify and structure financing options for the Company to execute on its strategies.

Material and Significant Events in 2016

The following is a summary of the Company's material and significant events in Q1 2016, updated for any subsequent events to the date hereof.

April 2016 – Subsequent to Quarter End	*Monarch Joint Venture – Approval of Rate Decrease* Monarch, in which the Company has an indirect equity interest, was notified by the the OIR that the OIR approved Monarch's requested rate decrease for its homeowners' insurance program within the State of Florida. The rate decrease, which was effective April 15, 2016, results in an average premium decrease of approximately 11.9% statewide for new and renewal business. The Company, based on discussions with Federated National Holding Company, the joint venture partner with whom it formed Monarch, believes that this rate decrease will make Monarch more competitive in the Florida homeowners' market.

Summary of Investments

The following is a summary of the Company's investment in private entities (Salbro) including associates (Monarch) as at March 31, 2016 updated to the date hereof.

Investments in Private Entities– Current Portfolio

At March 31, 2016, the Company held one investment in a private entity and one investment in an associate. The investment details are as follows:

Company and Investment Overview

Monarch Joint Venture - Monarch National Insurance Company is a property and casualty insurer in the state of Florida. Monarch National Insurance Company, together with Monarch National Holding Company and Monarch Delaware Holdings LLC, "the Monarch Entities" are a significant equity investee of the Company. Unless otherwise specified, or as the context requires in this MD&A, references to "Monarch" mean any of the Monarch Entities. Monarch began active operations during the second quarter of 2015 following closing of the Monarch investment in March 2015.

Crosswinds' Investment: USD $12 million representing CDN $15.3 million at the date of investment. Crosswinds made its investment through Crosswinds Investor LP, its majority owned limited partnership into which it invested US $12 million with a third party investor funding the remaining US $2 million for a proportionate minority position in Crosswinds Investor LP. Crosswinds Investor LP is controlled by its general partner, Crosswinds Monarch GP, of which Crosswinds is the sole owner. Crosswinds Investor LP made its investment in the Monarch through Monarch Delaware Holdings LLC.

Rationale: To form a property and casualty insurance platform in the state of Florida with strategic partners. Monarch is expected to experience organic growth and provide asset management fees to Crosswinds while providing a platform opportunity for further acquisitive growth.

Investment Risks Include: Cyclical nature of insurance and reinsurance businesses including protracted period of no hurricane events in Florida, adequacy of reserves and reinsurance, appropriate pricing, government regulation and approvals including of analytic models and rate changes, natural disasters, climate change, foreign exchange and currency fluctuations, newly established player and brand in market requiring acceptance, competition from current and potential new entrants into the market, reliance on related party service providers and direct to consumer distribution displacing traditional distribution channels**.**

Original Investment Date: March 2015

Investment Update: Monarch achieved profitability in the quarter having been established for a year. Monarch was notified by the OIR that the OIR approved Monarch's requested rate decrease for its homeowners' insurance program with the State of Florida. The rate decrease became effective April 15, 2016 and results in an average premium decrease of approximately 11.9% statewide for new and renewal business. This rate decrease is expected to make Monarch more competitive in the Florida market.

Salbro Bottle Inc. and Related Companies (Salbro) is an established designer, manufacturer and distributor of packaging components, specializing in glass and plastic bottles.

Crosswinds' Investment: Original $4,000,000 investment structured as debentures paying 12% per annum ("Debentures") and nominal cost common share warrants exercisable into common shares of Salbro ("Warrants"). In 2012, Salbro completed a refinancing resulting in a partial repayment to the Company of principal outstanding of $1,700,000 plus all of the interest then owing under the Salbro Debentures. At that time, interest payments on the Debentures were modified to be paid in kind rather than paid in cash. In December 2015, Salbro completed a debt repayment resulting in a repayment to the Company of principal and interest outstanding under the Debentures in the aggregate amount of $1,800,000. As at December 31, 2015, the aggregate amount outstanding under the Debentures together with accrued interest was $1,624,096. In conjunction with the Q4 2015 repayment, the maturity dates for the Debentures were extended to December 2021 and the interest rate reduced to 6% cash payments, reverting back to 12% in certain circumstances. In addition, modifications were made to the Warrants as described under "Investment Update" below.

