

---

# Eagle Trading Systems Inc.

---

47 Hulfish Street Princeton, NJ 08542 (609) 688-2060

[www.eaglets.com](http://www.eaglets.com)

March 25, 2015

**This Brochure provides information about the qualifications and business practices of Eagle Trading System Inc. (“Eagle”). If you have any questions about the contents of this Brochure, please contact us at (609) 688-2060. 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.**

**Eagle is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.**

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

---

## ITEM 2 – MATERIAL CHANGES

---

This Item 2 only discusses material changes to this Brochure that occurred since the last update of this Brochure on March 1, 2014.

Item 4 – Eagle disclosed certain affiliated entities that it does not believe raise any conflicts of interest with Eagle’s trading for clients.

Item 9 – Eagle included fuller disclosure regarding a position limit violation that had been previously disclosed in Part 1A of Eagle’s Form ADV.

Item 10 – Eagle clarified that certain control persons of Eagle also serve as uncompensated directors of a couple of Fund’s boards of directors, although the majority of the directors of those boards are independent.

Item 11 – Eagle made the following clarifications regarding Item 11:

- The securities and futures trading conducted by Eagle is liquid and widely available. Thus:
  - securities trading done by its employees do not pose a material conflict of interest; and
  - Eagle’s proprietary and Client accounts can trade side-by-side because there is no material risk of a partial fill of a securities transaction.
- Eagle included additional disclosures regarding its split-fill procedures for commodities transactions.
- Eagle included fuller disclosure regarding its Code of Ethics.
- Eagle included disclosure regarding preferential terms to certain Fund investors.

Item 17 – Eagle clarified that it does not advise on equity securities which involve the potential for voting proxies and therefore does not vote proxies.

---

### ITEM 3 – TABLE OF CONTENTS

---

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-by-Side Management .....	3
Item 7 – Types of Clients .....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	3
Item 9 – Disciplinary Information .....	5
Item 10 – Other Financial Industry Activities and Affiliations .....	5
Item 11 – Code of Ethics .....	5
Item 12 – Brokerage Practices .....	7
Item 13 – Review of Accounts .....	8
Item 14 – Client Referrals and Other Compensation .....	8
Item 15 – Custody .....	8
Item 16 – Investment Discretion .....	8
Item 17 – Voting Client Securities .....	9
Item 18 – Financial Information .....	9

---

#### ITEM 4 – ADVISORY BUSINESS

---

Eagle is a Delaware corporation formed in May 1993. Eagle became registered as an investment adviser with the Securities and Exchange Commission (“SEC”) on June 26, 2009. Eagle has been registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator and commodity trading advisor and has been a member of the National Futures Association since June 22, 1993. Eagle also was approved as a forex firm on September 29, 2010. All of the shares of Eagle are owned its Chief Executive Officer, Chairman and President, Menachem Sternberg, and Liora Sternberg.

Eagle’s primary investment strategy involves trading commodity futures contracts and foreign exchange products through managed accounts and private investments funds pursuant to Eagle’s proprietary trading systems. Certain managed accounts do not receive any securities advice from Eagle (“Non-Securities Accounts”). Eagle also manages its own proprietary account(s). These Non-Securities Accounts (and Eagle’s proprietary account(s)) are not “investment advisory clients” for purposes of the Investment Advisers Act of 1940, as amended. Therefore, these Non-Securities Accounts (and Eagle’s proprietary account(s)) are generally not discussed in this Form ADV, Part 2A, except in the context of conflicts of interest that may arise between Eagle’s management of the Non-Securities Accounts and its Clients (as defined below).

On a more limited basis, Eagle provides discretionary investment management services regarding cash and cash equivalents (which may include U.S. treasuries and other U.S. government securities, bank deposits, certificates of deposits, bankers acceptances and similar bank instruments) to certain private investment fund advisory clients for which Eagle acts as either General Partner and Managing Member (each, a “Fund”) and for one managed account for which Eagle gives discretionary investment advice (collectively, “Clients”). Eagle also trades such securities for its own proprietary account(s).

