



**ITEM 1: Cover Page**

**ADV PART 2 A**

**December 5, 2014**

This brochure provides information about the qualifications and business practices of DIVIDEX Management, LLC. If you have any questions about the contents of this brochure, please contact us at 781-636-5070 and/or [ischwartz@dividexmanagement.com](mailto:ischwartz@dividexmanagement.com).

The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.

Additional information about DIVIDEX Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site using the following CRD Number for Dividex– 171322

## **ITEM 2: Material Changes**

Item 4 – Advisory Business was amended for change in ownership of IPRI, LLC.

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## ITEM 4: Advisory Business

DIVIDEX Management, LLC is a Massachusetts-based investment advisor and pension consultant that provides investment advice to pension plans and other clients with respect to value of securities based on securities claims recovery rights of such securities. DIVIDEX Management, LLC was founded in 2013 and is wholly owned by IPRI, LLC, a Delaware limited liability company. As of November 2014, Irwin B. Schwartz owns 60 percent of IPRI, LLC and IPRI Trust Natasha L Egan TTEE owns the remaining 40%.

DIVIDEX Management, LLC offers pension plans and other institutional investors investment advice that seeks to maximize their *returns* on securities that have potential claims arising from alleged fraud in the purchase and/or sale of such securities. We call this return “DIVIDEX”™. We help clients recover more DIVIDEX™ through a disciplined approach to identifying, valuing, managing and reaping DIVIDEX™ under the following process, which is the subject of a utility patent application filed June 24, 2014:

- Identification of asynchronous movement of global portfolio positions through proprietary analytics developed with assistance from Bloomberg Finance, LP that apply customizable criteria to develop a “watch list” for each client;
- Notice to clients of domestic class action filings alleging fraud with respect to the clients’ portfolio securities and initial evaluation of related potential losses;
- Notice to clients of potential foreign group securities fraud actions arising from portfolio securities using proprietary systems developed with Financial Recovery Technologies, Inc. (“FRT”), which monitors foreign litigations and processes securities class action claim filings for clients and is DIVIDEX Management, LLC’s claims processing vendor;
- For claims that meet clients’ customized criteria, we use BLA Schwartz, P.C., for merits and potential recovery analysis and to support clients that decide to take an active role in securities litigation, including selection of counsel, negotiation of the fee agreements, and supervision of counsel;
- For clients that decide to join securities litigation in jurisdictions that potentially impose legal defense costs on unsuccessful plaintiffs, DIVIDEX Management, LLC clients will be offered adverse-party cost risk (loser pays), insurance through DIVIDEX Risk Insurance Company, a Delaware captive insurance statutory trust, when such cases meet disclosed underwriting standards;
- Advise clients on the purchase and sale of securities based on perceived over-valuation or under-valuation using the proprietary DIVIDEX analysis;

- Monitor clients' pending domestic and foreign securities fraud cases, including calendaring relevant statutes of limitation and statute of repose deadlines, customized notice of significant developments, and identifying opportunities to improve DIVIDEX™, such as by objecting to insufficient settlements, evaluating opt-out opportunities, and minimizing transaction costs (such as class counsel's fees); and
- Provide claims recovery filing offered through FRT, using proprietary methodologies to improve DIVIDEX™ collection, which are particularly valuable for multi-subaccounts under common tax identification numbers, calculate recognized loss and reconcile recoveries.

DIVIDEX Management, LLC does not participate in wrap fee programs and manages no client assets on a discretionary basis. Potential securities litigation claims and expected recovery value may be projected and analyzed in relation to assets under management. As of September 1, 2014, DIVIDEX Management, LLC had no direct clients.

## **ITEM 5: Fees and Compensation**

DIVIDEX Management, LLC charges contingency fees for on-boarding and initial audit services and two pricing models for ongoing service, which are not negotiable except for clients that have annual recoveries less than \$5 million or more than \$30 million: (1) a hybrid fee model in which the "base" fee is a function of the client's historical DIVIDEX™ recoveries and coupled with a "performance" based fee calculated as a function of increase over a baseline measure or (2) a straight contingency as a percentage of total recovery upon receipt.

