

PALADIN INVESTMENT LLC

Form ADV Parts 2A and 2B

Investment Advisor
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ITEM 1 – PART 2A COVER PAGE

Paladin Investment LLC (CRD # and IARD #107914) is registered with the Securities and Exchange Commission (“Commission”), SEC File Number 801-55396. This company is also registered with the State of Washington and the State of New York.. This brochure gives information about our investment advising service, fees and methods. The brochure supplement also provides information on the education and business background of the manager. The information in this brochure has not been approved or verified by any governmental authority nor does registration imply a certain level of skill or training. Neither the Commission nor any state securities authority has approved our qualifications or business practices. If you have any questions about the contents of this brochure, please contact us at 425-747-8301 or, by email, at porter@alum.mit.edu.

—Robert P. Porter, President and CCO

ITEM 2 - MATERIAL CHANGES SINCE LAST FILING

The Advisor has eliminated the Minimum Fee and hourly charges, and no longer offers Consultation Services (ITEM 5 - FEES AND COMPENSATION). Changes have been made to Form ADV Parts 2A and 2B to conform to changes requested by the State of Washington, Department of Financial Institutions, Securities Division.

ITEM 3 - TABLE OF CONTENTS

ITEM 1 – PART 2A COVER PAGE.....	1
ITEM 2 - MATERIAL CHANGES SINCE LAST FILING.....	1
ITEM 3 - TABLE OF CONTENTS	2
ITEM 4 - ADVISORY SERVICE	3
ITEM 5 - FEES AND COMPENSATION	3
ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT	4
ITEM 7 – TYPES OF CLIENTS.....	4
ITEM 8 - INVESTMENT STRATEGIES	5
ITEM 9 - DISCIPLINARY INFORMATION	6
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS.....	6
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING	6
ITEM 12 - BROKERAGE PRACTICES	8
ITEM 13 - REVIEW OF ACCOUNTS	9
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION	10
ITEM 15 - CUSTODY	10
ITEM 16 - INVESTMENT DISCRETION	10
ITEM 17 - VOTING CLIENT SECURITIES	10
ITEM 18 - FINANCIAL INFORMATION	11
ITEM 19 - REQUIREMENTS FOR STATE REGISTERED ADVISORS.....	11
ITEM 1 - FORM ADV PART 2B - SUPPLEMENT, ROBERT P PORTER, MANAGER.....	12
ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE	12
ITEM 3 - DISCIPLINARY INFORMATION	13
ITEMS 4 & 5 - OTHER BUSINESS ACTIVITIES AND COMPENSATION	13
ITEM 6 - SUPERVISION	13

ITEM 4 - ADVISORY SERVICE

Paladin Investment LLC, a limited liability company, owned and managed by Robert P Porter, provides investment supervisory services and furnishes investment advice to individuals, families, and retirement accounts. Paladin Investment LLC does not provide a financial planning service. The company was founded on March 31 1998 when it took over the business of Robert P Porter, Investment Advisor, which had been an investment advisor since November 15, 1991.

Paladin Investment LLC does not have other businesses such as securities broker-dealer or futures trader. See Item 10-Other Financial Industry Activities or Affiliations.

The advisor does buy and sell securities for the principal, Robert P Porter, and members of his family that it recommends to and purchases for clients. See Item 11-Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading for more detail. To avoid a conflict of interest, he places client orders prior to or simultaneously with daily orders for the manager's and his family's accounts.

The advisor provides advice on a broad range of publicly traded assets including stocks, bonds and mutual funds. See Item 8 – Investment Strategies for more detail on the types of investments. The client grants the advisor discretion to choose and purchase investments through a custodial broker (See Item 16 – Investment Discretion.), but the client can request to approve an investment before it is made.

