

## Item 1: Cover Page

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ADV Part 2A of Form ADV – Investment Advisor Brochure

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August 31, 2021

This Form ADV Part 2A (“Brochure”) provides information about Rule Advisors, LLC and its business for the use of clients and prospective clients. If you have any questions about the contents of this Brochure, please contact us using one of the methods listed above. 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. Registration of an investment advisor and does not imply any certain level of skill or training.

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

## **Item 2. Material Changes**

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Rule Advisors, LLC is required to advise clients and prospective clients of any material changes to our Firm Brochure (“Brochure”) from our last annual update. We are a new advisor, and this is our first Brochure update pursuant to our initial registration filing.

Clients will receive an annual summary of any material changes to this and subsequent Brochures no later than March 31<sup>st</sup> of each year which is 120 days after our fiscal year-end. At that time, we will offer a copy of our most current Disclosure Brochure. We will also promptly provide ongoing disclosure information about material changes, as necessary.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our Brochure.

### **Material Changes:**

We have updated Item 4 – Assets Under Management to reflect the value of assets we managed as of June 30, 2021

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## **Item 4. Advisory Business**

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### **Firm Description**

Rule Advisors, LLC (“we,” “us,” “our,” or “Rule Advisors”) a Delaware Limited Liability Company, was formed in October of 2020 and is 100% owned by Arthur Richards “Rick” Rule IV, who is responsible for the overall investment strategy and investment management of client portfolios.

### **Types of Advisory Services**

#### ***Sub-Advisory Services – Separate Account Management***

Rule Advisors acts as a sub-advisor to both affiliated and unaffiliated investment advisers. The affiliated advisers are affiliates of Sprott Inc., a publicly traded company listed on the New York and Toronto Stock Exchanges. The full legal name of an affiliated entity will be used to make specific disclosures in this document; other references to affiliates generally will use the term “Sprott” or “Sprott-related.” See Item 10 for additional information regarding affiliated entities of Sprott Inc.

The third-party advisor (“TPA”) selects Rule Advisors to manage separate accounts overseen by the TPA. Our agreement is with the TPA, not with the end client, and the TPA retains the discretionary authority to hire us, as well as to terminate our services. The TPA is responsible for determining that Rule Advisors’ strategies are appropriate for the TPA’s client and for ongoing monitoring of our management in light of the end-client’s needs.

#### ***Sub Advisory Services – Pooled Investment Vehicles***

Rule Advisors also provides sub-advisory investment management services on a discretionary basis to privately offered pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended. The TPA selects Rule Advisors to manage the selected funds, based on the TPA’s view that Rule Advisors’ strategies are consistent with the fund’s objectives.

Both our separate account management and private fund sub-advisory services focus on natural resources, across the investment cycle. We invest primarily in the publicly traded debt and equity securities of companies listed in Australia, Canada, Great Britain and the United States, using a bottom-up investment selection process, considering financial, geological, and engineering factors, with a contrarian approach. We primarily invest in micro- and small-cap companies, with strategic investments in mid- and large-cap companies as opportunities arise.

#### ***Consulting Services***

Rule Advisors offer strategic advice to issuers, on a flat fee or hourly basis, as negotiated between Rule Advisors and the issuer. The specific services provided will be described in the agreement between us and the issuer, but will generally be focused on company growth. This creates a potential conflict in that these issuers will most likely also be held in the portfolios we advise. Please see Item 10 for additional information and conflicts related to our consulting services.

### ***Other information about our Services***

We manage all assets on a discretionary basis, although the TPA's that select us may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. However, as noted above, our strategies are focused primarily within the natural resource sector, consequently, any restrictions specific to that sector cannot be accepted.

### **Participation in Wrap Fee Programs**

We do not offer or participate in a Wrap Fee Program.

### **Assets Under Management**

As of June 30, 2021, we managed \$199,707,968 in assets, all on a discretionary basis.

