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www.PrudentNetwork.com

March 15, 2011

**Firm Brochure
Part 2A**

This brochure provides information about the qualifications and business practices of Prudent Investors Network. If you have any questions about the contents of this brochure, please contact us at 760-597-9255. 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 Prudent Investors Network is available on the SEC's website at www.adviserinfo.sec.gov.

Prudent Investors Network is a Registered Investment Advisor; such registration does not imply a certain level of skill or training of Advisory Representatives of Prudent Investors Network.

Material Changes Since Last Brochure: None

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ADVISORY BUSINESS

Prudent Investors Network (PIN) specializes in investment management and retirement planning for fiduciaries and individuals. Though PIN was incorporated in 2003, the firm's principals, Lee H. Anke and Ted H. Ong, have been business partners since 1987 and have been investment professionals since 1977 and 1982, respectively. They are Advisory Representatives of Prudent Investors Network and are investment advisors who specialize in servicing the needs of public and private fiduciaries and all other investors to whom control of downside risk is crucial. Lee Anke and Ted Ong have passed the Registered Guardian exam under the Center for Fiduciary Certification and Mr. Anke has also passed the California Certified Fiduciary exam. They do not serve as professional trustees, guardians or conservators.

PIN's clients' accounts are placed in one of several managed portfolios depending on the objectives of the clients:

MinRisk: This portfolio is constructed using mutual funds and other investment vehicles designed to control downside risk. It is targeted to experience the lowest risk of loss of PIN's portfolios – roughly equivalent to risk levels comparable to intermediate-term bonds. It is appropriate for shorter-term investors, perhaps as short as 3 years.

Conservative: This portfolio is constructed using mutual funds and other investment vehicles designed to control downside risk. It is targeted to have roughly ½ the risk, yet higher returns than the average Morningstar Moderate Allocation (or “balanced”) fund (historically, roughly one-third that of the equities markets). It is appropriate for investors with a 3+ year investment time horizon.

Moderate: This portfolio is constructed using mutual funds and other investment vehicles designed to control downside risk. It is targeted to have about the same risk and higher returns than the average Morningstar Moderate Allocation fund. It is appropriate for investors with a 5+ year investment time horizon.

Conservative ETF: This portfolio shares the objectives of the Conservative (mutual fund) Portfolio, but is constructed using Exchange Traded Funds (ETFs) instead. It is targeted at clients whose investments *must* be listed on established U.S. securities exchanges (for example, conservators and guardians subject to Section 2574 of the California Probate Code). Because ETFs are generally more volatile than mutual funds, the Conservative ETF Portfolio will typically experience greater risk than the Conservative (mutual fund) Portfolio discussed above.

If clients or their circumstances require us to restrict their accounts to certain securities or types of securities, PIN will attempt to accommodate their request. However, each holding within the PIN portfolio plays an important role in the diversification of the portfolio, so performance of restricted portfolios may be adversely affected.

As of December 31, 2010, PIN managed approximately \$74,000,000 in client assets on a discretionary basis and \$400,000 on a non-discretionary basis.

FEES AND COMPENSATION

Managed Accounts: All assets (including cash) held in accounts under a management contract are charged a management fee. Quarterly fees are normally deducted from the accounts at the beginning of each quarter. However, clients can make arrangements to send a check for the quarterly fee. A client's “billing quarter” is based on the month in which the managed account is initiated. Accounts opened in the middle of a quarter will be charged a pro-rated fee. If an advisory contract is terminated before the end of the billing period, the client may request, in writing, a refund of fees. The refund will be

calculated as follows: the amount pre-billed is multiplied by the number of days remaining in the billing period divided by the total number of days in the billing period. Partial withdrawals during a billing cycle will not result in a credit on management fees.

Calculation of the management fee rate is based on a tiered fee structure using the combined value of all PIN managed accounts within a client's household. The tier structure is as follows:

<u>Combined Value of Accounts Managed by PIN</u>			<u>Annual Fee</u>
\$50,000	to	99,999	1.50%
100,000	to	249,999	1.40%
250,000	to	499,999	1.30%
500,000	to	999,999	1.14%
1,000,000	to	1,999,999	.99%
2,000,000	and above		.80%

For example, if PIN were managing two accounts for a client, a joint account worth \$225,000 and an IRA worth \$50,000, each account would be subject to a fee rate of 1.3% (see the table above for an aggregate value of \$275,000), not the 1.4% and 1.5% rates they would qualify for separately.

