

Preferred Financial Advisors LLC

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December 31, 2011

This Brochure provides information about the qualifications and business practices of Preferred Financial Advisors LLC. If you have any questions about the contents of this Brochure, please contact us at 301-838-1940 or advisors@preferredfin.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.

Preferred Financial Advisors LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Preferred Financial Advisor is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated December 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Paula Silver, Client Service Manager at 301-838-1943 or psilver@preferredfin.com. Our Brochure is also available on our web site preferredfin.com, also free of charge.

Additional information about Preferred Financial Advisor is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Preferred Financial Advisor who are registered, or are required to be registered, as investment adviser representatives of Preferred Financial Advisor.

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Item 4 – Advisory Business

Preferred Financial Advisor is a small financial advisory firm that has been in business since 1998. The primary managing member is Arthur M. Gelman.

Preferred Financial Advisor requires that all advisors hold an undergraduate degree and two years of related employment experience. Advisors must also hold or be in pursuit of an advanced degree in a related field and/or certification as a CFP or CFA.

Arthur Gelman was born in April 1948 and has the following education, professional designations, and business experience:

University of Illinois-Chicago	1970	B.A.	Criminal Justice
DePaul University-Chicago	1973	J.D.	Admitted to MD Bar 1973
State University of New York-Albany	1979	Ph.D.	Criminal Justice
Georgetown University-Washington, DC	1983	M.L.T.	Taxation
Series 7 & Series 63 - NASD	1985	Expired	
Series 24 - NASD	1986	Expired	
Certified Life Underwriter & Chartered Financial Consultant - American College	1991		
Series 65 - NASD	1996	Expired	
Phoenix Home Life Insurance	1983-1995		
Mutual of New York	1995-1996		
Trumbower Gelman Advisors	1996-1998		
Preferred Financial Advisors, LLC	1998-Present		

Preferred Financial Advisor uses a five step approach to the investment advisory process. The process begins by identifying client objectives, risk parameters, liquidity needs and other relevant factors. The second step evaluates the client's current asset allocation in view of criteria established in step one. The third step is the selection of target asset allocation ranges. In the fourth step, the applicant helps clients determine the most effective methods of implementing their investment policies. Finally in step five, the applicant and client establish a suitable schedule and procedures for reviewing portfolio performance.

Preferred Financial Advisor may provide client with detailed analyses and evaluation of investment opportunities that they are considering. Preferred Financial Advisor will compare the characteristics of those opportunities to the client's investment objectives. When appropriate, Preferred Financial Advisor will collect and analyze both technical and fundamental data concerning those investment opportunities.

Preferred Financial Advisor offers a full range of comprehensive financial planning services. As such, the applicant frequently delivers advice that is unrelated to securities such as estate planning, retirement planning and tax planning.

Calculations for Assets Under Management are as of December 31, 2011:
Discretionary basis amount is \$ 31,196,491. Non-discretionary basis amount is \$ 43214.

Item 5 – Fees and Compensation

Clients may choose to pay for services in one of two ways and all fees are negotiable:

(1) At hourly rates for time incurred in rendering service plus out-of-pocket expenses. Average hourly rates will range from \$250 per hour for Arthur Gelman's time to \$40 per hour for administrative time.

(2) As a percentage of assets under management. The standard fee schedule is as follows:

Assets Under Management	Fee as Percentage of Portfolio
\$1,000,000 to \$5,000,000	1.00%
Over \$5,000,000	0.40%

Compensation based on hourly rates is payable after services are rendered (on a monthly basis). Fees based on a percentage of assets are billed quarterly, in arrears.

Fees are negotiable based on the size of the account and the estimated time spent on the account.

All fees are subject to negotiation.

The specific manner in which fees are charged by Preferred Financial Advisor LLC is established in a client's written agreement with Preferred Financial Advisor. Preferred Financial Advisor will generally bill its fees on a quarterly basis. Clients are billed in arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize Preferred Financial Advisor to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Preferred Financial Advisor's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Preferred Financial Advisor's fee, and Preferred Financial Advisor shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Preferred Financial Advisor considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

Preferred Financial Advisor does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of clients).

Item 7 – Types of Clients

Preferred Financial Advisor provides portfolio management services to individuals, corporate pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

Item 8 – Methods of Analysis Investment Strategies and Risk of Loss

Preferred Financial Advisor may provide client with detailed analyses and evaluation of investment opportunities that they are considering. Applicant will compare the characteristics of those opportunities to the client's investment objectives. When appropriate, the applicant will collect and analyze both technical and fundamental data concerning those investment opportunities.

Clients should be aware of the fact that investing in securities involves risk of loss.

Item 9 – Disciplinary Information

Less than \$1,000,000	1.00% Registered
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investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Preferred Financial Advisor or the integrity of Preferred Financial Advisor's management. Preferred Financial Advisor does not have any information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Preferred Financial Advisor does not have any other financial industry activities or affiliations at this time.

Item 11 – Code of Ethics

The applicant may recommend positions to clients in securities that the member or an employee of the applicant currently owns. It is expected that this will primarily be mutual fund positions. In all cases, the member or employee will disclose their ownership position at the time the recommendation is made. A Code of Ethics is available on request.

Preferred Financial Advisor has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Preferred Financial Advisor must acknowledge the terms of the Code of Ethics

annually, or as amended.

Preferred Financial Advisor anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Preferred Financial Advisor has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Preferred Financial Advisor, its affiliates and/or clients, directly or indirectly, have a position of interest. Preferred Financial Advisor's employees and persons associated with Preferred Financial Advisor are required to follow Preferred Financial Advisor's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Preferred Financial Advisor and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Preferred Financial Advisor's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Preferred Financial Advisor will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Preferred Financial Advisor's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Preferred Financial Advisor and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Preferred Financial Advisor's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Preferred Financial Advisor will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Preferred Financial Advisor's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Paula Silver.

It is Preferred Financial Advisor's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Preferred Financial Advisor will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an

affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

It is expected that some clients will give the applicant discretionary authority to buy and sell security positions. This authority will be either specifically limited by the client, or be within constraints dictated by the asset allocation mix of the client. Any fees or commissions will be disclosed to the client in advance of making any of these trades. The applicant deals mainly with no-fee funds but reserves the right to purchase fee funds, if necessary. On individual equity trades that a client requests, there is usually a fee involved of \$18 on purchase or sales of 1,000 shares or less.

Item 13 – Review of Accounts

Reviews of all investment advisory accounts are conducted weekly to evaluate performance, risk, and consistency of management, or to identify issues that have arisen. Factors such as the investment's performance, vis-a-vis appropriate benchmarks, its role in the overall asset allocation mix and general economic and market conditions are considered during the review process.

Clients will receive monthly reports. These reports, provided by the custodian of the assets, will list the current positions, all activity during the past month and fair market values for all marketable securities. Quarterly, Preferred Financial Advisor will provide a summary performance report to all investment advisory clients. The summary report will show the current asset allocation make-up of the portfolio as well as performance measures over the previous three months and year-to-date.

Item 14 – Client Referrals and Other Compensation

There is not any compensation paid for client referrals or non client referrals.

Item 15 – Custody

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. Preferred Financial Advisor urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Preferred Financial Advisor usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Preferred Financial Advisor observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Preferred Financial Advisor's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Preferred Financial Advisor does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Preferred Financial Advisor may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Preferred Financial Advisor’s financial condition. Preferred Financial Advisor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.