## **Item 5. Fees & Compensation**

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### ***Investment Management Fees – Separate Account Management***

Fees for our investment management services to TPA's are billed quarterly in arrears based on the value of the assets under management on the last day of the quarter. Our maximum annual rate is .50%. Our fees are negotiable, and the specific terms and conditions are described in the agreement between the TPA and Rule Advisors. Our agreements with the TPA's also specify that, if the TPA intends to pay our fee from the TPA's end-client assets, the TPA is authorized to do so. The actual impact of our fees on those paid by TPA end-clients is determined by the TPA's agreement with its own clients and is entirely separate from the TPA's agreement with Rule Advisors. This means that some TPA end-clients may pay the TPA additional fees to cover the costs of Rule Advisors' services, and some may not.

Fees for our investment management services as sub-advisor to private funds are described in the offering documents for those pooled investments. They may be billed monthly in advance or arrears or quarterly in advance or arrears. We are also entitled to performance-based fees in connection with our sub-advisory services to private funds, as described in Item 6.

### **Other Fees**

All management fees paid to Rule Advisors are separate and distinct from the fees and expenses charged by third parties. The separate fees and expenses include, but are not limited to custodial fees, execution costs, margin interest, borrowing charges on securities sold short, or other fees and taxes on brokerage accounts and securities transactions.

TPA's are also responsible for their own operating and investment expenses including, but not limited to: fees, costs and out-of-pocket expenses incurred in connection with the formation of a fund, fees and expenses of any advisers and consultants to the client/fund; external legal, auditing, accounting, administration, registered office, trustee, tax return preparation and other professional fees and expenses; fees and expenses of the client's/fund's directors, where applicable, including the costs associated with meetings; fees and expenses of the fund's administrator; out of pocket costs of the clients reporting to regulatory authorities; taxes, fees and governmental charges or filing fees; fees and expenses of prime brokers, futures commission merchants, dealers, custodians, transfer agents, brokerage

commissions, payments and expenses and other costs of trading, acquiring, monitoring or disposing of any investments of the fund(s) or separate account(s) we sub-advise.

There may be other costs, such as for data and research platforms, that we may incur in our investment decision-making process and pass onto the TPA if agreed between Rule Advisors and the TPA. If applicable, these costs will be detailed in the sub-advisory agreement between us. Otherwise, we are generally responsible for our own operating costs.

## **Item 6. Performance-Based Fees & Side-By-Side Management**

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As sub-advisor to private funds/pooled vehicles (“funds”), Rule Advisors receives performance-based compensation based on a share of the capital gains or capital appreciation of specific assets of the pooled vehicle sub-advised by Rule Advisors, in some cases as measured above an applicable benchmark. Whether we are entitled to performance-based fees is a function of our agreement with the TPA and whether the fund in question charges performance-based fees.

Currently, our only agreements are with Sprott-related funds, though we believe others are likely in the future. Under the current agreements, the we are entitled to receive incentive fees equal to 25% of the total performance fee, which is based on the net profits of the specific fund (in certain cases, above a specific hurdle rate of return) for each calendar month, quarter or year, as applicable; provided that the incentive fees may be adjusted for any previously unrecovered net losses (or underperformance relative to any applicable hurdle rate of return, and are subject to certain other adjustments and provisions.

Calculation methods and requirements are detailed in the agreement we enter into with the TPA and, if applicable, in the offering documents for any private fund that has an incentive fee.

Our sub-advisory relationships include private funds where we receive performance fees, as well as accounts where we do not receive performance fees (side-by-side management). This creates a conflict because we have a financial incentive to favor accounts that pay us performance-based fees. Similarly, advisers who receive performance fees have a theoretical incentive to take additional risks with performance-based assets because additional risk can often increase the possibility of outsized performance. We address the conflicts inherent in side-by-side management by disclosing them and by ensuring that our investment process is focused on the objectives of the fund/accounts, not the compensation we receive.

As disclosed in Item 10, our Managing Member, Rick Rule, is also a shareholder and board member of Sprott Inc. To the extent positive investment performance of Sprott-controlled funds improves Sprott Inc.’s stock price, Mr. Rule has a financial incentive to favor Sprott-controlled funds over other funds or clients. The most likely area of conflict is the allocation of limited investment offerings, such as private placements or thinly-traded securities. As practical matter, we will use a rotation allocation method that seeks to allocate investment opportunities fairly among all clients for whom that investment is appropriate. Further, in general our compensation increases when all of our clients do well. To the extent we are able to allocate limited offerings to our clients, we will generally do so based on client objectives and investment strategy, not on whether the client is affiliated with Sprott or whether we receive a performance fee.

