

Eagan Capital Management, LLC

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Fayetteville, NY 13066

315-637-8004/8007

February 5, 2011

This Brochure provides information about the qualifications and business practices of Eagan Capital Management, LLC ("ECM"). If you have any questions about the contents of this Brochure, please contact us at 315-637-8004/8007 or via email at [eeagan@eagancapital.net](mailto:eeagan@eagancapital.net). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Eagan Capital Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Eagan Capital Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated February 5, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Edward W. Eagan, Managing Member, at 315-637-8004 or [eeagan@eagancapital.net](mailto:eeagan@eagancapital.net).

Additional information about ECM is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with ECM who are registered, or are required to be registered, as investment adviser representatives of ECM.

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#### **Item 4 – Advisory Business**

Clients use the services provided by ECM for a variety of purposes. Some want to learn how to save for the college education of their children. Some wish to know if they're on track for a comfortable retirement. The typical ECM client is either retired or preparing to retire shortly. After an initial meeting, ECM will develop a plan to help clients meet their financial goals. If appropriate, prior to implementing the plan, an Investment Policy is prepared for and signed by the client. Once signed, ECM will begin to invest the client's assets according to the Policy. This helps avoid confusion and misunderstandings. Edward W. Eagan, the Managing Member of ECM and its sole owner, has worked in the financial services industry since May 1988. He started his Investment Advisory business in 1998 and created an LLC in March 2001. As of December 31, 2010, ECM managed approximately \$53,700,000 in assets on a discretionary basis.

#### **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by ECM is established in a client's written advisory agreement with ECM. The Client (or custodian) shall pay to the Advisor quarterly, in advance, one fourth of the annual fee equal to three quarters of one percent (0.75%) of the assets under management. Calculation of the assets at inception and quarterly thereafter shall be based upon the fair market value of the portfolio (including cash or its equivalents) as determined by the Advisor. The fee payable for any portion of a calendar quarter shall be pro-rated. This quarterly assessment shall be due and payable within thirty (30) days of its receipt by the Client. No fee shall be based upon either capital gains or capital appreciation of the Client's assets. Most clients choose to have this fee deducted from their account. A small number of clients choose to be billed. The choice of how to be billed is entirely up to the Client.

ECM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to ECM's fee, and ECM shall not receive any portion of these commissions, fees, and costs. See Item #12 as well.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

ECM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

ECM provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans. However the vast majority of clients are individuals.

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

The investment strategy employed by ECM is based upon Roger Gibson's strategy as described in his book, *Asset Allocation*. This model calls for investments across multiple asset classes. Within this model, nearly all the publicly available asset classes are owned. Rather than re-balancing the portfolio annually as suggested by Gibson, ECM uses various timing signals based on Simple Moving Averages to help determine when to enter or exit a given asset class. The methodology employed for this is described in Mebane Faber's book, *The Ivy Portfolio*. The research presented in his book suggests that this type of investment strategy would have produced competitive returns with unusually low volatility (risk) when used in conjunction with multiple asset classes. This strategy is similar to that currently used by the endowments at Harvard and Yale. The ten major asset classes that may be found in a portfolio include: cash equivalents such as money market accounts; domestic stocks, bonds and real estate; international stocks, bonds and real estate; commodities including gold; and what are known as absolute return mutual or exchange traded funds. As a result of the use of the timing signals, clients may experience higher portfolio turnover than would be expected if they pursued what is known as a "buy and hold" investment strategy. Portfolio turnover refers to how frequently assets within a portfolio are bought and sold. Generally speaking, higher portfolio turnover results in higher costs due to an increase in the number of transactions. The potential for higher transaction costs may be offset in part by the use of index funds and/or exchange traded funds whenever advisable. These funds tend to have annual operating expense ratios that are significantly lower than actively managed mutual funds. In addition, when using actively managed mutual funds, say within the absolute return category, ECM purchases institutional share classes which enjoy substantially lower annual operating expense ratios than retail share classes.

