

# **Coston & McIsaac Investment Advisers, LLC**

## **Firm Brochure**

**The date of this Brochure and the information in it is November 27, 2017**

### **Coston & McIsaac Investment Advisers, LLC**

38 Rodick Street-Suite A  
Bar Harbor, Maine 04609  
Phone: (207)-288-2159  
Fax: (207) 288-2234

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

M J McIsaac, Chief Compliance Officer  
(207)-288-9458  
mj@costonandmcisaac.com

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission, the Maine Securities Division or any other state securities authority.

The Firm is registered as an investment adviser with the Maine Department of Professional & Financial Regulation Office of Securities. Registration does not imply that either the Firm or its agents has/have any certain level of skill or training.

Public information about C&M Advisers is available through the website of the United States Securities and Exchange Commission, which may be accessed at:

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

## **Item 2 - Material Changes**

C&M Advisers reports that they are re-registering with the State of Maine and withdrawing registration from the SEC.

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## **Item 4 - Advisory Business**

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

C&M Advisers is an investment advisory firm based in Bar Harbor, Maine. C&M Advisers was organized as a limited liability company under the laws of the state of Maine on January 8, 2001 by the two shareholders of Coston & McIsaac CPA's, Chartered (***C&M CPA's***), a Maine corporation that provides accounting services to clients. The principals of C&M CPA's believed that many of their accounting clients could benefit from professional management of their investments and formed C&M Advisers to offer clients the opportunity to obtain investment advice through the same individuals providing them accounting advice. The shared personnel are Paul Coston, MJ McIsaac and Patricia Pottle, but maintain separate offices and keep separate books and records. No client of one firm is obligated to use the services of the other firm and no fees are shared by either firm with the other firm. C&M Advisers is registered as an investment adviser with the Office of Securities in the State of Maine and has makes notice filings in any other state where its activities require it to do so. C&M Advisers is managed by its two principals, Maurice J. (MJ) McIsaac and Paul Coston, who are both registered as investment adviser representatives of the firm in the state of Maine.

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

#### **1. Third Party Management (Referral) Services**

C&M Advisers has entered into written arrangement with Morgan Stanley and with UBS Financial Services (***Independent Managers***) whereby it will refer certain clients to those Independent Managers for management of Client assets where appropriate. Those Independent Managers offer wrap fee programs, which are programs that offer investment advice and transaction execution services together for a single fee. C&M Advisers recommends wrap fee programs for Clients who want to use a strategy that involves more active trading. Accordingly, for Clients interested in more frequent trading, the wrap account is often more efficient. C&M Advisers maintains a relationship with the clients whose assets are managed in those wrap accounts and meets frequently with the Independent Managers to discuss the clients referred to them. C&M Advisers is paid a share of the management fees paid to the Independent Managers by the Clients referred by C&M Advisers. See Item 5A.1

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

C&M Advisers may offer advice 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 C&M Advisers are individualized for each of its Clients. C&M Advisers enters into a unique agreement with each Client. Each agreement describes which of the above services the Client wants C&M Advisers to provide for the Client. As described above, in managing

Client assets, C&M Advisers 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. C&M Advisers 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 C&M Advisers and the Client deem important.

#### **D. Wrap Fee Programs**

C&M Advisers does not offer wrap fee programs directly; however it may refer Clients to an unrelated third party investment manager who does offer wrap fee programs. See Item 4.B.1-Third Party Management (Referral) Services, above.

#### **E. Assets under Management**

As of November 27, 2017 C&M Advisers had \$110,000,000.00 in assets under management, which were held in wrap accounts referred by C&M Advisers to Morgan Stanley, UBS Financial Services and other independent managers. See Item 4.B.1-Third Party Management (Referral) Services.

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

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

##### **1. Referral Fees**

##### **a. Amount of Fees**

For referrals the Independent Managers described in Item 4.B.1, C&M Advisers receives a fee calculated as a percentage of the assets being managed by the Independent Manager that were obtained through the services of C&M Advisers. The percentage is negotiated separately with each of the firms and generally ranges from 10% to 30% of the management fees paid to the Independent Manager. The referral fee usually continues indefinitely - for as long as the Client has assets under management with the Independent Manager. The payment period begins on the date of the initial placement of assets with the Independent Manager by the Client. A new payment period may start for each material addition of assets to an existing account with the Independent Manager (usually 10% or more of the account balance immediately preceding the addition). A new payment period will also start for any new account opened by the Client with the Independent Manager. C&M Advisers will reimburse the Independent Manager for any Asset-Based Fees paid to C&M Advisers that the Independent Manager is required to adjust retroactively with the Advisory Client. Clients investing through the wrap accounts referred by C&M Advisers are not charged any

additional fees as a result of the referral and compensation paid to C&M Advisers by the managers of the wrap accounts.

## **B. Withdrawal of Fees**

Independent Managers, Morgan Stanley, UBS, etc. pay fees directly to C&M Advisers out of the fees they collect from their client accounts.

### **1. Service Fees**

C&M Advisers 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, C&M Advisers 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 the Independent Managers.

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

There are no additional Brokerage costs since all clients are enrolled in a WRAP fee program with the Independent Managers. See Item 12.

## **C. Advance Payments and Refunds**

There are no advance payments with our Solicitor relationship with Morgan Stanley and UBS. All refund information is outlined in the Brochure document provided by those specific Broker dealers.

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

C&M Advisers is not involved in the sale of securities and does not receive any compensation for the sale of securities.

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

C&M Advisers 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**

C&M Advisers 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**

C&M Advisers' methods of analysis include fundamental analysis and technical analysis. The main sources of information used by C&M Advisers 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.

