

Form ADV Part 2A: Firm Brochure

Including, Brochure Supplement (Part 2B Form ADV)

Capital Estate Advisors, Inc. 2019

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This brochure provides information about the qualifications and business practices of Capital Estate Advisors, Inc. (“CEA”). If you have any questions about the contents of this brochure, please contact Paul S. Reback at (212-489-8443) or email paul@paulreback.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 CEA is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Unless otherwise indicated, the terms “CEA”, “we” or “our” is broadly used within this brochure to refer to the entire enterprise and not to a specific legal entity.

Item 2: Material Changes

CEA’s most recent update to Part 2 of Form ADV was made in January 2015. CEA’s business activities have not changed materially since the time of that update.

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Item 4: Advisory Business

Capital Estate Advisors (“CEA”) provides investment supervisory services, defined as giving continuous advice to a client. We manage client accounts on a discretionary basis. We work with each client to establish an appropriate investment profile and manage the account in accordance with the stated objectives of the client (i.e., maximum capital appreciation, growth, etc.)

CEA generally invests client assets in domestic and international stocks, bonds, mutual funds, and exchange traded funds (“ETFs”)

CEA was founded in 1994 and is primarily owned by Paul S. Reback. As of December 31, 2019, CEA managed \$68 million.

Item 5: Fees and Compensation

For investment supervisory services compensation is derived as fee income based upon the percentage of assets under management calculated as 1.5% per annum. The amount of the fee is negotiated on a case by case basis, and is determined based upon a number of factors including the amount of work involved and attention needed to manage the account.

Accounts with a smaller balance may pay a higher annual fee than those normally charged by other investment advisors due to the assessment of a \$4,000 minimum annual fee. CEA does have the ability to waive the minimum fee requirements.

Fees will be billed at the beginning of each calendar quarter and are payable within 10 days. Fees will generally be deducted directly from the client's brokerage account pursuant to a written agreement. Investment advisory services begin with the effective date of the Investment Advisory Agreement, which is the date the client signs the Agreement. Fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. The Agreement may be terminated at any time by either CEA or the client. Notice of termination may be given to the other party either verbally or in writing. However, verbal communication of such termination must be confirmed by delivery of written notice of such termination to the other party within five days. A pro rata portion of any fee paid but not earned shall be refunded to the client. The client is responsible to pay for services rendered until the termination of the agreement. If the agreement is canceled within the first five days after the signing of the Agreement, then the client is entitled to a full refund of the fees paid.

CEA or its representatives may from time to time receive compensation via commissions on insurance products sold to clients. The receipt of commission-based compensation creates a conflict of interest as CFA and its representatives are incentivized to recommend insurance products to clients. We address this conflict by disclosing the receipt of those commissions to the client prior to commencement of the work or transaction. Additionally, clients are under no obligation to purchase insurance products from us.

A basic financial plan will be developed for a cost of \$1000. This would generally be for a situation that involves limited employer/employee benefits, personally owned life, disability and long-term care insurance. The plan would include a review of any qualified benefit plans, and investment holdings from a general review perspective in terms of asset allocation, diversification and past performance. Cash flow in and contrasted to expense outflow would be studied.

A secondary tier with a fee of \$2000 would include all of the prior stated studies with additional support. We will speak with the client's CPA and attorney to coordinate strategies. Additionally, we will do a much deeper dive through a tax return review, as well as a review of any trust agreements, business agreements and wills. We will provide a cash flow study in today's as well as in future dollars along with a Monte Carlo scenario to determine income sources, uses and longevity of the client vs. the income stream at retirement. Our offering will include an analysis of all funds, individual securities, stock options, no1 qualified benefit plans etc.

More sophisticated situations require more analysis and they need to be addressed on a case by case basis. On all financial planning one-half the fee will be collected on the onset and the balance will be collected at the final presentation.

For all advisory fees charged, except as may be permitted by rule or exemption, we will not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portions of the funds of the client. Advisory fees charged by us are separate and distinct from fees and expenses charged by mutual funds, which may be recommended to clients. A description of these fees and expenses are available in each fund's prospectus. Fees for all services are negotiable.

Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to Schwab (the custodian) by CEA, as the custodian will not determine whether the fee has been properly calculated. We will provide the client with a separate copy of each invoice, setting forth the basis for the calculation.

Item 6: Performance Based Fees and Side-by Side Management

CEA does not charge any performance fees.

