

Item 1 – Cover Page

Kimelman & Baird, LLC

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New York, NY 10017

212-686-0021

December 31, 2011

This Brochure provides information about the qualifications and business practices of Kimelman & Baird, LLC (“K&B”). If you have any questions about the contents of this Brochure, please contact Ms. Pat Kimelman at 212-686-0021 or by email at pkimelman@kimelmanbaird.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.

K&B is a registered investment adviser, registered with the Securities Exchange Commission. K&B is also registered with the US Securities and Exchange Commission and the Municipal Securities Rule Making Board under the Securities Exchange Act of 1934 as a licensed securities broker dealer with membership in the Financial Industry Regulatory Authority and Securities Investor Protection Corporation. Registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

K&B does not maintain a website.

Additional information about K&B also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amended the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated December 31, 2011 is an updated document prepared according to said SEC requirements and rules. This Brochure contains no material changes from the December 31, 2010 Brochure.

Pursuant to current SEC 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 firm’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Pat Kimelman at 212-686-0021 or pkimelman@kimelmanbaird.com. Additional information about K&B is also available via the SEC’s website www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

K&B was founded in Nov 1966 as M. Kimelman & Co. In April of 1995 the firm changed both its name and legal status to become Kimelman & Baird, LLC. Michael Kimelman and Sheila Baird are founding partners and current members.

K&B provides investment supervisory services. K&B enters into investment advisory contracts with individual, pension, charitable and institutional investors providing continuous advice to such clients. In establishing such accounts, K&B reviews with the clients such factors as K&B deems necessary in order to enable K&B to provide the kind of advice the client has requested taking into account the client's investment goals, financial needs, tax status and financial resources.

Client has up to five (5) business days after signing an Investment Advisory Agreement to terminate the same without penalty or recourse. Either K&B or client may terminate an investment advisory agreement upon ten (10) business days prior written notice from either party to the other, or at such time as they may otherwise mutually agree upon in writing. Termination by either Client or Adviser shall not have the effect of canceling orders to deposit or invest cash or to purchase or sell securities or other property placed prior to actual receipt of the notice of termination. K&B retains the right, however, to complete any transactions not settled as of the termination date and to retain amounts in the Account sufficient to effect such completion. Upon termination, it shall be Client's exclusive responsibility to issue instructions in writing regarding any assets held in the Account, subject to Adviser entitlement to its fee for the calendar quarter. K&B from time to time offers advice to clients regarding investments in private placements.

K&B Assets Under Management as of Dec 31, 2011: \$597,877,020.00.

Item 5 – Fees and Compensation

K&B offers investment advisory services for a percentage of assets under management.

All fees are subject to negotiation on a case by case basis. Subject to the qualification that K&B has reserved the right to negotiate the amount and manner of payment of a fee with any client or prospective client, fees are based on a percentage of asset value and are billed quarterly in advance based upon asset value as of the last day of the immediately preceding quarter.

Investment advisory accounts usually must have a minimum dollar value of \$500,000. Under special circumstances, accounts under \$500,000 are accepted. Client's investment philosophy must be consistent with that of K&B.

For assets held in equity securities, or assets other than fixed income securities and cash, the current standard schedule of annual advisory fees is as follows:

For Accounts under \$1,000,000	1.25%
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For Accounts over \$1,000,000	
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First \$5,000,000	1.00%
\$5,000,001-10,000,000	.75%
Over \$10,000,000	.50%

For assets held in fixed income securities and cash: .25% per annum

Transaction charges for equity securities are as follows:

Accounts with a market value of up to \$5,000,000 pay brokerage commissions of \$.15 per share. Accounts with a market value in excess of \$5,000,000 pay brokerage commissions of \$.10 per share. Brokerage commissions are subject to a minimum charge of \$25 per transaction. All commissions are subject to negotiation on a case by case basis. In addition such fees as exchange fees, SEC fees and other regulatory fees are passed through at cost for transactions that incur such fees.

Transaction charges for debt securities are as follows:

The transaction charges are \$2.50 per \$1,000 par value. The rate may be less in special situations based upon such factors as maturity, size of transaction, etc.