Rationale: Growth capital investment in a company with a diversified customer base, an experienced management team, and a combination of complementary manufacturing and distribution businesses to reduce volatility and risk.

Investment Risks Include: Long-term economic slowdown, use of leverage, commodity prices, customer concentration and management execution.

Original Investment Date: February 2008

Investment Update: Following the repayment transaction and improvements made to Salbro's capital structure in December 2015, Salbro continued during the quarter to identify and implement strategic initiatives and efficiencies. Overall, management is of the view that Salbro is performing well and is on track to achieve its budgeted objectives.

Financial Review

The following is a summary of (a) the Company's financial statements for the three months ended March 31, 2016 and 2015 and (b) the Company's financial position as at March 31, 2016 compared to the year ended December 31, 2015.

Results from Operations for the Three Months Ended	March 31, 2016	March 31, 2015
Total revenues	$106,578	$ 104,279
Net results of investments	21,550	343,836
(Expenses) recovery	(559,158)	8,097
Taxes and non-controlling interest	-	-
Net (loss) income	$ (431,030)	$ 456,211

Comprehensive (Loss) Income for the Three Months Ended	March 31, 2016	March 31, 2015
Net (loss) income	$ (431,030)	$ 456,211
Other comprehensive income (loss)		
Change in unrealized foreign currency translation losses on foreign operations	(1,091,415)	(3,683)
Share of other comprehensive income of associate	257,805	-
Other comprehensive loss	(833,610)	(3,683)
Comprehensive (loss) income	$ (1,264,640)	$ 452,528
Earnings (loss) Per Share (EPS)		
Earnings (loss) per share	$ (0.08)	$ 0.09

Financial Position as at	March 31, 2016	December 31, 2015
Cash and cash equivalents	$2,524,384	$ 3,013,848
Total assets	22,706,227	23,970,024
Shareholders' equity attributable to shareholders of Crosswinds	19,962,894	20,992,981
Number of shares outstanding	5,304,007	5,304,007

Net Book Value Per Share[1]		
Net Book Value Per Share[1]	$4.23	$ 4.45
Attributable to shareholders of Crosswinds	3.76	3.96
Non-controlling interests	0.47	0.49
Closing market price on TSX	$3.40	$ 5.44
Market price premium/(discount) to net book value attributable to shareholders of Crosswinds	(9.6)%	37.4%

[1]Net book value per Share is a non-IFRS financial measure and is calculated as total shareholders' equity under IFRS divided by the number of Shares outstanding at period-end. The Company has reported two net book value measures: one reflecting net book value on a consolidated basis including non-controlling interests with respect to the Company's investment in Monarch and the other reflecting the net book value attributable solely to the Company's shareholders without non-controlling interests. See the cautionary statement regarding use of non-IFRS financial measures on page 3 of this MD&A.

The Company's cash position declined during the first quarter of the year as the Company incurred a number of annual expenses which are typically incurred in the first quarter including short term incentive payments to senior executives and annual filing and related fees in the aggregate amount of $186,338. As a number of the Company's senior executives are paid in USD, the foreign exchange rate also impacted the amount of these payments.

Results of Operations Highlights

The Company's operating results reflect (i) revenue recognized primarily from the income generated from the Company's investments in private entities including Monarch and related asset management activities; (ii) changes in the value of the Company's assets; and (iii) the expenses required to deploy and manage the Company's invested capital.

March 31, 2016	March 31, 2015
Revenue $106,578: $77,640 from investment management fees and $28,938 from interest income.	Revenue $104,279: $104,279 from interest income.

Changes quarter-over-quarter: The Company's interest income declined during Q1 2016 compared to the same period in 2015 as, effective December 2015, the Company's Salbro investment bears interest at 6% per annum compared to 12% payment-in-kind per annum in Q1 2015. In connection with the interest rate reduction, the Company now also receives current paying principal and interest payments on a monthly basis. In Q2 2016 the Company earned investment management fees from Monarch. The Company started earning investment management fees in Q2 2015 following the closing of its Monarch investment.

