

# Courage Miller Partners, LLC

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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 to this Brochure since the March 28, 2018 annual update filing.

Courage Miller’s Chief Compliance Officer, Ralph Courage, remains available to address any questions that a client or prospective client may have regarding this Brochure.

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

- A. Courage Miller is a Delaware Limited Liability Company formed on August 8, 2008. Courage Miller became registered as an Investment Adviser in August, 2008. Courage Miller is owned by Ralph Courage and Jeffrey Miller. Ralph Courage is Courage Miller's Managing Member and Chief Compliance Officer.
- B. As discussed below, Courage Miller offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, trusts and estates 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. Before engaging Courage Miller to provide investment advisory services, clients are required to enter into an Investment Advisory 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 fee that is due from the client.

Courage Miller provides investment advisory services specifically tailored to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Then, Courage Miller will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Courage Miller primarily allocates client investment assets among various individual equity (stocks), debt (bonds), mutual funds, 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 objectives. Once allocated, Courage Miller provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may periodically execute or recommend execution of transactions for the account based upon those reviews.

##### **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. Before 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 before Courage Miller will begin to provide 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.

### **RETIREMENT PLAN SERVICES**

Courage Miller also provides retirement plan consulting services to sponsors of self-directed retirement plans and defined benefit plans organized under the Employee Retirement Security Act of 1974 (“ERISA”). Courage Miller performs these services in an ERISA Section 3(21) capacity, by assisting with the development of investment policy statements, and then the selection and monitoring of investment alternatives from which plan participants may choose in self-directing the investments for their individual plan retirement accounts. Upon request by the plan sponsor, Courage Miller may also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement between Courage Miller and the plan sponsor will be set forth in a Retirement Plan Consulting Agreement.

### **FIDUCIARY REPORTING SERVICES**

Courage Miller also offers fiduciary reporting services designed to provide fiduciaries such as trustees and investment committee members with independent third party reporting to present a clear and accurate picture of, among other things, fiduciary portfolio assets and performance. The scope of Courage Miller’s fiduciary reporting services varies based upon the particular service offering selected by the client. Before engaging Courage Miller to provide fiduciary reporting services, clients are required to enter into a Fiduciary Reporting Services Agreement, detailing the particular services provided and the applicable fees.

### **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by a client, Courage Miller may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Courage Miller does not serve as a law firm, accounting firm, or insurance agency, and no portion of Courage Miller’s services should be construed as legal, accounting, or insurance implementation services. Accordingly, Courage Miller does not prepare estate planning documents, tax returns or sell insurance products. 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 agents, etc.). Clients are reminded that they are 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 made by Courage Miller or its representatives. If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. The preceding sentence shall not limit or waive any applicable rights under federal or state law, including securities laws and fiduciary obligations that cannot be limited or waived.

**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 consent to such transaction(s) from the client. Thus, in the event that Courage Miller would like to make a transaction for a client’s account (including in the event of an individual holding or general market correction), and the client is unavailable, Courage Miller will be unable

to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's 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 their responsibility to promptly notify Courage Miller if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Courage Miller's previous recommendations and/or services.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Courage Miller recommends that a client roll over their retirement plan assets into an account to be managed by Courage Miller, such a recommendation creates a conflict of interest if Courage Miller will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over plan assets to an IRA managed by Courage Miller or to engage Courage Miller to monitor and/or manage the account while maintained at the client's employer. Courage Miller's Chief Compliance Officer, Ralph Courage, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

**Account Data Aggregation / Reporting Services.** Courage Miller, in conjunction with the services provided by a third-party vendor, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Courage Miller (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not Courage Miller, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, Courage Miller's service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if Courage Miller is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), Courage Miller does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Courage Miller were asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Courage Miller shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Courage Miller provide investment management services for the Excluded Assets, the client may engage Courage Miller to do so pursuant to the terms and conditions of the Investment Advisory Agreement between Courage Miller and the client.

**Cash Positions.** Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Courage Miller may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes.

**Portfolio Activity.** Courage Miller has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Courage Miller will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Courage Miller determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Courage Miller will be profitable or equal any specific performance level.

**Disclosure Statement.** A copy of Courage Miller's written disclosure statement as set forth on Part 2 of Form ADV shall be provided to each client before, or contemporaneously with, the execution of the applicable form of client agreement.

**Margin / Securities Based Loans.** Upon client request, Courage Miller may recommend that a client establish a margin loan or a securities based loan (collectively, "SBLs") with the client's broker-dealer/custodian or their affiliated banks (each, an "SBL Lender") to access cash flow. For example, clients may seek to borrow money on margin to pay bills or other expenses such as financing the purchase, construction, or maintenance of a real estate project. Unlike a traditional real estate-backed loan, an SBL has the potential benefit of: enabling borrowers to access to funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor. The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at any time. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing "margin calls" and liquidating securities and other assets in the client's accounts.

