

# **Coston, McIsaac & Shea**

## **Firm Brochure**

**The date of this Brochure and the information in it is January 22, 2020**

### **Coston, McIsaac, and Shea**

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This Brochure provides information about the qualifications and business practices of Coston, McIsaac, and Partners dba Coston, McIsaac & Shea (in this Brochure, we refer to Coston, McIsaac, and Shea as **CM Partners** or the **Firm**). If you have any questions about the contents of this Brochure, please contact:

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The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (**SEC**) or by any state securities authority.

The Firm is registered as an investment adviser with the Securities and Exchange Commission. Registration does not imply that either the Firm or its agents has/have any certain level of skill or training.

Public information about CM Partners also is available through the website of the SEC at:

[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 - Material Changes**

Stephen Coston has been invited by the firm to be a Partner. Our previous Brochure is dated February 7, 2019.

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## **Item 4 - Advisory Business**

### **A. Description of the Firm**

CM Partners was organized as a corporation under the laws of the state of Maine on March 16, 2015 by Paul Coston, Maurice J. (MJ) McIsaac and C. Gary Lloyd, each of whom owned 1/3 of the Firm. In July 2015 Andrew Shea joined the firm changing ownership of the firm to Andrew Shea 52%, Paul Coston 16%, MJ McIsaac 16% and Gary Lloyd 16%. In May 1, 2017 MJ McIsaac retired from the firm leaving current ownership of the firm to Andrew Shea 61.050%, Paul Coston 19.0475% and Gary Lloyd 19.0475%. On January 01, 2020 Stephen Coston became a shareholder owning 5.0% of CMS, changing ownership of Andrew Shea 58.89%, Paul Coston 18.095% and C. Gary Lloyd to 18.095%. The Firm maintains its only office in Bar Harbor, Maine. CM Partners was registered as an investment adviser with the United States Securities and Exchange Commission (*SEC*) on May 26, 2015 and made notice filings in the state of Maine and other states where its activities require it to do so.

One of the firm's owners (Paul Coston) is currently licensed as investment adviser representative of Coston and McIsaac Investment Advisers, LLC (*C&M Advisers*) an affiliate of the firm. Mr. Coston is also a Certified Public Accountant and provides accounting services to clients through Coston & McIsaac CPA's, Chartered (*C&M CPA's*), a Maine corporation offering accounting services to the public. C&M Advisers was formed by the owners of C&M CPA's to offer advisory services to clients of C&M CPA's. The owners of C&M Advisers have formed CM Partners to provide a firm in which more of the investment adviser representatives of C&M Advisers could participate. See Item 10.C. CM Partners, C&M Advisers and C&M CPA's are all located in the same building; they share many personnel; and they share some facilities. Each firm maintains some distinct offices and each keeps separate books and records. No client of one firm is obligated to use the services of any other firm and no fees received by one firm are shared with any other firm.

### **B. Types of Services**

#### **1. Management Services**

CM Partners provides investment management services for clients (*Clients*). Most Clients give CM Partners discretion to implement the purchases and sales of securities recommended by CM Partners by placing orders with broker-dealers for the transactions and CM Partners acts as a level fee Fiduciary for all of its clients. CM Partners will also manage assets for Clients on a nondiscretionary basis. Under those arrangements, the Client must approve each transaction before CM Partners will place an order to execute the transaction.

#### **2. Consulting Services**

CM Partners offers consulting services based on the specific needs or requests of a Client. CM Partners usually provides consulting services on a one-time basis for a single consultation or on a project basis. Consulting services can address a variety of topics, including advice about specific securities, types of securities, the markets, product design;

asset allocation; retirement planning, educational planning, insurance needs or matters relating to a Client's individual needs and goals.

### **3. Services not Related to Securities**

CM Partners may offer advice and receive a fee about insurance products that are not securities. On occasion, the firm may also offer advice about real estate or other types of non-securities investments held by a Client.

## **C. Tailoring Services to Needs of Clients**

The services of CM Partners are individualized for each of its Clients. CM Partners enters into a unique agreement with each Client. Each agreement describes which of the above services the Client wants CM&P to provide for the Client. As described above, in managing Client assets, CM Partners tailors all of its recommendations to the specific needs of each Client after reviewing the assets held by a Client, the Client's financial goals and objectives, risk tolerance, financial requirements, any specific or extraordinary needs of the Client and special requests by the Client. CM Partners also takes into consideration the Client's current income needs, estate planning, educational funding, retirement planning, short and long-term investment objectives, personal and family situations and any other matters that CM Partners and the Client deem important.