March 31, 2016	March 31, 2015
Net results of investments representing a gain of $21,550 consisting of $89,050 of net foreign exchange loss on the translation of USD denominated assets into CAD offset by $110,600 of income from Monarch.	Net results of investments representing a gain of $343,836 consisting of $920,345 of unrealized foreign exchange gains on the translation of USD denomination assets into CAD offset by the $576,509 share of loss in associates, all in connection with Monarch.
Expense of $559,158: consisting primarily of $194,077 salaries and short term incentive payments, $123,526 share-based payments related to deferred share unit ("DSU") grants and expense, $49,406 directors' fees, $47,137 audit & tax fees and $134,585 general and administration expenses including rent.	Expense recovery of $8,097: consisting primarily of $152,068 management fee, $62,418 consulting fees, $81,493 general and administration, $44,048 directors' fees and audit & tax fees $51,679. These expenses were offset by a recovery of legal fees of US $462,500 from Monarch to reimburse the Company for legal fees incurred in 2014 and the first quarter of 2015 to establish the Monarch joint venture.
Net loss of $431,030 or $0.08 per Share on a basic and fully diluted basis.	Net income of $456,211 or $0.09 per Share on a basic and fully diluted basis.

Changes quarter-over-quarter: The net loss in Q1 2016 compared to net income in Q1 2015 was due to primarily to the net foreign exchange gain of $920,345 on the translation of USD denominated assets (held to make the Monarch investment) into CAD and the recovery of legal fees of $399,803 in Q1 2015 in connection with the establishment of Monarch offset partially by the income from Monarch in Q1 2016 compared to loss from Monarch in Q1 2015.

Balance Sheet Highlights

As at March 31 2016, the Company's assets consisted primarily of cash and its investments in Monarch and Salbro. The Company had working capital of $2,473,955 for commitments and general working capital purposes.

In March 2015, the Company, through Crosswinds Investor LP, invested USD $14,000,000 (USD $2,000,000 of which was funded by a third party investor) in Monarch. In this MD&A, references to equity attributable to Crosswinds refers to the portion of the Monarch investment attributable to Crosswinds, which excludes the third party investor's minority interest. At the date of funding of the Monarch investment, the total commitment in Canadian dollars was $17,876,600, $15,322,800 of which was funded by and attributable to the Company. The Company is subject to the risk of currency fluctuations. See "Risk Factors" below.

March 31, 2016	December 31, 2015
Total assets of $ 22,706,227	Total assets of $ 23,970,024
Changes: *The decrease in assets from December 2015 to March 2016 is due primarily to the decrease in (i) Monarch of $777,251 which comprises an increase in Monarch's net assets of $348,621 offset by an unrealized foreign exchange loss of $1,125,872 and (ii) cash of $489,464 due to the funding of corporate expenses including annual short term incentive payments to senior executives paid in USD and annual filing and related fees which are typically incurred in Q1 of each year.*	
Equity attributable to shareholders of Crosswinds $19,962,894	Equity attributable to shareholders of Crosswinds $20,992,981
Changes: *The decrease in equity attributable to shareholders of Crosswinds from year end 2015 to Q1 2016 is due to the other comprehensive loss attributable to the shareholders of Crosswinds (which includes unrealized foreign currency translation loss on its investment in Monarch) reported for the first three months of 2016 of $1,153,612.*	

The Company had no debt during any of the periods noted in the table above.

Fair Value Analysis

The following is an analysis of the fair value of each of the Company's assets and liabilities and associated value per Share as at March 31, 2016.

