

Form ADV Part 2A

Brochure Cover Page

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Adirondack Research & Management, Inc (hereinafter "ARMI" or "Advisor") is registered with the State of New York as a Registered Investment Advisor. Please note that registration does not imply a certain level of skill or training.

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This brochure provides information about the qualifications and business practices of Adirondack Research & Management, Inc. If you have any questions about the contents of this brochure, please contact mreiner@adirondackfunds.com. 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 Adirondack Research & Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 4: Advisory Business

Adirondack Research & Management Inc. (ARMI) was formed in 2004 to provide portfolio management services based on individual security selection. ARMI advises Separately Managed Accounts (SMAs) and the Adirondack Small Cap Fund (The Fund). Specifically,

- **The clients of the Separately Managed Accounts** permit ARMI to invest in a broader range of publicly traded, equity (large cap, mid cap, small cap, funds, ETF's) and fixed income securities. ARMI tailors its advisory services to the individual needs of clients by conducting an initial interview, providing individual treatment, actively monitoring accounts, providing consultation when applicable, and furnishing periodic notice of transactions and statements and reports. (For further detail, please refer to Item 13, Review of Accounts.)
- **The Adirondack Small Cap Fund** invests primarily in publicly traded (U.S. exchanges) companies with market capitalizations of less than \$3 billion dollars.

All transactions common to the Fund and the SMA's are blocked to insure consistent and fair execution. ARMI has complete trading discretion for all accounts under management. As of the end of March 2011, assets under management for both the Adirondack Small Cap Fund and the Separately Managed Accounts totaled approximately \$73MM.

Adirondack Research & Management Inc. provides "Fee Based" asset management services only. Fees are assessed as percentage of assets under management and not conditioned on performance or trading volume. ARMI does not offer financial planning services nor does it offer commission based products such as Life Insurance, Annuities, or Loaded Funds with 12b-1 fees. At present, ARMI does not participate in wrap fee programs.

The principal owners are Matthew Reiner, Gregory Roeder and Louis Morizio.

Item 5: Fees and Compensation

ARMI is compensated for its advisory services based on the following:

Separately Managed Accounts:

The annual fees for investment management services are as follows:

<i>Asset Class</i>	<i>Annual Fee</i>
Money Market	0.00%
Fixed Income	.50%
Equities	1.00%

In consideration for its services under this Investment Advisory Agreement, the Client agrees to pay ARMI a fee in arrears after the last business day of each quarterly period. Said fee shall be calculated for each asset based upon the fee schedule noted above. Investment management fees will be calculated using the average month-end market values for each asset class during the quarter. Accounts that are opened mid-month will be charged a management fee that is prorated for the number of days the account is opened in that month.

Client authorizes management fees to be deducted from the Account and will provide the Account custodian written authorization to have fees deducted and paid to ARMI. ARMI will provide the Account custodian with a fee statement. The Account custodian will send Client a statement at least quarterly indicating all amounts disbursed from the Account including the amount of advisory fees paid directly to ARMI. At present, fees are not negotiable.

The Adirondack Small Cap Fund:

ARMI charges a 1.25% annual management fee which is accrued on a daily basis and deducted from the Net Asset Value. At present, fees are not negotiable.

Item 6: Performance-Based Fees and Side-By-Side Management

ARMI does not accept performance-based fees.

Item 7: Types of Clients

ARMI provides investment advice generally to individuals and investment companies.

Separately Managed Accounts:

Typically the minimum investment for the SMA is \$200,000.

The Adirondack Small Cap Fund:

The Adirondack Small Cap Fund requires a minimum investment of \$3,000 to open a taxable account and \$1,000 to open an IRA. ARMI will waive the required minimum initial investment (for both regular accounts and tax qualified retirement plans) for shareholders that are new to the Fund and that open their accounts with the automatic investment option.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

For both Separately Managed Accounts and the Adirondack Small Cap Fund, ARMI incorporates independent thinking, patience and strict value criteria when selecting investments. The strategy begins with screening for valuation, earnings quality,

improving trends, and strengthening balance sheets. Fundamental analysis is then performed to develop an in-depth understanding of a company's business model and financial health as well as any industry issues. Sources of information include, but are not limited to, filings with the Securities and Exchange Commission, annual reports, prospectuses, company press releases, research materials prepared by others, corporate rating services, financial news outlets and conversations with the company's management. Investment strategies may include long term purchases (securities held at least a year) and short term purchases (securities sold within a year), short sales, and option writing, including covered options, uncovered options or spreading strategies.

