

## Item 1 - Cover Page

March 20, 2015

### Class 500 LLC

86-90 Paul Street, London EC2A 4NE, United Kingdom

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or [Class500@Outlook.com](mailto:Class500@Outlook.com)

This brochure serves as a replacement to Part II of Form ADV Uniform Application for Investment Adviser Registration, which gives information about an investment adviser and its business for the prospective Clients. This information has not been approved or verified by any governmental authority. Registration of an investment adviser does not imply that the adviser possesses a certain level of skill or training.

Additional information about Class 500 LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Specific material changes were made to this brochure. Last update was made on March 20, 2015. These changes are summarized below.

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

- Introduction of Front-End Load Fee for each capital contribution

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

- Additional information in regard to operating role of Class 500 LLC members, investment management and trading Class 500 member account along the client accounts.

Pursuant to new SEC Rules, Clients will receive a summary of any materials changes to the Brochure, and any subsequent versions of the Brochure within 120 days of the close of the CLASS 500 fiscal year, which is December 31. CLASS 500 may further provide other ongoing disclosure information about material changes as necessary. CLASS 500 will provide Clients with a new version of the Brochure as necessary based on changes or new information, at any time, without charge. Currently, anyone may request the Brochure by contacting Mr. Sasa Persic at +385 99 28 79 204 or [Class500@Outlook.com](mailto:Class500@Outlook.com).

CLASS 500 LLC

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## Item 4 – Advisory Business

Class 500 LLC (the “Investment Adviser” or “CLASS 500”) is an investment advisory firm registered with the Securities and Exchange Commission (the “SEC”). CLASS 500 offers advisory services to high net worth clients through managed accounts in exchange for a management fee, described below. CLASS 500 was organized on May 14, 2013, as a Delaware limited liability corporation. The sole owner and control person of CLASS 500 is Mr. Zoran Dekovic. Mr. Sasa Persic will serve as the manager and Chief Compliance Officer of CLASS 500.

The principal office of CLASS 500 is located at 86-90 Paul Street, London, EC2A 4NE, United Kingdom. Regular business hours are from 9:30 am to 4 pm (EST), Monday through Friday. Clients may call CLASS 500 any time during normal business hours to discuss their accounts, financial situation or individual needs.

Together, as the managers and controlling persons of CLASS 500, Mr. Dekovic and Mr. Persic control all of CLASS 500’s business operations and activities. This Brochure provides information regarding CLASS 500 and its qualifications, business practices, and the nature of advisory services that should be considered.

Please contact Sasa Persic, Chief Compliance Officer, if you have any questions about this Brochure. Additional information about CLASS 500 is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for CLASS 500 is 168068.

Mr. Dekovic and Mr. Persic, the individuals associated with CLASS 500 will provide its investment advisory services. They are appropriately licensed, qualified, and authorized to provide advisory services on behalf of CLASS 500 to its Clients.

### Zoran Dekovic

Mr. Zoran Dekovic was born on January 8th, 1966. In 1989, Zoran graduated from Faculty of maritime studies at University of Rijeka. Zoran is Bachelor of Engineering in Marine Traffic.

After finishing his studies, Zoran started his entrepreneurship career as an owner and manager of various businesses. Since 1999, Zoran became a certified sales agent and independent contractor for various insurance policies.

In 2006 he expanded his offering with investment funds. In that process, he gained deep knowledge of various financial products such as investment funds, stocks, commodities. Also, in everyday contact with hundreds of his clients, he gained

invaluable experience and knowledge of his client needs and with that insight, he now wants to actively participate in creating market non correlated investments which can be offered to his clients in fully transparent and secure way.

### Sasa Persic

Sasa Persic was born on April 9<sup>th</sup>, 1976 in Rijeka, Croatia. Sasa graduated with an M.Sc in Economy from Faculty of Economics at University in Rijeka, in November 2001. In July of 2004, Sasa passed the exam given by domestic securities authority for Certified Investment Advisor. And in December of 2007, he finished his education and passed the exam for a Certified Broker.

Sasa's work experience started in May 2001, when he became an employee of Ris d.o.o. Rijeka Croatia, where he was employed as a software developer - designer responsible for various projects at largest Croatian insurance company. After performing Civil service in 2003, Sasa became employed with Illustro d.o.o. from Rijeka, Croatia from July 2004 to July 2007. In his role as system programmer, he was responsible for various IT projects and also role of DBA.