	March 31, 2016	
Asset/(Liability)	Fair value	Value per Share
Liquid Net Assets (Working Capital)		
Cash	$2,524,384	$0.48
Due from related parties	73,604	0.01
Interest receivable and prepaid expenses	120,843	0.02
Accounts payable and accrued liabilities	(244,876)	(0.05)

Asset/(Liability)	March 31, 2016 Fair value	Value per Share
Working Capital	***$2,473,955***	***$ 0.46***
Investments in Private Entities		
Investment in an associate (Monarch) [1]	$17,490,127	$3.30
Salbro *(debentures & accrued interest)*	1,615,140	0.30
Salbro *(warrants)*	854,000	0.16
	$19,959,267	***$3.76***
Capital assets, net of accumulated depreciation	28,129	0.01
GRAND TOTAL [2, 3]	***$22,461,351***	***$ 4.23***

[1] Includes the non-controlling interest in the amount of $2,498,457.
[2] Grand total equals the Company's shareholders' equity.
[3] Excludes the Company's tax loss carryforwards of $16,418,199 expected to be available to offset future taxable income.

Results of Operations for the Three Months Ended March 31, 2016

The following is an analysis of the Company's results of operations for the three months ended March 31, 2016 and 2015. This analysis should be read in conjunction with the applicable interim financial statements and the accompanying notes thereto.

Revenues

	Three Months Ended March 31 2016	2015	Inc / (Dec)
Interest and other income	$ 106,578	$ 104,279	$ 2,299
Total	$ 106,578	$ 104,279	$ 2,299

The Company's interest income declined during 2016 compared to the same period in 2015 as, effective December 2015, the Company's Salbro investment bears cash interest at 6% per annum compared to 12% payment-in-kind per annum in effect during Q1 2015. In addition, this interest is paid on a reduced principal balance as the Company received a principal repayment of $1,800,000 in December 2015. In connection with the interest rate reduction, the Company now also receives current paying principal and interest payments from Salbro on a monthly basis. In Q1 2016 the Company earned investment management fees from Monarch. The Company started earning investment management fees in Q2 2015 following the closing of its investment in Monarch.

Net Results of Investments

	Three months ended March 31		
	2016	2015	Inc / (Dec)
Share of income (loss) of an associate (Monarch), net of tax	$ 110,600	$ (576,509)	$ 687,109
Net foreign exchange gain (loss)	(89,050)	920,345	(1,009,395)
Total	$ 21,550	$ 343,836	$ (322,286)

Net results of investments decreased by $322,286 in Q1 2016 compared to Q1 2015. In Q1 2016, net results of investments included a net foreign exchange loss of $89,050 compared to a net foreign exchange gain of $920,345 in 2015, while the Q1 2016 results include income from Monarch of $110,600 compared to a loss from Monarch in Q1 2015 of $576,509.

Expenses and Income Taxes

	Three months ended March 31		
	2016	2015	Inc / (Dec)
Share-based compensation	$ 123,526	$ -	123,526
Salaries and benefits	194,077	152,068	42,009
Consulting fees	-	62,418	(62,418)
Directors' fees	49,406	44,048	5,358
Audit and tax fees	47,137	51,679	(4,543)
General and administration	134,585	81,493	53,092
Legal fees expense (recovery)	10,427	(399,803)	410,230
	559,158	(8,097)	567,255
Provision for income taxes	-	-	-

	Three months ended March 31		
	2016	2015	Inc / (Dec)
Total	$ 559,158	$ (8,097)	$ 567,255)

The primary reason for the increase in expenses in Q1 2016 compared to Q1 2015 was due to a recovery of legal fees of USD $462,500 from Monarch in 2015 to reimburse the Company for legal fees incurred in establishing the Monarch joint venture. In addition, as a result of a DSU grant in April 2015 to certain members of management and the Board of Directors, a non-cash share-based compensation expense of $123,526 was recorded in Q1 2016.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters prepared under IFRS and presented in Canadian dollars.

