

Item 1 – Cover Page

Kimelman & Baird, LLC

800 THIRD AVENUE, SUITE 2300
New York, NY 10022

212-686-0021

May 25, 2017

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. 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

Disclosures throughout this Brochure have been reorganized and enhanced since the last amendment made in March 2017. Clients should carefully review this Brochure in its entirety. In particular, K&B has updated, enhanced or expanded disclosures in the following areas:

Item 5 - Fees and Compensation. This item has been updated and re-organized to identify the fees and compensation that apply to the different types of products and services that K&B offers. Charges for equity transactions has been expanded, private fund fees for Affiliate Daeg Partners LP disclosed, discussion and disclosure of ERISA account fees, fee calculation and refund policy at account termination, and an expanded description of potential conflicts of interest relating to compensation arrangements has been added to this section.

Item 6 – Performance Based Fees and Side-by-side Management. An expanded description of side-by-side management of performance-based and asset-based fee accounts, the conflicts presented in the arrangement, and the mitigation practices of the firm has been disclosed.

Item 10 – Other Financial Industry Activities and Affiliations. A description K&B relationships and arrangements with related persons material to its business, the conflicts present in directing brokerage to K&B broker dealer, and disclosure of fees.

Item 11 – Code of Ethics, Participation of Interest in Client Transactions and Personal Trading. Conflict of interest disclosures have been re-organized and expanded.

Item 12 – Brokerage Practices. Expanded discussion on factors considered in selecting broker dealers for client transactions, conflicts present in the arrangement, discussion of K&B's best execution policy including K&B's use of research. The firm's order aggregation policies have been updated, and a discussion of trade error policies has been added.

Item 14 - Client Referrals and Other Compensation. Disclosures have been added regarding compensation paid to K&B employees for referring clients to K&B.

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.

Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management	6
Item 7 – Types of Clients	<u>7</u>
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	<u>9</u>
Item 9 – Disciplinary Information.....	<u>11</u>
Item 10 – Other Financial Industry Activities and Affiliations	<u>12</u>
Item 11 – Code of Ethics.....	<u>13</u>
Item 12 – Brokerage Practices	<u>16</u>
Item 13 – Review of Accounts	<u>20</u>
Item 14 – Client Referrals and Other Compensation	21
Item 15 – Custody.....	22
Item 16 – Investment Discretion	23
Item 17 – Voting Client Securities.....	24
Item 18 – Financial Information	25
Brochure Supplement(s)	

Item 4 – Advisory Business

K&B was founded in November 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 advisory services for individual and institutional clients through separately managed accounts, providing continuous and ongoing supervision over the specified accounts. K&B enters into investment advisory contracts with individuals, families, trusts, charitable and institutional investors providing personalized discretionary asset management services. 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. The client must appoint K&B as the investment adviser of record on the account, which is held by qualified custodian(s) under the client name. The custodian maintains physical custody of all funds and securities of the account, and the client retains all rights of ownership e.g. right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations.

K&B obtains certain information from client to determine their financial situation and investment objectives. Client will be responsible for notifying K&B of any updates regarding the financial situation, risk tolerance or investment objective and whether client wishes to impose or modify existing investment restrictions. K&B is always reasonably available to consult with client on the status of the account. Client has the ability to impose reasonable restrictions on the management of the account, including the ability to instruct K&B not to purchase certain securities.

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.

Assets Under Management: As of December 31, 2016 K&B had discretionary assets under management of \$788,454,996 in 461 accounts.

Item 5 – Fees and Compensation

K&B offers investment advisory services for a percentage of assets under management. Fees are subject to negotiation on a case by case basis and are based on a percentage of asset value. Fees 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%
--------------------------------	-------

For Accounts over \$1,000,00	
------------------------------	--

First \$5,000,000	1.00%
-------------------	-------

\$5,000,001-10,000,000	0.75%
------------------------	-------

Over \$10,000,000	0.50%
-------------------	-------

For assets held in fixed income securities, cash and cash equivalents: 0.25% 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. Certain accounts have negotiated commission schedules paying \$.25 per share, however advisory fees are waived for such accounts. Brokerage commissions are subject to a minimum charge of \$25 per transaction. However, on occasion K&B waives brokerage commission on mutual fund or low price securities transactions, where commission charges are minimal. All commissions are subject to negotiation on a case by case basis. K&B's commission schedule is significantly higher than industry standards.. In addition fees such 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 for debt securities 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.

