

Part 2A of Form ADV: *Firm Brochure*

Adam Smith Management, LLC

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This brochure provides information about the qualifications and business practices of Adam Smith Management, LLC. If you have any questions about the contents of this brochure, please contact us at (952) 893-9012 or jbortnem@cherrytree.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 Adam Smith Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 145236.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/04/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 Advisory Business

Adam Smith Management, LLC is a SEC-registered investment adviser with its principal place of business located in Minnesota. Adam Smith Management, LLC began conducting business in 2007.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Adam Smith Companies, LLC, Member

In addition, the following information identifies persons that indirectly own 25% or more of our firm:

- Anton (Tony) J Christianson, Chairman

Adam Smith Management, LLC offers the following advisory services to our clients:

INVESTMENT SUPERVISORY SERVICES ("ISS") PORTFOLIO MANAGEMENT FOR POOLED INVESTMENT FUNDS

Our clients are pooled investment vehicles. We are currently advising one fund, Adam Smith Fund, LLC. We may advise other funds in the future. Our firm provides continuous advice regarding the investment of client funds based on the objectives of the fund. After determining the fund's objectives, time horizons, risk tolerance, and liquidity needs, we create and manage a portfolio on a discretionary basis.

Fund supervision is guided by the fund's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Funds may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Privately held company securities and debt
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares

- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Futures contracts on tangibles
- Futures contracts on intangibles
- Interests in partnerships

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the fund's stated investment objectives, tolerance for risk, liquidity and suitability.

AMOUNT OF MANAGED ASSETS

As of 12/31/2010, we were actively managing \$29,818,196 of client assets on a discretionary basis.

Item 5 Fees and Compensation

INVESTMENT SUPERVISORY SERVICES ("ISS") PORTFOLIO MANAGEMENT FOR POOLED INVESTMENT FUNDS

On a case-by-case basis, Adam Smith Management, LLC determines an appropriate fee structure based on the size, complexity and investment objectives of each fund. Fee arrangements will likely include a combination of a management fee and incentive fee, but may be solely limited to a management fee or an incentive-based fee. The terms and conditions of the fee structure are mutually agreed upon prior to entering into an advisory agreement.

Management Fees: Adam Smith Management, LLC typically charges a fee for fund management that is calculated and paid as a percentage of the assets under management. The Management Fee is calculated at an annual rate and generally will not exceed 2%. Fees are calculated on a quarterly basis and are payable in advance based on the value of the capital accounts as of the beginning of the quarter. The Management Fee is prorated for periods less than a full billing cycle and adjusted to cover any additional contributions made during that period.

Incentive Fees: Adam Smith Management, LLC is paid performance-based compensation ("Incentive Fees"). The Incentive Fee is calculated based on a percentage of the net profits of the capital accounts on a frequency mutually agreed upon with the client.

Adam Smith Management, LLC's incentive fee is typically 20% of the net profits above the capital account's previous "high water mark". To the extent that the amount of account appreciation is less than the high water mark, there is a loss carryforward allocation that must be recouped before Adam Smith Management, LLC is entitled to a performance-based fee.

Funds who elect to terminate their contracts will be charged a performance-based fee based on the performance of the account for the measuring period going back from the termination date and pro-rated from the date on which the performance-based fee was last assessed.

In measuring the fund's assets for the calculation of performance-based fees, Adam Smith Management, LLC includes both realized capital losses/gains and unrealized capital losses/gains of securities over the period. As such, we may receive compensation with regard to unrealized appreciation.

The incentive fee is earned annually and may be either paid to Adam Smith Management, LLC or alternatively, Adam Smith Management, LLC may invest the incentive fee in the fund.

The fund must understand the performance-based fee method of compensation and its risks prior to entering into a management contract with us.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

Limited Negotiability of Advisory Fees: Although Adam Smith Management, LLC has established the aforementioned fees, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fees. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fees are identified in the contract between the adviser and each client.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any agreement, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and broker dealers. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

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

PERFORMANCE-BASED FEES

As we disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from

the fund. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the fund.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser; accordingly, we take the following steps to address these conflicts:

1. We disclose to funds the existence of all material conflicts of interest, including the potential for our firm and personnel to earn more compensation from advisory clients who pay performance-based fees;
2. We collect, maintain and document accurate, complete and relevant client background information, including the fund's financial goals, objectives and risk tolerance;
3. Our management conducts regular reviews of the fund to verify that all recommendations made to a fund are suitable to that fund's needs and circumstances;
4. We periodically review trading frequency and portfolio turnover to identify possible patterns of "window dressing," "portfolio churning," or any intent to manipulate trading to boost performance near the reporting period; and
5. We educate our personnel regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

Item 7 Types of Clients

Adam Smith Management, LLC provides advisory services to the following types of clients:

- Pooled investment vehicles

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing fund assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market

regardless of the economic and financial factors considered in evaluating the stock.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing the fund's portfolio, provided that such strategy(ies) are appropriate to the needs of the fund and consistent with the fund's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. We purchase securities with the idea of holding them in the fund for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Trading. We may purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Short sales. We may borrow shares of a stock for the fund from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We may engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the fund realizes the profit.

Margin transactions. We may purchase stocks for the fund with money borrowed from its brokerage account. This allows the fund to purchase more stock than it would be able to with

its available cash, and allows us to purchase stock without selling other holdings.

Option writing. We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We may use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We may use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We may use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Risk of Loss. Securities investments are not guaranteed and the fund may lose money on its investments. We work with the funds to understand its tolerance for risk.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Management personnel of Adam Smith Management, LLC are separately licensed as registered representatives of Cherry Tree & Associates, LLC (CTA), an affiliated broker dealer. CTA does not transact any securities transactions on behalf of Adam Smith Management, LLC. CTA is a limited purpose broker-dealer that focuses primarily on mergers and acquisitions in addition to private placement of securities. CTA also provides valuation and fairness opinions. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation. However, there is not a conflict of interest as our clients are not transacting securities transactions through this broker dealer.

Members of our firm's management are also members of two other registered investment advisers, Adam Smith Advisors LLC (ASA) and its subsidiary Trusted Financial Partners LLC (TFP). The advisory services delivered by ASA and TFP are distinct from those provided by our firm. There are no referral arrangements between our firm and ASA and TFP. No client of Adam Smith Management, LLC is obligated to use the advisory services of ASA or TFP, as no ASA or TFP advisory client is obligated to use our advisory services.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Adam Smith Management, LLC may act as the managing member of its clients. A list of these affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Clients should be aware that the receipt of compensation by Adam Smith Management, LLC and its management persons or personnel creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Adam Smith Management, LLC endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our personnel to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our personnel or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our personnel seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our personnel regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our personnel, including compliance with applicable federal securities laws.

Adam Smith Management, LLC and our personnel owe a duty of loyalty, fairness and good

faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Adam Smith Management, LLC's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. All personnel are reminded that non-public information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to jbortnem@cherrytree.com, or by calling us at (952) 893-9012.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our personnel will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing personnel to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such personnel from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No personnel of our firm may put his or her own interest above the interest of an advisory client.
2. No personnel of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such personnel from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access

person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or her designee.

6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and personnel must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer and investment adviser representatives of another registered investment adviser. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 Brokerage Practices

For discretionary clients, Adam Smith Management, LLC requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Adam Smith Management, LLC does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

As a matter of policy and practice, Adam Smith Management, LLC does not block client trades since we only have one client. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Item 13 Review of Accounts

INVESTMENT SUPERVISORY SERVICES ("ISS") PORTFOLIO MANAGEMENT FOR POOLED INVESTMENT FUNDS

REVIEWS: While the underlying securities within the fund are continually monitored, these securities are reviewed at least quarterly. Securities are reviewed in the context of each fund's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the market, political or economic environment.

These accounts are reviewed by: Tony Christianson

REPORTS: We provide monthly reports summarizing fund performance and balances.

Item 14 Client Referrals and Other Compensation

It is Adam Smith Management, LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients (funds) to our firm.

It is Adam Smith Management, LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client for services similar to those that we provide to our clients.

Item 15 Custody

In addition to the periodic statements that the funds receive directly from their custodians, we also send account statements directly to the funds on a monthly basis. We urge them to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Item 16 Investment Discretion

We provide discretionary asset management services, in which case we place trades in the fund's account without contacting the fund prior to each trade to obtain the fund's permission.

Our discretionary authority includes the ability to do the following without contacting the fund:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Funds give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Funds may also change/amend such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

We are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Adam Smith Management, LLC has no additional financial circumstances to report.

Adam Smith Management, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.