

# Wrap Fee Program Brochure

December 4, 2014

## **Abestra Capital Management, LLC Wrap Fee Program**

*Sponsored By*

### **Abestra Capital Management, LLC**

*a Registered Investment Adviser*

This brochure provides information about the qualifications and business practices of Abestra Capital Management, LLC (hereinafter “ACM” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Abestra Capital Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2. Material Changes**

In this Item, the Firm is required to discuss any material changes that have been made to the brochure since the last annual amendment. As this brochure has been prepared in connection with the Firm's initial application for investment adviser registration, there are no such material changes to disclose.

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## Item 4. Services, Fees, and Compensation

The Abestra Capital Management, LLC Wrap Fee Program (the “Program”) is a wealth management program sponsored by the Firm to provide clients with a broad range of comprehensive financial planning and investment management services. In providing its services, the Firm seeks first to evaluate a client’s current, holistic financial situation, and then designs and implements an investment plan aimed at achieving their goals and objectives.

The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. Prior to engaging ACM to provide services through the Program, the client is required to enter into a written agreement with ACM setting forth the terms and conditions under which the Firm renders its services (the “Agreement”). Clients must also open a new securities brokerage account and complete a new account agreement with Charles Schwab & Co., Inc. (“Schwab”) or another broker-dealer or custodian ACM approves under the Program (collectively “Financial Institutions”).

ACM was formed in September 2014 and is wholly owned by Interim Holdings, LLC. As this document has been prepared in connection with the Firm’s initial application, ACM does not have any assets under management to report as of the date of this filing.

While this brochure generally describes the business of ACM, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on ACM’s behalf and are subject to the Firm’s supervision or control.

### Description of the Program

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The Program generally provides clients with discretionary investment management services as well as certain financial planning services.

At the onset of the Program, clients are required to complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of this information, ACM assists its clients in developing an appropriate investment strategy for managing their assets.

The Firm tailors its advisory services to meet the needs of its clients, and seeks to ensure that recommendations are made and accounts are managed in a manner consistent with those needs and objectives. Clients are advised to promptly notify ACM if there are changes in their financial situation or if they wish to place any limitations on the management of their accounts. Clients may impose reasonable restrictions or mandates on the management of their accounts if ACM determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

## **Fees for Participation in the Program**

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Wealth management services are offered through the Program on a fee basis, meaning that clients pay a single annualized fee based upon assets under management. This management fee varies based upon the size of a client's portfolio, in accordance with the following fee schedule:

<b><u>Account Size</u></b>	<b><u>Active</u></b>	<b><u>Passive</u></b>
Up to \$500,000	2.00%	1.45%
\$500,001 - \$1,000,000	1.75%	1.25%
\$1,000,001 - \$5,000,000	1.50%	1.15%
Above \$5,000,000	1.25%	1.05%

The Program fee is prorated and billed quarterly, in advance, based on the market value of the assets being managed by ACM under Program on the last day of the previous quarter. The Firm may also charge a fixed fee for its services, which will be negotiated individually with each client as appropriate. If assets in excess of \$20,000 are deposited into or withdrawn from an account after the inception of a quarterly billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

## **Fee Comparison**

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A portion of the fees paid to ACM are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios. To the extent independent investment managers ("Independent Managers")(as described further below in Item 6) are engaged by the Firm to manage certain portions of its clients' assets, such Independent Managers generally charge a separate and additional fee, which is incurred directly by the client.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per

transaction basis and paying a separate fee for advisory services. Since ACM will pay the transaction/executions costs associated with certain securities transactions, there is a conflict of interest because the Firm arguably has a disincentive to trade securities. However, the Firm has policies and procedures in place to ensure that all investment recommendations are made in the best interests of its clients.

Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory wrap fee programs.

### **Fee Discretion**

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ACM may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, account retention and pro bono activities. In addition, certain legacy clients may be subject to a different fee schedule.

Moreover, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), ACM may negotiate a fee rate that differs from the range set forth above.

### **Fee Debit**

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The Firm's Agreement and the separate agreement with any Financial Institutions generally authorize ACM and Independent Managers engaged by the Firm to debit its clients' accounts for the amount of the Program fee, and to directly remit that fee to ACM and the Independent Managers. Any Financial Institutions recommended by ACM have agreed to send statements to clients not less than quarterly indicating all amounts disbursed from the account, including the amount of Program fees paid directly to ACM.

### **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to ACM's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to ACM, subject to the usual and customary securities settlement procedures. However, ACM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. ACM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## **Additional Fees and Expenses**

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Clients may incur certain charges imposed by third parties in addition to the Program fee. These additional charges may include fees charged by the Independent Managers, charges imposed directly by a mutual fund or exchange-traded fund ("ETF") in the account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), redemption fees, fees associated with alternative products, reporting charges, margin costs, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## **Compensation for Recommending the Program**

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ACM has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation in the Program.

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

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ACM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets), and does not engage in side-by-side account management.

## **Item 5. Account Requirements and Types of Clients**

### **Types of Clients**

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ACM generally offers services to individuals, trusts, estates, charitable organizations, corporations and business entities.