Item 7: Types of Clients

We primarily provide customized investment supervisory services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. Generally, the minimum dollar value of assets required to set up an investment advisory account is \$400,000. However, we have discretion to waive the account minimum. Accounts of less than \$400,000 may be set up when the client and CEA anticipate the client will add additional funds to the accounts bringing the total to \$400,000 within a reasonable time. A minimum account balance of \$400,000.00 with a minimum fee of \$4,000 annually will apply to all managed accounts. Other exceptions may apply to our employees and their relatives, or relatives of existing clients or others as we may direct.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

CEA's President, Paul Reback, conducts a fundamental analysis on all securities recommended for client accounts. This analysis varies depending on the security in question. For stocks and bonds the analysis generally includes a review of:

- The issuer's management;
- The amount and volatility of past profits or losses;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

For mutual funds and ETFs the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

We primarily invest for relatively long time horizons, often for a year or more. However, market developments could cause us to sell securities more quickly.

Depending on a client's investment objectives, we might engage in option writing. The use of option writing poses additional risks that are discussed in detail with any clients who are considering the use of these investment vehicles.

All investing involves a risk of loss.

Item 9: Disciplinary information

In July 2008, Mr. Reback was subject to an arbitration claim alleging damages in excess of \$2,500 involving an investment-related business activity. In April 2009, the parties agreed to settle the matter for the amount of \$24,999, which was paid by Mr. Reback in two installments.

Item 10: Other Financial Industry Activities and Affiliations

CEA's representatives may also serve as insurance agents for a number of insurance agencies. As such, these representatives may also receive separate compensation for clients who elect to implement insurance recommendations through these individuals. Clients are under no obligation to purchase insurance products through CEA's representatives. However, as a result of the compensation that could be received by CEA's representatives through the sale of insurance products to client, a potential conflict exists between the interests of CEA's representatives and those

of the client. Therefore, to mitigate any potential conflict, any compensation to be received by CEA's representative through the sale of insurance products will be fully disclosed to clients.

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

To avoid any potential conflicts of interest involving personal trades, CEA has adopted a Code of Ethics ("Code"), which requires, among other things, that employees:

- *Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- *Place the integrity of the investment profession, the interests of clients, and the interests of the Company above one's own personal interests;
- *Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- *Avoid or disclose any actual or potential conflict of interest;
- *Conduct all personal securities transactions in a manner consistent with this policy;
- *Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- *Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- *Promote the integrity of, and uphold the rules governing, capital markets;
- *Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals;
- *Comply with applicable provisions of the federal securities laws.

Our Code also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide us with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of our Code shall be provided to any client or prospective client upon request.

CEA and its employees may buy and sell the same securities, which it buys and sells for clients. It is our policy to place the interests of the clients first. Priority would always be given to the client's orders over the orders of an employee. Paul Reback, President, will review officers', directors', and employees', personal transactions on a quarterly basis to assure compliance with this policy.

Item 12: Brokerage Practices

Brokerage commission rates in the US are not fixed by any authority, but are subject to negotiation. A client may direct us in writing to use a particular broker or dealer to execute all transactions for client's account. In these cases, we may be unable to achieve most favorable execution of client transactions.

Otherwise, we generally recommend Charles Schwab as the custodian and broker for accounts receiving asset management services. The commission rates for certain customers may be higher or lower for identical or similar transactions, had they been executed at other broker/dealers, especially discount brokers.

CEA receives certain products and services from Charles Schwab free of charge or at discounted rates. These products and services include:

- The receipt of duplicate client confirmations, statements, and other account information;
- Direct advisory fee debiting capabilities;
- Access to an electronic network for order entry, including the simultaneous entry of trades on behalf of multiple clients' accounts;
- A portfolio management system and software that supports CEA's research processes.

We do not believe that clients whose accounts are held by Charles Schwab bear any additional costs in connection with our receipt of the products and services. Furthermore, Schwab's provision of these products and services is not contingent upon CEA formally committing any specific amount of business to Schwab. However, we would not receive these products and services if client accounts were not held in custody and traded by Schwab. Our receipt of these products and services creates a conflict of interest in connection with our recommendation of Schwab. Also, some of the products and services listed above benefit clients whose accounts are held by other custodians, which could create a conflict of interest between the clients at Schwab, who are indirectly paying for the products and services, and the clients at other custodians who may benefit from the products and services.

CEA always attempts to achieve best execution for its clients. The best net price is an important factor in brokerage decisions, but other judgmental factors may also enter into this decision. These include: CEA's knowledge of negotiated commission rates currently available, as well as other transaction costs; the nature of the security being traded; the size of the transaction; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; execution, clearance, and settlement capabilities and costs; and other information available at the time of execution.