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	*106,578*	*168,671*	*185,332*	*136,793*	*104,279*	*126,738*	*137,095*	*134,305*
Net results of investment	*21,550*	*(235,047)*	*74,164*	*(163,767)*	*343,836*	*-*	*161,209*	*-*
Expenses	*(559,158)*	*(829,753)*	*(654,763)*	*(1,161,805)*	*8,097*	*(758,621)*	*(319,245)*	*(169,588)*
Tax provision		*-*	*-*	*-*	*-*		*-*	*-*
Net income (loss) under IFRS	*(431,030)*	*(896,129)*	*(395,267)*	*(1,188,779)*	*456,211*	*(631,883)*	*(20,941)*	*(35,283)*
Weighted avg # of shares Basic and Diluted	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*6,528,670*
Net income (loss) per share	*(0.08)*	*(0.17)*	*(0.07)*	*(0.21)*	*0.09*	*(0.12)*	*-*	*(0.01)*
Net book value	*22,461,351*	*23,602,465*	*23,914,041*	*22,909,344*	*23,636,895*	*20,647,767*	*21,322,148*	*21,300,590*
Common shares o/s	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*	*5,304,007*
Net book value per common share[1]	*4.23*	*4.45*	*4.51*	*4.32*	*4.46*	*3.89*	*4.02*	*4.02*
Total assets	*22,706,227*	*23,970,024*	*24,062,506*	*23,051,887*	*24,558,259*	*21,199,824*	*21,487,434*	*21,425,260*

[1]Net book value per common share is a non-IFRS financial measure calculated by dividing net book value (shareholders' equity under IFRS) by the number of Shares outstanding at the period-end. See cautionary statement regarding the use of Non-IFRS financial measures on page 3 of this MD&A.

As described above, the Company's interest income declined in Q1 2016 compared to the quarters in 2015 due to the restructuring of its investment in Salbro in December 2015 which resulted in a repayment to the Company of $1,800,000 and a reduction in interest rate on the remaining debenture amount outstanding from 12% to 6%. In Q1 2016 the Company earned investment management fees consistent with the last three quarters of 2015.

Revenues in the last three quarters of 2015 increased from prior periods as Crosswinds AUM began earning asset management fees following the closing of the Monarch investment in Q1 2015.

Net results of investments vary on a quarter-to-quarter basis due to net foreign exchange gains related to USD denominated assets, realized gains or losses on investments and also due to unrealized gains or losses on investments being measured at fair value on the balance sheet. In Q2 2015, the Company recognized a start-up loss on its share of investment in Monarch while in Q3 2015 the Company recognized income on this investment. In Q4 2015, the Company recognized both a loss of $125,969 on its investment in Monarch and a decrease in the fair value of the warrants in Salbro in the amount of $136,000. In Q1 2016, the Company recognized its share of income in Monarch of $110,600.

A recovery of legal fees related to the establishment of Monarch, partially incurred in 2014, contributed to the Company's increased profitability in the first quarter of 2015. Since Q2 2015, the increase in non-cash compensation expense for the DSU grant contributed to the net loss for each of those periods.

Since 2015, the Company's results reflect a number of one-time expenses including foreign exchange fluctuations and start-up and other one-time costs related to Monarch which have caused variability in the Company's performance. The non-cash DSU grant also had an impact on the Company's expenses in the last three quarters of 2015 and Q1 2016. This impact is on a declining scale and will continue for the balance of 2016.

Liquidity, Capital Resources and Off-Balance Sheet Arrangements

The following is an analysis of the liquidity, capital resources and off-balance sheet arrangements of the Company and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and 2015 and the corresponding notes thereto.

Liquidity

The Company had working capital of $2,473,955 at March 31, 2016 (December 31, 2015 - $2,837,878). The Company's cash consists of deposits with chartered banks in Canada and the U.S.

The Company calculates its working capital as follows:

Working Capital	March 31, 2016	December 31, 2015
Cash	$ 2,524,384	$ 3,013,848
Due from related parties	73,604	77,578
Interest receivable and prepaid expenses	120,843	114,011
Accounts payable and accrued liabilities	(244,876)	(367,559)
Working capital	$2,473,955	$ 2,837,878
Total per Share	$ 0.47	$ 0.54

The Company intends to implement a strategy to generate liquidity in 2016 but continues to believe it has sufficient working capital to support its near term needs having monetized a portion of its Salbro investment in the amount of $1,800,000 at the end of 2015. As the Company works to implement its planned growth activities, management expects it will need to raise new capital and is exploring options to do so through private and/or public fund raising. There can be no assurance that such funds will be available or if they are available that they will be available on commercially favorable terms. There are contractual and legal restrictions on the ability of Monarch to transfer funds to its owners including Crosswinds. As Crosswinds views Monarch as a long term investment, this is not expected to have an impact on the Company's short term liquidity.