Due to the common ownership between the Adviser and K&B broker dealer, K&B accepts transaction based compensation related to securities purchased/sold in client accounts. This presents a conflict of interest in that it gives supervised persons an incentive to purchase/sell investment products based on compensation received, rather than solely on a client's needs. K&B maintains compliance policies and procedures to ensure that employee compensation programs do not interfere with its fiduciary duty to its clients. K&B does not reduce its advisory fees to offset the transaction based commissions it receives on trades.

K&B does not engage in principal transactions, therefore it does not receive compensation from mark-ups on transactions.

Private Fund

Daeg Administrative Advisors, LLC an exempt reporting adviser is affiliated with K&B through Michael G. Kimelman, Sheila M. Baird and Scott Kimelman, members of K&B. Daeg Administrative Advisors, LLC is registered to advise one private fund Daeg Partners, L.P. ("Daeg" the "Partnership"), an investment partnership that is privately offered solely to accredited investors.

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 and range from \$.03 to \$.05 per share. The client commission rates paid to these broker-dealers are lower than K&B's standard commission schedule paid by advisory clients for execution.

ERISA SECTION 408(b)(2) DISCLOSURE

Plan fiduciaries of qualified retirement plans are responsible for understanding the services that K&B offers and related compensation it expects to receive directly from clients or through third parties and affiliates. The regulations under section 408(b)(2) of ERISA require K&B to provide this information to plan fiduciaries so that they can satisfy that responsibility.

This section of the Form ADV provides an overview of the fees and other compensation charged for or otherwise related to an investment advisory program provided by K&B, with respect to certain employee benefit plans that participate in an investment advisory program. This section is intended to include the information required by the Department of Labor regulation under Section 408(b)(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is commonly known as the service provider fee disclosure rules (referred to as the "408(b)(2) Regulation"). Client may access the full text of the Department of Labor's final 408(b)(2) Regulation at <http://www.dol.gov/ebsa/pdf/2012-02262-PI1.pdf>.

This section should be read in conjunction with the investment advisory account or client agreement that a client executed or will execute when entering into the investment advisory agreement, as amended from time to time, and including schedules and attachments thereto, disclosures found in this Form ADV document, which provides detailed information regarding K&B's various advisory programs, fees, personnel, other business activities and financial industry affiliations, and potential conflicts of interests.

A general description of investment advisory services offered by K&B can be found in Item 4 of this Form ADV (Advisory Business).

Fiduciary Capacity - In providing the services contemplated under the investment advisory account or client agreement, K&B is acting as a fiduciary under ERISA in accordance with the terms and conditions of the plan's investment advisory agreement to the extent that K&B exercises

discretionary authority over plan assets. In addition, under recently enacted regulations issued by the DOL, applicable beginning June 9, 2017, K&B will also act as an ERISA fiduciary to the extent it provides investment recommendations in an investment advisory program. K&B is also acting as an investment adviser under the Investment Advisers Act of 1940, as amended ("Advisers Act") with respect to its investment advisory programs.

Direct Compensation - Direct Compensation means payments made directly by the plan for services rendered to the plan. Pursuant to the investment advisory account or client agreement, the plan is directly charged an investment advisory fee for the investment advisory program it selects. The investment advisory fee is an annual asset-based fee, which is deducted quarterly from the assets held in your plan's account in accordance with your investment advisory agreement. Upon termination of an investment advisory agreement, only the fees through the termination date are charged to the plan's account. For the standard fee schedule, see Item 5 – Fees and Compensation of this Form ADV (Advisory Services Offered). However, the fees that a client is charged are based on the amounts agreed to between client and K&B. The fee schedule applicable to your plan for an investment advisory program is set forth in the Fee Schedule in your investment advisory agreement.

Indirect Compensation - Indirect Compensation means compensation received from sources other than directly from the plan or plan sponsor. In certain circumstances, the payment of indirect compensation may depend on several factors, including the elapsed time period during which securities are held in your plan's account, and decisions made by the plan with respect to trade execution.

The following describes potential sources of indirect compensation that K&B may receive in connection with its provision of investment advisory services.

Traditional Brokerage Commission and other compensation: As a dually registered investment adviser and broker dealer, K&B may receive brokerage maintenance fees and transaction-based compensation in the form of commissions for effecting securities transactions (e.g. purchases and sales of stocks). The amount of commission charged on any particular trade will be disclosed on your trade confirmation or account statement. Likewise, a description of brokerage commissions K&B receives can be found in Item 5, Fees and Compensation of this document. Additionally, a brokerage account is subject to several types of fees that may be charged to and deducted directly from a brokerage account such as, account maintenance fee and termination fee for IRA accounts.