If Courage Miller recommends that a client apply for an SBL instead of selling securities that Courage Miller manages for a fee to meet liquidity needs, the recommendation presents an ongoing conflict of interest because selling those securities (instead of leveraging those securities to access an SBL) would reduce the amount of assets to which Courage Miller's investment advisory fee percentage is applied, and thereby reduce the amount of investment advisory fees collected by Courage Miller. Likewise, the same

ongoing conflict of interest is present if a client determines to apply for an SBL on their own initiative. These ongoing conflicts of interest would persist as long as Courage Miller has an economic disincentive to recommend that the client terminate the use of SBLs. Clients are therefore reminded that they are not under any obligation to employ the use of SBLs, and are solely responsible for determining when to use, reduce, and terminate the use of SBLs. Although Courage Miller seeks to disclose all conflicts of interest related to its recommended use of SBLs and related business practices, there may be other conflicts of interest that are not identified above. Clients are therefore reminded to carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender as applicable, and contact Courage Miller's Chief Compliance Officer with any questions regarding the use of SBLs.

- C. Courage Miller shall provide investment advisory services specifically tailored to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, Courage Miller shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The client may, at any time, 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, 2018, Courage Miller had \$214,767,851 in assets under management on a discretionary basis and \$27,453,248 in assets under management 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 generally be based upon a percentage (%) of the market value and type of assets placed under Courage Miller's management on a tiered basis as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$0 - \$1,000,000	0.85%
Next \$1,000,000-\$5,000,000	0.70%
Next \$5,000,000 - \$10,000,000	0.55%
Over 10,000,000	0.40%

Courage Miller's investment advisory fee is negotiable at Courage Miller's sole discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with Courage Miller and/or its representatives, and negotiations with the client. Certain legacy clients may have

accepted different pre-existing service offerings from Courage Miller and may therefore receive services under different fee schedules than as set forth above. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by Courage Miller to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above

#### **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 \$200 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).

#### **RETIREMENT PLAN CONSULTING**

The terms and conditions of Courage Miller's retirement plan consulting engagement are set forth in a Retirement Plan Consulting Agreement between Courage Miller and the plan sponsor. Courage Miller's negotiable annual fee for retirement plan consulting services shall be based upon a percentage (%) of the market value of assets held by the plan. This fee generally ranges between 0.10% and 0.60% of the market value of the plan assets, and depends on the scope and complexity of the services requested.

#### **FIDUCIARY REPORTING SERVICES**

Courage Miller's fees for its fiduciary reporting services are detailed in the Fiduciary Reporting Services Agreement. The fee is dictated by the level of service requested and the number of accounts to be monitored, generally ranging from \$200 to \$750 per account, per quarter.

- 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. and its affiliates ("Schwab") serve as the broker-dealer/custodian for client investment advisory 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 advisory 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 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). The fees charged by the applicable broker-dealer/custodian, and the charges imposed at the fund level, are in addition to Courage Miller’s investment advisory fees referenced in this Item 5.

- 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 generally include individuals, high net worth individuals, charitable organizations, pensions and profit sharing plans. Courage Miller does not impose any mandatory requirements for opening or maintaining investment advisory accounts. Courage Miller, its sole discretion, may reduce or waive its fees based upon various factors including but not limited to: the amount of assets to be managed; account composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); and negotiations with the client.

## **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)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance may not be indicative of future results. 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. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- 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.

- C. Currently, Courage Miller primarily allocates client investment assets among various individual equity (stocks), debt (bonds) fixed income securities, mutual funds, and/or 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 objectives. Each type of investment has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with the types of investments that Courage Miller uses or recommends:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invest it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such

action appropriate, the shares are de-listed from the exchange, or the activation of market-wide “circuit breakers” (which are tied to large decreases in stock prices) halts stock trading generally.

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 their accounts.

#### **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 presents a 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 before 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 presents a 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 advisory accounts be maintained at Schwab. Before engaging Courage Miller to provide investment advisory 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 seek 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 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 advisory fee.

1. Non-Soft Dollar 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 receives from Schwab (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) 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. The support services that Courage Miller receives can include: 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 free consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events (which can also include transportation and lodging), marketing support, computer hardware and/or software and/or other products used by Courage Miller in furtherance of its investment advisory business operations. As referenced above, certain of the support services and/or products that Courage Miller can receive 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. The receipt of these support services and products presents a conflict of interest, because Courage Miller has the incentive to recommend that clients utilize Schwab as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need. However, 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 the conflict of interest presented.

2. Courage Miller does not receive referrals from broker-dealers.

3. Directed Brokerage.

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, the 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.

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. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. Courage Miller's Chief Compliance Officer, Ralph Courage, remains available to address any questions regarding the above arrangements.

- B. To the extent that Courage Miller provides investment advisory 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 seek 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 receives economic benefits from Schwab including support services and/or products without cost and/or at a discount. 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.

To the extent that Courage Miller provides clients with periodic account statements or reports, Courage Miller urges clients to carefully review those statements and compare them to custodial account statements. Courage Miller's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of Courage Miller's advisory fee calculations.

Courage Miller engages in other practices and services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of the practices and services subject the affected accounts to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. In addition, certain clients have signed asset transfer authorizations which permit the qualified custodian to rely upon instructions from Courage Miller to transfer client funds to "third parties." These arrangements are also reflected at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

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

The client can determine to engage Courage Miller to provide investment advisory services on a discretionary basis. Before Courage Miller assumes discretionary authority over a client's account, the client is 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 execute investment transactions involving the assets in the client's name held in the discretionary account.

Clients who engage Courage Miller on a discretionary basis may, at any time, 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.**