From August 2007 through December 2011, Sasa was employed with Krentschker Vrijednosnice d.o.o. Zagreb, Croatia, a certified broker dealer. Sasa was in the role of an Investment advisor and portfolio manager. Krentschker Vrijednosnice was the Croatian branch of Krentschker Bankhaus AG from Graz, Austria, private banking institution. Sasa was responsible for portfolio management, software development, and creating algorithmic systems for trading on stock markets.

### Description of Advisory Business

CLASS 500 manages accounts for high-net worth Clients (the "Investment Management Services") that represent they (1) have speculative capital for the principle purpose of investing and (2) are fully cognizant of the possible high risks associated with such investments. CLASS 500's investment program (described below and in Item 8 of this Brochure) focuses on the global securities markets.

Investment account assets shall consist of (i) all such cash and investments of the Client as the Client may place under the supervision of CLASS 500 from time to time, plus (ii) all investments, reinvestments and proceeds of the sale thereof, including, without limitation, all dividends and interest on investments, and all appreciation thereof and additions thereto, less depreciation thereof and withdrawals therefrom (the "Investment Account Assets"). A separate managed account (the "Managed Account") is maintained for each Client's Investment Account Assets with the Custodian and the Client retains all rights of ownership to their Managed Accounts.

In its full and absolute discretion and without any obligation on its part to give prior

notice to the Client, CLASS 500 shall have sole, complete and full power and authority to invest and reinvest all of the Investment Account Assets in such securities as CLASS 500 in its sole and absolute discretion shall consider to be in the best interest of the Client.

In connection therewith, CLASS 500 shall have sole, complete and full power and authority to: (i) issue orders for the Managed Account to a broker or dealer; (ii) instruct the Custodian to exercise or abstain from exercising any option, privilege or right held in the Managed Account; (iii) monitor the correct collection of income on the Managed Account by the Custodian; and (iv) take any other action with respect to securities or other property in the Managed Account as needed to serve the best interest of the Client. CLASS 500 shall further be free to make investment changes regardless of the resulting rate of portfolio turnover, when it, in its sole discretion, shall determine that such changes will promote the investment objective of the Managed Account.

CLASS 500 reserves the right to advise Clients with respect to any other type of investment deemed appropriate based on the Client's stated goals and objectives. CLASS 500 may also provide advice on any type of investment held in a Client's Investment Account Assets at the inception of the advisory relationship or with respect to any investment for which the Client requests advice.

CLASS 500 does not guarantee any specific level of performance, the success of any investment decision or strategy that CLASS 500 may use, or the success of CLASS 500's overall management of the Client. The Client understands that investment decisions made for the Client by CLASS 500 are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable.

There is no guarantee that the advisory services offered would result in the Client's goals and objectives being met. There is no guarantee of profit or protection from loss. The fees and expenses in connection with these advisory services may be higher than the cost of similar services offered through other financial firms or the fees associated with other financial services. No assumption can be made that any particular advisory services, investment strategy or fee arrangement will provide better returns than other investment strategies.

Clients are responsible for notifying CLASS 500 of any changes to their financial situation or investment objectives.

## Item 5 – Fees and Compensation

### Front-End Load Fee.

Clients pay CLASS 500 a Front-End Load Fee of four percent for each capital contribution. This Front-End Load Fee reduces investor capital account by four percent (4%) of the total or additional capital contribution. This fee is charged on daily basis with annual percentage, therefore, it is drawn directly from client account for one calendar year after capital contribution. It is in Investment Manager discretion to agree to waive all or a portion of the Front-End Load fee with respect to Client, or charge it on a different basis or different rate.

### Management Fee

Clients pay CLASS 500 a management fee (the “Management Fee”) based on a percentage of the value of the Investment Account Assets, as determined by the Custodian. The Management Fee shall be equal to  $1/365^{\text{th}}$  of 2.0% of the Investment Account Assets value, calculated and paid daily.

