

# **Courage Miller Partners, LLC**

SEC File Number: 801 – 69242

## **Brochure Dated March 27, 2012**

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**This Brochure provides information about the qualifications and business practices of Courage Miller Partners, LLC (“Courage Miller”). If you have any questions about the contents of this Brochure, please contact us at (757) 390-3100 or [courage.miller@couragemiller.com](mailto:courage.miller@couragemiller.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**References herein to Courage Miller as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Courage Miller disclosure statement since last year's Annual Amendment filing on March 22, 2011.

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#### Item 4            **Advisory Business**

- A. Courage Miller is a limited liability company formed on August 8, 2008 in the State of Delaware. Courage Miller became registered as an Investment Adviser Firm in August, 2008. Courage Miller is owned by Ralph Courage and Jeffrey Miller. Ralph Courage is Courage Miller's Managing Member.
- B. As discussed below, Courage Miller offers to its clients (individuals, business entities, trusts, estates and charitable organizations, pension and profit sharing plans, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Courage Miller to provide discretionary and/ or non-discretionary investment advisory services on a *fee-only* basis. Courage Miller's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Courage Miller's management, generally between negotiable and 1.00%.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, Courage Miller *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Courage Miller's planning and consulting fees are negotiable, but generally range from \$2,500 to \$10,000 on a fixed fee basis, and from \$250 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Courage Miller to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Courage Miller setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Courage Miller commencing services. If requested by the client, Courage Miller may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Courage Miller. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Courage Miller if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Courage Miller's previous recommendations and/or services.

#### **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Courage Miller *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Courage Miller, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of Courage Miller's services should be construed as same. To the extent requested by a client, Courage Miller may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants,

insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Courage Miller. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Courage Miller if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Courage Miller's previous recommendations and/or services.

**Please Note: Inverse/Enhanced Market Strategies.** Courage Miller may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Courage Miller, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Courage Miller on a non-discretionary investment advisory basis **must be willing to accept** that Courage Miller cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Courage Miller will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**Client Obligations.** In performing its services, Courage Miller shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Courage Miller if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Courage Miller's previous recommendations and/or services.

**Disclosure Statement.** A copy of Courage Miller's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. Courage Miller shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Courage Miller shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Courage Miller's services.
- D. Courage Miller does not participate in a wrap fee program.

- E. As of December 31, 2011, Courage Miller had \$157,393,058 in assets under management on a discretionary basis and \$54,627,440 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage Courage Miller to provide discretionary investment advisory services on a *fee-only* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage Courage Miller to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis, Courage Miller's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Courage Miller's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$0 - \$1,000,000	1.00%
Next \$1,000,000-\$5,000,000	0.80%
Next \$5,000,000 - \$10,000,000	0.60%
Over 10,000,000	0.40%

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, Courage Miller *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Courage Miller's planning and consulting fees are negotiable, but generally range from \$2,500 to \$10,000 on a fixed fee basis, and from \$250 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have Courage Miller's advisory fees deducted from their custodial account. Both Courage Miller's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Courage Miller's investment advisory fee and to directly remit that management fee to Courage Miller in compliance with regulatory procedures. In the limited event that Courage Miller bills the client directly, payment is due upon receipt of Courage Miller's invoice. Courage Miller shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Courage Miller shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Courage Miller's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges

imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Courage Miller and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a “tradeaway” fee charged by *Schwab*).

- D. Courage Miller's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between Courage Miller and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Courage Miller shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither Courage Miller, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither Courage Miller, nor any supervised person of Courage Miller, accepts performance-based fees.

#### **Item 7                      Types of Clients**

Courage Miller's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. Courage Miller does not generally require an annual minimum fee or asset level for investment advisory services. However, clients with assets under management over \$20,000,000 may be subject to a minimum fee, which fee shall be evaluated on a case-by-case basis. Courage Miller, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its annual minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Courage Miller may utilize the following methods of security analysis:
  - Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Courage Miller may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Courage Miller) will be profitable or equal any specific performance level(s).

- B. Courage Miller's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Courage Miller must have access to current/new market information. Courage Miller has no control over the dissemination rate of market information; therefore, unbeknownst to Courage Miller, certain analyses may be compiled with outdated market information, severely limiting the value of Courage Miller's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Courage Miller's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Courage Miller may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying

identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by Courage Miller in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Courage Miller may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to Courage Miller. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Courage Miller shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Courage Miller is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Courage Miller, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Courage Miller primarily allocates client investment assets among various individual equity (stocks), debt (bonds) fixed income securities and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices) on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, Courage Miller may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these



enhanced risks/rewards, a client may direct Courage Miller, in writing, not to employ any or all such strategies for his/her/their/its accounts. (*See* Item 4 B).

## **Item 9           Disciplinary Information**

Courage Miller has not been the subject of any disciplinary actions.

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

- A. Neither Courage Miller, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Courage Miller, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Courage Miller has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Courage Miller does not recommend or select other investment advisors for its clients for which it receives a fee.