PIN's minimum account size is \$50,000. As a service to clients with IRAs or other special needs, PIN may (at its sole discretion) accept smaller accounts. When accepted, the annual fee for management of smaller accounts will be 2%. For large accounts placed under PIN's management, fees may be negotiable.

PIN's managed asset account eliminates all commissions on purchases and sales of securities. However, in addition to PIN's quarterly investment management fee, clients may incur transaction fees (typically \$17 per transaction-fee fund) imposed by the broker/dealer. Transaction fees do not apply for non-transaction-fee funds. Also, clients will incur the usual charges imposed directly at the mutual fund level (e.g. fund advisory fees and other fund expenses charged to all investors in a mutual fund), which are described in each fund's prospectus. PIN may receive ongoing 12b-1 trailing commission compensation directly from the mutual fund company. A client may invest in a mutual fund directly without the services of PIN. In that case, the client would not receive the services PIN provides that are designed to assist the client in determining which mutual funds are most appropriate to the client's financial condition and objectives. Clients should review both the fees charged by the funds and the fees charged by PIN to fully understand the total amount of fees to be paid. Lower fees for comparable services may be available from other sources. The client should consider carefully the relative value of PIN's management before investing.

Non-managed Accounts: Assets held by a client in PIN accounts that are not under a management contract are not charged a management fee. If specific investment advisory advice for such accounts is requested, it may be billed on an hourly basis. Clients may choose to engage Ted Ong or Lee Anke to implement investment recommendations on a fully disclosed commission basis. Securities are offered through Ceros Financial Services, which may charge brokerage commissions and will pay a portion of the commissions to PIN as applicable. The brokerage commissions charged by Ceros Financial Services may be higher or lower than those charged by other broker-dealers. As stated above, PIN may also receive additional, ongoing 12b-1 trailing commission compensation directly from the mutual fund company. Lower fees for comparable services may be available from other sources.

Planning, Consulting and Other Services: PIN also provides expert testimony services, financial planning, consulting and charting services at a rate of \$250 per hour. An estimate for total hours will be determined before the work begins and 50% of the estimated fee may be due upon signing the advisory

agreement. The balance of the fee (based on actual hours) is due upon presentation of the plan to the client. An agreement may be canceled at any time by either party for any reason upon receipt of written notice. Upon termination, any prepaid, unearned fees will be refunded and any earned, unpaid fees will be due and payable. Additionally, research services may be provided at a charge of \$100 per hour. These fees may be negotiable.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

PIN does not manage performance-based fee accounts.

TYPES OF CLIENTS

PIN's clients include public guardians, public and private professional fiduciaries, family fiduciaries, conservators, individuals and trustees of retirement plans. The minimum account size for actively managed accounts is \$50,000.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Through completion by the client of a questionnaire (and often a follow up discussion) in which goals and objectives based on a client's particular circumstances are established, PIN develops an Investment Plan, which includes a client's personal investment policy and investment recommendation for its fiduciary clients. The same may be done for any client who requests it. Questionnaires may be obtained on the website, www.PrudentNetwork.com, under Questionnaires and Forms. The questionnaire includes information related to annual income and expenses, life expectancy, and tax status. For all clients, suitability information is acquired in the account application, including investment objectives, risk tolerance and investment knowledge.

PIN will create a portfolio including (but not necessarily limited to) no-load, load-waived, or front-load mutual funds. All mutual funds (including "front-load" funds) are acquired at Net Asset Value (meaning without front-load) in fee-based managed accounts. Other types of investments may include individual stocks, ETFs, bonds, managed futures, hedging strategies, and other investments suitable for diversification and management of risk in securities accounts. PIN will allocate the client's assets among various investments taking into consideration the overall management style recommended to the client. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's effectiveness in diversifying the overall portfolio, the fund's performance history (in terms of both risk and returns); manager tenure; the industry sector in which the fund invests; the fund's investment objectives; the fund's management style and philosophy; and the fund's fee structure. Portfolio weighting between funds and market sectors will be determined by the objectives of the portfolio, including risk averseness. Clients will retain individual ownership of all securities.