All client accounts which have cash balances invested in a money market fund pay a management fee on the portion of their assets invested in such money market fund to the fund's investment advisor, which fees are in addition to the quarterly fee paid to K&B on the market value of such assets under management.

Mutual Funds and Exchange-Traded Funds:

Generally K&B does not engage in mutual fund transactions or exchange-traded fund transactions; however it may from time to time engage in such transactions.

Mutual funds and exchange traded funds charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to K&B's fee. K&B shall not receive any portion of these commissions, fees, and costs.

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds.

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by clients to K&B.

Performance figures quoted by mutual fund companies in various publications are after its fees have been deducted.

Additional information:

Advisory fees are assessed in advance, on a calendar quarterly basis and payable on the 15th day of the month beginning the quarterly period as to which such fees have been incurred and are based upon the aggregate market value of the Account as of the last business day of the preceding calendar quarter. The initial advisory fee shall be payable at

the commencement of the calendar quarter following the execution of the advisory agreement and will be calculated on the basis of the aggregate market value of the Account as of the last day of the preceding calendar quarter. When an Account is established during a calendar quarter, advisory fees will not be incurred until the commencement of the subsequent calendar quarter. Where assets are withdrawn from an Account during a calendar quarter the Adviser will not refund prepaid advisory fees on account of such withdrawn assets. Where an advisory agreement is terminated during the calendar quarter, Adviser will refund prepaid advisory fees on a pro rata basis.

K&B fees are deducted on a quarterly basis by J.P. Morgan Clearing Corp., or other custodian as applicable. K&B sends disclosure statements to clients regarding these automated payments.

K&B does not engage in mark-ups on principal transactions.

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

K&B does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Michael G. Kimelman and Sheila M. Baird, both members of K&B, are also members of Daeg Capital Management, LLC, which, in turn, serves as the General Partner of Daeg Partners, L.P. (the “Partnership”), an investment partnership that is privately offered solely to accredited investors as that term is defined in SEC Rules. K&B’s clients may be solicited to invest in the Partnership. The Partnership seeks to earn long-term capital gains through investments in publicly-traded securities. Michael G. Kimelman and Sheila M. Baird are also members of Daeg Administrative Advisors, LLC, which in turn, serves as the management company of Daeg Partners, LP, and manages all administrative matters for the Partnership.

The firm manages conflicts related to side by side management of the hedge fund and separately managed accounts by separating the portfolio management and custodian functions.

Daeg Fees:

Daeg Partners, LP pays an administrative fee of 1% per annum of the value of its partnership investment to Daeg Administrative Advisors, LLC and allocates 20% of its net profits to Daeg Capital Management, LLC. Transactions on behalf of Daeg Partners, LP are executed through various broker-dealers, not including K&B. The commission rates paid to these broker-dealers may be lower than the commission rates paid by the Firm’s advisory clients to K&B for execution.

Fiduciary Duty and Conflicts of Interest

The anti-fraud provisions of the Advisers Act impose a duty on investment advisors to act as fiduciaries in dealings with their clients. This means the advisor must hold the client’s interest above its own in all matters. Conflicts of interest should be avoided at all costs. However, there are some conflicts that will occur, such as being licensed as a securities broker-dealer as well as an advisor. In such instances, the firm must clearly and accurately describe those conflicts and such advisor will maintain impartiality in its recommendations to clients.

It is important to remember that fiduciary responsibility may not be negotiated away through a contract between an advisor and the client. Fiduciary duty is imposed on the advisor through the relationship between the two parties, is an operational function of the law, and is included, indirectly, in the Advisors Act through various disclosure requirements and prohibited acts. Also, where the advice rendered is not disinterested, the fiduciary relationship may be breached even if the client suffers no loss.

