

# EUCLIDEAN TECHNOLOGIES MANAGEMENT, LLC

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This Brochure provides information about the qualifications and business practices of Euclidean Technologies Management, LLC (“Euclidean” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (646) 571-1670. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Euclidean Technologies Management, LLC is a registered investment adviser with the SEC. Registration of an investment adviser does not imply a certain level of skill or training.

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

## **Item 2 – Material Changes**

This Brochure, dated 3/19/2012 is our annual amendment update and there are no material changes from our prior Brochure, dated 10/07/2011.

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## **Item 4 – Advisory Business**

### **Advisory Services**

#### **4. A. Advisory Firm Description**

Euclidean Technologies Management, LLC (“Euclidean” or “Adviser”) commenced operations as an investment adviser in 2008. Michael Seckler and John Alberg are the principal owners of Euclidean.

#### **4.B Types of Advisory Services**

Euclidean provides investment advisory and management services on a discretionary basis to a client that is a private pooled investment vehicle (the “Fund”) organized as a domestic limited partnership.

Euclidean’s specific focus, using largely quantitative analyses, is on the potential advantages of a systematic approach to investing that adheres to historically sound principles for evaluating individual companies as potential long-term investments. Euclidean’s portfolio strategies may include investments in common stocks, preferred stocks, warrants, investment companies and derivatives such as options.

#### **4.C. Client Investment Objectives/Restrictions**

Investments for the Fund are managed in accordance with the Fund’s specific investment objective, strategies and restrictions. They are not tailored to the individualized needs of any particular investor in the Fund (each, an “Investor”). Investors may not impose restrictions on investing in certain securities or certain types of securities.

#### **4.D. Wrap-Fee Programs**

This item is not applicable

#### **4.E. Assets Under Management**

As of 12/31/2011, Euclidean had approximately \$79,533,617 of client assets under management, all of which are managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

### **Advisory Contracts and Fees**

#### **5.A. Adviser Compensation**

Fees may change over time and, as discussed below, different fee schedules may apply to different Investors. If circumstances warrant, fees may be negotiated by individual investors in the Fund.

#### **Asset-Based Compensation**

Detailed descriptions of fees charged to Investors in the Fund are located in the Fund's Confidential Private Offering Memorandum ("CPOM"). Fees include a management fee, which is generally payable monthly in arrears. The management fee is equal to 1.5% (per year) of the value of each investor's interest in the Fund, calculated at the end of each month.

#### **Performance-Based Compensation**

An affiliate of Euclidean may also receive a performance-based fee calculated as an annual allocation of profits that is charged to each investor in the Fund. This performance-based compensation ranges from 15% to 20% of the net profits generated in the account of each Investor during the calendar year, subject to a high watermark, and provided that the threshold return (the "Threshold Return") is met. The Threshold Return is the gain or loss that would have occurred had an Investor's capital account in the Fund at the beginning of a billing period been invested in the S&P 500 Index with dividends reinvested. The Threshold Return is calculated separately for each fiscal year and adjusted for contributions, distributions and withdrawals and for time periods less than one year.

#### **5.B. Direct Billing of Advisory Fees**

Fees are deducted directly from the Fund's account with its Custodian, in accordance with the CPOM.

#### **5.C. Other Non-Advisory Fees**

The management fee and the performance-based compensation are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Fund and, by extension, Investors. The Fund may incur certain charges imposed by custodians, brokers, administrators, lawyers, auditors 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. The Fund's portfolio may include positions in mutual funds or exchange traded funds which also charge internal management fees, which are disclosed in each such fund's prospectus. Such charges, fees, and commissions are exclusive of, and in addition to, Euclidean's fees. Euclidean does not receive any portion of these commissions, fees, and costs.

Item 12 below describes the factors that Euclidean considers in selecting broker-dealers for Fund transactions and determining the reasonableness of their compensation (e.g., commissions).

#### **5.D. Advance Payment of Fees**

This item is not applicable.

#### **5.E. No Compensation for Sale of Securities or Other Investment Products**

This item is not applicable.

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

Euclidean only manages one client account, which is the Fund. An affiliate of Euclidean serves as the general partner of the Fund and receives performance-based compensation. Please see Item 5 above for a more detailed description of Euclidean's performance-based compensation.

Any performance-based fees charged by Euclidean will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

### **Item 7 – Types of Clients**

Euclidean's sole client is the Fund, which is a private pooled investment vehicle organized as Delaware limited partnership.

The minimum initial investment in the Fund is \$1,000,000, subject to reduction at the sole discretion of Euclidean. Minimum withdrawal amounts and minimum capital account size may apply in the event of a partial withdrawal. An Investor also may be required to withdraw all or part of its interest in the Fund upon provision of reasonable notice.

