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**FORM ADV PART 2  
BROCHURE**

This brochure provides information about the qualifications and business practices of Financial Services Network, Inc (FSN). If you have any questions about the contents of this brochure, please contact us at 941-366-0110. 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 Financial Services Network, Inc (FSN) is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Financial Services Network, Inc (FSN) is 109656.

Financial Services Network, Inc (FSN) 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.

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## Advisory Business

Form ADV Part 2A, Item 4

Financial Services Network (FSN) is a Florida Corporation incorporated in 1995. FSN has been in business as a Registered Investment Adviser since 1995. FSN is wholly owned by Randall T. Arnaud

### **FSN offers fee based investment advice to its clients (Portfolio Management Services).**

We will develop, implement, and manage a comprehensive portfolio that may include exchange traded funds (ETFs), general equity securities, mutual funds, fixed income investments and other investments if deemed suitable for Portfolio Management Services clients. The composition of each portfolio will be based on an analysis of our client's return expectations and risk tolerances as identified by FSN, and agreed to by our client.

Our approach to successful investment management can best be expressed in the following fundamental core principals and beliefs:

- Asset Allocation is the most important step and component in the Investment Management Process.
- Diversification within Asset Classes is an integral and often overlooked aspect in the Investment Management Process.
- Active Money Managers, used in coordination with Passively Managed Indexed Investments may enhance portfolio returns.
- Constant Portfolio Management & Review is an essential part of the Investment Management Process.

The process of Portfolio Management is an ongoing procedure of:

1. **Determining Risk Profile, Investment Objectives and Expected Returns.** Through a personally conducted consultation with our client, we will develop a written Investment Policy Statement addressing but not limited to these issues: Expected Return; Risk Tolerance; Investment Time Horizon; Liquidity; Tax Considerations; Legal & Regulatory Matters; and Unique Needs and Preferences.
2. **Design an Investment Portfolio.** We will propose an Asset Allocation strategy that will seek desired returns relative to our client's risk tolerance and investment goals through a diversified allocation of portfolio assets. Portfolio modeling software programs containing extensive historical data on capital market results and risks are used to design investment portfolios.
3. **Implement the Investment Plan.** We will identify and utilize investments that are consistent with the findings in both 1 and 2 above. This process will include rigorous research and screening to ensure selected investment vehicles adhere to and remain in compliance with their intended application or style.
4. **Monitor, Administer, Re-Balance and Re-Model.** We will render continuous oversight and review to ensure the portfolio remains consistent with our clients agreed upon Investment Policy Statement. If the relative value of investments in the portfolio changes significantly enough to become inconsistent with the investment policies, the portfolio may be re-balanced. The portfolio may also be re-modeled due to economic conditions, tax law changes, a change in our clients' goals, objectives, tolerance for risk and other material events.
5. **Communicate Results and Transactions.** We will communicate with our clients on a regular basis. The custodian will confirm, by mail, all transactions that occur and provide periodic account statements on either a monthly or quarterly basis.

All investment portfolios are maintained as a separate account in our client's own name with a custodian of our client's choice and our approval. In no instance will we take custody of our client's investments.

**FSN offers other investment services to its clients.**

Some clients prefer to select their own investments for their portfolios based on their own research, resources and investment strategies. We are happy to accommodate these types of clients. Fees for this type of relationship are consistent with those fees described in Item 5 on page 3 and are negotiable.

**FSN offers other than investment advice to its clients.**

At the request of our client we will be available to answer questions and provide non investment related services to clients regarding issues not considered to be "investment" related. Fees for these services are fixed and negotiable.

**Clients are unique:**

We believe each client has their own unique circumstances and as such we do not believe in a "one size fits all" approach to managing client investments. Our clients may impose restrictions on investments selected for their account. An example might be a client who wants to exclude tobacco company stocks from their investment portfolio. Any such restrictions will be documented in writing.