Records of conflicts of interest disclosures to clients are kept to include the client's signature if reasonably possible. Our fiduciary obligation requires a duty to:

- Make reasonable investment decisions
- Provide the best execution of trades for accounts where the advisor has authority to select K&B as broker
- Make decisions based on reasonable inquiry into a client's investment objectives, financial situation and other factors
- Always place client interests ahead of its own

However, certain conflicts may exist in instances such as:

- Acting as an issuer or affiliate of an issuer of securities
- Recommending unregistered, non-exempt securities or the use of unlicensed broker-dealers
- Charging fees higher than industry standards
- The advisor or its employees are also acting as a broker-dealer and/or securities agent
- The advisor is receiving transaction-based compensation, or other marketing fees, related to securities recommended to its clients

Item 7 – Types of Clients

K&B provides portfolio management services to individuals, pension and profit-sharing plans, trusts, estates and charitable institutions, corporations and business entities other than those listed.

K&B will act as executing broker on behalf of the client and will execute such transactions for the compensation disclosed in Item 5 above. K&B as investment advisor, may transact business in stocks and bonds of every kind and nature and related contracts and options (if specifically permitted) without obtaining specific client consent.

Investment advisory accounts usually have a minimum dollar value of \$500,000. Under special circumstances, accounts under \$500,000 are accepted. Client's investment philosophy must be consistent with that of K&B.

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

K&B's security analysis methods include:

- Fundamental
- Technical

The main sources of information K&B uses include:

- In house due diligence and research on companies
- Annual reports, prospectuses, filings with the SEC
- Company press releases and company sponsored events
- Inspections of corporate activities
- Financial publications
- Investment seminars/conferences held by financial institutions
- Research materials prepared by others

The investment strategies used to implement any investment advice given to clients include:

- Long term purchases (securities held at least a year); and
- Short term purchases (securities sold within a year);

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause fixed-income prices to fluctuate. For example, when interest rates rise, bond prices may decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Markets for shares of large companies are generally more liquid than markets for shares of small companies.
- **Financial Risk:** Excessive borrowing to finance a company's operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all facts regarding any legal or disciplinary events that would be material to your evaluation of K&B or the integrity of K&B's management. Information applicable to this Item is discussed below:

K&B and Sheila Maureen Baird, K&B's Member and Chief Compliance Officer were the subject of a regulatory action, initiated by the SRO NASD and resolved on June 13, 2005 as an Acceptance, Waiver & Consent. The principal sanction was civil and administrative penalties/ fines. Other sanctions were a monetary fine of \$7,000 and a censure. The fine was levied jointly and severally against the individual and the firm.

The allegations related to the regulatory action were failure to complete a training needs analysis and develop a written training plan as required by the firm element continuing education rules.

K&B and Sheila Maureen Baird, K&B's Member and Chief Compliance Officer were the subject of a regulatory action, initiated by the SRO NASD and resolved on December 20, 2006 as an Acceptance, Waiver & Consent and monetary fine in the amount of \$5,000.

The allegations related to the regulatory action were NASD Rules 1120(A) and 2110; K&B acting through Sheila Baird, permitted an individual to act in a capacity that required registration while his registration status with the NASD was inactive due to his failure to complete the regulatory element of NASD's continuing education requirement.

Sanction details are as follows: without admitting or denying the findings, K&B consented to the described sanction and to the entry of findings; therefore, the firm is fined \$5,000 jointly and severally.

K&B and Sheila Maureen Baird, K&B's Member and Chief Compliance Officer were the subject of a regulatory action, initiated by the SRO NASD and resolved on July 6, 2000 as an Acceptance, Waiver & Consent and monetary fine in the amount of \$3,500. The principal sanction was civil and administrative penalties.

The allegations related to the action were that K&B failed to establish and implement a continuing education program for 1995, 1996 and 1997 including a needs analysis and

training program. K&B failed to establish, maintain and enforce written supervisory procedures relating to continuing education program firm and regulatory elements.

Sanction details are as follows: a \$3,500 fine was levied and paid on August 1, 2000.

K&B was the subject of a regulatory action, initiated by the SRO NASD and resolved on February 4, 2010 as an Acceptance, Waiver & Consent, censure and monetary fine in the amount of \$10,000.