To protect portfolios in the face of changing markets, PIN may participate in options, short-term trading (selling securities within 30 days of purchase), inverse funds and short sales (though the latter would not be common).

More than 90% of PIN's managed accounts are invested in the PIN Conservative Portfolio, which is designed to maximize the inflation-adjusted "total return" of the portfolio at very conservative levels of investment risk. "Total return" includes both capital appreciation and current income. Traditionally, maximizing current income has come at the expense of total return. For that reason, the Uniform Prudent Investor Act (UPIA) emphasizes *total return* over the traditional pursuit of maximum "income." PIN notes that the Uniform Principal and Income Act (UPAIA) has been adopted in most states in conjunction with the UPIA, enabling income beneficiaries of "income-only" trusts to receive a portion of the capital gains in addition to the income. To ensure that the portfolio maintains real purchasing

power, PIN's portfolios are carefully diversified to maximize total return while monitoring and managing portfolio-level risk at prudent levels. This enables PIN avoid over emphasis on current income.

PIN's investment management discipline is based in Modern Portfolio Theory, a theory of investing that has won three individuals Nobel Prizes over the past 50 years. Its most basic principle is that diversification reduces the risk of loss at the portfolio level. It has shown that by incorporating non-correlating assets into a portfolio, total returns may be maintained, even while risk of loss (at the portfolio level) may be reduced significantly. Effective diversification can reduce the risk of loss at the portfolio level despite the fact that the underlying assets may be quite volatile.

Investing involves substantial risks, including the potential for complete loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses.

Please be advised that all investment programs have certain risks that are borne by you, the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause asset prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar now, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed-income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who typically buy electricity no matter what the economic environment is like.

DISCIPLINARY INFORMATION

There have been no disciplinary actions taken against Prudent Investors Network or its advisory representatives.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Ted Ong and Lee Anke are registered representatives of Ceros Financial Services, Inc., an SEC registered and FINRA member broker-dealer.

CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

All employees and representatives of PIN have agreed to abide by a Code of Ethics that includes observing high standards of honesty, trustworthiness, integrity and fairness; acting in an ethical manner and with reasonable care and diligence in dealing with the public, clients, prospective clients, representatives, employees and other investment advisers; and, continually striving to maintain and improve self-competence.

While these individuals endeavor at all times to put the interest of the clients first as part of PIN's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a potential conflict of interest and may affect the judgment of these individuals when making recommendations.

As these situations may represent a conflict of interest, PIN has established the following restrictions in order to ensure its fiduciary responsibilities:

- No director, officer or employee of PIN shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investment public on reasonable inquiry. No person of PIN shall prefer his or her own interest to that of the advisory client.
- PIN maintains a list of securities transactions by all associates, staff and consultants. These transactions are reviewed quarterly by an appropriate officer/individual of PIN.
- PIN promotes the unrestricted right of the client to decline to implement any advice rendered except in situations where PIN is granted discretionary authority of the client's account.
- PIN requires that all persons associated with its advisory practice must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

PIN will provide a copy of its code of ethics to any client or prospective client upon request. A copy of PIN's code of ethics can be found on their website, www.PrudentNetwork.com, under Disclosures.

BROKERAGE PRACTICES

PIN-directed Brokerage

PIN uses Ceros Financial Services (CFS) as the broker for its managed accounts and for ETFs, individual stocks and bonds. Ted Ong and Lee Anke are registered as representatives of CFS; PIN and CFS are not affiliated. CFS is required to supervise the securities trading activities of its representatives.

PIN has evaluated CFS and believes that CFS will provide PIN's clients with a superior blend of execution services, commission costs and professionalism that will assist PIN in obtaining best execution for transactions. However, by directing brokerage, PIN may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money. Not all advisers require their clients to direct brokerage.

Client-directed Brokerage

PIN does make a specific exception in its brokerage practices. A client may direct brokerage if the following conditions are met:

- The client has an existing retirement plan at a different brokerage that cannot be moved

- PIN wants to manage the assets
- The other firm permits PIN to direct trades in the client's account
- The other firm permits oversight of that trading by CFS
- Ceros' Compliance Officer approves the arrangement

Clients should understand that by directing brokerage, they may pay higher or lower brokerage commissions or transaction fees because the costs of the client's brokerage firm will apply. When securities (as opposed to mutual funds) are traded, PIN may not be able to aggregate orders to reduce transaction costs, or the client may receive less-favorable prices. Also, the client's brokerage firm may not allow trading in some securities PIN can acquire at CFS, forcing substitutions that may impact the performance of the client's portfolio.

