

Firm Brochure
As of December 31, 2010

Financial Research, Inc.

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This brochure provides information about the qualifications and business practices of Financial Research, Inc. ("Financial Research"). If you have any questions about the information contained in this brochure, please contact us at (425) 657-2229 or by email at info@NorthwestWealth.com. Financial Research, Inc. is a Registered Investment Advisor; registration of an Investment Advisor does not imply any certain level of skill or training.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Financial Research, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Annual Update

The Securities and Exchange Commission issued a final rule on July 28, 2010 requiring investment advisors to provide an informative brochure (“Firm Brochure”) which is written in a narrative that uses a “plain English” format. The new final rule specifies mandatory sections and required formats. As such, we have revised our brochure and ADV Part 2 form to reflect this new rule.

In the future, the Material Changes section of this brochure will be updated annually whenever material changes have occurred since the previous release of the Firm Brochure.

Material Changes since the Last Update

For consulting services that are provided on a project basis and with advisory fees based on an hourly rate, the new rate has been increased to \$200 per hour for work performed by the firm’s principal owners and \$100 per hour for work provided by support-staff employees. The minimum per-project rate has been increased to \$1,000. Consulting services provided on a project basis account for approximately 1% or less of the firm’s total revenues.

The main address for the firm’s website has been changed to www.NorthwestWealth.com; the previous main website address was www.nwwealth.com. Both addresses remain active as do any email addresses linked to them.

Brokerage services are provided to clients by a division of Charles Schwab and Company, which only provides services to clients working with financial advisors. The division’s name has been changed to Schwab Advisor Services; the previous name was “Schwab Institutional.”

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (425) 657-2229 or by email at info@NorthwestWealth.com. Our brochure is also available on our web site, www.NorthwestWealth.com.

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Advisory Business

Firm Overview

Financial Research, Inc. is a Registered Investment Advisor, which provides financial planning and investment management services to individuals, families, and business entities. The firm provides these services strictly on a “fee-only” basis, with all advisory fees paid by clients directly to the firm. Financial Research receives no sales commissions or any other form of compensation. No referral fees are paid or accepted.

Founded in 1990, Financial Research, Inc. is 100% owned by James H. Cowles, III, who has worked in the investment management industry since 1977. The firm is fully independent and has no intermediate subsidiaries.

Financial Research, Inc. is federally registered with the Securities and Exchange Commission (“SEC”) as a Registered Investment Advisor.

Assets under the direct management of Financial Research, Inc. are held in each client’s name by independent custodians, including Charles Schwab and Company and The Vanguard Group.

Types of Advisory Services

Wealth Management Services

Financial Research, Inc. provides “wealth management services” to clients, which are a combination of financial planning services and investment management services. Wealth management services account for approximately 85% of the firm’s total advisory revenues. Descriptions of the two components of wealth management services offered are as follows:

a) **Financial Planning** To provide financial planning services to its clients, Financial Research first reviews and evaluates a client’s financial situation, including the client’s current financial strategies and goals. The firm then creates financial models of the client’s financial situation and utilizes the models to analyze different “what-if” scenarios and different financial planning strategies that may be appropriate for the client.

Planning areas which may be addressed include the following: capital accumulation strategies, cash flow management, debt management, tax planning, estate planning, college funding strategies, insurance needs evaluation, and other financial planning areas.

Analysis is fully explained and reviewed in discussion meetings, with written reports provided to the client. The firm assists clients in implementing strategy recommendations and provides ongoing consulting regarding financial planning and financial strategy matters.

b) **Investment Management** To provide investment management services to its clients, Financial Research first evaluates the client’s current investment portfolio, with analysis of investment risk exposure, diversification, asset allocation, liquidity, tax implications, and investment suitability. A risk profiling process is used to assess different aspects of the client’s risk tolerance and portfolio expectations. An initial portfolio evaluation report, with specific investment recommendations, is provided and is fully explained and reviewed in discussion meetings. For additional information, please see the sections titled “Methods of Analysis” and “Investment Strategies” in this brochure.