The Management Fee and Front-End Load Fee may be drawn directly from the Client's account whenever the following conditions are met and the Client authorizes direct fee withdrawals in writing below or by signing Investment Management Agreement.:

- ☐ The authorization must be limited to withdrawing contractually agreed upon Management Fee.
- ☐ CLASS 500 must notify the Client, in writing by at least first class mail not less than seven (7) days prior to the proposed date of withdrawal, of the exact amount of the proposed withdrawal and the specific manner or basis on which the management and Front-End Load fees has been calculated. The notice shall advise the client of the opportunity to object to the invoiced amount and the manner in which the objection shall be made.
- ☐ The frequency of fee withdrawal must be specified in the written authorization or agreement.
- ☐ The Custodian of the account must be advised in writing of the limitation on the adviser's access to the account. This requirement may be satisfied by furnishing to the custodian a copy of the authorization or agreement.

- ☐ The Custodian must provide the Client, not less than quarterly, a statement indicating all amounts disbursed from the Investment Account including, separately, the amount of Management Fees paid. This information may be contained in the Custodian's regular periodic report to the Client.
- ☐ The Client must be able to terminate the written billing authorization at any time.

I authorize direct fee withdrawals from my Investment Account. The Client agrees to authorize the Custodian make payments from the Client's Investment Account to the Investment Manager in compensation for services as set forth in this Agreement.

Signature \_\_\_\_\_ Date\_\_\_\_\_

I decline to authorize direct fee withdrawals from my Investment Account.

Signature \_\_\_\_\_ Date \_\_\_\_\_

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

### **Performance Fee**

If the Client is a Qualified Client, a performance-based incentive fee (the “Performance Fee”) is assessed with respect to the Investment Account Assets. The Performance Fee shall equal fifteen percent (15%) of the excess, if any, of the Net Capital Appreciation (as defined below) of the Investment Account Assets over any Accumulated Net Capital Depreciation (as defined herein).

The computation of the Performance Fee is to be made as of December 31, 2013 and thereafter as of the end of each calendar year during the existence of this Agreement and one hundred percent (100%) of the estimated Performance Fee, if any, shall be payable by January 31 of the following year. “Net Capital Appreciation” means the excess, on a US\$-adjusted basis, of (i) the total of all realized and unrealized gains and dividend and interest income, over (ii) the total of all realized and unrealized losses and expenses, all determined on the accrual basis of accounting. “Accumulated Net Capital Depreciation” means the sum of the Net Capital Depreciation (as defined below) for all calendar years for which Net Capital Depreciation exists since the last previous date as of which a Performance Fee was payable (i.e., a “loss carry-forward” from prior year(s)). “Net Capital Depreciation” means the excess of the (i) total of all realized and unrealized losses and expenses, over (ii) the total of all realized and unrealized gains and dividend and interest income. “Expenses” include, without limitation, the Base Fee, dividends paid, any amounts of dividend or interest income withheld as taxes, and interest paid (including interest on capital to fund the Account). Unrealized gains or losses shall be calculated based upon prices at which open positions are valued in the ordinary course at the close of business at year-end. Realized gains and losses shall be calculated on the actual net purchase or sale prices paid or received.

If at any time during or following the term of this Agreement, gains or income used to calculate the Performance Fee are subsequently required to be surrendered or otherwise expended as a result of an adjudication or a settlement of allegations to the effect that such gains or income were obtained in violation of applicable law, the Investment Manager shall be liable to return any excess of the Performance Shares previously paid over the amount of Performance Fees which would have been due the Investment Manager in the absence of the activity that gave rise to such surrender.

### **Payment of Performance Fees**

Fees for advisory services may be drawn directly from the Client's account whenever the following conditions are met and the Client authorizes direct withdrawals in writing below or by signing Investment Management Agreement.

- ☐ A copy of the invoice must be sent to the Custodian at the same time a copy is

sent to the Client;

- ☐ The Custodian sent statements to the Client showing all disbursements for the custodian account, including the amount of the Client Fees; and
- ☐ The Client provides written authorization permitting the Investment Manager to bill and draw fees directly from their Investment Accounts held by the Custodian.

I authorize direct fee withdrawals from my Investment Account.

Signature \_\_\_\_\_ Date \_\_\_\_\_

I decline to authorize direct fee withdrawals from my Investment Account.

Signature \_\_\_\_\_ Date \_\_\_\_\_

## Item 7 – Types of Clients

CLASS 500 provides Investment Management Services on a fully discretionary basis to high-net worth Clients through separately managed accounts. CLASS 500 manages accounts for Clients that represent they (1) have speculative capital for the principle purpose of investing and (2) are fully cognizant of the possible high risks associated with such investments.