Solicitation Arrangements: K&B may enter into arrangements with third parties who solicit clients for K&B's investment management services. Under such agreements, third parties may refer or solicit clients and receive compensation for such services. As a result of these arrangements, fees paid by clients may differ from the prevailing retail rate, but in every arrangement with a third-party solicitor, the structure of the third party solicitation agreement, including the compensation payable to the solicitor, will be disclosed fully to the client as required by applicable law. Please consult these separate disclosures for information on the solicitation arrangements relevant to your plan, if any.

Mutual Fund Investments: K&B may receive compensation from mutual funds and their affiliates (such as 12b-1 fees, shareholding servicing fees, and revenue sharing fees) in connection with client investments in shares of such mutual fund. 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.

Trade Error Correction: K&B has adopted error policies aimed at ensuring the prompt and proper detection, reporting and correction of errors involving the accounts of clients. The requirements of the error policies apply to the extent that K&B has control of resolving errors for client accounts. As a policy, no client will be disadvantaged as a result of the trading error or mistake. K&B will bear the economic risk of returning the client to the position the client would have been but for the error/mistake; due to incurring such risk, K&B may in certain instances retain the economic benefit associated with an error/mistake.

Receipt of Gifts, Gratuities and Nonmonetary Compensation: From time to time, third-party vendors may provide K&B with non-monetary gifts and gratuities, such as promotional items (i.e., coffee mugs, calendars or gift baskets), meals, sporting events, and access to certain industry related conferences or other events (collectively, "gifts"). K&B has implemented policies and procedures intended to ensure that K&B and its employees avoid actual or perceived conflicts of interest when giving or receiving gifts and entertainment from relevant parties, and to comply with all applicable laws and regulations by limiting the maximum value that may generally be received by any individual to \$100.00 in any calendar year for a gift.

Termination Fees – There is no penalty charge upon termination of an investment advisory agreement. However, a termination fee is charged by the client's IRA custodian to close or move the account to another custodian.

The foregoing are the services and transactions (and applicable fees) that may be offered to plan clients in connection with an investment advisory agreement with K&B.

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.

Additional information:

Advisory fees are assessed quarterly, in advance, and payable on the 15th day of the month beginning the quarterly period for which such fees have been incurred. Fees 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.

Termination of Account - where an advisory agreement is terminated during the calendar quarter, fees for partial periods are pro-rated. The refund will be calculated by rounding the remaining days left in the quarter to the nearest month. Termination is effective from the time the Adviser receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There is no penalty charge on termination. A refund check will be issued by K&B within 30 days.

Clients may pay fees in several different ways:

1. K&B fees are deducted automatically on a quarterly basis by National Financial Services, LLC, or other 'qualified' custodian as applicable. K&B sends disclosure statements to clients regarding these automated payments. More information on these types of relationships can be found in *Item 15 – Custody*.
2. There may be instances where fees are paid directly to the firm by the client in a pre-established manner (e.g. check, money order or wire). K&B sends client an invoice detailing the services and a fee calculation of charges due to K&B.

Advisory fees may either be calculated by K&B or the custodian, consequently, the date the advisory fee is charged may vary on who calculates the fee. In practice, custodian will calculate all investment advisory fees with very few exceptions.

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

Performance –Based Fees

Daeg Administrative Advisors, LLC an exempt reporting adviser is affiliated with K&B through Michael G. Kimelman, Sheila M. Baird and Scott Kimelman, all members of K&B. Daeg Administrative Advisors, LLC is registered to advise one private fund Daeg Partners, L.P. ("Daeg" the "Partnership"), an investment partnership that is privately offered solely to accredited investors. Daeg enters into performance based fee arrangements with *qualified clients* as defined by Rule 205-3 of the Adviser's Act. The firm's performance based fee arrangements may be

calculated on the appreciation of client's assets or performance relative to a specified benchmark, or other mutually agreed upon terms. Select K&B's advisory clients may be solicited to invest in the Partnership.

Side-by-Side Management

Certain K&B portfolio managers simultaneously manage assets that are charged performance-based fees (for Daeg), and accounts that are charged asset-based fees (for K&B). Frequently, the portfolio managers may invest in similar assets for both entities (Daeg and K&B). This portfolio management relationship is referred to as "side-by-side management".