The client’s investment portfolio is individually reviewed each quarter to ensure that the portfolio appropriately reflects the client’s objectives and any shifts in asset allocation models utilized by Financial Research. In addition, the performance of mutual funds or money managers utilized by the client is monitored and evaluated on a regular basis.

Other account servicing activities may be performed on the client’s behalf, including establishment of investment accounts, coordination of account transfers, account transactions, withdrawal requests, account inquiries, and other similar services

Financial Research will assist the client in the implementation of strategy recommendations. In some cases, the firm may refer the client to other independent professionals, such as attorneys or accountants, if specialized services are required. Financial Research will work and communicate with such outside professionals, upon receipt of the client’s written authorization.

Investment Consulting Services

Financial Research may provide certain investment consulting services to assist clients, including corporations and retirement plans, in the areas of investment portfolio evaluation and investment management. Investment consulting services are estimated to account for approximately 15% of total advisory revenues received by Financial Research. Ongoing investment management services may be provided on a project basis or on an ongoing basis, with quarterly asset-based advisory fees charged.

Financial Consulting Services

At its discretion, the firm may elect to provide specific consulting services to a client, which are not part of a wealth management services program and are not provided on an ongoing basis. Such consulting is generally offered only on a “when available” basis (i.e., only when the time required for such consulting is available to the firm). Examples of such services include financial modeling, investment portfolio evaluation, or other types of financial analysis. Financial consulting services are estimated to account for approximately 1% or less of total advisory revenues received by Financial Research.

Customized Services

The firm will customize, or tailor, the services it provides to specific clients, based on the needs or preferences of a client. Examples of this include frequency and type of client communications, additional reporting that may be provided, additional consulting related to specific areas of a client’s financial situation, or other similar services which may be appropriate for the individual needs of a client. Upon written request, clients may also impose restrictions on investing in certain securities or types of securities. Agreements may not be assigned without written client consent.

Managed Assets

As of December 31, 2010, Financial Research, Inc. managed approximately \$67,000,000 in assets for clients, all of which are managed on a non-discretionary basis. No assets are managed on a discretionary basis.

Fees and Compensation

Wealth Management Services

Total advisory fees for services provided under the firm's "Wealth Management Services" program are based upon a combination of fixed retainer fees and asset-based fees, which are payable in advance on a quarterly basis. There is a minimum total advisory fee of \$2,000 per year.

Fixed retainer fees are established to reflect the overall level of consulting services provided to a client and, in general, range from \$250 to \$500 per quarter. If mutually agreed upon by both Financial Research and the client, the retainer fee amount may be adjusted from time to time.

Asset-based advisory fees are charged per the following schedule: 0.50% (1/2 of 1%) per annum on the first \$500,000 of assets under advisement and 0.25% (1/4 of 1%) per annum on all additional assets under advisement. In general, asset-based fees shall not be prorated for capital contributions or withdrawals made during an applicable calendar quarter. However, in the event of large capital withdrawals, fee reductions may be made at the firm's discretion.

An initial one-time fee may be charged to reflect initial account establishment services, account transfer activities, or initial consulting work that may be required. When charged, initial one-time fees generally range from \$250 to \$750. Advisory fees charged in the initial calendar quarter of services will be prorated, as described in the firm's service agreement.

For clients who initiated services prior to 2003, wealth management services may be provided under a predecessor program called the "Investment Advisory Service." Advisory fees for Investment Advisory Service clients are entirely asset-based, with quarterly fees calculated per the following schedule: \$0 to \$100,000 (first \$100,000 of assets under advisement) – 1.00% per annum; \$100,000 to \$250,000 (next \$150,000) – 0.75% per annum; \$250,000 to \$500,000 (next \$250,000) – 0.60% per annum; \$500,000 and above – 0.50% per annum. No fixed retainer fees are charged.