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

Euclidean primarily invests the Fund's assets in public equity securities.

Euclidean's investment decisions are based on a proprietary quantitative model (the "Model") that systematically applies investment principles believed to be historically fruitful in evaluating individual companies as potential long-term investments. Euclidean's strategy does not employ leverage, trade on margin or engage in short sales.

The Fund typically holds investments for at least one (1) year, but may exit investments on a shorter-term basis from time-to-time. At times, the Fund's portfolio is expected to experience higher short-term volatility than many broad market indices due to sector concentrations and other factors.

The Model is based on an exploration of fundamental data on publicly-traded companies stretching back to the 1960s to search for what Euclidean believes are principles for evaluating individual companies as potential long-term investments. The Model generally favors companies that generate large amounts of cash relative to their market capitalizations, consistently deliver strong returns on capital, and operate with strong balance sheets.

### **8.B. Material Risks of Investment Strategies**

There can be no guarantee of success of the Model. The Model may be adversely affected by general economic and market conditions such as interest rates, availability of credit, inflation rates, changes in laws and political circumstances. These factors may affect the level and volatility of security pricing and the liquidity of certain investments. The following material risks are related to the Model:

Management Risk. Judgments about the value and potential appreciation of a particular security may be wrong and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole and Euclidean's approach may fail to produce the intended results.

Model Risk. The Model requires the accumulation of large amounts of market and investment data on a real-time basis and the accurate analysis of such data. The lessons that Euclidean has identified from the past may not hold in future market environments. Past performance and past analyses cannot assure future results. There can be no assurance that use of the methodology will necessarily result in profitability or that it will not incur losses.

Accuracy of Public Information. Euclidean selects investments in large part on the basis of information and data filed by issuers with various government regulators. Although Euclidean reviews this information, it is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Moreover, if the data Euclidean receives is erroneous, or if companies report information that proves to be misleading or fraudulent, the basis for Euclidean's analysis of individual companies may break down.

Market Risk. The value of equity securities will decline from time-to-time due to daily fluctuations in the securities markets. Stock prices change daily as a result of many factors, including developments affecting the condition of both individual companies and the market in general. The price of a stock may even be affected by factors unrelated to the value or condition of its issuer, such as changes in interest rates, national and international economic and/or political conditions and general equity market conditions. In a declining stock market, prices for all companies may decline regardless of their long-term prospects.

### **8.C. Material Risks of Securities Used in Investment Strategies**

Euclidean's investment approach may involve purchasing publicly-traded equity securities that are listed on the New York Stock Exchange ("NYSE"), the NASDAQ Stock Market ("NASDAQ") and the American Stock Exchange ("AMEX"). Due to the Model's primary long equity/cash strategy, Euclidean will often hold some level of cash in the Fund's portfolio. When not deployed in securities of a company identified by the Model, cash will be held in a money market instrument, other liquid interest-bearing accounts, or in an index fund or Exchange Traded Fund ("ETF") tracking the S&P 500 benchmark.

Investments in the types of securities Euclidean selects may be more volatile than the overall market. Security values may fluctuate based on events such as technological developments, government regulation, competition and outbreaks of war or terrorist acts which are beyond Euclidean's control. The following risks are associated with the types of securities that are traded by Euclidean:

Equity Risk. Regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities, which would generally also result in losses for Euclidean's holdings.

Non-Diversified Risk. Because Euclidean may invest a greater portion of the Fund's assets in securities of a single issuer or a limited number of issuers than a portfolio



with diversification limitations, the Fund may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers.

**Sector Focus Risk.** The Fund may be heavily invested in certain sectors, which may cause the value of its shares to be especially sensitive to factors and economic risks that specifically affect those sectors and may cause the value of the Fund's portfolio to fluctuate more widely than the overall market.

**Competition.** Equity securities selected by Euclidean for the Fund's portfolio typically have significant market competitors and there is no guarantee that a portfolio security will perform better than its competitors and could be subject to risks competing with other companies with regard to the product lines, technology advancements and/or management styles of the competing companies.

## **Item 9 – Disciplinary Information**

This Item is not applicable.

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

### **10.A. No Registered Representatives**

This Item is not applicable.

### **10.B. No Other Registrations**

This Item is not applicable.

### **10.C. Material Relationships or Arrangements**

An affiliate of Euclidean, Euclidean Technologies GP, LLC, serves as the general partner to the Fund. The principal owners of Euclidean are also the principal owners of Euclidean Technologies GP, LLC.

### **10.D. Recommendation of Other Investment Advisers**

This item is not applicable.