Performance based fee arrangements create a potential conflict of interest by incentivizing Daeg to invest in assets which may be riskier or more speculative than those under traditional fee arrangements.

The Advisor has adopted policies and procedures to manage conflicts related to side by side management of the private fund and managed accounts to prevent fee-related conflicts from influencing the allocation of investment opportunities among clients. As a fiduciary, the Advisor places client interest above its own and requires that trading is in compliance with each client's investment objective and that all clients are treated fairly and equitably. The Advisor restricts the ability of portfolio managers to take inconsistent investment positions in each entity account. Further, the Advisor separates the portfolio management function of each entity and prohibits a portfolio manager from discretion over both asset based, and private fund at the same time. The custodian functions of each entity are separated to avoid conflicts in trading practices. The Advisor has established a supervisory review process to provide oversight to the identification and mitigation of relevant potential conflicts arising between its managed accounts and private fund.

However, K&B Advisor has certain conflicts that do exist in instances such as:

- 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, related to securities purchased/sold on behalf of its clients. This gives supervised persons an incentive to purchase/sell securities based on compensation received, rather than on a client's needs.

Item 7 – Types of Clients

K&B provides portfolio management services to individuals, their family members, related investment vehicles and trusts, estates, and charitable institutions, corporations and business entities. If a client's account is a pension or other employee benefit plan governed by ERISA, K&B may be a fiduciary to the plan. In providing services, the standard of care imposed upon us is to act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person would use in such matters.

K&B will act as executing broker on a fully disclosed basis with National Financial Services, LLC, 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 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 uses the following methods of analysis in formulating investment advice:

- Fundamental Analysis
- Technical Analysis

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 and trade publications
- Investment seminars/conferences held by financial institutions
- Research materials prepared by others

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. An understanding of the client financial situation, investment goals and objectives, time horizon, portfolio liquidity, and tolerance for risks as well as any investment limitations are considered when diversifying the portfolio. Client grants K&B full discretionary authority over the account, through the custodian broker dealer who holds the account.

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 inherent risks that clients should be prepared to bear. Risks vary depending on the nature of the investment, the strategy pursued, the type of instrument used to pursue or give effect to that strategy, the condition and performance of the U.S. and global economies, as well as the performance/financial condition of the company issuing the security. As with all investments, the value of the investment at the time of sale will fluctuate and might be greater or less than the value at the time of purchase. Our investment approach constantly keeps in mind the risk of loss. Primary risks inherent in the types of securities used for client accounts include:

- **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.
- **Systemic Risk:** Risks related to unnatural events or abrupt changes in governmental policy can increase the volatility of a portfolio beyond the control of the adviser or the ability to forecast unanticipated events.
- **Asset allocation, diversification and rebalancing** do not assume a positive return or protect against loss. Securities markets experience varying degrees of volatility and over time, assets will fluctuate may be worth more or less than the original amount invested.

While Adviser seeks to assess the merits of investing in a particular security based on the perceived risks and potential rewards, there are no assurances that Adviser's assessments will be correct or that subsequent events or company or market changes will not render the assessments incorrect at a later time.

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 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 related to K&B's failure to establish and implement a continuing education program for the years 1995, 1996 and 1997 including a needs analysis and training program. K&B failed to establish, maintain and enforce written supervisory procedures relating to firm and regulatory elements of continuing education.

K&B and Sheila Maureen Baird, K&B's Member and Chief Compliance Officer were the subject of a regulatory action, initiated by the NASD and resolved on June 13, 2005 as an Acceptance, Waiver & Consent. The principal sanction was civil and administrative penalties and a monetary fine of \$7,000. The fine was levied jointly and severally against the individual and the firm for failure to complete a training needs analysis and develop a written training plan as required by the firm element continuing education requirements.

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. K&B 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. K&B consented to the described sanction and to the entry of findings; therefore, the firm and CCO were fined jointly and severally.

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. In violation of 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.