**Wrap Fees:**

A "wrap fee program" is a program under which investment advisory and brokerage execution services are provided for a single "wrapped" fee that is not based on the transactions in a client's account. An investment advisory program under which all clients pay traditional, transaction-based fees is not a wrap fee program.

We do not participate in wrap fee programs as we feel it best for clients to see exactly what the costs are related to transactions in their accounts.

**Assets Under Management**

As of 12/31/2011 FSN has a total of \$133,561,326 in Assets Under Management across 104 accounts. This is further broken down by assets managed on a discretionary and on a non-discretionary basis.

- Discretionary Assets Under Management total \$117,287,742 across 83 accounts
- Non-Discretionary Assets Under Management total \$16,273,584 across 21 accounts

## ***Fees and Compensation***

Form ADV Part 2A, Item 5

Our compensation for Portfolio Management Services is based on the total of our clients eligible Assets Under Management. The following schedule offers the advantage of breakpoint pricing, in that once a higher level of assets subject to management fee is reached; the entire account balance is billed at the reduced rate.

<u>Level of assets subject to management fee</u>	<u>Quarterly Rate</u>	<u>Annual rate</u>
\$250,000 - \$500,000	0.3125%	1.25%
\$500,001 - \$2,000,000	0.2500%	1.00%
\$2,000,001 - \$3,000,000	0.2250%	0.90%
\$3,000,001 - \$5,000,000	0.2000%	0.80%
\$5,000,001 - above		Negotiated

We may, at our sole discretion, offer discounts or other adjustments to the schedule.

Flat fees (those not based on investment balances) are available and payable monthly in advance. We also offer hourly services at the rate of \$400 per hour. While we feel that all of our fees are competitive, they are negotiable. You may find lower fees elsewhere.

### **How fees are paid:**

Our fees are calculated quarterly based on account balances at the end of each calendar quarter (i.e. March 31<sup>st</sup>, June, 30<sup>th</sup>, Sept 30<sup>th</sup>, December 31<sup>st</sup>) and billed in advance. Clients receive an invoice showing the details of the fee calculation within two weeks of each calendar quarter end. The fee is debited directly from the portfolio accounts within two weeks of each calendar quarter end. Alternatively, clients may arrange to pay fees directly by check payable to Financial Services Network.

### **Termination:**

The client or FSN may terminate the advisory contract at any time by providing written notification. All fees will be prorated to the date of termination and refunded or collected accordingly.

### **Other costs clients may incur:**

Transaction costs and clearing fees charged by the custodian of your account are estimated to be between \$10 and \$35 per transaction and are past on to clients. The fees will vary depending on the selection of the custodian for your account. We do not receive any portion of these fees.

Mutual funds, exchange-traded funds and notes have internal operating costs which are enumerated in each funds prospectus and expressed as a percentage. We do not receive any portion of these fees.

The types of investment securities most often used in your managed accounts include general securities, mutual funds, exchange traded funds and notes, and money market funds. Mutual funds are available in a load and no-load format. We attempt to use only no-load funds. However, on rare occasion a front end load or load-waived fund may be used. Most of these load and load-waived funds charge an annual service fee known as a 12b-1 fee, which normally amounts to ¼ of 1 percent. We do not receive any portion of these fees.

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

Form ADV Part 2A, Item 6

We do not charge either Performance-Based Fees or Side-By-Side Management Fees.

### ***Types of Clients***

Form ADV Part 2A, Item 7

We have a client base that includes Individuals, Families, Investment Clubs, Trusts, Estates, Charitable Organizations, Pension Plans, Corporations, and Limited Partnerships. We require a minimum total client balance of \$500,000 but will consider smaller balances on a case-by-case basis.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Form ADV Part 2A, Item 8

We believe in Asset Allocation as a core investment strategy.

What Does Asset Allocation Mean?

