

Private Fund Advisors, Inc.

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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Private Fund Advisors, Inc.. If you have any questions about the contents of this brochure, contact us at 410-384-9100. 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 Private Fund Advisors, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Private Fund Advisors, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes. Since our last annual updating amendment dated February 27, 2015 we have amended this Disclosure Brochure to reflect the following change(s) that may be deemed material:

- Our firm is deemed to have custody over certain client assets that are invested in the Outcome Driven Fund, L.P. Please see Item 15 (Custody) of this Disclosure Brochure for more information.

If you have any questions about these amendments, please contact Erik D. Johnson, Principal, at (410) 384-9100.

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Item 4 Advisory Business

Description of Services and Fees

Private Fund Advisors, Inc. ("PFA") is an independent, boutique, fee-only advisor. We are a registered investment adviser based in Severna Park, Maryland. We are organized as a corporation under the laws of the State of Maryland. PFA has been providing investment advisory services since 1997. Erik D. Johnson is the principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Portfolio Management Services**
- **Advisory Consulting Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Private Fund Advisors, Inc. (PFA) and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Portfolio Management Services

PFA offers discretionary portfolio management services to our clients and prospective clients. Our investment advice is tailored to meet our clients' needs and investment objectives. Portfolios managed by PFA feature growing income streams with an emphasis on preservation of invested capital. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather from our initial and subsequent meetings to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we will customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Our portfolio management process and specifics are as follows:

1. **Initial Interview** - an interview is conducted with each client (either in person or via telephone) to determine the client's financial circumstances, goals, acceptable levels of risk and other relevant circumstances.
2. **Individual Treatment** - the client's account is managed on the basis of the client's financial circumstances and investment objectives.
3. **Monitoring** - the client's circumstances shall be monitored through quarterly and annual interviews.

4. **Consultation Available** - PFA shall be reasonably available to consult with the client relative to the status of the client's account.
5. **Notice of Transactions** - the client shall receive written or e-mail notice of all transactions in a timely manner. E-mail notice is immediate and regular mail confirmations are generated the day of the transaction.
6. **Monthly Statements** - the client shall be provided with monthly statements containing a description of all activity in the client's account.
7. **Ability to Impose Restrictions** - client shall have the ability to impose reasonable restrictions on management of his/her/its account, including the ability to instruct PFA not to purchase certain securities.
8. **No Pooling** - the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account.
9. **Separate Account** - a separate account is maintained for the client with the custodian.
10. **Ownership** - each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).
11. **Advisor's Fee** - PFA believes that its annual fee is reasonable in relation to: (1) the services provided; and (2) the fees charged by other advisors and institutions.
12. **Margin** - PFA does not use margin investing as a strategy. Margin created in client's accounts will generally be the result of short-term cash needs by the client which do not require the liquidation of securities or some other situation which is not directly part of the investment process. In these situations, the assets under management will be the portfolio value. Accordingly, the decision as to whether to employ margin is left totally to the discretion of the client.

Client's of Private Fund Advisors, Inc. are advised to promptly notify PFA if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon PFA's management services.

Private Investment Fund

Erik Johnson, principal owner of PFA, is also a member of Cornerstone Management Partners, LLC, the General Partner to the Outcome Driven Fund, L.P. (the "Fund"), a private pooled investment vehicle. The objective of the Fund is to use an opportunistic strategy in order to obtain consistent income and reasonable growth in all types of market conditions. The Fund's strategy is to invest in a broad range of securities, the majority of which will be structured notes. The majority of the structured notes will be investment contracts with major investment banks that are registered with the Securities and Exchange Commission. The portfolio will be broadly diversified and will include equity, fixed income, commodity, and interest rate strategies with a lower correlation to traditional equity and fixed income instruments.

The Fund is offered to sophisticated investors, who meet certain financial requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund, which include an asset based fee and a performance based fee, are separate and apart from our portfolio management fees described in Item 5 - *Fees and Compensation*. Investors and prospective investors should refer to the offering documents for the Fund for a complete description of the risks, investment objectives and strategies, fees, and other relevant information pertaining to investments in the Fund.

General - Advisory Services to Retirement Plans and Plan Participants

We offer advisory services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Securities Act ("ERISA").

Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan are described above, and in the service agreement that you have previously signed. Our compensation for these services is in accordance with our assets under management fee schedule listed above and also defined in the service agreement. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants, unless the plan sponsor directs us to deduct our fee from the plan or directs the plan record-keeper to issue payment for our fee out of the plan. If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

Status

In providing services to the Plan and Participants, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting either as a non-discretionary fiduciary of the Plan as defined in Section 3(21) under ERISA, or as a discretionary fiduciary of the plan as defined in Section 3(38) under ERISA.

Types of Investments

Client portfolios are made up of investments in stocks, bonds, closed end funds, exchange traded funds (ETFs), exchange traded notes (ETNs), structured notes, CDs, mutual funds, trusts, preferred stocks, U.S. Treasury Securities, options, and private pooled investment vehicles. The blend of investments is determined by each client's needs and investment objectives. All portfolios are monitored on a daily basis. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

Assets Under Management

As of December 31, 2015, we provide continuous management services for \$331,000,000 in client assets on a discretionary basis.