We typically aggregate client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included side-by-side in bunched client trades. If an order is partially filled, clients will have their orders fully filled on a randomized basis; we will seek to complete any unfilled client orders on the next trading day. Employees are excluded from bunched trades whenever client orders are only partially filled.

Item 13: Review of Accounts

Investment accounts are reviewed daily in the area of additions to, withdrawals from, distributions from investments such as dividends and/or capital gains and interest credited. Portfolios are also reviewed continuously in terms of daily price changes. These reviews are both administrative and supervisory. In addition accounts are reviewed quarterly for performance. Annual reviews are conducted with the client, if requested, and include a complete review of investment portfolios and times related to the client's financial situation such as changes in cash flow, financial goals, retirement or estate planning. Paul S. Reback conducts all reviews.

Clients are kept fully informed about their portfolio activity by receiving copies of all transactions, confirmations and monthly/quarterly statements from brokerage firms, mutual fund companies, or the custodian. Upon request from a client, annual reviews are scheduled. Clients also receive status reports with their quarterly billing statements.

Item 14: Client Referrals and Other Compensation

CEA has entered into client referral arrangements with unaffiliated third-party CPAs whereby CEA compensates the CPA to refer prospective clients to CEA. The compensation is paid by CEA and not by the client referred.

Other than the previously described products and services that we receive from Schwab, we do not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

Item 15: Custody

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but CEA can access many clients' accounts through its ability to debit advisory fees. For this reason CEA is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by CEA.

Item 16: Investment Discretion

If a client agrees to discretionary management, we will be responsible for selecting the amount of securities to be bought and sold. Clients grant us discretion through the execution of a limited power of attorney included in our advisory agreement. The only limitations on the investment authority will be those limitations imposed in writing by the client.

Item 17: Voting Client Securities

We do not vote proxies for our clients. The responsibility for voting proxies remains with the client at all times.

Item 18: Financial Information

A balance sheet is not required to be provided as we (i) do not solicit fees more than six months in advance, (ii) do not have a financial condition that is likely to impair its ability to meet contractual commitments to clients and (iii) have not been subject to any bankruptcy proceeding during the past 10 years.

Item 19: Information for State-Registered Advisers

Please refer to the Part 2B Brochure Supplement attached.

Form ADV Part 2B:

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Paul S. Reback, CFP

Educational Background and Business Experience

Paul S. Reback (born 1953) is the president of Capital Estate Advisors, Inc. He founded the firm in 1994. Mr. Reback has also served as an advisor at American Capital Partners from 2009 until 2011 and Montauk Financial from 2005 to 2007.

Mr. Reback earned a degree from Adelphi University in New York. He also holds the Certified Financial Planner professional designation.

The Certified Financial Planner[™] (CFP®) designation is a professional certification mark for financial planners conferred by the Certified Financial Planner Board of Standards, Inc. (CFP Board). To earn the CFP designation, candidates must meet several requirements – the first of which is the educational requirement, which requires candidates to have a bachelor’s degree or higher from an accredited U.S. college or university. CFP candidates must master a list of nearly 100 topics on integrated financial planning. The topics cover major planning areas such as General Principles of Finance and Financial Planning; Insurance Planning; Employee Benefits Planning; Investment and Securities Planning; State and Federal Income Tax Planning; Estate Tax, Gift Tax, and Transfer Tax Planning; Asset Protection Planning; Retirement Planning; and Estate Planning. Students are required to complete course training in the above listed topic areas in order to meet the first requirement to sit for the 10 hour CFP Board Certification Examination. Even after the student passes the exam, he or she must also have three years full-time or equivalent experience in the financial planning field and be approved by the CFP Board during initial certification, which involves an extensive background check – including an ethics, character and criminal check. Students and certificants are required to adhere to the CFP Board Code of Ethics and Professional Responsibility and to the Financial Planning Practice Standards. To maintain certification, license holders are also required to complete certain continuing education requirements on an on-going basis in addition to paying a licensing fee every two years.

Disciplinary Information

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Other Business Activities

Mr. Reback may from time to time receive compensation via commissions on insurance products sold to clients. The receipt of commission-based compensation creates a conflict of interest as their incentive to recommend insurance products to clients. We address this conflict by disclosing the receipt of those commissions to the client prior to commencement of the work or transaction. Additionally, clients are under no obligation to purchase insurance products from us.

Additional Compensation

Mr. Reback does not receive economic benefits from any person or entity other than what is described in the “Other Business Activities” section above in connection with the provision of investment advice to clients.

Supervision

As CEA’s President, Mr. Reback maintains ultimate responsibility for the company’s operations and investment decisions. He can be reached directly by calling the telephone number on the cover of this brochure supplement.