The advisor tailors advice to the needs and risk levels of individual clients. Clients can specify the desired distribution of their portfolio between equities and fixed income. Clients can also specify their risk tolerance. Clients may also specify types of securities that they wish to exclude from their portfolio. The advisor typically looks for undervalued (by his estimate) investments using many methods to find and analyze them. See Items 7 and 8 for more detail.

The company manages total assets, including clients and principal, of \$62,635,000 as of December 31, 2011. Assets managed on a discretionary basis totaled \$62,570,000 and on a non-discretionary basis totaled \$61,000 on that date.

ITEM 5 - FEES AND COMPENSATION

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.

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. Custodial broker charges commissions for each trade and may charge custodial fees under some circumstances.	0.5% of assets under \$2,000,000; 0.375% of assets above \$2,000,000.

All fees are billed and payable at the end of the quarter based on assets under management at the end of the previous quarter. When authorized in writing by the client, fees for advisory services are paid by the client's custodian after sending the bill to the client, with a note that the fees will be paid directly by the custodian. Clients may select whether to have fees deducted from their account or to be billed directly. 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.

ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The advisor does not charge performance-based fees. See the previous section for the fee schedule.

ITEM 7 – TYPES OF CLIENTS

Paladin Investment LLC provides investment supervisory services to individuals, families, retirement accounts, and pension plans..

A prospective client can open an account after a discussion with a principal of the firm, agreeing to and completing an Investment Advisory Agreement, and completing an Investment Profile describing the client's investment philosophy, risk tolerance, securities restrictions, financial background, and investment objectives.

Client and advisor will discuss and agree on the custodial broker, normally Charles Schwab. The advisor will provide necessary applications and transfer forms to move assets from client's current broker to the broker mutually agreed upon.

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

ITEM 8 - 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. Client must realize that investing in securities involves risk of loss which clients should be prepared to bear. Client must also realize that we make no attempt to create fully diversified portfolios in foreign and domestic stocks, bonds, cash and equivalents, and alternative assets such as commodities.

Typical investments held in client portfolios include:

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
 - Exchange traded funds
 - Variable annuities
7. United States government securities
8. Options contracts on securities

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

Our preferred investment is 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. Client must be aware investing even in generally recognized quality companies still involves risk of loss that the client should be expected to bear.

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 longer-term opportunities. Clients must be aware that some of these investments have higher risk of loss, including loss of the entire investment, than our preferred investments.

We use many methods to find and analyze securities including fundamental analysis, cyclical analysis, and charting and technical analysis. We use information primarily gleaned from annual reports, prospectuses, filings with the SEC (Securities Exchange Commission) or similar foreign agencies, financial newspapers and magazines, inspections of corporate activities, company press release, research materials prepared by others, corporate rating services, and timing services. All of these methods have an element of risk due to errors in reports and documents, misstatements by company officials or other analysts, and misunderstanding by us. We prefer to use material as close as possible to company source material and to make our own interpretation. Our ability to analyze an investment is limited by our own capabilities and the time we have available to us.

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.

ITEM 9 - DISCIPLINARY INFORMATION

The advisor is not now nor has he ever been involved in any legal or disciplinary event directly or indirectly related to its investment advisory business or its management personnel.

ITEM 10 - 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.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

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 brokers based on account management services, competitive commissions, 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.

Participation or Interest in Client Transactions and Personal Trading

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 (principally the manager's family) 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 places client orders prior to or simultaneously with daily orders for the manager's and his family's 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 manager's and his family's trades on written request.

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

ITEM 12 - BROKERAGE PRACTICES

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.

ITEM 13 - 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 written reports showing the portfolio at the end of the reporting period and documenting the performance of the client's account.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

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

ITEM 15 - CUSTODY

Clients will receive account statements directly from the qualified custodian, usually Charles Schwab, or other broker-dealer, that maintains those assets. Clients should carefully review the account statements they receive from the qualified custodian. Clients are also urged to compare our quarterly reports with the account statements they receive from the qualified custodian. Comparing statements allows clients to determine whether account transactions, including deductions to pay advisory fees, are proper.