DIVIDEX Management, LLC's advisory service commences with on-boarding up to five years' of client securities transactional data and a back-audit of securities claims filings using proprietary methodologies developed by DIVIDEX Management, LLC and FRT to identify missed claims or under-valued claims filings. Upon client approval, DIVIDEX Management, LLC, through FRT, will attempt to recover for missed filings and file superseded claims filings where the recovery could be improved. DIVIDEX Management, LLC's fees for this intake and back-audit service are 20 percent of any recoveries obtained based on these filings. This fee is invoiced to the client and payable by the client or its custodian upon direction from the client. DIVIDEX Management, LLC compensates FRT for the services it provides in this regard out of fees received from clients. DIVIDEX Management, LLC uses the results of the back-audit to set a baseline for pricing the Hybrid Model discussed below.

For the Hybrid Model, DIVIDEX Management, LLC's base annual subscription fee is a declining percentage -- from 5 to 2 percent -- of the five-year moving average on baseline recoveries, charged in four quarterly increments, subject to a minimum annual

fee of \$250,000. These fees are charged quarterly in arrears by invoice to the client payable by the client or its custodian upon direction from the client. In addition, if the client's annual recoveries exceed the five-year moving average baseline, DIVIDEX Management, LLC charges fees of 20 percent of any such excess, net of paid annual subscription fees, payable within three months of fiscal year close. A chart showing this hybrid fee structure is set forth below.

5-year average annual recoveries baseline	Annual Subscription	Hybrid contingency
<\$10 million	5 percent of baseline	20 percent of excess over baseline, net of subscription fee.
<\$15 million	4 percent of baseline	20 percent of excess over baseline, net of subscription fee.
<\$20 million	3 percent of baseline	20 percent of excess over baseline, net of subscription fee.
>\$20 million	2 percent of baseline	20 percent of excess over baseline, net of subscription fee.

For the Contingency Model, DIVIDEX Management, LLC's fees are a flat ten (10) percent of all recoveries, charged upon receipt by invoice to the client payable by the client or its custodian upon direction from the client. This pricing is only available to clients with a five-year average recovery baseline in excess of \$2.5 million. Should the client owe a portion of such recoveries to a vendor for services provided prior to DIVIDEX Management, LLC's retention, DIVIDEX Management, LLC will pay any such reasonable charges upon receipt of recoveries.

DIVIDEX Management, LLC compensates FRT for monitoring, loss calculation and claim processing services in connection with the Hybrid Model and the Contingency Model out of the fees received from clients.

DIVIDEX Management, LLC's fees are calculated on net recoveries and do not include class counsel or group litigation counsel fees and expenses associated with the underlying litigation, nor costs for litigation funding, nor unique client-specific legal advice from BLA Schwartz, P.C. or other law firms. In addition, the client may incur additional fees for Bloomberg services. Custodian or other banks may charge additional fees for services.

Neither DIVIDEX Management, LLC, nor its supervised persons accepts compensation for the sale of securities or other investment products. All DIVIDEX Management, LLC clients must satisfy the "qualified client" standard under Advisors Act Rule 205-3.

For clients that do not accept certain services that DIVIDEX Management, LLC provides or obtains on behalf of clients, such as claims processing or insurance, DIVIDEX Management LLC will negotiate a reduced fee schedule. With respect to clients that do not accept FRT's claims processing services, DIVIDEX may still license certain data from FRT for use in providing advice to the client for a flat annual fee.

See Item 10 for additional information regarding insurance offerings that DIVIDEX Management, LLC may obtain on behalf of clients and the compensation arrangements related thereto.

## **ITEM 6: Performance-Based Fees and Side-By-Side Management**

As discussed above, part of the DIVIDEX Management, LLC fee structure is performance-based to the extent, under the Hybrid Model, DIVIDEX Management, LLC, is compensated based on both the client's historical performance in securities litigation recoveries and on the client's annual performance in exceeding the five-year moving average recovery baseline. Likewise, under the Contingency Model, DIVIDEX Management, LLC's compensation is performance based in that it is paid only as a percentage of client recoveries.