## **Item 7. Types of Clients & Account Requirements**

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Our clients are limited to other investment advisers (TPA's), for whom we act as sub-advisor to private funds and separately managed accounts.

### **Minimum Account Size**

Our minimum account size is \$100,000 for sub-advised separate accounts. Sub-advised private fund minimums are reflected in the offering documents of each Fund.

## **Item 8. Methods of Analysis, Investment Strategies & Risk of Loss**

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### **Methods of Analysis**

We use bottom-up fundamental analysis as the primary method in the formation of our natural resource strategies, which includes review of overall economic and industry conditions, geological factors, engineering factors, financial strength and management of targeted companies, as well as a deep dive review of company financial statements. Based on this review, we attempt to measure a company's intrinsic value to determine which investments will be a good fit for our contrarian approach to investing. While we typically focus on micro- and small-cap companies, we may also include mid-cap and large-cap investments on a strategic basis.

### **Investment Strategies**

#### **Separately Managed Accounts**

Our sub-advised separately managed account strategy is focused on natural resources and uses publicly traded debt and equity securities of companies listed in Australia, Canada, Great Britain, and the United States. While we typically focus on micro- and small-cap companies, we may also include mid-cap and large-cap investments on a strategic basis.

#### **Pooled Vehicles**

We invest primarily in the publicly traded debt and equity securities of companies listed in Australia, Canada, Great Britain and the United States, using a bottoms up investment selection process, considering financial, geological, and engineering factors, with a contrarian approach. We primarily invest in micro- and small-cap companies, with strategic investments in mid- and large-cap companies as opportunities arise.

We take a fundamental value approach and focus our investments in asset oriented securities which we believe are undervalued by the market. In addition, our bias is toward companies that we expect to grow at an above-average rate compared to the company's specific industry or the overall market.

Rule Advisors is currently the sub-advisor to the following private funds. We have summarized the specific strategy of each Fund below:

**Exploration Capital Partners 2005.** The objective of Exploration Capital Partners 2005 is that of Prospect Generators. A Prospect Generator is a junior exploration company that acquires prospective ground they believe has significant mineral potential. The mineral rights are obtained either by staking and/or through

third party agreements. Typically, initial cost-effective exploration work is completed by the Prospect Generator (geologic mapping, geophysics, geochemistry, etc.) in order to establish drill targets and further outline the opportunity. The Prospect Generator will then work to secure joint-venture partnerships to fund drilling and further exploration work on the property by offering a majority interest, (usually 50-70%) in the property in exchange for cash, shares and/or committed exploration expenditures. In other words, a successful Prospect Generator leverages its intellectual capital to bring in external (partner) capital to fund work on its own properties.

Given the business of mineral exploration is inherently risky, the Prospect Generator business model works to mitigate some of the risk by exposing shareholder to the upside of mineral discoveries while conserving capital. This allows the Prospect Generator to limit share dilution (number of shares outstanding) and increases the company's longevity. The odds of making an economically viable mineral discovery are low, and this it makes prudent business sense to obtain partner funding for the higher-risk and higher-cost capital expenditure required to drill test prospective targets. The majority of companies in this portfolio are Prospect Generators and adhere to the above description.

***Resource Income Partners LP.*** The objective of Resources Income Partners LP is to provide bridge and debenture financing to natural resource focused entities (i.e. no public debt) and to realize both interest and capital gains commensurate with the risk to be taken. The Fund may purchase high yield debt, convertible debentures and preferred equities through both secondary offerings and in the open market.

***Exploration Capital Partners 2012.*** The objective of Explo 2012 is to invest in private, pre-public natural resource entities through recognition of such factors as quality of management personnel, availability of funding, quality of mining prospects, laws of the countries in which the prospects are found, the price of the public shares, and the projected market price of the natural resources themselves.

***Natural Resource Income Investing LP.*** The objective of Natural Resource Income Investing LP is to acquire ownership interests in oil wells and participate in lending arrangements to both public and private companies and may purchase high yield debt, debentures and convertible debentures, preferred and convertible preferred equities, bonds, master limited partnerships, unit trusts, high yielding common shares, real estate and infrastructure lending through both private placements and in the open market.