## **D. Wrap Fee Programs**

CM Partners does not offer wrap fee programs directly; however it may refer Clients to its affiliate, C&M Advisers, which offers wrap programs through unrelated third party investment managers.

## **E. Assets under Management**

As of December 31, 2019, C&M Advisers had \$170,435,399.89 in assets under management.

## **Item 5 - Fees and Compensation**

### **A. Fees Charged for Advisory Services**

#### **1. Fees for Management Services**

CM Partners charges the following fees for asset management for Clients and may receive fees for Held away accounts, for 401K and third party Advisors:

##### **a. Amount**

For Management Services, CM Partners typically charges Clients the following percentages of the value of the assets under management by CM Partners:

-	-0- to \$99,000 of assets	1.45% annually
-	Assets between \$100,000 and \$499,999	1.25% annually
-	Assets between \$500,000 and \$999,999	1.00% annually
-	Assets between \$1,000,000 and \$1999,999	0.90% annually

- Assets between \$2,000,000 and \$2,999,999 .080% annually
- \$3,000,000 or greater .70% annually

## **2. Minimum Fees**

CM Partners will not accept accounts for management services with assets valued at less than \$100,000. If an account value drops below the minimum due to market fluctuations, the account will not be closed; however if the account value drops below the minimum due to Client withdrawals, CM Partners reserves the right to close the account and terminate its services.

## **3. Determination of Account Value**

For purposes of calculating asset-based fees, CM Partners determines the value of the assets based on the fair market value of securities in the account as of the last day of the preceding quarter. CM Partners determines the value of the securities based on prices provided by the account custodian or other sources that CM Partners deems reliable. If a Client invests using margin, fees are based on the gross market value of the securities in the account without consideration of any liabilities against those securities. For new accounts, the initial fee is based on the assets placed in the account when it is opened.

## **4. Accounts using Margin**

Although CM Partners does not use margin as a strategy, some Clients elect to use margin in their accounts. If a Client uses margin, the fees charged by CM Partners will be based on the gross market value of the securities in the Client's account without consideration of the amount of margin or other liabilities against those securities.

## **5. Negotiability**

As described above, CM Partners documents all of its services with a written agreement that describes the services to be provided and the fees to be charged for those services. All fees are negotiable depending on the type of services, the type of Client and the other factors described above in Item 4. Fees for Management Services may be negotiable depending on the size of an account, the relationship of the Client to CM Partners, the nature of the services to be performed, the number of related accounts being managed, the percentage of Client holdings in fixed income assets and/or the length of time the account has been under management by CM Partners.

## **B. Payment of Fees**

## **C. Withdrawal of Fees**

### **1. Deduction from Account**

Under the standard CM Partners advisory agreement, Clients direct the custodian of the Clients' assets to deduct advisory fees due to CM Partners from the Client's account assets and pay it directly to CM Partners. CM Partners provides a copy of its invoice for its fees

to both the custodian and the Client. The custodian of the assets must provide quarterly reports to the Client indicating the amount of fees deducted from the account that are payable to CM Partners and how the fees were calculated.

## **2. Direct Payment**

Under special circumstances, such as for certain trust accounts or retirement accounts, Clients may elect to pay their management fees directly rather than having them deducted from their accounts. In those cases, CM Partners will send the clients an invoice, which must be paid within 10 days of invoicing. CM Partners reserves the right to discontinue its management services if a client does not pay the required fee when due.

## **D. Other Fees Paid by Clients**

### **1. Service Fees**

CM Partners reserves the right to charge fees for services it may provide that are in addition to the ordinary services involved in managing a Client's account. For example, CM Partners may charge extra for providing additional copies of account statements or providing statements at other times than those ordinarily provided to Clients.

### **2. Investments in Mutual Funds**

Clients investing in securities of investment companies, such as mutual funds should be aware that mutual funds charge management and administration fees to their shareholders. Those fees are charged to shareholders in the funds on a *prorata* basis and are in addition to the fees charged by CM Partners.

### **3. Brokerage and other Costs**

The fees of CM Partners are in addition to transaction costs, custodial costs or other costs that are charged by the fund companies holding mutual fund shares or by other custodians, such as broker-dealers who hold Client assets. Clients are responsible for paying all such fees and costs incurred in connection with implementing any strategies that CM Partners recommends in managing Client assets. See Item 12. Under certain circumstances, CM Partners may cover trading costs charged by custodians for Clients of C&M Partners.