Investing in securities involves risk of loss that clients should be prepared to bear.

Separately Managed Accounts:

The SMA clients permit ARMI to invest in a broader range of publicly traded, equity (large cap, mid cap, small cap, funds, ETF's) and fixed income securities.

The Adirondack Small Cap Fund:

The Fund invests primarily in publicly traded (U.S. exchanges) companies with market capitalizations of less than \$3 billion dollars. Adirondack uses a "middle-down" research approach which identifies attractive industries for investment, eventually paring down to the companies in those industries that make attractive additions to the Fund.

Four principles guide Adirondack's investment choices:

1. Companies that are out of favor (little or no research coverage, industry in transition, new management).
2. Companies in sectors with encouraging trends (margins and profitability trends improving, balance sheet and cash flow trends strengthening).
3. Companies with improving competitive positions (reinvigorated work force, competition is exiting, new products).
4. Companies that manage assets widely (sensible buybacks and/or debt reduction, smart acquisitions, insider buying).

Adirondack allocates capital to those companies that have the best chances of regaining investor support over a three to five year horizon.

In order to minimize risk, the portfolio has exposure guidelines and implements a sell discipline which includes selling positions when price targets are reached, reducing positions exceeding 5% of portfolio, and selling when investment thesis changes.

It should be noted, however, to the extent the Fund invests in the stocks of smaller-sized companies, the Fund may be subject to additional risks. The earnings and prospects of these companies are more volatile than larger companies. Smaller-sized companies may experience higher failure rates than do larger companies. Smaller-sized companies may have limited markets, product lines or financial resources and may lack management experience.

Item 9: Disciplinary Information

There are no legal or disciplinary events against ARMI.

Item 10: Other Financial Industry Activities and Affiliations

ARMI is not registered nor has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Additionally, ARMI is not registered, nor has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

ARMI has adopted a Code of Ethics. Below is a summary of the policy. ARMI will provide a copy of its code of ethics to any client or prospective client upon request.

Code of Ethics:

The anti-fraud provisions of the Investment Advisers Act of 1940 and federal and state rules and regulations make it unlawful for an investment advisor to directly or indirectly "employ any device, scheme or artifice to defraud client or prospective client" or to "engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client." ARMI requires all of its employees and service providers to conduct business with the highest level of ethical standards and to comply with all applicable federal and state securities laws. It is the CCO's responsibility to ensure that ARMI, and anyone associated with it, conduct business with the highest level of ethical standards. He/she will be responsible for establishing procedures to prevent and detect any violations of firm or regulatory rules and regulations. In addition, he/she will be responsible for ensuring that all employees fully understand ARMI's policies and procedures and that a review system is established to make sure that these policies and procedures are effective and adhered to by all employees. The CCO will be responsible for ensuring that all employees receive a copy of, understand and agree to comply with ARMI's policies and procedures. All employees will sign a written acknowledgment that they have read, understand and agree to comply with all policies and procedures, including ARMI's Code of Ethics. All employees will be required to review these policies and procedures on an annual basis and will sign an annual acknowledgment. The CCO will be responsible for notifying all employees of any changes to any policies and procedures including this Code of Ethics.

ARMI has the responsibility to ensure that the interests of its clients come first. All ARMI's employees will conduct business in an honest and fair manner. Full disclosure

of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. In addition, ARMI has the responsibility to avoid all circumstances that might negatively affect or appear to affect its duty of complete loyalty to its clients. No one associated with ARMI will engage in any conduct or act, directly, indirectly or through any other person that would be unlawful for such person to do under the provisions of any rules and regulations.

Any person engaging in an unethical business practice is subject to dismissal.

Participation or Interest in Client Transactions and Personal:

In regards to Separately Managed Accounts, ARMI may recommend clients invest in an investment company, as defined by the SEC 1940 Act (Mutual Fund), that is advised by ARMI. If the client chooses to invest in a fund advised by ARMI, ARMI will waive its management fee on the portion of the assets invested in the fund. When acting in capacity as an Investment Advisor to Separately Managed Accounts, ARMI has a fiduciary duty to these clients. This means all investment recommendation and decisions will be based on each individual's clients needs, goals and objectives. If ARMI recommends or invests in a mutual fund which ARMI advises it will only be done upon analysis and determination that the investment is suitable and in the clients best interest.