***Exploration Capital Partners 2014.*** The objective of Explo 2014 is to invest primarily in equity securities of companies throughout the world that own, explore, or develop natural resources. To pursue this investment objective, Explo 2014 intends to invest the majority of its assets in equity securities of such companies that are listed on stock exchanges outside of North America and domiciled outside of North America (i.e., outside of Canada and the United States). Equity securities include common stock, preferred stock, securities convertible into common stock, and rights to subscribe for common stock.

***Rights & Pipes Opportunity Fund I.*** The objective of Rights and Pipes is to invest in natural resource and/or natural resource related entities by structuring and entering into stand-by arrangements for rights offerings and strategic private investment into public equity investments in companies in the resource sector.



***Sprott Private Resource Lending LP and the Sprott Natural Resource Lending Fund (“Delaware Feeder”).***

The investment objective of Lending Fund I and the Delaware Feeder is to provide credit facilities to and invest in notes, bonds, debentures, or other debt instruments (“Loan Investments”) of companies or other entities (portfolio companies) in the mining, agricultural mineral, resource infrastructure, resource service and energy production sectors on a global basis. While the Lending Fund I’s focus is not on distressed investments, it will have the ability to invest in distressed debt. In connection with any loan investment made by Lending Fund I, it may also invest in, receive rights in respect of or otherwise acquire shares, options, warrants, commodity price appreciation rights, royalties and other contingent purchase rights, including upon the exercise of any such right or as a result of the conversion of debt.

We also act as sub advisor to the pooled vehicles below that have been dissolved by the General Partner:

Exploration Capital Partners 1998-B Limited Partnership

Exploration Capital Partners 2000 Limited Partnership

Exploration Capital Partners 2008 Limited Partnership

Exploration Capital Partners 2009 Limited Partnership

The assets for these partnerships that are not liquid and which have not been distributed to investors have been placed in a series limited liability vehicle to aid in the distribution and liquidation of the holdings by the General Partner and are not disclosed in this Brochure. Because we continue to retain sub-advisory authority over these assets, we are including them here as well as on our Form ADV 1A – Item 7(b)2. Additionally, we have included the current value of the cash/illiquid holdings in our AUM reported in this Brochure – Item 4 and our ADV 1A Item 5.

**Risk of Loss**

No investment strategy will achieve positive performance results in every political, economic and market environment. Investing in securities and other financial instruments involves the risk of loss, including loss of principal.

We focus primarily on investments in natural resources and related industries. There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on underlying natural resource investments. Prices of natural resource investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of our portfolios and the value of their investments. In addition, the value of securities held in our portfolios may fluctuate as the general level of interest rates fluctuate. Our investment strategies are all subject to additional risks which are detailed below.

*Key Man Risk.* Rule Advisors has one principal executive, Rick Rule, who is also the sole portfolio manager and chief investment officer. This fact leads to “key man risk,” or the risk that something could happen to Mr. Rule that may negatively affect the performance of our strategies. There is no key-man insurance and we do not intend to obtain any key-man insurance.

*Lack of Diversification.* Our portfolios will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, our portfolios are subject to more rapid change in value than

would be the case if we were to maintain a wider diversification among types of securities or other instruments.

*Natural Resource Assets.* The production and marketing of natural resource assets may be affected by actions and changes in governments. In addition, natural resource assets and natural resource asset securities may be cyclical in nature. During periods of economic or financial instability, securities of companies with natural resource assets may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various natural resource assets. In addition, these companies may also be subject to the risks associated with extraction of natural resources as well as the risks of the hazards associated with natural resources, such as fire, drought, and increased regulatory and environmental costs. These securities may also experience greater price fluctuations than the relevant natural resource asset.