## **Item 11 – Code of Ethics**

### **11.A. Code of Ethics Document**

Euclidean has adopted a Code of Ethics (the “Code”) pursuant to Advisers Act Rule 204A-1. A basic principle of the Code is that the collective interests of the Fund’s Investors are always placed first. The Code includes standards of business conduct requiring Covered Persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. The Code also requires that all Covered Persons comply with ethical restraints relating to clients and their accounts. These restraints include restrictions on gifts. They also include provisions intended to prevent violations of insider trading laws. Investors or prospective Investors in the Fund may obtain a copy of the Code by contacting Euclidean at (646) 571-1670.

### **11.B. Recommendations of Securities and Material Financial Interests**

As a matter of policy, Euclidean does not engage in principal transactions, cross trading or agency cross transactions. Any exceptions to this policy must be approved in advance by Euclidean’s Chief Compliance Officer (“CCO”) or by his designee.

### **11.C. Personal Trading**

Euclidean has adopted a Code of Ethics to ensure that personal investing activities by Euclidean’s employees are consistent with Euclidean’s fiduciary duty to its clients. In order to avoid potential conflicts that could be created by personal trading among Euclidean employees, the Code of Ethics restricts the purchase and sale by its employees for their own accounts of any covered security within a specified time before or after the execution of a transaction in any such security for the Fund. All employees are required to pre-clear with the CCO or his designee any personal securities transaction in specified securities, including IPOs and limited offerings.

All employees are required to submit quarterly personal securities transactions and annual holdings reports for review by the CCO, who will, in turn, review these reports for trading conflicts with the Fund. Employees are also required to have copies of all brokerage statements sent to the CCO or his designee at least quarterly. The CCO or his designee will maintain documentation of personal securities transactions, including any violations that occur and their resulting actions.

### **11.D. Timing of Personal Trading**

Euclidean's employees may not invest in the same securities (or related securities, e.g., warrants, options or futures) that are owned by the Fund without approval by the CCO. All employees are required to notify Euclidean's Chief Compliance Officer ("CCO") or his designee in order to pre-clear personal security transactions. The price paid or received by the Fund for any security should not be affected by a buying or selling interest on the part of an employee, or otherwise result in an inappropriate advantage to the employee.

## **Item 12 – Brokerage Practices**

### **12.A. Selection of Broker/Dealers**

Euclidean's objective in selecting brokers and dealers and in effecting the Fund's portfolio transactions is to seek to obtain the best combination of price and execution with respect to the Fund's portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are deemed relevant. In applying these factors, Euclidean recognizes that different broker-dealers may have different execution capabilities with respect to different types of securities. The factors include, but are not limited to:

- Euclidean's knowledge of negotiated commission rates and spreads currently available;
- the nature of the security being traded;
- the size and type of the transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the desired timing of the trade and speed of execution;
- the activity existing and expected in the market for the particular security;
- the broker-dealer's access to primary markets and quotation sources;
- the ability of the broker dealer to effect transactions when a large block of securities is involved or where liquidity is limited;
- confidentiality;
- the execution, clearance and settlement capabilities and history as well as the reputation and perceived soundness of the broker-dealer selected and others which are considered;
- Euclidean's knowledge of actual or apparent operational problems of any broker-dealer;
- the broker-dealer's execution services rendered on a continuing basis and in other transactions;
- the broker-dealer's access to underwriting offerings and secondary markets;
- the broker-dealer's reliability in executing trades, keeping records and accounting for and correcting trade errors;

- the broker-dealer's ability to accommodate Euclidean's needs with respect to one or more trades, including willingness and ability to maintain quality execution in unusual or volatile market conditions and to commit capital by taking positions in order to complete trades;
- the quality of communication links between Euclidean and the broker-dealer; and
- the reasonableness of spreads or commissions.

#### Research and Other Soft Dollar Benefits

Euclidean may receive products and services from brokers in connection with client securities transactions. Although Euclidean does not directly receive money, this may be viewed as a "soft dollar" relationship. Euclidean will limit the use of "soft dollars" to services that constitute brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations

When Euclidean participates in this practice to obtain Section 28(e) eligible brokerage products and services, Euclidean's Best Execution Committee meets periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any brokerage, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage. This determination will generally be viewed in terms of Euclidean's overall responsibilities to its client accounts.

The use of client commissions (or markups or markdowns) to obtain brokerage products and services raises conflicts of interest. For example, Euclidean will not have to pay for the products and services itself. This creates an incentive for the Euclidean to select or recommend a broker-dealer based on its interest in receiving those products and services.

#### Brokerage for Client Referrals

In selecting or recommending broker-dealers, Euclidean may consider whether they receive client referrals from a broker-dealer. Euclidean may have an incentive to select or recommend a broker-dealer based on its interests to receive client referrals rather than on the client's interests to receive most favorable execution. To address this conflict of interest, Euclidean will execute client trades through broker-dealers that refer clients to the Adviser only if it is determined by the Chief Compliance Officer that client trades with such broker-dealers are otherwise consistent with seeking best execution

### Directed Brokerage

This Item is not applicable.