- An investment strategy that aims to balance risk and reward by apportioning a portfolio's assets across multiple assets classes and styles according to an individual's goals, risk tolerance and investment time horizon.
- The three main asset classes – equities (stocks), fixed-income (bonds), and cash and equivalents (money markets) - have different levels of risk and return, so each will behave differently over time.

There is no simple formula that can find the right asset allocation for every individual. However, we believe that asset allocation is one of the most important decisions that investors make. In our opinion the selection of individual securities is secondary to the way you allocate your investments in stocks, bonds, and cash, which will be the principal determinant of your investment results.

There is significant risk inherent with investing in stocks, bonds and money markets. In other words losses are a very real possibility. And, there are no guarantees that projected returns will be achieved.

We discourage frequent trading and prefer long term investing consistent with the Asset Allocation Plan in place for the client.

See item 4 on page 1 for greater detail regarding our investment strategies

There are no guarantees that by employing an Asset Allocation strategy your investments goals and objectives will be achieved. All investments and all investment strategies involve some degree of risk and there are no guarantees investment goals and objectives will be achieved. There is volatility risk (the ups and downs of investments), risk of loss and inflation risk (the loss of purchasing power).

We recommend the use of money markets, mutual funds, individual stocks, individual bonds, and ETFs (Electronically Traded Funds) all of which have varying degrees of risk.

### **Risk in Money Markets:**

Money Markets have relatively low risks, compared to other mutual funds (and most other investments). Money Markets try to keep their net asset value (NAV) - which represents the value of one share in a fund - at a stable \$1.00 per share. But the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money Markets pay dividends that generally reflect short-term interest rates, and historically the returns for money markets have been lower than for either bond or stock investments. That's why "inflation risks" - the risk that inflation will outpace and erode investment returns over time - can be a potential concern for investors in money markets.

### **Risks in Bonds, Bond Mutual Funds and Bond ETFs:**

Bonds generally have higher risks than money markets, largely because they typically pursue strategies aimed at producing higher yields. Because there are many different types of bonds, bond investments can vary



dramatically in their risks and rewards. Some of the risks associated with bonds include:

- **Credit Risk** - the possibility companies or other issuers whose bonds are owned by investors may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond investments that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds with poor credit ratings generally will be subject to higher risk.
- **Interest Rate Risk** - the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond investment, including those that invest only in insured bonds or Treasury bonds. Investments in longer-term bonds tend to have higher interest rate risk.
- **Prepayment Risk** - the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

**Risks in Stocks, Stock Mutual Funds and Stock ETFs:**

Overall, "market risk" poses the greatest potential danger for investors in stock investments. Stock prices can fluctuate for a broad range of reasons such as the overall strength of the economy or demand for particular products or services.

### ***Disciplinary Information***

Form ADV Part 2A, Item 9

Financial Services Network has no disciplinary information to disclose.  
Randall T. Arnaud has no disciplinary information to disclose.  
Roger T. Frazee has no disciplinary information to disclose.

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

Form ADV Part 2A, Item 10

Roger T. Frazee is a FINRA (Financial Industry Regulatory Authority) Registered Representatives of LaSalle St. Securities, LLC, a FINRA Broker/Dealer. Mr. Frazee is also a Registered Principal of the same. This relationship is one of an Independent Contractor. Mr. Frazee is not an employee of LaSalle St. Securities, LLC.

We do not feel that this relationship creates any conflict of interest. When Mr. Frazee interacts with LaSalle St. Securities or any other broker/dealer on your behalf, he is doing so in the capacity of an Investment Advisor Representatives and must, by rule, act in your best interest as your fiduciary.

Mr. Arnaud and Mr. Frazee maintain independent relationships with numerous insurance companies to facilitate our clients risk management, estate planning, and other needs.