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

- A. Courage Miller maintains an investment policy relative to personal securities transactions. This investment policy is part of Courage Miller's overall Code of Ethics, which serves to establish a standard of business conduct for all of Courage Miller's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Courage Miller also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Courage Miller or any person associated with Courage Miller.

- B. Neither Courage Miller nor any related person of Courage Miller recommends, buys, or sells for client accounts, securities in which Courage Miller or any related person of Courage Miller has a material financial interest.
- C. Courage Miller and/or representatives of Courage Miller *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Courage Miller and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Courage Miller did not have adequate policies in place to detect such activities. In

addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Courage Miller’s clients) and other potentially abusive practices.

Courage Miller has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Courage Miller’s “Access Persons.” Courage Miller’s securities transaction policy requires that an Access Person of Courage Miller must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Courage Miller selects; provided, however that at any time that Courage Miller has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Courage Miller and/or representatives of Courage Miller *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Courage Miller and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Courage Miller has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Courage Miller’s Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Courage Miller recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Courage Miller to use a specific broker-dealer/custodian), Courage Miller generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Courage Miller to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Courage Miller setting forth the terms and conditions under which Courage Miller shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Courage Miller considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Courage Miller, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Courage Miller's clients shall comply with Courage Miller's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Courage Miller determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Courage Miller will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are

exclusive of, and in addition to, Courage Miller's investment management fee. Courage Miller's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

**Conflict of Interest Disclosure:** Although not a material consideration when determining whether to recommend that a client utilize the services of *Schwab*, Courage Miller also has entered into an arrangement with *Schwab* whereby *Schwab* will provide Courage Miller with a non-forgivable loan to assist Courage Miller with practice transition expenses. Because Courage Miller receives an economic benefit, Courage Miller has a potential conflict of interest in recommending to clients that they use *Schwab* as custodian. Courage Miller's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as result of this arrangement. The specific information pertinent information pertaining to the loan is as follows:

- *Schwab* has provided a loan to Advisor to assist its business operations, and the loan is guaranteed by Ralph M. Courage, principal of Courage Miller. The terms of the loan require that management fees to Advisor be paid to an account at Schwab for deduction of interest and principal payments pursuant to the loan before Courage Miller may have access to that fee payment. The loan agreement contains various representations by Courage Miller, including that it will maintain \$75 million in assets under management, and various events of default, including that Courage Miller will comply with all laws, contracts, licenses and permits. In the event of an unheeded default under the terms of the loan agreement, *Schwab* may terminate and/or accelerate the loan, which may have a material adverse effect on Courage Miller's ability to perform services for you.
- Some of the products, services and other benefits provided by *Schwab*, including the Schwab Institutional Business Loan noted above, benefit Courage Miller and may not benefit Courage Miller's client accounts. Courage Miller's recommendation/requirement that a client place assets in *Schwab's* custody may be based in part on benefits *Schwab* provides to Courage Miller, and not solely on the nature, cost or quality of custody and execution services provided by *Schwab*.
- Courage Miller places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Courage Miller may use broker-dealers other than *Schwab* to execute trades for client accounts maintained at *Schwab*, but this practice may result in additional costs to clients so that Courage Miller is more likely to place trades through *Schwab* rather than other broker-dealers. *Schwab's* execution quality may be different than other broker-dealers.

1. **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Courage Miller may receive from *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Courage Miller to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Courage Miller may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services,

discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Courage Miller in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Courage Miller in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Courage Miller to manage and further develop its business enterprise.

Courage Miller's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Courage Miller to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Courage Miller's Chief Compliance Officer, Ralph Courage, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Courage Miller does not receive referrals from broker-dealers.
3. Courage Miller does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Courage Miller will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Courage Miller. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Courage Miller to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Courage Miller.

**Courage Miller's Chief Compliance Officer, Ralph Courage, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Courage Miller provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Courage Miller decides to purchase or sell the same securities for several clients at approximately the same time. Courage Miller may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Courage Miller's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders

been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Courage Miller shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Courage Miller provides investment supervisory services, account reviews are conducted on an ongoing basis by Courage Miller's Principals and Chief Compliance Officer. All investment supervisory clients are advised that it remains their responsibility to advise Courage Miller of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Courage Miller on an annual basis.
- B. Courage Miller *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Courage Miller may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Courage Miller may receive an indirect economic benefit from *Schwab*. Courage Miller, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

Courage Miller's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Courage Miller to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

- B. Courage Miller does not compensate any person, other than its representatives, for referrals.

### **Item 15      Custody**

Courage Miller shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Courage Miller may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Courage Miller provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by

Courage Miller with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Courage Miller's advisory fee calculation.

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

The client can determine to engage Courage Miller to provide investment advisory services on a discretionary basis. Prior to Courage Miller assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Courage Miller as the client's attorney and agent in fact, granting Courage Miller full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Courage Miller on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Courage Miller's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Courage Miller's use of margin, etc.).

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

- A. Courage Miller does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Courage Miller to discuss any questions they may have with a particular solicitation.

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

- A. Courage Miller does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Courage Miller is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Courage Miller has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Courage Miller's Chief Compliance Officer, Ralph Courage, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**