

PALADIN INVESTMENT LLC

**Investment Advisor
4640 Somerset PI SE
Bellevue, WA 98006
(425) 747-8301**

To the client:

Paladin Investment LLC is registered with the Securities and Exchange Commission (“Commission”), SEC File Number 801-55396. This company also files notice filings with the State of Washington, the State of California, and the State of New York, the Commonwealth of Virginia, and the Commonwealth of Massachusetts. This brochure gives information about our investment advising service, fees and methods. This brochure also provides information on the education and business background of the managers. Under the Commission’s Brochure Rule, Paladin Investment LLC is required to furnish clients and prospective clients with a written disclosure that at least contains the same information as Part II of Form ADV as filed with the Commission. A copy of Part II of Form ADV is available on request. Paladin Investment LLC took over the business of Robert P Porter, Investment Advisor on March 31, 1998. The information in this brochure has not been approved or verified by any governmental authority and neither the Commission nor the Securities Administrator of the State of Washington has approved our qualifications or business practices.

—Robert P. Porter, President

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DEFINITIONS

Related Person - Any officer, director or partner of the investment advisor or any person directly or indirectly controlling, controlled by, or under common control with the investment advisor, including any non-clerical, non-ministerial employee.

Investment Supervisory Services - Giving continuous investment advice to a client (or making investments for the client) based on the individual needs of the client. Individual needs include, for example, the nature of other client assets and the client's personal and family obligations.

FORM OF ORGANIZATION

Paladin Investment LLC, an investment advisory business, is a limited liability company.

ADVISORY SERVICE AND FEES

Paladin Investment LLC provides investment supervisory services (comprising more than 98 percent of billings) and furnishes investment advice through consultations (comprising less than 2 percent of billings) to individuals. Paladin Investment LLC does not provide a financial planning service.

Paladin Investment LLC offers investment advisory and supervisory services for a percentage of assets under management, as agreed upon with the client. The advisor generally provides investment advice to individuals, trusts, and small retirement plans only. Hourly or fixed consultation fees are charged as negotiated.

FEE SCHEDULE

Service	Fee (% Assets Managed Per Year)
General supervisory service (includes stocks, bonds, and mutual funds) Mutual funds charge additional fees referred to in the funds prospectus.	0.5% of assets under \$2,000,000; 0.375% of assets above \$2,000,000.
Minimum Fee	\$500 per year

All fees are billed and payable at the end of the quarter based on assets under management at the end of the previous quarter. Service is terminated on demand with fees prorated. Fees are negotiable at the advisor's discretion. Managers and their immediate families are either not charged or may receive favorable fees. Hourly fees may be billed for occasional services.

TYPES OF INVESTMENTS

Paladin Investment LLC offers advice on the following:

1. Equity Securities
 - Exchange-listed securities
 - Securities traded over-the-counter
 - Foreign issuers
2. Warrants
3. Corporate debt securities (other than commercial paper)
4. Certificates of deposit
5. Municipal securities
6. Investment company securities
 - Mutual fund shares
 - Variable annuities
7. United States government securities
8. Options contracts on securities

No advice is offered on variable life insurance, futures contracts, partnerships, or other investments not previously described.

METHODS OF ANALYSIS and SOURCES OF INFORMATION

Paladin Investment LLC's security analysis techniques include:

- Charting Methods
- Fundamental Analysis
- Technical Methods
- Cyclical Analysis

The main sources of information used by Paladin Investment LLC include:

- Financial newspapers/magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Timing services
- Annual reports, prospectuses, filings with the SEC (Securities Exchange Commission)
- Company press releases

INVESTMENT STRATEGIES

We seek investments with attractive risk-reward ratios, without preconceptions about where we will find the best opportunities. Our only rule is to keep overall portfolio risk under control, even though it cannot be eliminated.

We prefer to buy good companies at substantial discounts to their intrinsic value. We look for market leaders with strong finances, and able management that place shareholders first. We insist on high return on capital and a record of exceptional long-term performance even though this cannot guarantee future results. Paying too high a price, even for an excellent company, substantially

increases the risk of any deterioration in company fundamentals and of poor investment return.

Sound companies in a beleaguered industry can be good opportunities. Their predicament may be due to weakened business climate, legal or regulatory pressures or other issues we believe are temporary. These companies may be available at depressed prices, offering significant potential with acceptable risk. Occasionally, we will engage in arbitrage, including liquidations, announced buyouts and tender offers. This is a way to commit excess cash, with acceptable risk, for short periods while waiting for long-term opportunities.

We will allocate capital among fixed income, quality equities, and beleaguered equities based on each client's risk and financial profile. Usually we buy individual securities, but we can include mutual funds at client request.

We are most effective when we manage all of a client's stocks, bond, and funds and that is the relationship we prefer.

EDUCATION AND BUSINESS STANDARDS

The general standards of education and business experience that Paladin Investment LLC requires of those involved in determining or giving advice to clients is:

- Registration as investment advisor representative in the appropriate jurisdictions including passing all required qualifying examinations
- College or university degree
- Five years corporate or equivalent experience

The backgrounds of the managers are given below.

OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

The advisor is not registered (nor does he have an application pending) as a securities broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor.

The advisor does not have any arrangements material to his investment advisory business or his clients with a related person who is a broker-dealer, an investment company, another investment advisor, a commodity or futures dealer or advisor, a bank or thrift institution, an accounting firm or law firm, an insurance company or agent, a pension consultant, a real estate broker or dealer, or an entity that creates or packages limited partnerships. The advisor is not a general partner in any partnership in which clients are solicited to invest.

PARTICIPATION/INTEREST IN CLIENT TRANSACTIONS

The advisor does not act as principal buying securities from any client or selling securities he owns to any client. The advisor does not act as a broker or agent by effecting securities transactions for compensation for any client or for any person

The advisor recommends to clients that they buy or sell securities or investment products in which the advisor or any related person buys or sells for itself. The advisor will, from time to time, buy and sell securities for his or a related person's account and for client accounts by placing orders with an unrelated broker/dealer. He receives no compensation (financial or otherwise) for buying any security or placing any order. He intends to minimize conflict of interest by buying and selling actively traded securities listed on national exchanges or on the NASDAQ National Market System or by buying open-ended mutual funds. Further, to avoid a conflict of interest, he intends to place customer orders prior to or simultaneously with daily orders for managers' accounts. He has no control over the actual time of execution of any trade, and cannot guarantee that clients will always obtain a better or equal price. He will disclose managers' trades on written request.

The advisor and related persons reserve the right to trade for their own accounts in some thinly traded securities which they believe are unsuitable for client accounts or available share volumes are inadequate for client accounts.

SUMMARY OF CODE OF ETHICS

(Complete copy on request)

Insider Trading Policy

The Investment Advisor and related Investment Advisor Representatives do not seek inside information and do not initiate recommendations or trades on the basis of any material information that they may learn unintentionally from non-published sources. Any member of the firm found soliciting or trading on material inside information will be dismissed and reported to the appropriate authority.

Ensuring Best Possible Execution of Client Trades

It is the Advisor's goal to achieve the best possible execution of client trades. The Advisor balances many factors when deciding how to execute trades. He has other brokers that he can and will use for securities that have special requirements such as corporate bonds and foreign securities. He can also decide whether to use a phone broker or place his order on line. Some of the factors he weighs on any trade is execution capability, price, market liquidity, financial responsibility, broker responsiveness, and any client restrictions. Advisor chooses custodial broker based on account management services, competitive commissions and other client costs, and the stability of the firm.

Other Business Practices

Paladin Investment LLC, Investment Advisor and its employees recognize that they have a fiduciary responsibility to act primarily for the benefit of their clients. Accordingly they do not engage in unethical business practices in addition to those discussed above. These practices that they specifically avoid include unsuitable recommendations, exercising discretionary power without timely authority, excessive trading, placing orders without having client authority, borrowing from or lending to a client, misrepresenting the qualifications of the adviser and its employees, misrepresenting the services to be provided and the fees to be charged, charging a client an unreasonable advisory fee, guaranteeing a client that a specific result will be achieved, disclosing the client's personal information, and knowingly taking custody of client funds or securities other than deducting advisory fees directly from client accounts.

The adviser and its employees will disclose any unpublished third-party reports and recommendations to clients. They will disclose any material conflict of interest which reasonably could be expected to impair the rendering of unbiased and objective advice including compensation arrangements other than client fees. They will not publish or distribute any advertisement knowingly containing untrue statements.

All investment advisory contracts will be in writing, will describe the services provided, the term of the contract, the advisory fee, the formula for computing the fee, whether the contract grants discretionary power to the adviser and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract.

CONDITIONS FOR MANAGING ACCOUNTS

Paladin Investment LLC does not impose a minimum dollar value of assets or other conditions for starting or maintaining an investment supervisory or advisory account.

REVIEW OF ACCOUNTS

Account Reviews

The manager (Porter) frequently reviews all accounts to check for proper execution of orders and proper crediting and debiting of all money. He also frequently evaluates, depending on market conditions, the effect of market action on each account. Monthly statements from the custodial broker are reconciled with the advisor's records for the above items and additional items such as dividends and margin interest.

Regular Reports to Clients

The custodial broker provides confirmations of all trades directly to clients, and provides timely monthly statements to clients documenting all transactions. The client has access at any time to positions held and other account detail by contacting the custodial broker directly or through the advisor. The advisor

provides quarterly and annual reports showing the portfolio at the end of the reporting period and documenting the performance of the client's account.

PROXY VOTING

Most clients delegate voting proxy statements and other issuer communications to us. After review, we follow management's voting recommendations in the vast majority of cases. There are circumstances, mostly unforeseeable, where we may vote in opposition to management. We will disclose this to you, with our reasons, in our quarterly report if we make a judgment that the matter is sufficiently important. If you receive e-mail, we may disclose our vote to you soon after we make our decision. We will not vote smaller stock holdings where we judge that the minimal impact of our vote is offset by the costs of voting and record keeping. If this bothers you because you may own one of these smaller positions, you may not want to delegate your voting.