## **E. Payments and Refunds**

### **1. Advance Payment**

CM Partners collects payment for its advisory fees in advance at the beginning of each quarter. Under no circumstances does CM Partners accept more than \$500.00 in fees, payable more than six (6) months in advance. If the services of CM Partners begin or end at a time other than the beginning or end of a quarter, CM Partners will prorate its fees based on the number of days during the quarter that CM Partners actually provided services.



## **2. Refunds**

When the contract ends, CM Partners will deduct payment from the fees collected in advance for the services it has provided as described above, and will refund the balance to the Client within 30 days after the date the contract ends.

### **F. Compensation for Sales of Securities or other Products**

CM Partners is not involved in the sale of securities and does not receive any compensation for the sale of securities. Clients are charged by the broker-dealers executing transactions for the costs of sales compensation. The broker-dealer executing the transactions is usually the custodian of the Clients' assets.

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

CM Partners does not charge fees for management services that are based on a share of capital gains on, or capital appreciation of, the assets of a Client (*performance-based fees*).

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

CM Partners offers advisory services to a variety of different types of Clients, including individuals, organizations and trusts, however the majority of its clients are individuals.

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

### **A. Methods of Analysis and Investment Strategies**

CM Partners methods of analysis include fundamental analysis and technical analysis. The main sources of information used by CM Partners are: mutual fund data bases; financial newspapers and magazines; on-line information, research materials prepared by others; corporate rating services; annual reports, prospectuses, filings with the Securities and Exchange Commission; and company press releases.

CM Partners may enter into arrangements with third parties from time to time to provide some or all of its responsibilities under its contracts with Clients, including research information about securities it reviews or recommends. CM Partners understands that it remains primarily responsible for those obligations whether or not it has relied on the services of third parties. All arrangements between CM Partners and third party service providers will be documented by a written agreement with each third party, assuring that the third party is in compliance with all applicable securities laws, that it has procedures in place to protect the privacy of nonpublic personal information of current, former and prospective Clients, that the third party has a Business Continuity Plan reasonably designed to protect the interests of Clients in the event of a disaster and that, if applicable, the third party will comply with the Brochure disclosure requirements of applicable securities laws.

## **B. Risks of Strategies Used**

CM Partners primarily focuses on long-term investment strategies and asset allocation across distinct asset classes to minimize risk using a combination of low cost no-load mutual funds and individual stocks that have lower volatility and strong dividend history characteristics. All investments are subject to market risks, interest rate risks, liquidity risks, other risks related to the type of industry involved and/or other risks of investments. The strategies employed by CM Partners do not involve frequent trading, margin, options or other strategies that can increase risk.

## **C. Risks of Securities**

CM Partners recommends mutual fund and select individual stock investments and uses asset allocation strategies, to diversify and assist in minimizing risk. Investments in mutual funds allow investors to invest in a larger number of securities, but may increase costs of such investments due to the payment of fees and expenses to the manager of the mutual fund assets.

## **Item 9 - Disciplinary Information**

Neither CM Partners nor any of its principals (the only person having the power, directly or indirectly, to exercise a controlling influence over the management of CM Partners has been involved in any material legal or disciplinary proceedings that regulatory authorities consider material to an evaluation of CM Partners by Clients or prospective Clients. Regulatory authorities consider the following types of matters to be material:

### **A. Criminal or Civil Actions**

1. Conviction of a crime;
2. pleading guilty, nolo contendere, or no contest in any criminal proceeding;
3. being named in a currently pending criminal action;
4. having been found to have violated any investment-related statute or regulation; or
5. being named in any order, judgment or decree permanently or temporarily enjoining, or otherwise limiting, the person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

### **B. Administrative Proceedings**

Administrative proceedings before the U.S. Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority in which the person was:

1. found to have caused an investment-related business to lose its authorization to do business; or

2. found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - a. denying, suspending, or revoking the person's authority to act in an investment-related business;
  - b. barring or suspending the person from association with an investment-related business;
  - c. otherwise significantly limiting the person's investment-related activities; or
  - d. imposing a civil monetary penalty.

**C. Action by Self-Regulatory Organizations**

Any proceeding before any self-regulatory organization, such as the Financial Industry Regulatory Authority, in which a person was:

1. found to have caused an investment-related business to lose its authorization to do business; or
2. found to have been involved in a violation of the organization's rules and was:
  - a. barred or suspended from membership or from association with other members, or was expelled from membership; or
  - b. otherwise significantly limited from investment-related activities; or
  - c. subject to a monetary fine.

**D. Additional Information**

You may confirm the above statements and/or review any other public information about CM Partners, its President or any other investment adviser or management persons, by accessing the website of the United States Securities and Exchange Commission at:

[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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

**A. Broker-Dealer Registration**

CM Partners is not registered as a broker-dealer and has not applied to be registered as a broker dealer.