Upon client approval, brokerage accounts may allow for automatic deduction of advisory fees, in which case the client will receive full documentation of all fee calculations in advance. If preferred, clients may instead have advisory fees invoiced by mail or via electronic delivery.

Financial Research, in its sole discretion, may waive minimum fee requirements or charge a reduced investment advisory fee. This is generally based upon certain criteria, such as the following: anticipated future earning capacity, anticipated future additional assets, investment portfolio size, related accounts, account composition, type of assets, or relationship to an existing client.

Custodians may charge transaction fees on purchases or sales of certain mutual funds, stocks, bonds, and exchange-traded funds. These transaction charges tend to be relatively small and incidental to the purchase or sale of a security. In addition, mutual funds and exchange traded funds generally charge an ongoing management fee for their services as investment managers. Mutual fund fees also include transaction charges for the purchase or sale of securities within the fund and may charge other fees, as disclosed in a fund's prospectus. These fees are in addition to advisory fees paid by clients to Financial Research, which does not receive any portion of such additional fees.

Either the client or the firm has the right to cancel advisory services at any time and for any reason upon written notice to the other party. In the event of such cancellation, any fees paid will be refunded on a prorated basis (which reflects the period of time remaining in calendar quarter during which advisory services are no longer be provided). Should such cancellation occur within five days of the execution of an initial services agreement, the firm will refund all fees paid in their entirety.

Investment Consulting Services

Fees for investment consulting services may be charged either a) on a per-project basis or b) on an ongoing asset-based basis, similar to the asset-based advisory fees described above. If provided on a per-project basis, a client typically receives an advisory fee estimate, which includes a maximum amount which total fees cannot exceed.

If unable to reasonably estimate the amount of work and time required, consulting services may be provided to the client on the basis of a \$200 per hour rate; work provided by support-staff members will be charged at a \$100 per hour rate. For investment consulting services, there is a minimum advisory fee of \$1,000; the minimum fee requirement may be waived in the sole discretion of the firm. Payment of retainer fees may be required prior to services being provided.

An advisory contract for such services may be terminated before its expiration date by either the client or Financial Research, Inc. upon five days written notice. Should the client terminate an agreement within five days of acceptance, the client will receive a full refund. Thereafter, any fees paid to Financial Research, Inc. in advance will be applied against all work and time spent up to that time and the remaining balance will be refunded.

Financial Consulting Services

Fees for financial consulting services are generally charged on a per project basis. Prior to any financial consulting being provided, a client typically receives an advisory fee estimate, which includes a maximum amount which total fees cannot exceed. If unable to reasonably estimate the amount of work and time required, consulting services may be provided to the client on the basis of a \$200 per hour rate; work provided by support-staff members will be charged at a \$100 per hour rate. For financial consulting services, there is a minimum advisory fee of \$1,000; the minimum fee requirement may be waived in the sole discretion of the firm. Payment of retainer fees may be required prior to services being provided.

An advisory contract for such services may be terminated before its expiration date by either the client or Financial Research, Inc. upon five days written notice. Should the client terminate an agreement within five days of acceptance, the client will receive a full refund. Thereafter, any fees paid to Financial Research, Inc. in advance will be applied against all work and time spent up to that time and the remaining balance will be refunded.

Performance-Based Fees

Financial Research does not charge any performance-based fees. Such fees are based on a share of the capital gains or capital appreciation of managed assets. Financial Research does not use a performance-based fee structure, due to the potential conflicts of interest. Performance-based compensation may create incentives for an advisor to recommend investments that carry a higher degree of risk to the client.

Types of Clients

Financial Research generally provides investment advice to different types of advisory clients, which may include the following: individuals, families, businesses, pension and profit sharing plans, trusts, estates, and charitable organizations.

For ongoing wealth management and investment consulting services, there is a minimum total advisory fee of \$2,000 per year. For project-based investment consulting and financial consulting services, there is a \$1,000 minimum advisory fee. Minimum fee requirements may be waived at the discretion of the firm.