Information about the Funds, including information about investment strategies, fees, risks and other material information, is contained in each Fund’s respective offering documents (collectively, “Memorandum”).

Clients that are Funds are governed by the investment restrictions contained in its respective Memorandum. Non-Fund Clients may impose investment restrictions on Eagle.

As of December 31, 2014, Eagle managed approximately \$535,363,647 of regulatory assets on a discretionary basis. Eagle, overall, managed approximately \$1.234 billion as of December 31, 2014, including its primary investment strategy involving trading commodity futures contracts and foreign exchange products through managed accounts and private investments funds.

Eagle also has a majority-owned subsidiary, Eagle Trading Systems (R&D) Ltd. (“Eagle R&D”), a company organized and operated under the laws of the State of Israel. Eagle R&D specializes in research and systems development. Eagle R&D does not provide investment advice on any securities traded by Eagle.

Eagle has another majority-owned subsidiary, Eagle Labs LLC (“Eagle Labs”), a limited liability company organized under the laws of the State of Delaware. Eagle Labs focuses on proprietary alternative futures trading. Eagle Labs does not provide investment advice on any securities. Eagle does not believe that the commodities trading of Eagle Labs poses any conflict of interest to the commodities trading Eagle engages in for its Clients and Non-Securities Accounts because of the liquid nature of Eagle’s commodities trading and the minimal overlap of the types of commodities traded by Eagle Labs and Eagle.

Eagle has another partially owned subsidiary named Eagle Equity Strategies, LLC (“Eagle Equity Strategies”). Eagle Equity Strategies currently trades proprietary assets in equity securities and expects that it likely will begin managing client accounts in 2015 in equity securities. Eagle does not expect such trading to conflict with Eagle’s trading for its Clients because of the minimal overlap of the types of securities traded by Eagle Equity Strategies and Eagle and the liquid nature of Eagle’s securities trading.

---

## **ITEM 5 – FEES AND COMPENSATION**

---

While Eagle does not have a standardized fee schedule with respect to its Clients, Eagle charges management fees based on the net asset value under management and performance-based compensation based on net realized and unrealized trading gains. While Eagle does not have a standardized fee schedule management fees generally are 2% per annum of the net asset value under management per annum, generally charged monthly in arrears, and performance-based compensation is generally 20-25% per annum of net realized and unrealized trading gains subject to a high water mark and generally charged quarterly in arrears. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”), as applicable. Fees may be negotiable depending upon, among other factors, the relationship between Eagle and the Client, amount of assets under management, and type of advisory services (including whether Eagle is providing non-securities advisory services as well). Fees charged with respect to Eagle’s Non-Securities Accounts may be similar or different to those charged to its Clients (and those charged to investors in the Funds). Differences in fee arrangements create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities (see also Items 6 and 11).

Fees are billed separately and are not deducted from Client assets. The specific manner in which fees are charged by Eagle is set forth in a Client’s written agreement with Eagle or its governing Memorandum. Generally, the management fee is computed before taking account of any redemptions at the end of the month and is pro-rated for any additional capital contributions by an investor which may occur other than at the beginning of a month.

Client advisory agreements are generally terminable upon 30 days’ prior written notice to Eagle, without penalty. Upon termination of any account, for any partial period, fees charged to Clients in arrears will be prorated. Withdrawals by investors in a Fund are governed by such Fund’s respective Memorandum.

Eagle's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses which will be incurred by Clients regarding the trading and maintenance of Client accounts. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Eagle's fee, and Eagle does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Eagle considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

---

#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

---

As set forth in Item 5 above, Eagle's performance-based compensation is generally 20-25% per annum of net realized and unrealized trading gains subject to a high water mark and generally charged quarterly in arrears. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"), as applicable. Please see Item 5 for more information.

Performance-based fee arrangements create an incentive for Eagle to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. In addition, Eagle has an incentive to favor accounts for which performance-based compensation is likely to be paid sooner than for accounts for which such compensation is likely to be paid later.