According to the Investment Advisors Act of 1940, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the interest of each client. The advisor has established a Code of Ethics that all associated persons must read. They then must execute an acknowledgment that they understand and agree to comply with the advisors code of ethics. The advisor has the responsibility to make sure that the interest of clients is placed ahead of it or its associated persons own interests. All associated persons will conduct business in an honest, ethical and fair manner. All associated persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of the advisors Code of Ethics. If current clients or potential clients wish to review the advisors Code of Ethics in its entirety a copy may be requested from any of the advisors associated persons and a copy will be provided promptly.

From time to time, ARMI and its associated persons may purchase or sell securities for their own (proprietary) accounts. The positions they purchase or sell may be the same as, similar to or the opposite of positions they recommend to their clients. Client transactions always take precedence over any proprietary account activity. ARMI has

established the following investment policy procedures regarding proprietary account activity.

*Client transactions are always processed prior to or along with transactions of principals or employees of the applicant.

For example, if a portfolio manager employed by the applicant desires to purchase security "XYZ" security for himself and clients he may either do a block trade that executes at the same price as clients or he may purchase "XYZ" security after client transactions are complete.

Item 12: Brokerage Practices

ARMI's brokerage practices are as follows:

Separately Managed Accounts:

ARMI does not have the authority to determine the broker or dealer to be used without obtaining specific client consent. Clients are charged a transaction fee, which is based on the number of shares sold and the size of the clients account at our custodian. Transaction fees represent execution services only.

Clients wishing to utilize ARMI's services are free to select any broker they wish and are so informed. As advisor, ARMI recommends certain brokers it believes have high quality reputations and in its opinion provides high quality back office support.

The Adirondack Small Cap Fund:

ARMI has the ability to direct brokerage commissions to brokers that provide research as well as transaction services. Price, execution capability, financial responsibility, responsiveness of the broker-dealer and the quality of research services provided are key elements in determining commission allocation. In addition, ARMI does have a soft dollar arrangement whereby ARMI has the authority to select a broker-dealer who may charge a higher commission in recognition of the value of the product or service provided.

Item 13: Review of Accounts

ARMI's accounts are reviewed on a regular basis.

Separately Managed Accounts:

1. Initial Interview – an initial interview is conducted with Client (either in person, by telephone conference, and/or via a questionnaire) to determine Client's financial circumstances, goals, acceptable levels of risk and other relevant circumstances.

2. Individual Treatment – Client's Account is managed on the basis of the Client's financial circumstances and investment objectives.
3. Monitoring – Client's Account will be monitored through ongoing portfolio holding reviews. Client is encouraged to meet with Advisor at least annually to discuss Client's investment objectives, needs and goals and to keep Advisor informed of any changes regarding same.
4. Consultation Available – Advisor will be reasonably available to consult with Client relative to the status of Client's Account.
5. Notice of Transactions – Client will receive at least monthly, notice of all transactions in Client's Account.
6. Statements and Reports – Client will receive a quarterly statement containing a description of all activity in the Client's Account. Advisor and/or Account custodian will provide Client with periodic investment reports showing the Assets and market values for each security included in the Assets.

All interactions with the client are conducted by a Registered Investment Advisor.

The Adirondack Small Cap Fund:

Investments are reviewed daily. Direct investors are provided a quarterly statement by the Fund's transfer agent, Mutual Shareholder Services, and also have online access to their accounts.

Item 14: Client Referrals and Other Compensation

Not applicable.

Item 15: Custody

ARMI does not have custody of client funds or securities.

Separately Managed Accounts:

SMA relationships will be established and maintained at Fidelity Investments. Prior to establishing a client account, each client will complete a new account application and any additional paperwork required by Fidelity Investments. The client and the investment advisor on the account will sign the new account application. It will then be reviewed and approved by an ARMI principal. Fidelity Investments will maintain custody of all funds and securities. Fidelity provides monthly statements direct to the client. Clients should carefully review those statements.

The Adirondack Small Cap Fund:

For clients on the Adirondack Small Cap Fund, The Huntington National Bank, NA maintains custody of all funds and securities. Direct investors are provided a quarterly statement by its transfer agent, Mutual Shareholder Services. Clients should carefully review those statements.

Item 16: Investment Discretion

ARMI has investment discretion for all accounts under management.