We will keep copies of our votes for 5 years and will disclose these to you on request except for negative votes, which we will disclose to you as described previously. We will keep a record of our reasons for any negative vote.

INVESTMENT/BROKERAGE DISCRETION

The advisor, by contractual agreement with individual clients, has a limited power of attorney that gives the advisor authority to determine, without obtaining specific client consent, which securities and what amount are bought or sold for their accounts. The agreement also designates the custodial broker, normally Charles Schwab. The client agrees to the execution of trades with other brokers by executing a prime broker amendment to his account with the custodial broker. A fee is charged each account receiving securities when using prime broker services at our primary custodial broker, Charles Schwab. We use other brokers that can supply better execution of trades in specific securities. Commissions are negotiated with these brokers often on a trade by trade basis.

It is common industry practice for Investment Advisors to aggregate client orders for the purchase or sale of securities. The Advisor sometimes executes block trades through his master account at Charles Schwab. Advisor's Investment Advisory Agreement with each client, Article 1(a) and Article 2(e), authorizes aggregation of trades. Aggregating client orders permits more efficient, but does not guarantee best possible, execution of trades because all orders are entered with the broker simultaneously. An allocation statement is prepared in advance of the trade showing the planned allocation. If the order is filled only in part, the Advisor allocates shares on a pro rata basis unless he determines that a pro rata allocation is disadvantageous to the client (e. g. where a pro rata allocation would result in a few shares being allocated among a number of accounts, possibly leading to excessive commission costs relative to the value of the security that would be acquired). The Advisor may allocate shares randomly when he does

not use a pro rata allocation. The advisor's broker charges a separate commission on each trade that is aggregated. Orders for the Advisor, his employees, and principals may be included in a block trade.

Recommendation of Broker/Dealers

Adviser recommends Charles Schwab & Co based on account management and custodial services, competitive commissions, and his best judgment of the stability and safety of the firm. The broker is expected to emphasize low commissions and good account service. Adviser reserves the right to accept the client's choice of broker or to refuse to accept or continue with client if the client's broker is not acceptable to the adviser.

Clients trading through Charles Schwab benefit from the waiver of fees for electronic account services. The waiver is based on total assets at Schwab. Schwab's brokerage commissions charged to advisor's clients did not change after these fees were waived. Brokers may provide additional research services such as newsletters, company and market evaluations that might be used in servicing some or all of the advisor's accounts and might not be used in connection with accounts that have paid commissions to that broker. It is possible that clients may pay commissions greater than those charged by other brokers that do not provide or waive fees for electronic account and research services.

The Advisor does use his business volume to negotiate favorable commission schedules. These are made available to all clients and to employees of the firm. The agreement with Charles Schwab, Inc. benefits most clients and the commission schedule is available on request.

ADDITIONAL COMPENSATION

The advisor does not receive economic benefit from non-clients in connection with giving advice to clients, and does not directly or indirectly compensate any person for client referrals.

BALANCE SHEET

Since the advisor does not have custody of client funds or securities and does not require prepayment of fees, he is not required to provide a balance sheet as part of the information required by Part II, Form ADV as filed with the Commission.

LEGAL PROCEEDINGS

The advisor is not now nor has he ever been involved in any court or regulatory action directly or indirectly related to the investment advisory business.

MANAGERS' BACKGROUND

Robert P. Porter

Personal

Born 9/21/42

Registration

Registered with the Securities and Exchange Commission effective November 15, 1991, and registered with the State of Washington effective December 1, 1991. Successfully completed the General Securities Principal Examination (10/23/91) and the Uniform Securities Agent State Law Examination (1/21/93) administered by the National Association of Securities Dealers.

Paladin Investment LLC is the successor company to Robert P Porter, Investment Advisor, which was registered in the Commonwealth of Virginia on January 11, 1993 and was assigned CRD # 31253 by the NASAA/NASD Central Registration Depository. Registration as an Investment Advisor Representative in the Commonwealth of Virginia was effective on February 4, 1993. His CRD number is 2190350. He registered as an investment advisor and investor advisor representative in the Commonwealth of Massachusetts effective April 30, 1994.

Education

Ph.D. in Electrical Engineering
Northeastern University, 1970

E. E., S.M.E.E., S.B.E.E. in Electrical Engineering
Massachusetts Institute of Technology (MIT), 1966

Recent Business Background/Employment

Senior Manager
Paladin Investment LLC
(Formerly Robert P. Porter, Investment Advisor)
1991-present

Professor, Department of Electrical Engineering
University of Washington
1989-1998

Ronald P. Stein

Personal

Born 10/22/43

Registration

Registered in the state of Washington. Successfully completed the General Securities Principal Examination (11/8/97) and the Uniform Investment Advisor State Examination (10/11/97) administered by the National Association of Securities Dealers.

Education

Ph.D. in Physics

The Pennsylvania State University, 1974

MS in Physics

University of Colorado, 1967

BS in Physics

The Pennsylvania State University, 1965

Recent Business Background/Employment

Manager

Paladin Investment LLC

(Formerly Robert P. Porter, Investment Advisor)

1997-present

Senior Physicist, Applied Physics Lab

University of Washington

1978-2000

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