Methods of Analysis and Investment Strategies

Our overall investment philosophy is based on creating and maintaining balanced, globally-diversified investment portfolios for our clients, with an emphasis on the effective management of investment risks. To provide adequate risk management, we use a risk profiling process which helps in evaluating the level of investment risk that may be appropriate for a given client.

Approach to Asset Allocation

The firm's portfolio models have relied on a tactical approach to asset allocation since their inception in 1991. Rather than using fixed allocations to asset classes, our tactical approach reflects the risk/reward balance of an asset class. If the risk/reward balance looks attractive, we'll overweight the asset class. If downside risks seem high when compared to potential returns, an asset class will be underweighted.

To make informed investment decisions, we monitor the financial markets and economic trends on an ongoing basis. The main sources of information include a wide variety of financial newspapers and magazines, research materials prepared by others, and numerous news and investment-related websites.

Investment Selection

Our primary investment vehicles are no-load mutual funds and Exchange Traded Funds ("ETFs"), which have been carefully selected. Investment portfolios are typically a blend of investment styles and asset classes, with a mix of passive indexed funds and actively-managed funds. If a new client's existing portfolio has other securities such as individual stocks and bonds, the firm will evaluate their portfolio and retain all holdings that are considered to be quality investment assets.

Investment evaluation, selection, and monitoring of no-load funds and ETFs relies upon a number of different information sources, including mutual fund databases such as Morningstar Principia Pro. Our research is based on a blend of qualitative and quantitative analysis. For actively-managed funds, we screen for fund managers that have demonstrated an ability to provide consistently-superior risk-adjusted performance.

Risk of Loss

We believe that capital preservation is an important part of investing and we focus on the effective management of investment risks in client portfolios. However, all clients must be aware that investing in securities involves a risk of loss that each client should be prepared to bear. Investors should understand that there are different types of investment risk which they should be aware of, including the following:

Interest-rate Risk Fluctuations in interest rates may cause investment 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 today will not buy as much as a dollar next year, 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.

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 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 buy electricity no matter what the economic environment is like.

Liquidity Risk Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Financial Risk Excessive borrowing to finance business operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy or a declining market value.

In addition to these general types of investment risk, specific securities, including mutual funds and exchange-traded funds, may have other risk factors, which are described in detail in prospectuses provided to clients by the custodial firms utilized by Financial Research.

Disciplinary Information

Registered Investment Advisors are required to disclose all facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of an advisory business. Financial Research, Inc. and its employees have not been involved in any legal or disciplinary events that are directly or indirectly related to past or present activities.

Other Financial Industry Activities and Affiliations

Activities

Financial Research, Inc. engages only in the activities described in this brochure and does not participate in any other business activities.

Affiliations

Financial Research, Inc. does not have arrangements with other parties or businesses that are material to its advisory business or its clients. None of the firm's employees have affiliation of any kind with other financial entities such as broker-dealers, insurance companies, or investment companies.

Code of Ethics

Financial Research requires its employees to act in the best interest of the firm's clients at all times. In this regard, the company has a Code of Ethics that sets forth the standard of honest and ethical business conduct which is required of all employees. The firm's Code of Ethics includes provisions that relate to the confidentiality of client information, prohibitions on insider trading, personal securities trading procedures, and other critical areas.

All supervised persons at Financial Research, Inc. must acknowledge the terms of the firm's Code of Ethics on an annual basis, or as amended. Copies of the company's Code of Ethics may be provided to clients or prospective clients upon request.

Employees have also committed to the Code of Ethics and Fiduciary Oath as outlined by the National Association of Personal Financial Advisors ("NAPFA"). These include key sections which relate to the importance of always putting clients' interests first, objectivity, confidentiality, competence, fairness, suitability, integrity, honesty, regulatory compliance, full disclosure, and professionalism.