The allegations related to the action were MSRB Rules G-27, G-30(b)- K&B purchased or sold municipal securities as agent for a customer for a commission or service charge that was in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the availability of the securities involved in the transaction, the expense of executing or filling the customer's order, the value of the services rendered by the broker, dealer or municipal securities dealer, and the amount of any other compensation received or to be received by the broker, dealer, or municipal securities dealer in connection with the transaction. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning commissions charged in agency municipal securities transactions.

Sanction details are as follows: without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings; therefore, the firm was censured and fined \$10,000.

Item 10 – Other Financial Industry Activities and Affiliations

In addition to giving investment advice, K&B is actively engaged in another business. K&B is registered as a broker-dealer under the Securities Exchange Act of 1934. All of K&B's investment advisory clients utilize K&B's brokerage services. Some of K&B's investment advisory clients utilize custodial services of K&B's Clearing Agent; accordingly, when combined with K&B's investment advisory services, K&B spends 100% of its time on its investment advisory and brokerage services.

Michael G. Kimelman and Sheila M. Baird, both members of K&B, are also members of Daeg Capital Management, LLC, which, in turn, serves as the General Partner of Daeg Partners, L.P. (the "Partnership"), an investment partnership that is privately offered solely to accredited investors as that term is defined in SEC Rules. K&B's clients may be solicited to invest in the Partnership. The Partnership seeks to earn long-term capital gains through investments in publicly-traded securities. Michael G. Kimelman and Sheila M. Baird are also members of Daeg Administrative Advisors, LLC, which in turn, serves as the management company of Daeg Partners, LP, and manages all administrative matters for the Partnership.

K&B acts as the broker for transactions in the accounts of its investment advisory clients and receives commissions for these transactions. Brokerage commissions for advisory clients are stated in the investment advisory agreement and as previously discussed herein.

Item 11 – Code of Ethics

K&B or a related person of K&B:

- May invest in securities or investment products in which K&B or a related person has some financial interest; and
- May buy or sell securities that it also invests in for clients.

Clients should be aware that neither K&B nor its associated persons are precluded from purchasing, selling or otherwise holding positions in the same securities K&B or its associated persons may recommend to, or otherwise purchase, on behalf of its Clients or from being associated with the issuers of such securities. It is the policy of K&B that no account of K&B or its members or employees be permitted to receive a more favorable execution price than that received on the day of execution by investment advisory clients of the firm.

By way of example, Michael Kimelman, one of K&B's principals, serves as the Chairman of the Board of Directors of Igene Biotechnology, Inc. ("Igene") and is also a shareholder thereof. K&B is also a shareholder of Igene. From time to time, K&B and Mr. Kimelman have extended loans to Igene.

In order to ensure compliance with K&B's policy, employees generally maintain their brokerage accounts with K&B. Under certain circumstances, however, an employee will be allowed to have other accounts with another firm. These conditions include (i) informing the other broker-dealer in writing of such employee's affiliation with K&B; and (ii) requiring such other broker-dealer to automatically send duplicates of all such employee's monthly statements to K&B.

Participation or Interest in Client Transactions

K&B and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the *K&B Compliance Manual*.

K&B or its affiliate may invest in securities or investment products for clients of K&B in which K&B or an affiliate of K&B's has some financial interest.

Item 12 – Brokerage Practices

K&B or any related person may have authority to determine without obtaining specific consent the:

- Securities to be bought or sold;
- Amount of the securities to be bought or sold;
- Broker or dealer to be used; and
- Commission rates paid.

There is no limit to the amount of securities to be bought and sold as long as amounts are consistent with investment objectives and client's guidelines.

K&B will often bunch client orders with other client orders to secure certain efficiencies with respect to execution, clearance and settlement of orders for client accounts that, K&B believes, are suitable for advisory clients. In other words, rather than effecting multiple transactions, i.e., one for each client account, K&B will buy or sell one or more larger blocks of the security in question and allocate the securities among the appropriate accounts. Clients should be aware that, depending upon its assessment of the relevant circumstances, K&B may either buy or sell securities for some clients and not for others.