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, Sheila M. Baird and Scott Kimelman, all 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. K&B's clients may be solicited to invest in the Partnership. K&B will only recommend investments in the partnership when the investment is consistent with the client's investment objective, goal, and risk profile. K&B does not charge a separate fee for its services for the client investment in such fund, there is no extra layer of fees to the client. The Partnership seeks to earn long-term capital gains through investments in publicly-traded securities. Also see Item 6 Side-by-Side Management

K&B acts as the broker for transactions in the accounts of its investment advisory clients. Although not all Advisers require their clients to direct brokerage, clients of K&B Adviser will generally authorize the Adviser to execute transactions through K&B as introducing broker. K&B will receive and retain a significant portion of the commission for client trades resulting from the clearing agreement with National Financial Services LLC. By virtue of the common ownership of Adviser and broker dealer, the owners of the Adviser will indirectly receive (through the corresponding ownership with broker dealer) the economic benefits of the commissions. In addition K&B may choose to pay a portion of these commissions as income to its registered representatives, who are also employed by Adviser. As a result of the common ownership and payment of commissions, K&B has a conflict in limiting commissions when executing brokerage transactions for advisory clients. Moreover, due to the common ownership between advisor and broker dealer, there are inherent limitations regarding the negotiation of commission rates for transactions handled by K&B broker dealer.

K&B is registered with the Ontario Securities Commission, Canada as an approved Portfolio Manager.

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

Code of Ethics Summary

K&B has adopted a Code of Ethics outlining its high standards of business conduct and reinforcing each employee's fiduciary duty to its clients. The Code of Ethics includes provisions for maintaining confidentiality of client information, prohibitions on insider trading, restrictions on the acceptance of material gifts, requirements to report political contributions and business entertainment, and procedures for personal trading, among others. A Code of Ethics will be provided to supervised persons, who will be required to acknowledge receipt in writing. Supervised persons are required to report violations of the Code of Ethics to the chief compliance officer of the firm.

A copy of our Code of Ethics is available to our advisory clients and prospective clients by calling us at (212) 686-0021.

Affiliate and Employee Personal Securities Transaction Disclosure

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

- buys or sells securities that are sold to its clients;
- invests its clients in securities or investment products in which K&B or a related person has some financial interest; and
- often invest its clients in the same securities that its related affiliate Daeg Partners L.P. invests its clients in.

K&B or its associated persons can buy, sell or hold positions for their personal accounts in investment products identical to those recommended to clients. Clients may be invested in the same securities K&B or its associated persons may recommend to, or otherwise purchase. This creates a potential conflict of interest. It is the policy of K&B that all associated persons of the firm must place client interests ahead of their own when implementing personal investments. K&B and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with the firm unless the information is also available to the investment public. No account of K&B or its members or employees will be permitted to receive a more favorable price than that received on the day of execution by investment advisory clients of the firm.

To prevent conflicts of interest, the firm has developed written supervisory procedures that include personal investment and trading policies for its representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.

- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts. This prevents employees from benefiting from transactions placed on behalf of advisory accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities in their personal accounts on companies based on information from any client deemed to be "an insider".
- Associated persons are discouraged from conducting frequent personal trading.

K&B or its affiliate may invest in securities or investment products for clients of K&B in which K&B or an associated person of K&B's has some financial interest. 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. This creates a conflict of interest. The associated persons are generally prohibited from serving as board members of publically traded companies unless an exception has been granted to the Chief Compliance Officer of K&B.

K&B may invest its clients in the same securities that its related affiliate Daeg Partners, L.P. an investment partnership invests its clients in. This trading practice presents conflicts of interest when managing multiple accounts. Contemporaneous trading positions taken by certain client accounts may dilute or otherwise negatively affect the values, prices or investment strategies associated with positions held by a different client account. Where a portfolio manager plans to place a trade for the same security in different accounts in sequence, a large trade may affect the price of the security. The possibility of depressing or inflating a security's value before the purchase or sale of that same security by another account may provide an incentive to sequence those transactions in such a way as to favor one account over another account. To mitigate this conflict, K&B has adopted policies and procedures where trades in any given security are not executed in the advisory accounts and affiliate Daeg accounts on the same day (unsolicited orders to K&B are exempt). The Compliance Officer at K&B reviews the trading blotter of K&B and Daeg daily, for trades in any common securities, ensuring these are executed on separate days.

K&B has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code provides that employees are required to provide K&B with information as to securities transactions and holdings in their accounts. (For purposes of the policy, an employee's personal account generally includes an account in the name of the employee, his/her spouse, minor children or other dependents residing in the same household for which the employee is a trustee or executor, or which the employee controls. 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 is permitted to have 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.