## **ITEM 7: Types of Clients**

DIVIDEX Management, LLC primarily offers its advisory services to pension funds and other institutional investors with in excess of \$20 billion assets under management or with average annual recoveries from securities litigation in excess of \$2.5 million. DIVIDEX Management, LLC's methodology is particularly beneficial to institutional investors that maintain multiple sub-accounts under common tax identification numbers.

## **ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss**

DIVIDEX Management, LLC uses innovative methods of analysis to identify, value, manage and advise pension plans and other institutional investors with respect to the valuation and potential purchase and sale of securities in order to maximize returns through recovery of securities litigation claims, the realization of which through United States actions involves placing no capital at risk with DIVIDEX Management, LLC. The risks of joinder in securities litigation pending in jurisdictions that provide for adverse party cost risk (loser pays) are discussed more fully below. DIVIDEX Management, LLC uses analytics and disciplined management to assist clients in obtaining increased

return on portfolio securities that clients purchase, own or owed in a relevant time period.

More specifically, DIVIDEX Management, LLC provides the following methods of analysis and strategies to improve recoveries from portfolio securities litigation:

- DIVIDEX Management, LLC utilizes proprietary analytics developed with Bloomberg to identify asynchronous activity in clients' global portfolios, report through a "watch list" that activity and related information based on client-instructed criteria, such as estimated portfolio losses.<sup>1</sup> In addition, DIVIDEX Management, LLC will provide case alerts when it learns through publicly available sources or through FRT (for clients utilizing FRT) that clients are eligible to participate in securities litigation, either in the United States or elsewhere. The combination of these services will put the institutional investor in the best position to evaluate its response to the potentially actionable losses.
- Upon identifying a securities litigation that meets the client's screening criteria, DIVIDEX Management, LLC will utilize Bloomberg (for clients utilizing Bloomberg), FRT (for clients utilizing FRT) and, with client permission, custodial resources, to provide the client with calculations of its economic losses under multiple models. Loss calculations for non-US securities are obtained directly from litigation funders or their counsel. DIVIDEX Management, LLC may advise clients on the purchase and sale of securities based on perceived over-valuation or under-valuation using the proprietary DIVIDEX analysis.
- Once a case is filed involving client securities, DIVIDEX Management, LLC will monitor the progress of the case and report developments to the client as instructed. DIVIDEX Management, LLC will recommend strategies to increase net recoveries in securities litigation, such as seeking to limit class counsel fees and costs, potentially opting-out of unfavorable settlements or objecting to them, and, in foreign cases, seeking more cost-effective litigation funding and insurances.
- Once a class action is resolved in the client's favor, DIVIDEX Management, LLC, using FRT (for clients utilizing FRT), will apply proprietary methodologies to obtain the maximum recovery permitted by law and reconcile that recovery to ensure that all amounts due were paid by the settlement agent.
- Involvement in securities litigations outside the United States may involve risk of an award against the investor of defendants' fees and cost (loser pays). In the ordinary course, DIVIDEX Management, LLC will alert clients to that adverse party cost risk and address measures available to mitigate those risks. Where a particular case meets disclosed underwriting guidelines, DIVIDEX Management,

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<sup>1</sup> This requires the client to subscribe to Bloomberg services and permit a data feed from its custodian to Bloomberg.



LLC offers insurance to its clients for such adverse party cost risk through DIVIDEX Risk Insurance Company, a captive Delaware statutory trust, the premiums for which will be paid by DIVIDEX Management, LLC out of fees earned from its clients. The relationship between DIVIDEX Risk Insurance Company and DIVIDEX Management, LLC and the underwriting criteria are disclosed to clients.

## **ITEM 9: Disciplinary Information**

DIVIDEX Management, LLC has no legal or disciplinary events to disclose.

## **ITEM 10: Other Financial Industry Activities and Affiliations**

DIVIDEX Management, LLC is under common ownership and control with DIVIDEX Risk Insurance Company, a Delaware Statutory Trust and BLA Schwartz, P.C., a Massachusetts professional corporation.