## **B. Futures and Commodities Registration**

Neither CM Partners nor any Management Person is registered or has applied to be registered as a futures commission merchant commodity pool operator, a commodity trading advisor, or an associated person of any of those entities.

## **C. Arrangements with Related Persons**

Most of the investment adviser representatives of CM Partners is also a certified public accountant (CPA) employed by Coston and McIsaac, CPA's Chartered (C&M CPA's). See Item 4.A, above. As part of their accounting practice, the individuals may recommend that their accounting clients invest assets through CM Partners. No fees are paid for any referrals between CM Partners and C&M CPA's.

Coston and McIsaac Investment Advisers, LLC (*C&M Advisers*) is an affiliated firm that is registered with the SEC as an investment adviser. C&M Advisers has moved all account holders whose custodian was at Charles Schwab into CM Partners. The firm also anticipates adding additional investment adviser representatives, including most of the individuals currently registered as investment adviser representatives of C&M Advisers and allowing some of those representatives to become shareholders of CM Partners.

Other than the arrangements described above, neither C&M Partners nor any Management Person has any relationship or arrangement that is material to the Firm's advisory business or to its Clients with any advisory affiliates or related persons, which include the officers and directors of the Firm, persons who control the Firm, persons controlled by the Firm, persons under common control with the Firm and employees of the Firm.

## **D. Recommendation of Investment Advisers**

CM Partners' affiliate, C&M Advisers, on occasion refers clients to unaffiliated firms that provide combined advisory and brokerage services in a wrap program to clients. Individuals who are registered with both C&M Advisers and CM Partners may refer clients to those unaffiliated firms through C&M Advisers and receive fees for those referrals from C&M Advisers. For more information about these services, please request a copy of the Firm Brochure for C&M Advisers, by contacting the person named on the cover of this brochure.

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

## **A. Code of Ethics**

CM Partners has adopted a Code of Ethics that governs the activities of its associated persons. The Code is intended to prevent insider trading and to avoid conflicts with the interests of the Firm's Clients. Under the Code, CM Partners prohibits all associated persons from having any personal interest in a securities transaction if the transaction would cause a conflict or if the transaction appears to be based on inside information. The Code requires that all personal transactions by associated persons be reviewed to assure that associated persons are not trading in conflict with

Client transactions. CM Partners will prohibit or restrict trading by associated persons in securities that would involve conflicts or would be based on inside information. Any interested person may obtain a copy of the Firm's Code of Ethics by contacting the President of the Firm at the address listed on the cover of this Brochure.

## **B. Conflicts in Transactions in Securities**

CM Partners does not recommend, buy or sell for Clients any securities in which CM Partners or any related person has a material financial interest, except that CM Partners or a related person may invest in the same securities as Clients. See subsection C, below.

## **C. Conflicts in Investments in Securities**

On occasion, CM Partners or a related person may invest in the same securities (or related securities) that CM Partners recommends to Clients. Under the Firm's Code of Ethics, CM Partners must place all orders for Clients before placing any orders for the Firm or a related person to avoid conflicts. The policy does not relate to mutual funds, unless the fund is so small that the transaction by the related person could affect the market price of the mutual fund.

## **D. Conflicts in Contemporaneous Transactions**

The Code generally prohibits CM Partners or any associated persons from buying or selling a security at the same time as a Client. The Code also prohibits CM Partners or any related person from simultaneously buying a security while CM Partners recommends that a Client sell the same security or from simultaneously selling a security while CM Partners recommends that a Client purchase the security.

# **Item 12 - Brokerage Practices**

## **A. Recommending Broker-Dealers**

CM Partners generally recommends that Clients invest in mutual funds, Individual equities, Bonds and CD's. Transactions in mutual funds, Individual equities, Bonds and CD's are generally executed by the Broker Dealer. CM Partners uses Charles Schwab as their Broker Dealer. Clients are required to use the broker-dealers recommended by CM Partners if they wish to have CM Partners manage their Investments. CM Partners recommends Charles Schwab & Co., Inc. as their broker-dealer. Generally, all transactions for Clients are executed through the broker-dealer that maintains custody of the security and. CM Partners believes these Broker Dealers provide the best execution for the Client.

### **1. Research and Other Soft Dollar Benefits**

CM Partners does not receive any commissions, trading fees or services from any broker-dealers in connection with Client transactions. Schwab provides research and other information for the institutions, including investment advisers, that use the services of Schwab for their Clients. There are no extra charges for those services and they are provided by Schwab at no additional charge and without any additional obligation on the part of CM Partners. CM Partners regularly takes advantage of these free services.