Because all securities and commodities purchased by the Firm are liquid and readily available, the Firm does not expect that the above described conflicts of interest will negatively affect any Client accounts. Furthermore, Eagle has established allocation procedures so that all Clients are treated fairly and equally on an overall basis. Please see Item 11 below for a discussion of Eagle's allocation procedures.

---

#### **ITEM 7 – TYPES OF CLIENTS**

---

Eagle provides investment advice to private investment funds, institutional clients and other corporate entities.

Eagle does not have a standard minimum account size.

---

#### **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

---

Eagle's primary investment strategy involves trading commodity futures contracts and foreign exchange products for managed accounts and private investments funds. Trading such

instruments only requires that Eagle put down “margin” payments with the futures commission merchants with whom it trades. Margin requirements are often much less than the notional value of the financial instruments being traded. Thus, Eagle’s primary investment strategy allows Eagle and its Clients to hold cash which may be managed in other manners.

Eagle provides discretionary investment management services to Clients with the goals of minimizing risk and generating marginal return from the cash on hand. The securities in which Eagle invests include U.S. treasuries and other U.S. government securities, bank deposits, certificates of deposits, bankers acceptances and similar bank instruments.

Investing in securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with Eagle’s securities investment strategy and methods of analysis follows. Additional risk factors are set forth in the Memorandum of a Fund.

Eagle’s securities trading system trades in a limited amount of securities and therefore does not reflect a fully diversified portfolio. Most of the securities in which Eagle invests are debt securities, which are subject to interest rate and market risks. The prices of debt securities tend to fall as interest rates rise. In addition, debt securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates than do debt securities with shorter maturities. Debt securities also involve credit risk, as repayment of the debt securities is dependent upon the creditworthiness of the issuer. To minimize these risks, Eagle invests in high-quality, short-term securities (primarily short-term obligation of the United States federal government). However, high-quality, short-term securities do not generate as much of a return as other financial instruments.

Eagle’s commodities trading methods, in general, are based on mathematical analysis of certain technical data including past market price performance and does not consider fundamental factors such as weather, supply, demand and political or economic events except to the extent that such fundamental factors are reflected in technical input data analyzed by the system. Thus, there is a risk that technical methods like Eagle’s systems may be unable to respond to fundamental causative events until after their impact has ceased to influence the market, and futures positions dictated by such methods may be incorrect in light of the fundamental factors then affecting the market. A further limitation inherent in technical strategies like Eagle’s systems is the need for price trends or relative value developments sufficient to dictate an entry or exit decision. If there is no substantial price movement, or if a price movement is erratic or ill-defined, the systems may not be able to identify a trend on which it can act, or it may react to a minor price movement in establishing a position contrary to the overall price trend.

There can be no assurances that a Client will achieve its investment objective, that the strategy pursued and methods utilized by Eagle will be successful under all or any market conditions or that any program will provide an acceptable return to Clients or will not incur substantial losses.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any trading system. Additional risk factors are set forth in each Fund’s Memorandum or in Eagle’s NFA Disclosure Document, which are available upon request to Eagle.

---

## **ITEM 9 – DISCIPLINARY INFORMATION**

---

Eagle does not have any disciplinary or legal events to report, other than as disclosed in Part 1 of Eagle's Form ADV. As disclosed in Part 1 of Eagle's Form ADV, Eagle voluntarily submitted itself to the jurisdiction of the New York Mercantile Exchange ("NYMEX"). Without admitting or denying the violation, Eagle agreed to a \$25,000 fine in a settlement with the NYMEX which found that Eagle inadvertently maintained an open natural gas futures position of 1,333 short contracts, which was 333 contracts over the 1,000 contract spot month position limit in effect for the trade date of August 25, 2011, which was Eagle's first (and, as of the date hereof, only) violation of a position limit.