The Advisor does not accept custody of client funds nor does he have the authority to direct funds from or between client accounts.

When authorized in writing by the client, he sends bills for advisory services directly to the client's custodian after sending the bill to the client, with a note that the fees will be paid directly by the custodian. The bill notifies the client of the calculation and amount of the fee. The custodian notifies the client in its monthly statements of the amount paid to the advisor. Clients are urged to compare fee payments shown on custodian quarterly statements with the bill included in our quarterly report to the client.

ITEM 16 - INVESTMENT 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.

The client may request in the Investment Profile that the advisor exercise limited discretion subject to prior discussion. The advisor will choose the approximate amount and timing of the investment. Alternatively, the client can request discussion before an investment is made. Then the advisor only acts after the amount and timing are agreed upon.

ITEM 17 - VOTING CLIENT SECURITIES

Clients can choose to 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.

ITEM 18 - FINANCIAL INFORMATION

The advisor does not have custody of client funds or securities, except for direct payment of fees, and does not require prepayment of fees. For this reason, he is not required to provide a balance sheet as part of the information provided to clients.

The advisor does not know of any financial condition that would impair the advisor's ability to meet contractual commitments to clients.

ITEM 19 - REQUIREMENTS FOR STATE REGISTERED ADVISORS

- A. See Part 2B, ITEM 2 below.
- B. See Part 2A, Item 10 and Part 2B, Items 4 & 5.
- C. The advisor does not charge performance-based fees.
- D. The advisor has not been involved in any of the events listed below:
 - 1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
 - (a) an investment or an investment-related business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.
 - 2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
 - (a) an investment or an investment-related business or activity;
 - (b) fraud, false statement(s), or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.
- E. The advisor and its management person has no relationship or arrangement with any issuer or securities.

**ITEM 1 - FORM ADV PART 2B - SUPPLEMENT, ROBERT P PORTER,
MANAGER**

**PALADIN INVESTMENT LLC
Manager and Investment Adviser Representative
DOB 9/21/1942
CRD # 2190350
2/4/2012**

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

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 Series 24 (10/23/91) and the Uniform Securities Agent State Law Examination (1/21/93) Series 65 administered by the National Association of Securities Dealers.

Paladin Investment LLC is the successor company to Robert P Porter, Investment Advisor. Paladin Investment LLC was a Notice Filer in Washington between 1999 and 2012 when his Washington registration was approved.

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

Business Background/Employment

Manager, President and Chief Compliance Officer
Paladin Investment LLC
(Formerly Robert P. Porter, Investment Advisor)
1991-present

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

ITEM 3 - DISCIPLINARY INFORMATION

Robert P Porter, Manager is not now nor has he ever been involved in any legal or disciplinary event directly or indirectly related to his investment advisory practice.

ITEMS 4 & 5 - OTHER BUSINESS ACTIVITIES AND COMPENSATION

Robert P. Porter is not involved in other business activities that would be in conflict with his responsibilities to Paladin Investment LLC and its clients. He does not receive any compensation, including bonuses and non-cash compensation, other than fees described above, based on the sales of securities or other investment products.

He does manage Ripcurl LLC, a family limited liability company, whose members are his children, grandchildren and himself. This entity is managed in the same manner as his other personal assets and those of his family. As discussed in Item 11 in the section Participation or Interest in Client Transactions and Personal Trading, to avoid a conflict of interest, he places client orders prior to or simultaneously with daily orders for the manager's and his family's accounts. He estimates that he spends 1 or 2 hours per week on matters unique to this entity. He does not receive any compensation for these management activities.

ITEM 6 - SUPERVISION

Robert P. Porter is the sole investment professional in Paladin Investment LLC and is responsible for all investment and compliance matters. His office is located at 4640 Somerset PI SE, Bellevue, WA 98006. He can be reached by phone at (425) 747-8301 or by e-mail at porter@alum.mit.edu.