*Lending Fund I and the Delaware Feeder.* These Funds will invest primarily in loan and related investments. The nature and credit quality of their loan portfolios, including the quality of the collateral security that they obtain, will impact their asset base and the return they are able to generate. In the loan selection process, they will target certain types of borrowers in the natural resource sector. There can be no assurance that borrowers and any security in the assets of such borrowers will not be adversely impacted by general economic or industry specific conditions, which in turn may adversely impact the value of the loan portfolio and the returns of these funds. In order to effectively monitor and realize on the security underlying the loans upon a default by a borrower, each Fund has engaged personnel and professionals for such purpose. However, there can be no assurance that any of these Funds will be able to successfully manage this process. Each Fund's performance could be adversely impacted by borrower defaults.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Fixed-Income and Debt Securities.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Investments in low-rated or unrated debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities

are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Valuation.* As it relates to private funds/pooled vehicles, the valuation of a fund's investments, which will affect the fund's performance results, involves uncertainties and subjective determinations. As a result, valuation of a fund's investments may not reflect the price at which a fund could dispose of its interests in a particular investment at any given time. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had a ready market existed for such securities and may differ from the prices at which such securities may ultimately be sold. As a sub-advisor, we do not determine the value of fund assets. All such valuations are determined by the TPA and/or the TPA's custodian (in the case of separately managed accounts.)

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Market Conditions.* The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for our strategies and may affect our ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in our strategies and could have a negative impact on the performance of our strategies. Movements in foreign exchange rates may adversely affect the value of our investments and the overall performance of our strategies. These developments, and the potential consequences of them, have had and may continue to have a material adverse effect upon global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings have been and may continue to be subject to increased market volatility.

*Uncertain Economic, Social and Political Environment.* Our strategies may be adversely affected by economic, social and political developments in the laws and regulations of the countries in which they are invested. The global economic and political climate can be uncertain. Prior acts of terrorism, the threat of additional terrorist strikes, growing social and political discord in the United States and elsewhere, economic sanctions, tariffs and other trade disputes, international political developments, changes in government policies and taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken. This may have an adverse effect on the economy generally and on our ability to execute our strategies. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions. Our strategies may be adversely affected by abrogation of international agreements and national laws which have created the market instruments in which we may invest, failure of the designated national and international authorities to enforce compliance with the same laws and agreements, failure of local, national and international organization to carry out the duties prescribed to them under the relevant agreements, revisions of these laws and agreements which dilute their effectiveness or conflicting interpretation of provisions of the same laws and agreements.

*Disease and Epidemics.* The impact of disease and epidemics may have a negative impact on our business, our strategies and their performance. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, our operations and those of our portfolio companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on our business, and our portfolio investments. The extent to which the coronavirus (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

## **Item 9. Disciplinary Information**

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We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. We have no information to disclose applicable to this Item.

## **Item 10. Other Financial Industry Activities & Affiliations**

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Neither Rule Advisors nor any of our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Rule Advisors nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Rick Rule, Rule Advisors' sole and Managing Member, is a shareholder of and on the board of Sprott Inc., a publicly traded company listed on the New York and Toronto Stock Exchanges. Sprott Inc. affiliates include Sprott Asset Management USA, Inc., Resource Capital Investment Corporation, and Sprott Capital Partners. Mr. Rule does not currently receive any compensation for this board seat, nor does he recommend Sprott Inc. shares for purchase in any of the portfolios he sub-advises. He does, however, have a conflict in that he is incentivized, due to his ownership of Sprott Inc. shares, to favor sub-advisor relationships within the Sprott family of affiliated companies. To the extent those sub-advisor relationships perform well, the value of Sprott Inc. could also increase. Rule Advisors has a fiduciary duty to each sub-advised client and will act in the best interest of such sub-advised clients.

Mr. Rule is the sole and managing member of Rule Investment Media LLC. This is an educational media company that sponsors annual conferences for mining issuers as well as both retail and institutional investors. The conferences provide education about investing in precious metals, mining, base metals and mining companies in general. Through these conferences, Mr. Rule, in his capacity as an advisory representative of Rule Advisors, will provide a free portfolio review and, if requested, will refer potential clients to one of the Sprott entities for which he is a sub-adviser. He is not compensated for the referral itself, but Rule Advisors will receive compensation under the cash solicitation rules. Any prospect referred to Sprott may ultimately become a sub-advised client, and Mr. Rule therefore has an incentive to refer such prospective clients only to the Sprott companies. In the future, Rule Advisors and/or Mr. Rule expect to establish referral or sub-advisory relationships with other registered investment advisors.

As noted in Item 4 above, Mr. Rule also offers strategic advice to issuers, on a flat fee or hourly basis, as negotiated between Rule Advisors and the issuer. This creates a conflict in that these issuers will most likely be held in the portfolios we advise. Rule Advisors has a robust Code of Ethics, which includes a restricted list to track those issuers that are being advised by Mr. Rule.