### **No Minimum Account Requirements**

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ACM does not impose a stated minimum fee or minimum portfolio value for participation in the Program. Certain Independent Managers may, however, impose more restrictive account requirements and billing practices from the Firm. In these instances, ACM may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

## **Item 6. Portfolio Manager Selection and Evaluation**

### **Portfolio Management Services and Methods of Analysis**

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The client experience begins with the Firm's proprietary investment process. This process requires an inventory of the client's individual circumstances, establishes an allocation based on that inventory, hones the investment discipline for the asset allocation and sets parameters so the Firm can track and monitor

the overall process. ACM utilizes a combination of fundamental, technical and cyclical analysis while employing an asset allocation strategy based on a derivative of Modern Portfolio Theory ("MPT").

ACM manages client investment portfolios on a discretionary basis by allocating assets among various mutual funds, exchange-traded funds ("ETFs") and Independent Managers. On a limited basis, the Firm may also utilize stocks, bonds, options, real estate investment trusts ("REITs") and master limited partnership ("MLPs"). ACM tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. The Firm consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios

### **Selection of Independent Managers**

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As stated above, the Firm may select certain Independent Managers to manage client portfolios under the Program. ACM evaluates various information about the Independent Managers, which may include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves, and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposures. ACM may also take into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other related factors.

ACM generally monitors the performance of those accounts being managed by Independent Managers by reviewing the account statements and trade confirmations produced by the Financial Institutions, as well as other performance information furnished by the Independent Managers and/or other third-party providers. The Firm does not verify the accuracy of any such performance information and does not ensure its compliance with presentation standards. Clients are advised that any performance information they receive from the Independent Managers may not be calculated on a uniform and consistent basis. Clients should compare all supplemental materials with the account statements they receive directly from the Financial Institutions.

The terms and conditions under which the client engages an Independent Manager may be set forth in a separate written agreement between ACM or the client and the designated Independent Manager. In addition to this Wrap Fee Brochure, the client may also receive the disclosure brochure of the designated Independent Managers engaged to manage their assets.



## Risks of Loss

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of ACM's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that the Firm will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Independent Managers*

As stated above, the Firm may select certain Independent Managers to manage a portion of its clients' assets. In these situations, ACM continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, ACM generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

## *Master Limited Partnerships (MLPs)*

MLPs are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their pro rata share of the partnership taxes, regardless of the types of accounts where the interests are held.

## *Options*

Options allow investors to buy or sell a security at a contracted “strike” price or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

## *Real Estate Investment Trusts (REITs)*

ACM may recommend an investment in, or allocate assets among, various REITs the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle’s shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

## *Management through Similarly Managed “Model” Accounts*

The Firm manages certain accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy may be done without regard to a

client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts

## **Voting of Client Securities**

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ACM does not accept the authority to vote clients' securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions and may contact ACM with any questions related to proxy voting by calling the phone number on the cover of this brochure.

## **Item 7. Client Information Provided to Portfolio Managers**

Clients participating in the Program generally grant ACM the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. ACM may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Independent Managers' investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

## **Item 8. Client Contact with Portfolio Managers**

There are no restrictions on clients' ability to contact and consult with ACM. Clients can generally contact the Independent Managers managing their portfolios through ACM by providing the Firm with written request and identification of the questions or issues to be discussed with the Independent Managers. After receiving the client's written request, ACM may contact the Independent Managers for the client or arrange for the Independent Managers and the client to communicate directly.

## **Item 9. Additional Information**

### **Disciplinary Information**

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ACM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

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

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The Firm is not engaged in any other financial industry activities and does not have any affiliations that are otherwise material to the Firm's advisory business.

## Code of Ethics

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ACM has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. ACM's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of ACM's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person will access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact ACM to request a copy of its Code of Ethics.

## Account Reviews

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ACM monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's Investment Committee or one of its investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with ACM and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous

services and/or recommendations, and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. Clients may also receive written or electronic reports from ACM and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from Financial Institutions with any documents or reports they receive from ACM or an outside service provider.

### **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals. In the event a client is in the future introduced to ACM by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from ACM's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with ACM's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of ACM is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

### **Receipt of Economic Benefits**

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ACM may receive from Schwab, without cost to ACM, computer software and related systems support, which allow ACM to better monitor client accounts maintained at Schwab. ACM may receive the software and related support without cost because ACM renders investment management services to clients that maintain assets at Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit ACM, but not its clients directly. In fulfilling its duties to its clients, ACM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that ACM's receipt of economic benefits from a Financial Institution creates a conflict of interest since these benefits may influence ACM's choice of one Financial Institution over another that does not furnish similar software, systems support or services.

Specifically, the Firm may receive the following benefits from Schwab:

- Receipt of duplicate client confirmations and bundled duplicate statements;

- Access to a trading desk that exclusively services its institutional participants;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### Financial Information

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ACM is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Abestra Capital Management, LLC**

*a Registered Investment Adviser*

Prepared by:



**MARKETCOUNSEL®**  
*The Adviser's Advisor®*