Aggregating Orders

A vast majority of the trades placed by PIN are in mutual funds, which receive end-of-day pricing. Placing block (or aggregate) trades is only necessary when placing equity trades where intra-day pricing changes rapidly. When PIN does place trades for equities totaling more than 10,000 shares, PIN will aggregate the trades in order to get the best possible pricing for all of its clients.

REVIEW OF ACCOUNTS

Non-direct business clients receive a monthly statement (or quarterly, if there is no activity) produced by National Financial Services (NFS), the custodian of the funds. These monthly statements are mailed to the address of record unless the client has 1) requested that they obtain statements electronically, or 2) has provided written authorization to send them elsewhere. Fiduciary clients, as well as individual investors, may request an annual Compliance Review that describes the account performance against its objectives. The Compliance Review is sent electronically as a PDF file or a hard copy is mailed, depending on the client's preference.

The PIN portfolios are reviewed weekly during an Investment Committee Meeting, which is attended by Lee Anke, Ted Ong, Jared Ong and Jamie Pearson.

CLIENT REFERRALS

PIN welcomes client referrals; however, PIN does not provide financial compensation to clients who make referrals.

CUSTODY

PIN's non-direct clients receive monthly statements (or quarterly, if there is no activity) mailed directly from the custodian – National Financial Services. Some clients choose to access their statements electronically. PIN's direct-business clients receive monthly or quarterly statements directly from the custodian, such as American Funds and Franklin Templeton, unless they have requested that they obtain statements electronically. Clients should carefully review their statements.

INVESTMENT DISCRETION

PIN accepts discretionary authority to manage accounts on behalf of clients. This discretionary authority is included in the standard PIN Management Agreement that must be signed by the client for all discretionary managed accounts. Clients may change/amend these limitations as required; however, such amendments must be noted on the Management Agreement. PIN retains the right to decline the management of an account if it finds the limitations unworkable with its management discipline. Clients

can elect to open non-discretionary accounts for which PIN will obtain client approval before trades are executed. Use of discretion shall be restricted to management of the assets within the account for the sole purpose of achieving the stated objectives. No discretionary authority is sought or to be granted for distribution of either funds or assets from the account. The authority for such distributions shall be vested exclusively in the legal account owner or as directed by court order.

VOTING CLIENT SECURITIES

PIN does not vote client securities.

FINANCIAL INFORMATION

PIN does not require or solicit prepayment of fees six months or more in advance, therefore, balance sheets are not required for this brochure.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

PIN is SEC registered.



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Part 2B – Brochure Supplement

The following brochure supplements provide information about **Ted H. Ong, Lee H. Anke, Jared Ong** and **Jamie Pearson** that supplements the Prudent Investors Network Firm Brochure. You should have received a copy of that brochure. Please contact Elisa Williamson if you did not receive Prudent Investors Network's Firm Brochure or if you have any questions about the contents of this supplement.

Prudent Investors Network is an SEC registered investment advisor in California and may also register in other states as required. However, the principal executive officers and other employees are separately licensed as Investment Advisor Associates of Ceros Financial Services (CFS), a FINRA member broker-dealer.

Ted H. Ong

Additional information about Ted H. Ong is available on the SEC's website at www.adviserinfo.sec.gov.

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Name: Ted H. Ong

Born: 1952

Education:

B.A., Anthropology; Stanford University

M.B.A., International Marketing; Brigham Young University

Employment History for Preceding Five Years:

President and Marketing Director, Prudent Investors Network, Inc., 04/2003 to present

Registered Representative, Ceros Financial Services, 8/2009 to present

Registered Representative, Rydex Financial Services, 04/2003 to 7/2009

Professional Designations:

Securities Licenses: 7, 24, 31, 63, 65

CA Insurance No: 0782651

DISCIPLINARY INFORMATION – none

OTHER BUSINESS ACTIVITIES

Ted Ong is dually registered—both as a Registered Investment Advisor (advisory business) and as a Registered Representative of Ceros Financial Services (broker-dealer business). He may direct securities brokerage transactions for clients on a fully disclosed commission basis. The securities commission business is separate from PIN's fee-only investment management services. He may receive "trail" fees from the sale of mutual funds. Clients should be aware that the receipt of additional compensation creates a potential conflict of interest and may affect the judgment of individuals when making recommendations.