Certified Financial Planners® ("CFP") designees within the firm are also held to the Code of Ethics as outlined by the CFP® Board of Standards.

Personal Trading

From time to time, Financial Research, as well as its principals and employees, may buy or sell securities that are also recommended to clients. To avoid any potential conflicts of interest, such transactions are not allowed to occur immediately prior to or after any transactions effected in the same security for clients.

Financial Research anticipates that it may, from time to time, recommend that clients buy or sell securities in which the firm or its employees have a position of interest. The firm's employees may do so only when not in conflict with related rules and regulations, as outlined in the firm's Code of Ethics.

Personal trading by employees is reviewed by the firm's Chief Compliance Officer, James Cowles. These reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment.

Due to the nature and scope of personal trading by the firm's employees, the firm believes that any potential conflicts of interest are not material and that they do not have any material effect on the securities markets.

Brokerage Practices

Custodial Accounts

Client assets under the advisement of Financial Research must be maintained in an account at a “qualified custodian,” generally a broker-dealer. We request that our clients use Schwab Advisor Services, a division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, member SIPC, as the qualified custodian. Financial Research is independently owned and operated and is not affiliated with Schwab.

Schwab generally does not charge any separate fees for custody services it provides to clients of Financial Research. However, it is compensated by charging commissions or other fees on some of the securities transactions that it executes. Financial Research does not receive any fees or commissions from Schwab.

Schwab provides Financial Research and its clients with access to Schwab’s institutional brokerage services (including trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers.

Financial Research benefits from the electronic delivery of client information, electronic trading platforms and other services typically provided by custodians for the benefit of clients. Financial Research may also benefit from other services provided by Schwab, such as research, continuing education, practice management advice, and fee waivers or discounts on software and online services related to the monitoring of client accounts. These benefits are standard in advisors’ relationships with custodial firms and are not received as compensation for directing client transactions.

Schwab’s support services generally are available on an unsolicited basis (i.e., the firm doesn’t have to request them) and at no charge to Financial Research, as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. Based on the availability of such benefits and services, Financial Research may have an incentive to request that its clients use Schwab, which is a potential conflict of interest.

For clients who own variable annuity contracts, Financial Research may recommend that such clients use The Vanguard Group (“Vanguard”) as the qualified custodian for their annuity contracts. Financial Research may receive certain benefits from Vanguard, similar to those described above. Based on the availability of such benefits and services, Financial Research may have an incentive to request that its clients use Vanguard, which is a potential conflict of interest.

Trade Aggregation

Financial Research does not aggregate the purchase or sale of securities for client accounts and does not believe that this materially impacts any execution costs to clients. Most investment transactions are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Selecting Brokerage Firms

Financial Research seeks to select and recommend custodians or brokerage firms that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. In selecting firms, we consider a wide range of quantitative and qualitative factors, such as the following: custody services, reliability and speed of trade execution, transaction costs, ability to process transfers to and from client accounts, breadth of available investment products, financial strength, and the firm's overall level of experience.

Financial Research reviews the execution of trades at custodial firms on an annual basis, or as deemed appropriate. Such review is documented in the firm's "Policies & Procedures Manual." Transaction costs charged by such custodial firms are also reviewed on an annual basis. We believe that our selection of custodial firms which utilized for clients is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

For providing brokerage services to our clients, Financial Research believes that Schwab has the capabilities to provide the best execution of securities transactions on behalf of our clients; this is based on a combination of quantitative and qualitative factors, including reliability and speed of trade execution, trading commissions, and the firm's level of experience.

As a custodial firm offering services to our clients owing variable annuity contracts, Financial Research believes that Vanguard offers the best custodial services available; this is based on a combination of quantitative and qualitative factors, such as reliability, efficient trade execution, ongoing investment expenses, contract costs, and level of experience.

Review of Accounts

Investment Portfolio Reviews

Clients' investment portfolios are formally reviewed on an individual basis each calendar quarter to ensure that portfolio composition adequately reflects both client objectives and shifts in proprietary allocation models utilized by the firm.