Since nearly every publically traded asset class may be represented in a client portfolio, there could be significant risk within that asset class. Investing in securities involves risk of loss that clients should be prepared to bear. Some of the risks clients may be exposed to include:

**Arbitrage Risk:** the risk that securities purchased pursuant to an arbitrage strategy intended to take advantage of a perceived relationship between the value of two securities may not perform as expected.

**Asset Allocation Risk:** the risk a portfolio could lose money as a result of less than optimal or poor asset allocation decisions as to how the asset are allocated or reallocated.

**Commodity Risk:** the risk that investing in commodity-linked derivative instruments may subject the portfolio to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political and regulatory developments.

**Credit Risk:** the risk that the portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.

**Currency Risk:** the risk that foreign currencies will decline in value relative to the U.S. dollar and affect the portfolio's investments in foreign currencies or securities that trade in, and receive revenues in, or derivatives that provide exposure to, foreign currencies.

**Derivatives Risk:** the risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the portfolio could lose more than the principal amount invested.

**Distressed Company Risk:** the risk securities of distressed companies may be subject to greater levels of credit, issuer and liquidity risk. Securities of distressed companies include both debt and equity. Debt securities of distressed companies are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments.

**Emerging Market Risk:** the risk of investing in emerging market securities, primarily increased foreign (non-U.S.) investment risk.

**Equity Risk:** the risk that the value of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

**Foreign (non-U.S.) Investment Risk:** the risk that investing in foreign securities may result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments.

**High Yield Risk:** the risk that high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”) are subject to greater levels of credit and liquidity risk. High yield securities are considered primarily speculative with respect to the issuer’s continuing ability to make principal and interest payments.

**Interest Rate Risk:** the risk that fixed income securities will decline in value because of an increase in interest rates. A fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration.

**Issuer Non-diversification Risk:** the risk focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

**Issuer Risk:** the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods or services.

**Liquidity Risk:** the risk that particular investment may be difficult to purchase or sell and that ECM may be unable to sell illiquid securities at an advantageous time or price or achieve its desired level of exposure to a certain sector.

**Management Risk:** the risk that the investment techniques and risk analyses applied by ECM will produce the desired results and that legislative, regulatory, or

tax developments may affect the investment techniques available to ECM. There is no guarantee that the client's investment objectives will be achieved.

**Market Risk:** the risk that the value of securities owned by the client may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

**Mortgage-related and Other Asset-backed Risk:** the risks of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk and prepayment risk.

**Real Estate Risk:** the risk that a portfolio's investments in real estate investment trusts ("REITs") or real estate-linked derivative instruments will subject the portfolio to risks similar to those associated with direct ownership of real estate including losses from casualty or condemnation, and changes in local or general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. A portfolio's investment in REITs subjects it to management and tax risks.

**Smaller Company Risk:** the risk that the value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably, as compared to more widely-held securities due to narrow markets and limited resources of smaller companies. A portfolio's investments in smaller companies subject it to greater levels of credit, market and issuer risk.

**Tax risk:** the risk that the tax treatment of swap agreements and other derivative instruments, such as commodity-linked derivative instruments, including commodity index-linked notes, swap agreements, commodity options, futures, and options on futures, may be affected by future regulatory or legislative changes that could affect the character, timing and or amount of the portfolio's taxable income or gains and distributions.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ECM or the integrity of ECM's management. ECM has no information applicable to this Item.



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

Edward W. Eagan, Managing Member for ECM, is a registered representative of Cambridge Investment Research, Inc. (“CIR”) a Broker/Dealer. The vast majority of ECM’s clients have accounts at CIR. National Financial Services, LLC (“NFS”) serves as the custodian and carrying Broker/Dealer for CIR. As a result, all trades are conducted on NFS’ trading platform. NFS prepares the monthly account statements clients receive.

ECM acts as a Solicitor for Hammer Asset Management, LLC (“HAM”) a SEC-registered investment advisor. Each client that uses HAM as its Investment Advisor is given a copy of the Solicitor’s Disclosure Agreement prior to signing HAM’s Advisory Agreement. The Solicitor’s Agreement spells out the nature of the relationship between ECM and HAM, as well as the fees ECM receives from HAM in exchange for acting in its role as Solicitor. The fees paid by clients to HAM are identical to those paid by HAM clients wherein no Solicitor is involved. A copy of the Solicitor’s Disclosure Agreement is retained in the client’s file.