---

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

---

Eagle is also a commodity pool operator, commodity trading advisor and forex firm registered with the Commodity Futures Trading Commission and is a member of the National Futures Association. Eagle also serves as a General Partner or Managing Member of certain of the Funds. See also Item 4. Certain control persons of Eagle also serve as uncompensated directors on the boards of directors of certain Funds. Although such directors have a conflict of interest in making decisions on behalf of the Fund that also affect Eagle in its capacity as investment advisor to such Fund, such conflicts are mitigated by the fact that the majority of the directors of those boards are independent.

---

## **ITEM 11 – CODE OF ETHICS**

---

Eagle has adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which Eagle operates and the procedures for implementing those principles. The Code includes provisions which govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality. The Code is available from Eagle upon request.

With respect to personal trading by its principals, employees and related accounts (collectively, "Employees"), Employees are not permitted to buy, sell or otherwise trade any futures contracts (or option thereon) or other commodity contracts (or option thereon), or foreign exchange product for any account in which such Employee has a beneficial interest, with the exception that they may be permitted to invest in Eagle sponsored investment vehicles with the prior permission of the Chief Compliance Officer and Chief Executive Officer.

Employees are permitted to maintain personal securities accounts provided that such accounts are disclosed to Eagle and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code of Ethics, Employees and Eagle may buy, sell or hold, for their own respective personal or proprietary trading accounts, securities that Eagle also may buy, sell or hold for Clients. Given the liquid nature and availability of securities traded for Client accounts, Employee and Eagle proprietary trading in



such securities does not present a material conflict of interest. Employees may also trade securities in an initial public offering or in a limited offering if the Chief Compliance Officer first pre-clears such a trade.

Eagle proprietary accounts and Client accounts may trade in the same securities at the same time or at different times. Securities are traded for proprietary and Client accounts based on the needs of each account. Because of the liquid nature and availability of such securities, there is no material risk of a partial fill of a securities transaction or of trading for a proprietary account disadvantaging a Client account.

Commodities trading for Client accounts, Non-Securities Accounts and proprietary accounts are generally be conducted on an aggregated basis when consistent with such accounts' investment objectives. Allocation of trades between the various accounts will be made in accordance with computerized block allocation schedules generated by Eagle's systems. Because of the liquid nature of the commodities Eagle trades it is not expected that any commodities trades will involve limited opportunities or partial fills. In addition, to help mitigate any potential conflict of interest, in such circumstances, Eagle all accounts participating in bunched commodities trades will share commission costs equally.

For commodities, split fills within a block trade will be allocated between accounts based on the low to high rule (i.e., all accounts will be numbered from a low to high number and the lower number the account the lower the price it will receive on both the buy and the sell orders). While Eagle's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on a trade-by-trade basis that any particular Client will not be treated more favorably than another.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients,
- prohibit trading on the basis of material nonpublic information,
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading,
- require initial and annual reports of securities holdings and quarterly transaction reports by Employees,
- prohibit directors, officers and employees from violating federal securities laws, and
- require directors, officers and employees to report promptly any violations of the Code to the Chief Compliance Officer.

Eagle may recommend to Clients investments in Funds managed by Eagle. Eagle may have an incentive to recommend that clients invest in such Funds over opening managed accounts managed according to the same or a different strategy because of the higher fees Eagle generally receives from Funds. However, Eagle's policy is to allow a Client to open a

managed account if the Client provides certain minimum investment amounts that justify the higher costs associated with administering managed accounts. See also Item 4.

Eagle does not engage in principal transactions with Client accounts and if it did so, it will secure applicable Client consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, 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 Fund and another Client account.

Eagle may grant certain Fund investors, without the consent of, or notification to, other Fund investors, special rights, including, without limitation, enhanced information rights. It is possible that, under certain circumstances, providing access to enhanced information to such Fund investors may disadvantage other Fund investors not receiving such information. Except to the extent disclosed in a Fund's Memorandum, Eagle will not offer any Fund investor special liquidity rights or rights to be charged reduced or no management fee or performance-based compensation. Managed account Clients negotiate their own account agreements, and, as such, different managed account Clients may have differing fees and liquidity rights.