More frequent reviews may occur in the event of significant events in the financial markets or if there are significant cash deposits or withdrawals in a client's account. The investment performance of all mutual funds held in a client's account is also monitored and formally reviewed on a quarterly basis. All account reviews are performed by James Cowles, who acts as the president of the firm.

Financial Research provides client with quarterly investment portfolio reports, which contain the following information: market price and value of investment assets held, portfolio asset allocation, portfolio duration, status of the firm's asset allocation models, and related commentary regarding financial markets and investment trends. Quarterly reports may also include written recommendations regarding any portfolio allocation shifts or the replacement of any mutual funds, as deemed appropriate by Financial Research. All written reports are provided to the client either by mail or by electronic delivery.

Additional performance reports are provided on an annual basis or upon client request. Such reports typically include cash flow and investment returns for individual investments, cash flow and investment returns for the entire investment portfolio, and detailed transaction history reports.

Financial Plan Reviews

Financial plans or models are updated at the discretion or request of a client; this may occur on an annual basis or may be triggered by changes in the client's financial situation, tax laws, or other important changes.

Financial plan reviews involve updates of the client's financial information and review of their situation with respect to any significant changes in key areas such as cash-flow, investment returns, tax laws, and financial markets. Clients will receive any planning recommendations deemed appropriate by Financial Research, which will typically be provided in a written report.

Client Referrals and Other Compensation

Upon client request, we may recommend or refer a client to other independent professionals, such as attorneys or accountant, for specialized services such as tax return preparation or legal counsel. Such independent professionals are engaged directly by the client, which may result additional professional fees for services rendered. Financial Research does not provide any legal or accounting advice and is not qualified to prepare any legal or accounting documents.

Financial Research does not accept referral fees or any form of compensation or economic benefit from other professionals in return for the referral of a client or prospective client to them. In addition, Financial Research does not provide any compensation or economic benefit, directly or indirectly, for prospective clients which may be referred to the firm.

Custody

Financial Research does not maintain custody of any client assets. Custodial firms, such as Schwab and Vanguard, maintain actual custody of client assets. However, under government regulations, Financial Research may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account.

You will receive account statements directly from Schwab either on a monthly or quarterly basis, depending on account activity. Account statements will be sent to the email or mailing address you have provided to Schwab. Clients should review those statements when they are received. In addition, clients are encouraged to compare Schwab's account statements to the periodic portfolio reports that are received from Financial Research.

Investment Discretion

Financial Research provides all investment management services on a non-discretionary basis. The firm will advise a client of any recommended investment or securities transactions, but it is not responsible for the actual implementation of such transactions, unless the client provides specific verbal or written approval.

Voting Client Securities

As a matter of the firm's policy, Financial Research does not vote proxies on behalf of advisory clients nor does it have the authority to do so. Clients retain responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. However, upon request, Financial Research will provide advice to clients regarding the voting of proxies.

Financial Information

Financial Research, Inc. does not have any financial impairment that could impair the firm from meeting contractual or fiduciary commitments to clients, and the firm has not been the subject of a bankruptcy proceeding.

Financial Research is not required to provide a financial balance sheet because the firm does not serve as a custodian for client funds or securities and it does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.

Other Disclosure Documents

Business Continuity Plan

Financial Research, Inc. has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services, or key people. The plan covers natural disasters such as snow storms, hurricanes, fire, or flooding. The plan also covers man-made disasters such as loss of electrical power or communications outages.

Electronic files are backed up daily and archived both onsite and offsite. Alternate work locations are identified to support ongoing operations in the event that the main office is unavailable. A copy of the firm's full Business Continuity Plan is available upon request.

Privacy Statement

Financial Research, Inc. adheres to a specific privacy policy and is committed to maintaining the confidentiality, integrity, and security of personal information provided by clients, including nonpublic information about a client's personal finances which may be needed in order to provide financial planning or investment management services. This may include information received on applications, dataforms, or copies of other documents that have been provided by a client.