Edward W. Eagan, Managing Member, is a licensed life and health insurance broker. He is also a New York State licensed real estate broker.

## **Item 11 – Code of Ethics**

ECM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at ECM must acknowledge the terms of the Code of Ethics annually, or as amended.

ECM anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which ECM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which ECM, its affiliates and/or clients, directly or indirectly, have a position of interest. ECM’s employees and persons associated with ECM are required to follow ECM’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of ECM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for ECM’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of ECM will not interfere with (i) making decisions in the

best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of ECM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between ECM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with ECM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. ECM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

ECM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Edward W. Eagan.

It is ECM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. ECM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

The only Broker/Dealers ECM uses are CIR and NFS (see item #10 above). NFS provides services as a clearing firm to thousands of smaller Broker/Dealers like CIR. Their commission structure appears to be reasonable and customary, comparable to other major clearing firms in the U.S. Both CIR and NFS charge fees (transaction, custodial and maintenance, among others) that are reasonable and customary for full-service brokerage firms.

ECM does not enter into soft dollar arrangements with anyone.

## **Item 13 – Review of Accounts**

Annual reviews are conducted for all investment advisory clients. Whenever possible, the reviews are scheduled on or near the anniversary of the relationship inception date or near the anniversary of the previous review. Clients are also requested to advise me when there have been any significant changes in their financial situation, which would trigger an additional review. Edward W. Eagan, Managing Member, conducts all reviews. Clients can request more frequent reviews should they feel the need.

All advisory clients receive monthly account statements from the broker dealer. All receive annual performance reports as part of the comprehensive annual review package.

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

ECM acts as a Solicitor for Hammer Asset Management, LLC (“HAM”) a SEC-registered investment advisor. Each client that uses HAM as its Investment Advisor is given a copy of the Solicitor’s Disclosure Agreement prior to signing HAM’s Advisory Agreement. The Solicitor’s Agreement spells out the nature of the relationship between ECM and HAM, as well as the fees ECM receives from HAM in exchange for acting in its role as Solicitor. The fees paid by clients to HAM are identical to those paid by HAM clients wherein no Solicitor is involved. A copy of the Solicitor’s Disclosure Agreement is retained in the client’s file.

All client referrals are made by satisfied clients. Normally ECM will buy a gift certificate to a local restaurant as an expression of appreciation. In no event will ECM spend more than \$100 per client per year for such referrals.

## **Item 15 – Custody**

Clients should receive monthly statements from the broker dealer or other qualified custodian that holds and maintains client’s investment assets. ECM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from

custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

ECM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions must be provided to ECM in writing. ECM receives this authority as part of the Trading Authorization form signed by the Client at the same time they complete the Investment Advisory Agreement.

When selecting securities and determining amounts, ECM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, ECM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

#### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, ECM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. ECM may provide advice to clients regarding the clients' voting of proxies.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about ECM's financial condition. ECM 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.

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

##### *Education and Business Background*

Edward W. Eagan, Managing Member

D.O.B. 10-15-54

BA Colgate University, May 1978

Chartered Financial Consultant, American College, October 1994

Securities Licenses Held: Series 6, 7, 24, 63, 65

*August 13, 1998 - Present*

Registered Investment Adviser, Managing Member, Eagan Capital Management, LLC

*March 2, 2007 - Present*

Registered Representative of Cambridge Investment Research, Inc.

*May 1989 - March 2, 2007*

Registered Representative of MML Investors Services, Inc.

*Spring 1988 - Present*

New York State Licensed Life Insurance Agent

*November 1993 - Present*

New York State Licensed Real Estate Broker or Salesperson

*Other Business Activities*

As a Registered Representative of Cambridge Investment Research Inc. (a registered broker dealer, member of FINRA/SIPC), Mr. Eagan assists clients with the purchase and sale of securities (approximately 10% of the time). In his capacity as a life insurance agent, he assists clients with the purchase of life, disability and long-term care insurance (less than 1% of the time). Mr. Eagan is not actively engaged in the real estate brokerage business.