## ***Code of Ethics, Participation or Interest in Client Transactions and Personal Trading***

Form ADV Part 2A, Item 11

FSN as a Registered Investment Adviser comes under federal securities rules and regulations that impose a fiduciary duty on investment advisers. As a fiduciary we have a duty of utmost good faith to act solely in the best interests of each of our clients. Our clients entrust us with their investment guidance, which in turn places a high standard on our conduct and integrity. Our fiduciary duty compels us to act with the utmost integrity with you in all our dealings. This fiduciary duty is the core principle underlying our code of ethics, and represents the expected basis of all of our dealings with clients.

As such we have adopted a code of ethics which describes our fiduciary duties and responsibilities to clients, and sets forth our practice of supervising the personal transactions of personnel with access to client information. We require that all personnel act in accordance with all applicable federal and state rules and regulations governing registered investment advisory practices. It is our expressed policy that no person associated with the firm shall prefer his or her own interests to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. We will provide you a copy of our code of ethics upon request.

We do not allow our personnel to buy or sell securities for their own accounts from client accounts.

As agents for clients we routinely effect securities transactions for our clients. During the normal course of business we may personally invest in the same investment products we recommend to clients. We only purchase or sell a security for our personal accounts after trading of that same security has been completed in client accounts. Our personal accounts are defined to include not only accounts in our names but also accounts of our family members. The following forms of securities may be freely traded or held by us as there are no effects on client accounts. Shares of open-end mutual funds, direct obligations of the U.S. Government and money market instruments.

We give priority on all purchases and sales of securities to clients. Our personal trading must not conflict with the interests of our clients. While the scope of such actions can not be exactly defined, they would always include each of the following prohibited situations: (1) Simultaneously purchasing the same securities as a client with out making an equitable allocation of the securities to the client first, on the basis of such considerations as available capital and current positions, and then to the account of the representative; (2) Knowingly purchasing or selling securities, directly or indirectly, in a manor that would harm a client; (3) Using knowledge of securities transactions by a client to profit personally, directly or indirectly, by the market effect of such transactions, and (4) Giving to any person information not generally available to the public about contemplated, proposed or current purchases or sales of securities by or for a client account, except to the extent necessary to effect such transactions. Should any conflicts of interest occur which reflect inappropriate behavior; they will be settled in favor of the client.

## Brokerage Practices

Form ADV Part 2A, Item 12

### Soft Dollars:

The Securities and Exchange Commission has defined soft dollar practices as arrangements under which products or services, other than execution of securities transactions, are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer.

FSN, Mr. Arnaud and Mr. Frazee maintain relationships with broker-dealers and custodians that provide soft dollar benefits to them. Examples of which are software discounts, third party and proprietary research, research discounts, technology and other useful tools. **In no instance will FSN, Mr. Arnaud or Mr. Frazee accept cash payments or allow cash payments to be made to third parties on their behalf.** Nor, will they direct business to broker-dealers and custodians for the purpose of receiving "soft dollar" benefits.

Any soft dollar arrangements benefit all clients.

### Trading, Brokerage and Custodial Practices:

While clients have the right to choose the broker-dealer and custodian for their account with the pre-approval of FSN. Consider the following.

Consistent with our fiduciary obligations, we seek best execution in all transactions. We define best execution as the best price we believe we may obtain for a specific trade in light of all relevant circumstances.

Our Trading and Brokerage Policy is designed to assist us in meeting the goal of seeking best execution in all transactions. However, a single written policy describing the firm's trading and brokerage practices can not alone ensure best execution.

FSN is responsible for identifying and approving broker-dealer/custodians to use in executing trades for client accounts. Various factors in selecting a broker-dealer/custodian include: their financial condition; acceptable recordkeeping; ability to obtain best price; knowledge of the market, securities and industries; commission structure; and reputation and integrity. Also, their responsiveness and thoroughness in the administration of client accounts, trades and maintaining records is of paramount importance.

Currently we recommend using TD Ameritrade, LLC or Fidelity's National Financial Services, LLC custodial program through broker-dealer LaSalle Street Securities, LLC. These companies were selected and approved for their ability to deliver quality execution and record keeping services, among other items.