## **2. Brokerage for Client Referrals**

CM Partners does not take into consideration referrals from a broker or third party in recommending broker-dealers to Clients. CM Partners does not receive referrals from any party that would be related to the selection of that broker-dealer for execution of Client transactions.

## **3. Directed Brokerage**

CM Partners attempts to negotiate commissions and other fees to be paid to broker-dealer firms for Client transactions. CM Partners uses Charles Schwab as their Broker dealer and a client who wishes to utilize CM Partners as their Adviser must use Charles Schwab as their Broker Dealer. There are no Directed Brokerage options for a client when utilizing CM Partners as their Adviser. Directed Brokerage is a practice in which a fund adviser, at the behest of its client, directs a trade to a specific broker dealer for execution in return for some sort of benefit.

CM Partners affirms that Charles Schwab will provide the best service or *best execution* for each transaction. CM Partners defines *best execution* as the execution of a securities transaction in a way that, when all aspects are considered, provides the best value to the Client for the transaction under the circumstances. To evaluate *best execution* CM Partners takes into consideration the range and quality of the broker's services, the value to CM Partners and its Clients of research provided by the broker, the broker's ability to execute transactions, the commission rates the broker will charge, the financial responsibility of the broker and the broker's responsiveness to CM Partners. CM Partners does not accept any research that consists of equipment, data or other services provided by a broker from a third party (also known as *soft dollars*). CM Partners may receive research from a broker or custodian that is developed by the broker or custodian for its customers.

## **B. Aggregation and Bunching of Orders**

CM Partners makes investment decisions independently for each Client based on that Client's assets and objectives. In some circumstances, usually only with non-investment company securities, Clients may benefit by having their orders combined (bunched or aggregated) with orders from other Clients through payment of lower commissions or more efficient execution. CM Partners will bunch trades for different Clients when placing an order with a broker-dealer if CM Partners believes such aggregation is in the best interests of each Client. Since CM Partners generally recommends investment company securities, it is only under very limited circumstances that CM Partners has the opportunity to aggregate or bunch orders.

# **Item 13 - Review of Accounts**

## **A. Regular Review**

Each Representative of CM Partners is responsible for reviewing all accounts being managed or serviced by such Representative through the Firm. All Individual Accounts for which CM Partners is providing advice on a regular basis are reviewed at least monthly. All transactions are submitted

through a single employee of CM Partners who checks all transactions on a daily basis to assure that they have been executed correctly by the broker-dealer.

#### **B. Factors Triggering Extra Reviews**

Accounts will be reviewed more often, if CM Partners believes it is advisable to do so based on changes in the economic environment, financial markets, Client circumstances or other factors considered relevant by CM Partners. CM Partners also provides individuals with advice on a consulting basis. CM Partners reviews accounts for those Clients only as requested by the Client.

#### **C. Reports**

CM Partners requires that the custodians of Client assets provide reports directly to the Client with copies to CM Partners at least quarterly. CM Partners also provides quarterly reports which will include a list of all account holdings and details of all transactions during the preceding period. If fees are deducted from the account, the report will reflect the amount for the quarter.

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

#### **A. Economic Benefits for Providing Advice**

CM Partners may receive referral fees from Morgan Stanley and UBS.

Except as described above for its referral services, no third party who is not a Client of CM Partners provides any economic benefit to CM Partners for providing its services.

#### **B. Payment for Referrals**

Neither CM Partners nor any related person pays any third party to refer business to CM Partners.

### **Item 15 - Custody**

CM Partners does not maintain custody of Client assets but does have discretion to execute transactions for Clients without receiving written or verbal approval of the proposed transactions from the Client. All client assets are held by Schwab or another qualified custodian responsible for executing transactions in those securities. CM Partners direct the custodian of their assets to withdraw, and pay directly, amounts due to CM Partners for its services to the Client. See Item 5.B, above.

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

Each Client grants CM Partners discretion to direct transactions in the Client's accounts without advance approval by the Client. CM Partners does not have the authority to withdraw any amounts from the account, except for its fees as described in Item 5.B.

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

CM Partners does not maintain custody or control of Client assets. All Clients receive proxies and vote proxies directly or through the custodian of their assets.

## **Item 18 - Financial Information**

CM Partners is not required to provide financial statements.

### **A. Prepayment of Fees**

CM Partners does not require prepayment of more than \$500 in fees per Client, more than six months in advance.

### **B. Discretionary Authority/Custody**

See Items 15 and 16, above.

### **C. Bankruptcy**

CM Partners has not been subject to a bankruptcy petition at any time.