Capital Resources

At March 31, 2016, the Company had no long-term debt or capital lease obligations. The Company entered into a premises lease agreement in Q3 of 2015 for approximately 3,000 square feet of office space located at 14 Wall Street, New York, New York. The Company's payment commitments under the premises lease are set out below:

	Payments due by period				
At March 31, 2016	**TOTAL**	**< 1 year**	**1-2 years**	**3-5 years**	**after 5 years**
Operating lease	$ 899,393	$ 186,884	$ 192,051	$ 520,458	$ -

Share Capital

As at the date hereof and as at March 31, 2016, 5,304,007 (December 31, 2015 – 5,304,007) Shares were outstanding with the Company reporting a net book value of $22,461,351 (December 31, 2015 – $23,602,465) or $4.23 per Share of which $19,962,894 or $3.76 per Share is attributable to shareholders of the Company[1]. See the cautionary statement regarding the use of non-IFRS financial measures on page 3 of this MD&A.

[1] Net book value per share is a non-IFRS financial measure and is calculated as total shareholders' equity under IFRS divided by the number of Shares outstanding at period-end. The Company has reported two net book value measures: one reflecting net book value on a consolidated basis including non-controlling interests with respect to the Company's investment in the Monarch Joint Venture and the other reflecting the net book value attributable solely to the Company's shareholders without non-controlling interests.

The Company has no options or option plans outstanding. The Company has a DSU Plan pursuant to which it is authorized to issue up to a maximum of 530,400 Shares of the Company. On April 15, 2015 the Company issued an aggregate of 260,000 DSUs to certain of its directors and officers pursuant to the terms of the plan. As at March 31, 2016, an aggregate of 162,500 DSUs had vested under the DSU Plan with the remaining 97,500 units vesting in equal amounts over the remaining three quarters of 2016.

Off-Balance Sheet Arrangements

Except as otherwise described herein, the Company currently has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed asset or business acquisitions or dispositions that it has determined to proceed with at this time.

Transactions with Related Parties

Investment Management Services Agreement

In conjunction with the closing of the Monarch Joint Venture, Crosswinds AUM, a wholly-owned subsidiary of the Company, entered into an investment management services agreement with the Monarch Entities. Under the agreement, Crosswinds AUM has agreed to act as investment advisor and to manage the assets of Monarch Parent, Monarch Holdings and Monarch Insurance for a management fee paid quarterly in arrears.

For the three months ended March 31, 2016, Crosswinds AUM earned $77,640 (2015 - $nil) in investment management fees. As at March 31, 2016, the amount owing to the Company of $73,604 was included in due from related parties on the condensed interim consolidated statements of financial position.

Changes in Accounting Policies and Critical Accounting Judgments and Estimates

Critical Accounting Judgments and Estimates

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its condensed interim consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2016 are reflected in note 4 of the Company's audited annual consolidated financial statements for the year ended December 31, 2015.

Recent Accounting Pronouncements

There have been no new accounting pronouncements issued in the first quarter of 2016 that are expected to impact the Company. For a summary of accounting pronouncements, see the accounting pronouncements note (note 5) in the Company's audited consolidated financial statements for the year ended December 31, 2015.

Factors that May Affect Future Results

Future results of the Company will depend on the strategies it implements from time to time including the Company's ability to execute on its intentions with respect to growth of its complementary business lines and the success of any capital raising activities. The Company will require additional capital to complete some of its initiatives including capitalizing on investment opportunities as they arise and its ability to raise that capital will depend among other things on general economic conditions. As the Company is working to develop additional lines of business, past performance should not generally be viewed as indicative of future results.

The Company continues to seek investment opportunities meeting the criteria set out elsewhere in this MD&A and in its AIF. There can be no guarantee that any prospective initiatives or transactions described herein will be successfully executed and, if executed, yield satisfactory risk-adjusted returns. While seeking new investment opportunities, the Company's revenues will be constrained.