C&M Advisers 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. C&M Advisers understands that it remains primarily responsible for those obligations whether or not it has relied on the services of third parties. All arrangements between C&M Advisers 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**

C&M Advisers primarily focuses on investments in mutual funds, long-term investment strategies and asset allocation across distinct asset classes to minimize risk. 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 C&M Advisers do not involve frequent trading, margin, options or other strategies that can increase risk.

### **C. Risks of Securities**

C&M Advisers recommends primarily mutual fund 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 C&M Advisers nor any of its principals (the only person having the power, directly or indirectly, to exercise a controlling influence over the management of C&M Advisers) has been involved in any material legal or disciplinary proceedings that regulatory authorities consider material to an evaluation of C&M Advisers 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 C&M Advisers, 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**

C&M Advisers is not registered as a broker-dealer and has not applied to be registered as a broker dealer.

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

Neither C&M Advisers 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**

Each of the investment adviser representatives of C&M Advisers is also a certified public accountants (CPA'S) employed by Coston and McIsaac, CPA's Chartered (C&M CPA's), a Maine Corporation. As part of their accounting practice, the individuals may recommend that their accounting clients invest assets through C&M Advisers. No fees are paid for any referrals between C&M Advisers and C&M CPA's.

Other than the arrangements described above neither C&M Advisers nor any Management Person has any relationship or arrangement that is material to the Firm's advisory business or to its Clients with any officers, directors, controlling persons, persons controlled by the Firm or employees (*advisory affiliates*) or any person under common control with the Firm (collectively with advisory affiliates, *related person*).

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

C&M Advisers on occasion refers prospective clients to firms that provide combined advisory and brokerage services in a wrap program. See Item 4.B.1 and Item 5.A.1.

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

## **E. Code of Ethics**

C&M Advisers 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, C&M Advisers 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. C&M Advisers 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.

## **F. Conflicts in Transactions in Securities**

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

## **G. Conflicts in Investments in Securities**

On occasion, C&M Advisers or a related person may invest in the same securities (or related securities) that C&M Advisers recommends to Clients. Under the Firm's Code of Ethics, C&M Advisers 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.

## **H. Conflicts in Contemporaneous Transactions**

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

# **Item 11 - Brokerage Practices**

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

C&M Advisers generally recommends that Clients invest in mutual funds. Transactions in mutual funds are generally executed by the underwriter or distributor for the fund. If C&M Advisers manages other types of securities for Clients, C&M Advisers may recommend broker-dealers to act as custodians of those assets, in which case all brokerage transactions are usually executed through that broker-dealer. Clients are not required to use broker-dealers recommended by C&M Advisers and may select other broker-dealers to hold their assets and/or to execute their securities transactions. Generally, all transactions for Clients are executed through the broker-dealer that maintains custody of the security, unless that broker-dealer is

unable to execute the trade. In that event, C&M Advisers uses a broker-dealer to execute the trade that C&M Advisers believes will provide the best execution for the Client.

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

C&M Advisers does not receive any commissions, trading fees or services from any broker-dealers in connection with Client transactions.

**2. Brokerage for Client Referrals**

C&M Advisers does not take into consideration referrals from a broker or third party in recommending broker-dealers to Clients. C&M Advisers 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**

See the response to Section A, above.

C&M Advisers attempts to negotiate commissions and other fees to be paid to broker-dealer firms for Client transactions, except where the Client has directed that a specific broker-dealer be used to handle transactions. For those Clients, the brokerage commissions are negotiated by the Client. Commissions charged for sales of mutual fund shares are not negotiable. C&M Advisers reviews the commission rates charged to its Clients at least annually.

C&M Advisers seeks to select firms that will provide the best service or *best execution* for each transaction. C&M Advisers 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* C&M Advisers takes into consideration the range and quality of the broker's services, the value to C&M Advisers 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 C&M Advisers. C&M Advisers 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*). C&M Advisers 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**

C&M Advisers 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. C&M Advisers will bunch trades for different Clients when placing an order with a broker-dealer if C&M Advisers believes such aggregation is in the best interests of each Client. C&M Advisers. Since C&M Advisers generally recommends investment company securities, it is only

under very limited circumstances that C&M Advisers has the opportunity to aggregate or bunch orders.

## **Item 12 - Review of Accounts**

### **A. Regular Review**

Each Representative of C&M Advisers, is responsible for reviewing all accounts being managed or serviced by such Representative through the Firm. All Individual Accounts for which C&M Advisers is providing advice on a regular basis are reviewed at least [quarterly].

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

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

### **C. Reports**

C&M Advisers requires that the custodians of Client assets provide reports directly to the Client with copies to C&M Advisers at least quarterly. If fees are deducted from the account, the reports will describe the fees and how they were calculated.

## **Item 13 - Client Referrals and Other Compensation**

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

C&M Advisers receives referral fees from Morgan Stanley Smith Barney and UBS.

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

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

Neither C&M Advisers nor any related person pays any third party to refer business to C&M Advisers.

## **Item 14 - Custody**

C&M Advisers does not maintain custody of Client assets and does not 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 Independent Managers, qualified custodians responsible for executing transactions in those securities.

### **Item 15 - Investment Discretion**

C&M Advisers does not have discretion to direct transactions in the Client's accounts. C&M Advisers does not have the authority to withdraw any dollar amounts from the account.

### **Item 16 - Voting Client Securities**

C&M Advisers 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 17 - Financial Information**

C&M Advisers is not required to provide financial statements.

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

C&M Advisers 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**

C&M Advisers has not been subject to a bankruptcy petition at any time.