Item 5 Fees and Compensation

Portfolio Management Services

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

Assets Under Management	Annual Fee
\$ 0 - \$ 999,999	1.00%
\$ 1,000,000 - \$1,499,999	0.95%
\$ 1,500,000 - \$1,999,999	0.90%
\$ 2,000,000 - \$2,999,999	0.85%
\$ 3,000,000 - \$3,999,999	0.80%

\$ 4,000,000 - \$4,999,999	0.75%
\$ 5,000,000 - \$7,499,999	0.70%
\$ 7,500,000 - \$9,999,999	0.65%
\$10,000,000 and above	0.60%

- A minimum fee of \$250 per quarter or \$1000 a year will be charged for each client
- All rates are annual
- All fees are negotiable
- In addition to investment advisory fees charged by Private Fund Advisors, Inc., Schwab Institutional and other custodians charge commissions on equity trades and transaction fees on some mutual fund trades.
- These fees apply to billable assets in client accounts. Assets in client accounts which are not billable will be listed on a separate amendment to the fee schedule.
- Accounts which utilize options (generally covered calls and LEAPS) are subject to fees higher than 1% but not exceeding 2.5%
- Private Fund Advisors, Inc. constructs custom portfolios for each client. As a result, investment returns will vary amongst clients of the firm.
- Private Fund Advisors, Inc. is not obligated to pursue security class action lawsuits on behalf of clients.

Our annual portfolio management fee is billed and payable quarterly either in advance or in arrears according to the client agreement you signed with us. The fee is based on the value of your account on the last day of the quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. At our sole discretion, fees and account minimums are negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

You may terminate the portfolio management agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. PFA's investment management fee shall be charged or refunded to the client, as appropriate, within ninety (90) days.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

Advisory Consulting Services

We offer advisory consulting services which primarily involves advising clients on specific financial-related topics. The topics we address may include, but are not limited to, risk assessment/management, investment planning, financial organization, or financial decision making/negotiation. Advisory consulting services are included in our Portfolio Management services. However, for non-investment management clients and investment management clients that require a disproportionate amount of consulting services, PFA may charge an hourly fee. The advisory consulting services fee is \$250 per hour to be agreed upon prior to service and billing. Our consulting fee is payable upon completion of the agreed upon consulting services.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

We do not require a minimum dollar amount to open and maintain an advisory account.

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

Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.

- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
- Modern Portfolio Theory (MPT) is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets. Market risk applies to MPT. Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.
- Options Trading/Writing: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this Brochure, we recommend many types of securities. We do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Certificates of deposit are generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it's possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government but it's also possible for the rate of inflation to exceed the returns.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that's used to pay the bond coupon interest; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Options and warrants give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.

We may recommend that you invest in the Outcome Driven Fund, L.P., which is a private pooled investment vehicle. The Fund has a specific investment strategy, method of analysis and risks. The Fund is offered only by private placement memorandum and other offering documents. Investors should refer to the memorandum and offering documents for a complete description of all relevant information concerning the Funds.

Item 9 Disciplinary Information

Private Fund Advisors, Inc. has been registered and providing investment advisory services since 1997. Erik D. Johnson has been registered as either an investment adviser representative or registered representative since 1991. Neither our firm nor Mr. Johnson has material reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

Arrangements with Affiliated Entities

Cornerstone Management Partners, LLC, a related entity, serves as the general partner to the Outcome Driven Fund, L.P., ("the Fund"), a pooled investment vehicle in which you may be solicited to invest. Erik D. Johnson is a manager and member of Cornerstone Management Partners, LLC. The Fund is offered to certain sophisticated investors, who meet certain requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund are separate and apart from our advisory fees. You should refer to the offering documents for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund. You are strongly encouraged to seek independent legal counsel prior to investing in this private investment vehicle. The investments are not protected by SIPC. Refer to the *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* section below for additional disclosures on this topic.

Mr. Johnson is not required to devote all of his time to either Private Fund Advisors, Inc. or Cornerstone Management Partners, LLC. However, actual conflicts of interest exist with respect to Mr. Johnson's allocation of time to the clients of the foregoing entities as well as their allocation of investment opportunities to such clients. For example, because the compensation Mr. Johnson receives as a result of his work for each of these entities varies in character (i.e., asset-based, performance-based, a combination of the two, etc.) and amount, he may be incentivized to allocate more of his time to one or the other entity (or the entities' clients). Mr. Johnson is required to act at all times in accordance with the Code of Ethics of Private Wealth Advisors, Inc. (as discussed herein), and to act only from principles of fair and equitable dealing and good faith with respect to all parties.

Recommendation of Other Investment Adviser

Erik D. Johnson, Principal and Chief Compliance Officer of Private Fund Advisors, Inc., is also registered as an Investment Adviser Representative of Cornerstone Advisory, LLP ("Cornerstone"), an SEC registered investment adviser domiciled in the State of Maryland. Mr. Johnson will spend about 80% of his professional time performing his functions with Private Fund Advisors, Inc. with the remaining 20% spent in his separate capacity as an Investment Adviser representative of Cornerstone.