Controls and Procedures

Disclosure Controls and Procedures

The Company's controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the time periods specified under securities laws and include controls and procedures that are designed to ensure that information is accumulated and communicated to management including the Chief Executive Officer and Interim Chief Financial Officer (collectively, the Certifying Officers) to allow timely decisions regarding disclosure.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. In addition, a control system, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. As such, the Company's disclosure controls and procedures can only provide reasonable, and not absolute, assurance that the objectives of such controls and procedures are met.

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting are a process designed under the supervision of the Certifying Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis.

As at March 31, 2016, the Company's Certifying Officers have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2016, the Company did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. In addition, a control system, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

Outlook

The Company has a number of initiatives it is targeting for advancement for the remainder of 2016 and management views (i) Monarch's growth and earnings, (ii) increasing asset management fees and (iii) fees associated with any future financing activities, as all being key to the Company's near term future results.

Monarch's performance is an important component of the implementation of Crosswinds' broader strategy integrating insurance, reinsurance and asset management and the related revenue to be generated by each component of that strategy. Monarch's success also ties to asset management fees for Crosswinds. Increased market acceptance and premium growth in Monarch will be key to Crosswinds' overall performance in the short term. Management is of the view that the rate decrease approved by the OIR for Monarch will continue to be well received by the market and will benefit premium growth as has been seen since its implementation subsequent to quarter end effective April 15, 2016.

In order to execute its acquisition strategy and support the funding of its reinsurance entity, the Company will need to raise significant amounts of additional capital. The Company is continuing to explore options for the Company to raise that capital including by creating one or more private equity funds. Without such additional capital, the Company's ability to expand its business and capitalize on identified opportunities will be constrained.

Management believes that Crosswinds is well positioned for growth in 2016 provided it secures additional capital to execute its growth plans and build upon the Monarch platform.

Following completion of the Monarch Joint Venture, as the majority of the Company's assets are valued in USD, the overall value of the Company expressed in Canadian dollars will fluctuate based on the relative value of the Canadian dollar to the USD.

Results may vary substantially from year to year and quarter to quarter due to the stage of development of the Company's business and its new investment activities.

Risk Factors

The Company manages a number of risks to achieve an acceptable level of risk without appreciably hindering its ability to maximize returns. Management has procedures in place to identify and manage significant operational and financial risks. A discussion of risk factors relating to the Company is found under the heading "Risk Factors" in the Company's Annual Information Form dated as at March 28, 2016 and its annual MD&A for the year ended December 31, 2015. Each of the discussions referred to above is incorporated by reference herein. The documents referred to above are available under the Company's profile on SEDAR at www.sedar.com.

Foreign Exchange Risk

The Company has significant exposure to foreign exchange risk as it has a substantial amount of its capital in USD in the Monarch Joint Venture. Its investee companies may also have exposure to sudden changes in foreign exchange rates. The following table highlights the Crosswinds Investor LP exposure to foreign exchange fluctuations on its initial US $14,000,000 investment in Monarch. The foreign exchange fluctuations from quarter to quarter will be reflected in other comprehensive income (loss).

USD – CAD rate	$1.2769 Transaction rate	$1.2683 Q1 2015 closing rate	$1.2474 Q2 2015 closing rate	$1.3345 Q3 2015 closing rate	$1.3840 Q4 2015 closing rate	$1.2987 Q1 2016 closing rate
CAD equivalent amount	$17,876,600	$17,756,200	$17,463,600	$18,683,000	$19,376,000	$18,181,800

CORPORATE DIRECTORY

Board of Directors:

J. Roy Pottle[1,] Chairman
Bradd Gold[2,3]
Gaetano Muzio[2,4]
Robert Wolf[4]

Officers:

Colin King, Chief Executive Officer
Susan McCormick, Interim Chief Financial Officer
Helen Martin, Chief Operating Officer and Corporate Secretary

[1]Audit Committee Chairman
[2]Audit Committee Member
[3]Corporate Governance, Compensation and Nominating Committee Chairman
[4] Corporate Governance, Compensation and Nominating Committee Member

Auditor:

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Toronto, Ontario

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