## **Item 11. Code of Ethics, Participation, or Interest in Client Transactions & Personal Trading**

To fulfill our responsibilities as a fiduciary, we have adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: (1) putting the clients' interest first at all times; (2) conducting all personal securities transactions in such a manner to be consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility; (3) not taking inappropriate advantage of their position; (4) treating all client information as confidential, and (5) maintaining independence in the investment decision-making process.

In addition to guidelines with regard to personal trading, the Code also addresses and governs the giving and receiving of gifts and entertainment, service on outside boards of directors and other outside business activities. Our personnel are required to certify to compliance with the Code on a periodic basis.

Please contact us at the telephone number or email address listed on the first page of this Brochure if you would like to receive a full copy of our Code of Ethics.

### **Conflicts Related to Rule Advisors or its Employees Trading for Their Own Account.**

Investments by Rule Advisors or its employees, for their own accounts, in securities that are also held in client and fund accounts could give the perception of interfering with our fiduciary duty of making decisions which are in the best interest of clients and could otherwise have a disadvantageous effect on the values, prices or trading strategies of client/fund portfolios. Our personal trading policy has been developed to address this particular conflict by requiring all employee transactions be executed after all client/fund trading has been completed for the day. In addition, we maintain a restricted list – no employee may trade on any securities on the restricted list.

### **Item 12. Brokerage Practices**

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Rule Advisors executes trades in accordance with the TPA's sub-advisory agreement with us. We do not selector or recommend brokers or custodians, except as directed by the TPA.

We do not receive research or other products or services other than execution from a broker-dealer or third party ("soft dollar benefits") in connection with client securities transactions.

Our TPA clients require that we execute transactions through specified broker-dealers ("directed brokerage"). Because we are executing transactions as directed by the client, we may be unable to achieve most favorable execution of client transactions. Directing brokerage may cost clients more money. For example, clients may pay higher brokerage commissions because we are not able to aggregate orders from different clients to reduce transactions, or because we may be able to obtain a better price on a specific trade by using a broker we are not permitted to trade with.

We do review the overall quality of our executions, including comparing executions achieved across our client base. If we believe that execution quality is suffering materially because of a directed brokerage arrangement, we will raise the issue with the client and seek a resolution.

### **Item 13. Review of Accounts**

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The Chief Investment Officer continuously reviews client portfolios to ensure the investments are consistent with the investment objectives, philosophy, strategy, and methodologies.

We do not provide written reports to clients concerning their accounts.

### **Item 14. Client Referrals & Other Compensation**

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As indicated above in Item 10, Mr. Rule provides free portfolio reviews for attendees to his conferences and through social media contacts. If requested, and pursuant to a Solicitor Agreement with Sprott, he will refer potential clients to one of the Sprott entities for which he is a sub-adviser. He is not compensated for the referral itself, though a prospective client referred to Sprott may ultimately become a sub-advised

client. Consequently, management fees paid to him will increase accordingly. Mr. Rule, therefore, has an incentive to refer such prospective clients only to the Sprott companies. Rule Advisors will receive up to 20% of fees paid by referred clients. In the future, Rule Advisors and/or Mr. Rule expect to establish referral or sub-advisory relationships with other registered investment advisors.

We do not have any arrangements in place to compensate third parties for client referrals.

### **Item 15. Custody**

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We do not have custody of any client funds or securities.

### **Item 16. Investment Discretion**

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As indicated in Item 4, above, we provide discretionary investment management services to TPAs. We obtain our discretionary authority pursuant to a written agreement that grants us limited power of attorney to trade assets on behalf of the TPA. Any limits on our discretion would be described in the sub-advisory agreement.

### **Item 17. Voting Client Securities**

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We do not vote proxies on behalf of clients. However, we do consult with our TPAs and offer insight regarding proxy issues. End-clients of TPAs should review TPA disclosures and agreements to understand how proxies will be handled.

### **Item 18. Financial Information**

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Rule Advisors does not have any financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients. In addition, neither Rule Advisors nor its management persons have been the subject of a bankruptcy proceeding.