Cornerstone Advisory, LLP is located at:

1 East Franklin Street, Suite 300
Baltimore, MD 21202

For further information regarding Cornerstone Advisory, LLP please contact Donald Huber, Jr. at 410-468-1694.

The referral arrangements we have with affiliated entities present a conflict of interest because we may have a financial incentive to recommend our affiliates' services. While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Erik Johnson at ej@privatefundadvisors.com or 410-384-9100.

Participation or Interest in Client Transactions

As stated in Item 10 above, Erik D. Johnson serves as a Member of Cornerstone Management Partners, LLC, the General Partner of the Outcome Driven Fund, L.P., ("the Fund"), a pooled investment vehicle. Mr. Johnson, in his capacity as principal of Private Fund Advisors, Inc. may offer the Fund to certain of Private Fund Advisors, Inc.'s clients. Consequently, should such clients invest in the Fund, Mr. Johnson will indirectly receive compensation as a result of their participation. Specifically, such clients will be subject to certain reallocations of profits and asset based management fees payable and reallocable to Cornerstone Management Partners, LLC, an entity which Mr. Johnson is a Member. Neither Private Fund Advisors, Inc. nor Mr. Johnson receive any sales based commissions, mark-ups, spreads, premiums, or other similar remuneration as a result of a Private Fund Advisors, Inc. client's investment in the Fund. Mr. Johnson is required to simultaneously bear in mind the client's relationship to Private Fund Advisors, Inc. and act accordingly. Specifically, by virtue of the client's relationship with Private Fund Advisors, Inc., Mr. Johnson, as principal of Private Fund Advisors, Inc.

owes a fiduciary duty to any such clients, and will, as such and among other things, be required to consider the client's investment objectives and individual situation before and while engaging in any private offering to such client.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We recommend the brokerage and custodial services of Schwab Institutional, a division of Charles Schwab & Company, ("Schwab") a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that Schwab provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Schwab, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Research and Other Soft Dollar Benefits

We do not have any soft dollar arrangements.

Economic Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of Schwab Institutional, PFA may receive from Schwab Institutional without cost, computer software and related systems support, which allows us to better monitor client accounts maintained at Schwab Institutional. PFA may receive the software and related support without cost because PFA renders investment management services to clients that, in the aggregate, maintain a certain level of assets at Schwab Institutional.

Schwab Institutional provides PFA with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent advisors at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional. Schwab Institutional services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimal initial investment. Schwab Institutional also makes available to PFA other products that benefit PFA but may not benefit its clients' accounts. Some of these other products and services assist PFA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing, pricing information and other market data, facilitate payment of PFA's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of PFA's accounts, including accounts not

maintained at Schwab Institutional. Schwab Institutional may also provide PFA with other services intended to help PFA manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to PFA by independent third-parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to PFA.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

We routinely recommend that you direct our firm to execute transactions through Schwab Institutional. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13 Review of Accounts

Erik Johnson, Principal and Chief Compliance Officer, of Private Fund Advisors, Inc. will monitor your accounts on a periodic basis and will conduct account reviews at least quarterly to ensure the advisory services provided to you and that the portfolio mix is consistent with your current investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to: contributions and withdrawals; year-end tax planning; market moving events; security specific events; and/or, changes in your risk/return objectives.

We do not provide you with additional or regular written reports in conjunction with account reviews. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Item 14 Client Referrals and Other Compensation

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the *Brokerage Practices* section above for disclosures on economic benefits we may receive resulting from our relationship with Charles Schwab & Company.

Item 15 Custody

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Erik Johnson at the phone number or e-mail address listed on the cover of this brochure.

Our firm is affiliated with Cornerstone Management Partners, LLC, a related entity that serves as general partner to the Outcome Driven Fund, L.P. ("the Fund"). To the extent our advisory clients invest in the Fund, we will have legal access to the Funds' assets since we are affiliated with the General Partner to the Fund. Consequently, we are deemed to custody over such assets. In accordance with the Fund's offering documents each investor in the Fund must receive audited annual financial statements within 120-days of the Funds' fiscal year end. If you are a Fund investor and have questions regarding the financial statements or if you did not receive a copy of the financial statements, please contact Erik D. Johnson, Principal, at (410) 384-9100.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a limited power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

Item 17 Voting Client Securities

We will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue. Unless we receive specific instructions from you, we will not base votes on social considerations.

In the event you wish to direct our firm on voting a particular proxy, you should contact Erik Johnson at the phone number or e-mail address provided on the cover of this brochure with your instruction.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Erik Johnson at the phone number and/or email address on the cover of this brochure if you have any questions regarding this policy.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

Trade errors may benefit the client, but may never benefit the advisor. Any economic benefit as the result of a trade error which would benefit the advisor is held in a charitable account at Charles Schwab & Company and paid out to charities selected by Schwab.