In order to become a Client, prospective Clients must represent and warrant to CLASS 500 that: (i) it has full capacity and authority to enter into the Agreement and to perform its obligations thereunder; (ii) it has all governmental and regulatory licenses, registrations and approvals required by law as may be necessary perform its obligations under the Agreement; (iii) it will not, by entering into the Agreement and performing its obligations hereunder, breach or cause to be breached any undertaking agreement, contract, statute, rule or regulation of any court or any governmental body or administrative agency or self-regulating authority having jurisdiction over it; and (iv) should it be acting on behalf of third-party investors, it has determined the extent of any information regarding CLASS 500 that is required to be provided to such third-party investors and takes sole responsibility therefore.

Clients must meet certain minimum suitability requirements, including qualifying as an Accredited Investor and Qualified Client, unless otherwise determined by CLASS 500.

All Clients must sign CLASS 500's Investment Management Agreement. Prospective Clients must respond to all questions listed in the Investment Management Agreement in order to be able to become a Client of CLASS 500.

CLASS 500 may reject any person's request to become a Client of CLASS 500 for any reason.

Although Mr. Dekovic and Mr. Persic expect to devote a significant amount of their time to the business of the CLASS 5000, they are only required to devote so much of their time to CLASS 500 as they determine necessary in their sole discretion.

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

### Method of Analysis and Investment Strategy

CLASS 500 was established in 2013 with the goal of providing positive absolute returns based on a specially developed investment program. CLASS 500

Class 500's investment program is based on Mr. Dekovic and Mr. Persic's proprietary trading algorithms which have been in development since 2004. Class 500 will strictly trade with most liquid instruments based on S&P500 index, such as SPY, SSO, SDS and SSO, etf-s, related options or ES futures. The trading algorithms the have been developed are built with strong emphasis on money management, and low drawdowns are a top priority in Class 500's trading. The trading algorithm's incorporate both trend following and reversal to mean perspective. The trading approach is such that results will not be correlated to market movement but are intended to provide positive absolute returns. Class 500 intends to use leveraged financial instruments and use margin accounts. Because of that their clients will have to be thoroughly informed about possible risks associated with such approach and confirm that they are ready to assume such risks. Another priority is to provide clients with total transparency and to provide this service through managed accounts where a client will at any time have insight into the value of his or her account, portfolio, transactions, and positions.

Mr. Dekovic and Mr. Persic have traded their own portfolios using the same algorithms for last few years and intend to do so in the future in a way that client funds will have the same or prioritized treatment. Offering this managed account program offers the benefit that Class 500 will not hold client assets, but will trade each account reducing counterparty risk. Mr. Persic, who is responsible for day to day trading operations, will trade his personal investment account together with Class 500 LLC client accounts, thus matching them trade by trade, but in a manner where Client accounts will have prioritized treatment.

If a client expresses his or her interest to acquire different investment products from those offered, Class 500 will provide the client with fundamental and technical analysis of such product(s) and help the client with advice.

### Investment Philosophy

#### Liquidity

CLASS 500 will invest only in the most liquid instruments. Specifically S&P 500 related instruments, ETFs, and ES futures.

#### Money Management

CLASS 500 intends to enforce strict entry, profit in stop price targets and take a disciplined approach with regard to the maximum drawdown that will be tolerated by a portfolio.

CLASS 500's investment approach is based on quantitative analysis of stock markets and it incorporates both mean reversion and trending aspects of market behavior.

### Risk Management

CLASS 500 realizes that there are many risks associated with providing investment advisory and assets management services. There is an old saying that those who engage with markets should expect unexpected. In that regard it is CLASS 500's main goal to manage the Clients exposure to all kinds of risks associated with this practice.

CLASS 500 will use the following strict procedures:

- Get to know the Client's financial situation and his or her risk aversion in order to offer the most suitable instrument for the Client's risk profile.

- Ascertain that the Client has a complete understanding of the nature of the offering and possible outcome of CLASS 500's investment decisions.

By using managed accounts service through a major broker (with A- credit rating) CLASS 500 will significantly:

- Reduce counter-party risks, as clients will have their own accounts at a major broker which offers account protection, and in the event of CLASS 500's closure, Client accounts will be protected.