Financial Research maintains a secure office to ensure that clients' information is not placed at unreasonable risk, with physical, electronic, and procedural safeguards to comply with federal standards to protect confidential personal information. Personally identifiable information is maintained while Financial Research is providing services to clients, and for the period thereafter that records are required to be maintained by federal and state securities laws. After such time, information may be destroyed.

We require strict confidentiality in our agreements with non-affiliated third parties that may require access to clients' personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our company records and clients' personal records, as permitted by law. Financial Research will notify clients in advance if its privacy policy is expected to change. By law, financial advisors are required to deliver an updated Privacy Statement to clients, in writing, on an annual basis.

Upon a client's permission, Financial Research may disclose information to attorneys, accountants, or other third-party professionals with whom a client has established a relationship. With the client's specific permission, we may also disclose information to third-party financial consultants who may assist us in providing financial consulting services to the client. At any time, clients may ask that we no longer share information with non-affiliated third parties by notifying us of such opt-out requests either in writing, by phone, or in person.

Brochure Supplement: Part 2B of Form ADV

Supervised Persons: James H. Cowles, III
Date: December 31, 2010

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This brochure supplement provides information about James H. Cowles, III that supplements the Financial Research, Inc. brochure. You should have received a copy of that brochure. Please contact James Cowles if you did not receive Financial Research, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about James H. Cowles, III is available on the SEC's website at www.adviserinfo.sec.gov.

Education and Business Standards

Financial Research requires that any employee whose function involves determining or giving investment advice to clients must have either of the following:

- 1) Be a graduate from a four-year college.
- 2) Have at least three years' experience in the financial services industry.
- 3) Have professional credentials related to the financial services industry, such as the Certified Financial Planner™ (CFP®) designation.
- 4) Subscribe to the Code of Ethics of the National Association of Personal Financial Advisors (NAPFA) and the CFP® Board of Standards.
- 5) Be properly licensed for all advisory activities in which they are engaged.

Professional Certifications

The SEC requires that, if a professional designation is listed, the minimum qualifications for that designation must be explained in order for clients or prospective clients to understand the value of the designation. Professional designations listed in the brochure supplement are as follows:

Certified Financial Planner™

Certified Financial Planner™ and CFP® are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”). The CFP® certification is a voluntary certification; there are no laws or regulations that require financial planners to hold CFP® certification. To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

Education Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined are necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university. CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.

Examination Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances.

Experience Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year).

Ethics Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

Continuing Education Complete thirty hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field.

Fiduciary Standards Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

James H. Cowles, III

Title: President, Financial Research, Inc.
Year of Birth: 1955
Education: University of Washington, Bachelor of Arts, 1979
College for Financial Planning, 1992

Business Experience

During the periods of 1977-88 and 1990-91, Mr. Cowles was employed as a research analyst by the Bellevue, Washington branch office of Geldermann, Inc., a financial services subsidiary of Conagra, Inc. In his work as a research analyst, Mr. Cowles was directly involved with financial markets research and development of investment strategies.

Mr. Cowles is a graduate of The Lakeside School, located in Seattle, Washington, and received a BA degree from the University of Washington in 1979. In 1992, he was granted certification as a Certified Financial Planner by the College for Financial Planning, located in Denver, Colorado. Mr. Cowles is a member of the National Association of Personal Financial Advisors (NAPFA), located in Arlington Heights, Illinois, and the Financial Planning Association, located in Denver, Colorado.

Mr. Cowles has not had any legal or disciplinary events nor has he been the subject of any criminal or civil actions, administrative proceedings, or arbitration proceedings.

Mr. Cowles is the sole owner and president of Financial Research, Inc. In addition, he acts as the Chief Compliance Officer of Financial Research, Inc., overseeing all compliance activities. If you have any questions with regard to supervisory activities, please contact Mr. Cowles at (425) 657-2229.