On occasion we use research information provided by a broker-dealer/custodian with whom we conduct business. However, we do not have formal or informal agreements to compensate broker-dealer/custodians for the receipt of such research information. We do not compensate them for research services known as "soft dollar arrangements", with the use of client commissions.

You may choose you own broker-dealer/custodian with our prior approval but you may be subjected to higher, or lower, related costs and expenses. From time-to-time, clients may ask us to direct trades to a specific

broker-dealer other than their regular broker-dealer/custodian in exchange for certain benefits to be received by the client. This is known as a client-directed brokerage for commission recapture arrangement. As a matter of business policy we do not accept directed brokerage arrangements of this nature.

**Trade Aggregation:**

We will at times aggregate trades and allocate them proportionately to our client accounts. This practice is commonly referred to as “block trading”. Block trading occurs when the same investment vehicle is being bought or sold for multiple clients over multiple accounts on the same day and at the same time. Block trading ensures that all clients involved in the transaction receive similar date, time and price execution. We do not engage in block trading for mutual funds.

### ***Review of Accounts***

Form ADV Part 2A, Item 13

Client accounts are reviewed monthly. Reviews become more frequently in times of significant market volatility, economic concerns and material changes in your financial condition. The review is conducted by your Investment Adviser Representative. Your account is reviewed to ensure adherence to your stated investment goals and objectives.

Clients receive statements directly from the custodian of their account on either a monthly or quarterly basis. Additionally, you'll receive transaction confirmations directly from the custodian as they occur. Clients receive billing statements with supporting account values from Financial Services Network (FSN). **You are strongly encouraged to compare the account valuations you receive from FSN to those valuations you receive from the custodian.**

### ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

We look forward to receiving referrals from clients and others but do not pay for referrals.

In the investment industry, there are many organizations which produce or market investment products for sale to customers that may provide an economic benefit such as a sales award, an expense paid vacation, other prizes, or additional paid compensation to an investment adviser for that person to recommend their particular investment product to clients. We do not recommend these types of investment products to our clients nor would we accept such economic benefits or compensation.



### ***Custody***

Form ADV Part 2A, Item 15

We do not maintain custody of client funds or securities. The qualified custodian of the account sends trade confirmations whenever an investment is bought or sold. Additionally they send a periodic account statement showing all investment positions and transactions. This account statement is mailed to the client at their address of record on a monthly or quarterly basis. **Clients are strongly encouraged to compare statements received from the custodian to reports and billing statements provided by the adviser.**

### ***Investment Discretion***

Form ADV Part 2A, Item 16

We offer both discretionary and non-discretionary managed accounts. Clients can choose how their account is handled - either on a discretionary or non-discretionary basis. When our discretion is used, it is limited to the selection, purchase and sale of investments within the account. Discretion is authorized by our client in our client agreement, by a Limited Power of Attorney or on the account application executed by the client. Discretion may be revoked at any time.

### ***Voting Client Securities***

Form ADV Part 2A, Item 17

We do not vote proxies on behalf of clients. All proxy materials received by the custodian on behalf of a client account are sent directly to our client or a designated representative of the client, who is responsible for voting the proxy. Advisers may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy in the client's best interest. However, the final decision of how to vote the proxy rests with the client.

## ***Financial Information***

Form ADV Part 2A, Item 18

### **Balance sheet:**

As a Registered Investment Adviser we would be required to include a copy of our most recent balance sheet if we billed fees in excess of \$1,200 **and** six months or more in advance. We bill clients monthly or in most cases quarterly (i.e. a maximum of three months in advance) and therefore are not required to include a balance sheet.

### **Ability to meet commitments:**

FSN, Mr. Arnaud and Mr. Frazee do not foresee any situation that would impair our ability to meet our financial contractual commitments to clients.

### **Bankruptcy:**

FSN, Mr. Arnaud or Mr. Frazee have never declared or been party to any bankruptcy proceeding.

***Additional Information***

None