- Reduce currency risks, as client will have option to choose their base currency

- Reduce security risks, as will use brokers security infrastructure

- Offer maximum transparency as clients will have 365/24/7 real-time view on their portfolio, its value, positions, trades etc.

- Reduce liquidity risks, as client will be able to withdraw or deposit their funds at any given moment

By investing solely in S&P related instruments CLASS 500 will significantly:

- Reduce market risks associated with owning particular company

- Reduce liquidity risks, as we will trade only most liquid instruments

Reduce political risks associated with investing in developing countries

CLASS 500 will provide the following practices:

To reduce risk of technological failure CLASS 500 will use multiple independent telecommunications channels through which they will engage market orders

To prohibit any ethical problems. Mr Persic, who is responsible for day to day trading operations will trade his private funds in a same way and manner that he trades Client funds, in other words, he will bundle his orders together with orders for Class 500 Clients.

CLASS 500 intends to monitor their risk management practices and improve on them continuously.

## Item 9 – Disciplinary Information

Neither CLASS 500, nor its related persons, Mr. Dekovic and Mr. Persic, have been involved in any legal or disciplinary events. , No disciplinary events have been recorded by the any state or the SEC. Class 500 does not have any current Clients. No prospective Client has threatened Class 500, nor its related persons, Mr. Dekovic and Mr. Persic with disciplinary activities

## **Item 10 - Conditions for Managing Accounts**

Investment Account Assets shall consist of (i) all such cash and investments of the Client as the Client may place under the supervision of CLASS 500 from time to time, plus (ii) all investments, reinvestments and proceeds of the sale thereof, including, without limitation, all dividends and interest on investments, and all appreciation thereof and additions thereto, less depreciation thereof and withdrawals therefrom.

The minimum account size that shall be accepted by CLASS 500 is five thousand U.S. dollars (USD \$5,000) and the Client may add to or withdraw funds from its investment account (the "Investment Account") at any time as long as the Investment Account Assets remain equal to or in excess of such amount.

In order to become a Client, prospective Clients must represent and warrant to CLASS 500 that: (i) it has full capacity and authority to enter into the Agreement and to perform its obligations thereunder; (ii) it has all governmental and regulatory licenses, registrations and approvals required by law as may be necessary perform its obligations under the Agreement; (iii) it will not, by entering into the Agreement and performing its obligations hereunder, breach or cause to be breached any undertaking agreement, contract, statute, rule or regulation of any court or any governmental body or administrative agency or self-regulating authority having jurisdiction over it; and (iv) should it be acting on behalf of third-party investors, it has determined the extent of any information regarding CLASS 500 that is required to be provided to such third-party investors and takes sole responsibility therefore.

Clients must meet certain minimum suitability requirements, including qualifying as an Accredited Investor and Qualified Client, unless otherwise determined by CLASS 500. Investors must respond to all questions listed in the Agreement in order to be able to become a Client of CLASS 500.

CLASS 500 may reject any person's request to become a Client of CLASS 500 for any reason.

## Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CLASS 500 has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 of the Investment Advisers Act and Rule 17j-1 of the Investment Company Act. CLASS 500’s Code sets forth standards of ethical and business conduct expected of access persons and addresses conflicts that may arise from personal trading by CLASS 500 personnel to ensure that CLASS 500’s fiduciary obligations to its clients are met as well as compliance with federal securities laws. The Code includes a personal trading policy and policies and procedures to detect and prevent insider trading. Additionally, the Code defines material, nonpublic information and the restrictions on trading on any such knowledge. The Code also includes policies and procedures on serving as officers, trustees and/or directors of outside organizations and participating in outside business activities. Additionally, the Code sets forth specific restrictions and limitations as to which employees may make political contributions, as well as preclearance requirements for certain political contributions.

All CLASS 500 personnel must acknowledge understanding and agree to comply with the Code initially upon employment and must certify on an annual basis that they have read and understand the code and have complied with it.

Clients or prospective clients may obtain a copy of the Code upon request.

### Conflicts of Interest

Clients or investors should carefully consider the conflicts of interest described here and in the Agreement, as applicable.