Separately Managed Accounts:

ARMI maintains the authority to determine securities bought or sold provided that the portfolio as a whole meets the investment objectives and risk parameters as agreed upon with the client. Discretionary authority is limited in that the applicant is prohibited from withdrawing funds and/or securities from client accounts. Clients may impose restrictions on investing in certain securities or types of securities.

The Adirondack Small Cap Fund:

ARMI maintains the authority to determine securities bought or sold provided that the portfolio as a whole meets the investment objectives and risk parameters as defined by the Fund.

Item 17: Voting Client Securities

ARMI's voting policy is as follows:

Separately Managed Accounts:

ARMI and its employees do not vote proxies on behalf of Separately Managed Account (SMA) clients. Those clients are instructed to read through the information provided with the proxy documents and make a determination based on the information provided. In some instances, upon request from a client, an investment advisor representative of ARMI may give recommendations or clarifications based on their understanding of the issues presented in the proxy materials. However, SMA clients will be solely responsible for all proxy-voting decisions.

New clients are given the choice as to whether to receive their proxies or other solicitations directly from their custodian or a transfer agent or from ARMI. If clients have questions about a particular solicitation, an ARMI Investment Advisor is always accessible either via phone, mail or email.

The Adirondack Small Cap Fund:

ARMI exercises its proxy voting rights with regard to the companies in the Fund's investment portfolio, with the goals of maximizing the value of the Fund's investments, promoting accountability of a company's management and board of directors to its shareholders, aligning the interests of management with those of shareholders, and increasing transparency of a company's business and operations.

In general, the Board of Trustees of the Fund believes that since ARMI selects the individual companies that are part of the Fund's portfolio, they are, therefore, the most

knowledgeable and best suited to make decisions about proxy votes. Therefore, the Trust defers to and relies on ARMI to make decisions on casting proxy votes.

In some instances, ARMI may be asked to cast a proxy vote that presents a conflict between the interests of a Fund's shareholders, and those of ARMI or an affiliated person of ARMI. In such a case, ARMI is instructed to abstain from making a voting decision and to forward all necessary proxy voting materials to the Fund to enable the Board of Trustees to make a voting decision. ARMI shall make a written recommendation of the voting decision to the Board of Trustees, which shall include: (i) an explanation of why it has a conflict of interest; (ii) the reasons for its recommendation; and (iii) an explanation of why the recommendation is consistent with the adviser's (or sub-adviser's) proxy voting policies. The Board of Trustees shall make the proxy voting decision that in its judgment, after reviewing the recommendation of ARMI, is most consistent with ARMI's proxy voting policies and in the best interests of Fund shareholders. When the Board of Trustees is required to make a proxy voting decision, only the Trustees without a conflict of interest with regard to the security in question or the matter to be voted upon shall be permitted to participate in the decision of how the Fund's vote will be cast.

Item 18: Financial Information

Since ARMI does not require or solicit any prepayments of fees nor has been the subject of a bankruptcy petition, financial information is not required.

Item 19: Requirements for State-Registered Advisers

ARMI's two principal executive officers are Matthew Reiner and Gregory Roeder.

Matthew P. Reiner, CFA, joined Adirondack Research & Management Inc. in February 2005 as principal, chief investment officer and co-portfolio manager of the Adirondack Small Cap Fund. Prior to that, he was a vice president and portfolio manager at Paradigm Capital Management. Matt began his investment career as a sell-side research associate with CL King & Associates. He worked as an equity analyst for CL King & Associates and as a senior analyst and portfolio manager for CL King's investment advisory business, Paradigm Capital Management. Additionally, Matt served as vice president of research for Paradigm Capital Management. He graduated from the State University of New York at Plattsburgh with a bachelor's degree in business management and the University at Albany with an MBA in finance. Matt has been a holder of the Chartered Financial Analyst designation since 1999.

Gregory A. Roeder, CFA, founded Adirondack Research & Management Inc. in 2004 and currently serves as head of its research department and as co-portfolio manager of the Adirondack Small Cap Fund. Prior to founding ARMI, Greg served 18 years in various capacities within the financial services industry. His experience includes

analyst/portfolio manager for Eddy & Wakefield; equity research analyst for CL King and Associates and assorted roles within KeyCorp's credit/risk management groups. Greg graduated from the State University of New York at Plattsburgh with a bachelor's degree in economics and Hofstra University with a master's degree in finance. Greg has been a holder of the Chartered Financial Analyst designation since 2002.