DIVIDEX Risk Insurance Company is a Delaware captive insurance trust that provides before-the-event adverse-party cost risk insurance exclusively to DIVIDEX Management, LLC clients. DIVIDEX Management, LLC pays premiums on its clients' behalf out of fees earned by DIVIDEX Management, LLC and imposes no additional charges to its clients for payment of those premiums. DIVIDEX Management, LLC clients may decline insurance offered by the DIVIDEX Risk Insurance Company and negotiate a discount in DIVIDEX Management, LLC fees representing the avoided premium costs.

BLA Schwartz, P.C. is a Massachusetts-based law firm, with offices in New York, Los Angeles and San Jose, California, that provides legal analysis and support to DIVIDEX Management, LLC, upon which DIVIDEX Management, LLC provides analysis to its clients. DIVIDEX Management, LLC will pay fees and costs to BLA Schwartz, P.C. for services rendered, which are business expenses to DIVIDEX Management, LLC and will not be passed through to clients.

BLA Schwartz, P.C. clients may retain DIVIDEX Management, LLC through BLA Schwartz, P.C. in order to obtain privileged legal advice about DIVIDEX Management, LLC analysis. DIVIDEX Management, LLC clients may separately retain BLA Schwartz, P.C. for advice and representation on issues, including the DIVIDEX Management, LLC analysis.

## **ITEM 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

DIVIDEX Management, LLC has adopted a Code of Ethics (the “Code”) to address the potential for self-dealing and conflicts of interest which may arise with respect to personal securities trading by employees, officers and other affiliated persons (“Covered Persons”). The Code addresses topics such as personal investment transactions and insider trading. Among other matters, the Code restricts the timing and other circumstances under which certain Covered Persons may purchase or sell a security which to their knowledge is being purchased or sold or being considered for purchase or sale by a client, and restricts or discourages certain investment activities, such as participation in initial public offerings or limited offerings. Covered Persons are also prohibited from purchasing or selling any security for their own account or for that of a client while in possession of material, non-public information concerning the security or its issuer. The Code also requires certain Covered Persons to obtain preclearance before trading in securities for their own account and to periodically report their securities holdings.

DIVIDEX Management, LLC may impose sanctions for violations of the Code. Possible sanctions include a ban on personal securities trading, disgorgement of trading profits, monetary fines and suspension or termination of employment.

DIVIDEX Management, LLC will provide a copy of its code of ethics to any client or prospective client upon request.

## **ITEM 12: Brokerage Practices**

DIVIDEX Management, LLC does not select or recommend broker-dealers for client transactions or determine the reasonableness of their compensation. DIVIDEX Management, LLC does not execute transactions in securities or cause any transactions in securities to be executed for its clients.

## **ITEM 13: Review of Accounts**

As part of its ongoing service following a back-audit, DIVIDEX Management, LLC will provide written quarterly statements of securities litigation assets, and their potential implications on the value of portfolio securities, and will provide such reports more frequently at client request. At least annually, DIVIDEX Management will conduct client meetings to review objectives and reconsider criteria used in identifying and managing their securities litigation interests and the valuation of related portfolio securities.

#### **ITEM 14: Client Referrals and Other Compensation**

Neither DIVIDEX Management, LLC nor any related person directly or indirectly compensate any person for client referrals.

#### **ITEM 15: Custody**

DIVIDEX Management, LLC does not maintain custody of client funds or securities. Instead, DIVIDEX Management, LLC causes funds recovered from securities litigation to be deposited into clients' custodial accounts and provides reports to clients reflecting such deposits. Clients should compare the statements received from DIVIDEX Management, LLC to statements they receive from their custodians.

#### **ITEM 16: Investment Discretion**

DIVIDEX Management, LLC does not have discretion to purchase, sell or manage securities on behalf of client accounts. All decisions relating to securities are made by clients and any responsive activities undertaken by DIVIDEX Management, LLC are on the instruction of clients.

#### **ITEM 17: Voting Client Securities**

DIVIDEX Management, LLC does not vote client securities and its services do not implicate the voting of securities or otherwise interfere with clients' existing proxy voting practices.

#### **ITEM 18: Financial Information**

DIVIDEX Management, LLC does not require pre-payment of fees and has no discretionary authority or custody over client funds or securities. Neither DIVIDEX Management, LLC, nor any affiliated entity or person, has been the subject of a bankruptcy petition at any time during the past ten years.