### Other Investment Accounts

The Client understands that CLASS 500, Mr. Dekovic or Mr. Persic may take actions for their own accounts that differ from advice given to or action taken for the Client. CLASS 500 is not obligated to buy, sell or recommend for the Client any security or other investment that CLASS 500, Mr. Dekovic or Mr. Persic may buy, sell or recommend for their own accounts. The Agreement does not limit or restrict in any way CLASS 500, Mr. Dekovic or Mr. Persic from buying, selling or trading in any securities or other investments for their own accounts.

Conflicts of interest may arise in the allocation of investment opportunities among accounts that CLASS 500 advises. CLASS 500 will seek to allocate investment opportunities believed appropriate for the Client’s account and other accounts advised by CLASS 500 among such accounts equitably and in a manner consistent with the best interests of all accounts involved. But, there can be no assurance that a particular investment opportunity that comes to the attention of CLASS 500 will be allocated in

any particular manner.

To address the conflicts of interest posed by this type of trading, CLASS 500 maintains the Code, as described above. Specifically, the Code requires that CLASS 500 personnel obtain written pre-clearance for transactions that exceed a de minimis level. The Code also establishes minimum holding periods for such securities. Additionally, the Code requires access persons to submit transactions reports and initial and annual holding reports showing all transactions in which the person has, or by reason of such transaction acquires, any direct or indirect beneficial ownership in covered securities, with limited exceptions for securities such as shares of mutual funds not advised by CLASS 500. This enables CLASS 500 to determine with reasonable assurance any indications of front-running or other appearance of a conflict of interest.

## **Item 12 – Brokerage Practices**

### **Brokerage Practices**

Class 500's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek the best combination of price and execution with respect to its accounts' 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 considered as they are deemed relevant. In applying these factors, Class 500 recognizes that different broker-dealers may have different execution capabilities with respect to different types of securities. In determining whether a particular broker-dealer is likely to provide best execution, Class 500 takes into account all factors that it deems relevant to the broker-dealer's execution capability.

### **Client-Directed Brokerage Transactions**

While CLASS 500 generally requires clients to use Interactive Brokers, LLC as the custodian and broker for Managed Accounts, CLASS 500 will accept in limited instances direction from Clients as to which broker-dealer is to be used. If the Client directs the use of a particular broker-dealer, CLASS 500 asks that the Client also specify in writing (i) general types of securities for which a designated firm should be used and (ii) whether the designated firm should be used for all transactions, even though CLASS 500 might be able to obtain a more favorable net price and execution from another broker-dealer in particular transactions.

Clients, who, in whole or in part, direct CLASS 500 to use a particular broker-dealer to execute transactions for their accounts should be aware that, in so doing, such decision may adversely affect CLASS 500's ability to, among other things, obtain volume discounts on aggregated orders or to obtain best price and execution by, for example, executing over-the-counter stock transactions with the market makers for such securities. Additionally, as noted above, transactions for a client that directs brokerage are generally unable to be aggregated for execution purposes with orders for the same securities for other accounts managed by CLASS 500.

Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the aggregated order. Under these circumstances, the direction by a client of a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if CLASS 500 could negotiate commission rates or spreads freely, or select brokers or dealers based on best execution. Consequently, best price and execution may not be achieved.

## **Item 13 – Review of Accounts**

### **Review of Accounts**

On a continuous basis, CLASS 500 monitors and reviews portfolio activity in the Managed Accounts. Mr. Dekovic or Mr. Persic may employ various computer programs in conducting periodic account reviews which include monitoring for account restrictions, consistency with investment objectives and strategy descriptions. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Clients receive quarterly accounts statements directly from the Custodian. CLASS 500 urges clients to carefully review official custodial records.

Mr. Dekovic or Mr. Persic will meet with Clients upon request. Clients agree to a minimum of two (2) meetings yearly with Mr. Dekovic or Mr. Persic to review and discuss the Investment Management Services provided under the Agreement. Such meetings shall be scheduled to take place in person at a mutually convenient time and location and if both Mr. Dekovic or Mr. Persic and the Client agree, such meeting may be conducted by telephone.

Client understands and agrees that the Investment Management Services are a diversification opportunity for the Client's investment portfolio, not a complete investment program. There can be no assurance that CLASS 500 will achieve the Client's investment objectives or avoid substantial losses. The Client should not engage CLASS 500 with the expectation of sheltering income. Clients are urged to consult with their business, tax and legal advisers before engaging CLASS 500.