With respect to fixed income instruments, K&B is generally able to fill all bunched orders at the same price, primarily because it checks the market for such securities immediately before the entry of such orders to ensure that the total amount requested can be filled.

K&B will allocate investment opportunities among clients on a fair and equitable basis taking into account relevant factors relating to each client. Allocations are generally made based upon the market value of the respective advisory clients, the cash positions and cash needs of such clients, the investment objectives of such clients and such other factors that K&B believes to be fair and appropriate under the circumstances.

If the entire purchase or sale order placed by K&B is not filled by the end of the trading day, it is K&B's general policy to cancel the unexecuted balance of the order. In the days following, K&B will determine whether or not to complete the purchase or sale of the unfilled balance of the previously canceled balance of the order.

If it is not feasible for K&B to allocate a transaction at the time of its execution, K&B will make such allocations by the close of business on the day such transaction(s) were effected.

K&B does not receive research or other products or services in connection with client securities transactions resulting in soft dollar benefits. K&B does not engage in any directed brokerage in anticipation of client referrals.

Item 13 – Review of Accounts

Accounts are reviewed by:

- Michael Kimelman
- Sheila Baird
- Bernadette Bartels Murphy.

Reviewers are instructed to review each account at least quarterly. Decisions are made in accordance with client investment guidelines. All accounts are reviewed at least quarterly by a principal of the firm. Accounts are reviewed more frequently if circumstances change.

All accounts receive from J.P. Morgan Clearing Corp. confirmations of all securities transactions when they are executed. All accounts also receive monthly statements showing all transactions during the month and the securities positions maintained in the account with their respective costs and market values from J.P. Morgan Clearing Corp. or other custodian as applicable. In the event that there is no activity in an account, the account holder will receive a quarterly statement.

Item 14 – Client Referrals and Other Compensation

K&B has an agreement with Michael H. Rappaport. In consideration for introducing prospective investors to K&B, K&B pays an incentive fee equal to a percentage of the investment management fee received by K&B. This agreement was effective October 1, 2008 and Michael H. Rappaport shall continue to receive an incentive fee so long as the relevant account(s) remain with K&B.

DISCLOSURE STATEMENT REQUIRED BY THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED AND RULE 206(4)-3 THEREUNDER

K&B has hired an agent and solicitor of investors/clients, otherwise known as a "finder" or "third party marketer." K&B is dually registered with the US Securities Exchange Commission (SEC) providing investment advisory supervisory services and routinely serves as broker-dealer for advisory clients. Michael H. Rappaport (MHR) assists K&B's advisory business unit in recruiting, locating, and qualifying candidates to become advisory clients.

- As compensation for MHR's solicitation services, MHR is paid 25% of investment advisory fees paid to K&B, attributable to each verifiable referred investor/client, with payment made to MHR within 30 days after receipt by K&B.
- Investor/Clients will not pay higher fees as a result of the arrangements between K&B and MHR.
- Due to K&B's dual registration status, as of July 28, 2006, MHR (a registered representative of K&B the broker dealer business unit), is entitled to a percentage of fees received by K&B broker dealer business unit for marketing interests in privately offered investment vehicles.

Item 15 – Custody

K&B does not maintain custody nor do any of K&B's related persons maintain custody over any advisory clients' cash or bank accounts or securities. K&B maintains its accounts at a qualified custodian and conducts reasonable inquiry to determine that the custodian send directly to its clients statement of client accounts. In communicating with its clients, K&B requests that the clients reconcile such statements and notify K&B promptly of any differences.

Item 16 – Investment Discretion

K&B may receive discretionary authority from the client at the outset of an advisory relationship to select the:

- Securities to be bought or sold;
- Amount of the securities to be bought or sold;
- K&B as the designated broker-dealer to be used; and
- Negotiated commission rates paid.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, K&B observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, K&B's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to K&B in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, K&B does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. K&B may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about K&B's financial condition. K&B as a registered broker dealer is subject to the uniform capital rules governing broker dealers, under which it is bound to maintain sufficient net capital to meet regulatory obligations. K&B has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.