CFS supervises the dually registered representatives to the extent required under FINRA Rules (and Interpretations), which includes all securities trading activities. CFS reviews the following for compliance with FINRA Rules:

- checks received
- e-mails and letters sent and received
- advertisements
- presentations
- newsletters
- marketing brochures
- trade show booth displays

CFS does not supervise advisor-related activities.

Contact information for broker-dealer business:
Herb Pontzer and Katie Andrews, CFS Supervision
Ceros Financial Services
1445 Research Blvd., Suite 530
Rockville, MD 20850
866-842-3356

ADDITIONAL COMPENSATION – none

SUPERVISION

Contact information:
Lee Anke, CEO
Prudent Investors Network
2598 Fortune Way, Suite G
Vista, CA 92081
760-597-9255



Lee H. Anke

Additional information about Lee H. Anke is available on the SEC's website at www.adviserinfo.sec.gov.

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Name: Lee H. Anke

Born: 1944

Education:

B.S., Physics; Pomona College; 1966

M.A. Physics; University of California, Riverside; 1969

M.B.A., Finance; University of Utah; 1973

Employment History for Preceding Five Years:

CEO and Director, Prudent Investors Network, Inc., 04/2003 to present

Registered Representative, Ceros Financial Services, 8/2009 to present

Registered Representative, Rydex Financial Services, 04/2003 to 7/2009

Professional Designations:

Securities Licenses: 7, 24, 63, 65

DISCIPLINARY INFORMATION – none

OTHER BUSINESS ACTIVITIES

Lee H. Anke, CEO, is dually registered—both as a Registered Investment Advisor (advisory business) and as a Registered Representative of Ceros Financial Services (broker-dealer business). He may direct securities brokerage transactions for clients on a fully disclosed commission basis. The securities commission business is separate from PIN's fee-only investment management services. He may receive "trail" fees from the sale of mutual funds. Clients should be aware that the receipt of additional compensation creates a potential conflict of interest and may affect the judgment of individuals when making recommendations.

CFS supervises the dually registered representatives to the extent required under FINRA Rules (and Interpretations), which includes all securities trading activities. CFS reviews the following for compliance with FINRA Rules:

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Contact information for broker-dealer business:
Herb Pontzer and Katie Andrews, CFS Supervision
Ceros Financial Services
1445 Research Blvd., Suite 530
Rockville, MD 20850
866-842-3356

ADDITIONAL COMPENSATION – none

SUPERVISION

Contact information:
Ted H. Ong, President
Prudent Investors Network
2598 Fortune Way, Suite G
Vista, CA 92081
760-597-9255



Jared Ong

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Name: Jared Ong

Born: 1978

Education:

B.M., Music; Brigham Young University 2005

Employment History for Preceding Five Years:

Portfolio Analyst, Prudent Investors Network, 09/2010 to Present

Business Systems Analyst, Capital Group Companies, 08/2005 to 08/2010

Professional Designations: none

DISCIPLINARY INFORMATION – none

OTHER BUSINESS ACTIVITIES - none

ADDITIONAL COMPENSATION – none

SUPERVISION

Contact information:

Lee Anke, CEO

Prudent Investors Network

2598 Fortune Way, Suite G

Vista, CA 92081

760-597-9255



Jamie Pearson

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Name: Jamie Pearson

Born: 1977

Education:

B.S., Business with emphasis in Marketing; Brigham Young University, Provo; 2000

Employment History for Preceding Five Years:

Independent Contractor (self employed) 02/2010 to present

Prudent Investors Network, Inc., 09/2001 to 02/2010

Advisory Representative, Prudent Investors Network, 1/2010 to present

Registered Representative, Ceros Financial Services, 8/2009 to 12/2009

Registered Representative, Rydex Financial Services, 04/2003 to 7/2009

Professional Designations:

Securities Licenses: 63, 65

DISCIPLINARY INFORMATION – none

OTHER BUSINESS ACTIVITIES - none

ADDITIONAL COMPENSATION – none

SUPERVISION

Ted Ong, President

Prudent Investors Network

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