---

## **ITEM 12 – BROKERAGE PRACTICES**

---

Eagle has the authority to determine, without obtaining Client consent, (1) securities to be bought and sold, (2) amount of securities to be bought and sold, (3) the broker or dealer to be used, and (4) commission rates paid. Limitations on Eagle's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to a Fund, the Fund's Memorandum.

Eagle recommends and effects transactions through various brokerage firms, which may include futures commission merchants (collectively, "Brokers") which are considered reputable and financially secure to execute its trades, and which it believes can offer best execution, on an overall or transaction basis. In selecting Brokers to execute transactions a number of factors are also considered including, among others, financial strength, quality and depth of services, price, reliability, execution, commission rate and responsiveness to Eagle. The commissions and/or fees charged by Brokers are exclusive of, and in addition to, Eagle's fees.

In selecting Brokers to execute transactions, Eagle need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost to be charged by the Brokers it selects. Due to the nature of its advisory activities, trading system and investment strategies, Eagle does not utilize research products or services from Brokers and does not intend to enter into any soft dollar arrangements with, or receive any soft dollar benefits from, Brokers. Eagle does not consider Client referrals when selecting or recommending Brokers, and does not engage in directed brokerage arrangements.

For a discussion about employee and Eagle proprietary trading, Client opportunities, and aggregated trades, please see Item 11.

---

### **ITEM 13 – REVIEW OF ACCOUNTS**

---

Client accounts, including portfolio positions, are regularly reviewed by Eagle's Chief Executive Officer, Menachem Sternberg, and at least monthly by Eagle's Chief Compliance Officer, Michael Emanuel or Eagle's Chief Financial Officer, Eileen Kovacs. Fund investors are provided with written periodic unaudited reports, on a monthly basis including information regarding such Fund's performance and current balance of the investor's investment in such Fund and also receive annual audited fiscal year-end financial information. Managed account Clients are provided a monthly performance reported related to the Eagle program in which they are invested.

---

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

---

Eagle does not receive an economic benefit for providing advice to its Clients from anyone other than its Clients. Although Eagle does compensate third parties for referring investors to a Fund, Eagle generally does not compensate third parties for referring managed account Clients. However, if a third party refers an investor to a Fund and the investor chooses instead to become a managed account Client, Eagle may compensate such third party for such referral. Any Client referral arrangement with a third-party into which Eagle enters will comply, as necessary, with Rule 206(4)-3 under the Investment Advisers Act of 1940.

Referral fees generally may be a percentage of the annual management fees and/or performance-based compensation earned by Eagle or such other amount as agreed to between Eagle and the referring third party. Referred investors in a Fund and managed account Clients do not pay any additional fees due to any referral fees paid by Eagle to referring third parties.

---

### **ITEM 15 – CUSTODY**

---

Eagle does not have actual custody of any Client assets. Eagle is deemed to have custody of Client assets for the Fund Clients for which it serves as general partner, managing member or similar capacity. In accordance with Rule 206(4)-2, audited financial statements are furnished annually to all investors in the Funds. Such investors are also provided with periodic unaudited reports, on a monthly basis including information regarding such Fund's performance and current balance of the investor's investment in such Fund. Clients and Fund investors are urged to carefully review all statements and contact Eagle if you have any questions.

---

### **ITEM 16 – INVESTMENT DISCRETION**

---

Eagle has the authority to determine, without obtaining Client consent, (1) securities to be bought and sold and (2) the amount of securities to be bought and sold. Limitations on Eagle's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when

handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to a Fund, the Fund's Memorandum. Eagle abides by the investment guidelines and restrictions set forth in each Client's investment advisory agreement or Memorandum, as applicable.

---

#### **ITEM 17 – VOTING CLIENT SECURITIES**

---

Eagle does not advise on equity securities which involve the potential for voting proxies and therefore does not vote proxies.

---

#### **ITEM 18 – FINANCIAL INFORMATION**

---

Eagle's financial condition supports its ability to meet contractual commitments to Clients, and Eagle has not been the subject of a bankruptcy proceeding.