### Trade Errors

It is the policy of Euclidean that a sound process is followed for making and implementing investment decisions on behalf of client accounts. However, on those occasions when a trade error occurs, Euclidean will reasonably determine how to correct the error. In general, if the trade error results in losses, the losses will not be reimbursed. Documentation of any errors made will be maintained by the Advisor.

### **12.B. Aggregation of Orders**

Euclidean currently only manages the Fund, and as such, this item is not applicable.

## **Item 13 – Review of Accounts**

### **13.A. Frequency and Nature of Review**

Michael Seckler (Managing Member and CCO) and John Alberg (Managing Member) are responsible and have ultimate authority for all trading and investment decisions made on behalf of the Fund. At least quarterly, the Fund's account is reviewed by Mr. Seckler and/or Mr. Alberg to ensure compliance with the Fund's objectives and restrictions and to evaluate portfolios with regard to stated investment strategies.

### **13.B. Factors That May Trigger An Account Review Outside of Regular Review**

Generally, the Fund's account is reviewed as needed depending on factors such as cash flows or in response to market conditions.

### **13.C. Content and Frequency of Reports**

Euclidean, or one of its service providers, furnishes each Fund Investor with the following written reports:

- The Fund Administrator provides monthly statements that include the unaudited net asset value or capital account balance of the Investor's interest in the Fund and the monthly year-to-date performance, as applicable;
- Euclidian provides quarterly commentary or an Investor letter; and
- The Fund's Auditor provides annual audited financial statements of the Fund.

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

Euclidean may have referral arrangements with individuals who may be compensated, directly or indirectly, in compliance with applicable law. Third parties will be compensated in accordance with Rule 206(4)-3 of the Adviser's Act. This presents a potential conflict of interest since solicitors have an incentive to recommend Euclidean because they are being compensated by Euclidean. To mitigate this risk, fee sharing arrangements will be disclosed to Investors, and such Investors will not bear any higher fees regardless of whether Euclidean pays a referral fee. Euclidean currently maintains one arrangement where an unaffiliated individual is paid 20% of the annual management and performance fee for Investors brought in under the arrangement.

## **Item 15 – Custody**

This Item is inapplicable.

## **Item 16 – Investment Discretion**

Euclidean is retained to provide investment advisory services on a discretionary basis and is authorized to make the following determinations in accordance with the Fund's specified investment objectives without consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for the Fund's account are affected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Investments for the Fund are managed in accordance with the Fund's investment objective, strategies and restrictions, and are not tailored to the individualized needs of any particular Investor in the Fund. Therefore, Investors should consider whether the Fund meets their investment objectives and risk tolerance prior to investing. Information about the Fund can be found in its offering documents, including the CPOM, which are available to current and prospective Investors only through Euclidean or another authorized party.

Euclidean was delegated investment advisory discretion over the Fund's account by the Fund's general partner, Euclidean Technologies GP, LLC, pursuant to the Fund's limited partnership agreement.

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

It is Euclidean’s policy to vote proxies on behalf of the Fund in accordance with its proxy voting policies and procedures. Euclidean will vote such securities for the exclusive benefit, and in the best economic interest, of the Fund and its Investors, as determined by Euclidean in good faith. It is not possible for Investors in the Fund to direct votes made by Euclidean on behalf of the Fund.

Euclidean acknowledges its responsibility for identifying material conflicts of interest related to voting proxies. In order to ensure that Euclidean is aware of the facts necessary to identify conflicts, senior management of Euclidean must disclose to the CCO any personal conflicts such as officer or director positions held by them, their spouses or close relatives, in any portfolio company. Conflicts based on business relationships with Euclidean or any affiliate of Euclidean will be considered only to the extent that Euclidean has actual knowledge of such relationships. If a conflict may exist which cannot be otherwise addressed, Euclidean may choose one of several options including: (1) “echo” or “mirror” voting the proxies in the same proportion as the votes of other proxy holders that are not Euclidean clients; or (2) if possible, erecting information barriers around the person or persons making the voting decision sufficient to insulate the decision from the conflict.

A copy of Euclidean’s proxy voting policies and procedures and records of how Euclidean voted are available upon request.

## **Item 18 – Financial Information**

### **18.A. Advance Payment of Fees.**

This Item is not applicable.

### **18.B. Financial Condition**

Euclidean has no financial commitments that impair its ability to meet contractual commitments and fiduciary commitments to clients.

### **18.C. No Bankruptcy Proceedings**

Euclidean has not been the subject of a bankruptcy proceeding.