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

### **Brokerage for Client Referrals**

Presently, CLASS 500 does not have any such referral arrangements. Should CLASS 500 ever direct some Client brokerage business to brokers who refer prospective investors to CLASS 500, third parties will be compensated in accordance with Rule 206(4)-3 under the Investment Adviser's Act of 1940. Because such referrals, if any, are likely to benefit CLASS 500 but will provide an insignificant (if any) benefit to the Client, CLASS 500 will have a conflict of interest with the Client when allocating Client brokerage business to a broker who has referred investors to CLASS 500. To prevent Client brokerage commissions from being used to pay investor referral fees, CLASS 500 will not allocate Client brokerage business to a referring broker unless CLASS 500 determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Client.

## **Item 15 – Custody**

Custody of the Client's assets will be maintained at Interactive Brokers, LLC. The Client agrees to inform CLASS 500 immediately if it is dissatisfied with CLASS 500's decisions or actions, or if it is dissatisfied with Interactive Brokers, LLC's handling of the Investment Account. The Client will be solely responsible for paying all fees or charges of the Custodian. The Client authorizes CLASS 500 to give the Custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the Client. The Client shall pay all fees and expenses of the Custodian. All transactions will be consummated by payment to or delivery by, the Custodian, of all cash or securities due to or from the Investment Account.

CLASS 500 shall at no time have custody or physical control of any of the Investment Account Assets and it is the responsibility of the Client to reach an agreement with the Custodian. CLASS 500 shall instruct all brokers or dealers executing orders on behalf of the Investment Account to forward to the Custodian and the Client copies of all brokerage confirmations promptly after execution of transactions. CLASS 500 shall have no responsibility or liability with respect to custodial arrangements or the acts, omissions or other conduct of the Custodian.

The term "Custodian" for purposes of this Agreement shall mean Interactive Brokers, LLC, or subject to the approval of CLASS 500, another financial institution designated by the Client in Exhibit A of the Agreement (the "Custodian"). The Custodian shall maintain assets of the Client in an account suitable for investing as determined by the Custodian (the "Investment Account") and as agreed to by CLASS 500 in its sole and absolute discretion.

The Client shall cause the Custodian to accept instructions from CLASS 500 to execute transactions for the Investment Account and to provide CLASS 500 daily and monthly reports concerning the status of the Investment Account and such other information relating to the Investment Account or the Investment Account Assets as CLASS 500 may from time to time request.

CLASS 500 is deemed to have a form of custody of Client funds and securities whenever it is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody that CLASS 500 will have over individual Client accounts.

## **Item 16 – Investment Discretion**

In its full and absolute discretion and without any obligation on its part to give prior notice to the Client, CLASS 500 shall have sole, complete and full power and authority to invest and reinvest all of the Investment Account Assets in such securities as CLASS 500 in its sole and absolute discretion shall consider to be in the best interest of the Client.

In connection therewith, CLASS 500 shall have sole, complete and full power and authority to: (i) issue orders for the Managed Account to a broker or dealer; (ii) instruct the Custodian to exercise or abstain from exercising any option, privilege or right held in the Managed Account; (iii) monitor the correct collection of income on the Managed Account by the Custodian; and (iv) take any other action with respect to securities or other property in the Managed Account as needed to serve the best interest of the Client. CLASS 500 shall further be free to make investment changes regardless of the resulting rate of portfolio turnover, when it, in its sole discretion, shall determine that such changes will promote the investment objective of the Managed Account.

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

The Client agrees that CLASS 500 shall not have the authority or the responsibility to vote proxies on the Client's behalf for securities held in the Client's account. CLASS 500 is authorized and directed to instruct the Custodian to forward promptly to the Client copies of all proxies and shareholder communications relating to securities held in the Client's account (other than materials relating to legal proceedings). The Client agrees that the CLASS 500 will not be responsible or liable for any proxies where it or the Custodian has not received such proxies or related shareholder communications on a timely basis. CLASS 500 shall not be required to advise the Client or act for the Client in any legal proceedings, including bankruptcies or class actions, involving securities held in the Client's account.

## **Item 18 – Financial Information**

Neither CLASS 500, nor its related persons, Mr. Dekovic and Mr. Persic have ever been the subject of a bankruptcy petition and currently neither is the subject of a bankruptcy petition.