Item 12 – Brokerage Practices

As noted in Items 5 and 10 above, Advisor has an affiliated broker dealer to which it will place orders for the purchase and sale of securities in equities and fixed income securities. A commission will be applied to such orders, in accordance with the commission schedule then applicable.

Generally client advisory agreements authorize Adviser to determine, consistent with the client investment objectives, which securities and the total amount of securities to be bought or sold for client accounts. Adviser's primary objective in placing orders for the purchase or sale of securities for a client account is to obtain the most favorable net results reasonably available, taking into account such factors as price, commission, size of order, difficulty of execution, services offered and provide confidentiality, and skill required of the broker. Adviser negotiates commission rates with its clients that will apply to all trades for client accounts.

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, subject to predetermined maximum rates.

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.

Any orders placed for execution on an aggregated basis are subject to Adviser's order aggregation and allocation policy and procedures which are designed so that clients are treated in a fair and equitable manner. This policy and these procedures are intended to meet, where applicable the legal standards applicable to Adviser under federal and state securities laws and the Employee Retirement Income Security Act of 1974 and its obligations as a fiduciary to each client. Pursuant to this policy, orders to purchase or sell securities for all accounts managed by Adviser, its affiliates and related persons, may be aggregated or "bunched" for execution.

When trades are bunched, clients will receive the average share price, share transaction costs (other than commissions) on a pro-rata basis based on each client's participation in the transaction,

and be charged the pre-determined commission rate, which may vary from client to client. Clients may not limit K&B's authority in aggregating or "bunching" trades, which are effected to secure efficiencies for clearance and settlement. Associated persons of K&B are not permitted to purchase or sell any security for their personal accounts prior to implementing transactions for client accounts and therefore do not participate in aggregated trades.

In some circumstances, a client will designate a particular broker dealer through which trades are to be effected or placed, typically under such terms as the client negotiates with that particular broker dealer. Where the client has directed the use of an unaffiliated broker or dealer, Adviser will not be in a position to negotiate commission rates or spreads freely or, depending on the circumstances, to select broker or dealers based on best execution. Additionally, transactions for a client that has directed Adviser to use a particular broker dealer may not be commingled or "bunched" for execution with orders for the same securities for other managed accounts.

Trades for a client that has directed the use of an unaffiliated broker or dealer may be placed at the end of bunched trading activity for a particular security. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for a bunched order. Under these circumstances, the direction by a client of a particular broker-dealer to execute transactions may result in different commissions, greater spreads, or less favorable net prices than might be the case if Adviser were empowered to negotiate commission rates or spreads freely, or to select brokers or dealers based on best execution, and if the broker-dealer is not one used regularly by Adviser, there may be additional credit and/or settlement risk.

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 has established and maintains general trade allocation policies and procedures designed so that over time trades are allocated among client accounts for which such trades are appropriate in a fair and equitable manner. K&B will allocate investment opportunities among clients 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.

Not all investment advisers require the use of a particular broker dealer or custodian. However, clients of K&B generally will authorize Adviser to determine the broker dealer with which to place their securities trades. By so authorizing Adviser to place orders in this manner, Adviser may direct orders to its affiliate broker dealer, that may provide Adviser with a direct or indirect benefit in the form of commissions (for orders placed with K&B broker dealer), research, or other services. In particular, to the extent that orders are placed with broker dealers from which Adviser receives a benefit (including K&B), the commission rates, clearing and execution costs for client transactions,

will not be as favorable as the rates and execution costs that Adviser might be able to obtain at broker dealers that do not provide Adviser with such benefits or services.

In the event that Adviser has made an error in handling or executing a client transaction (e.g., purchase instead of sale; incorrect amount, account or symbol; inadvertent trade through account restriction; or other error/mistake) the client account will be placed in the same position, to the extent feasible, as if the error or mistake had not taken place. As a policy, no client will be disadvantaged as a result of the trading error or mistake. Adviser will bear the economic risk of returning the client to the position the client would have been but for the error/mistake; due to incurring such risk, Adviser may in certain instances retain the economic benefit associated with an error/mistake.

If the entire purchase or sale order placed by K&B is not filled by the end of the trading day due to inability of K&B to execute the initial order because of market conditions or limited liquidity at the intended execution price, 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. When only a portion of the order is executed, clients will receive only a portion of the intended amount (typically on a pro-rated basis). While Adviser has implemented order handling procedures designed so that clients are treated fairly, there might be instances in which one of the orders is not placed until a later time. In that circumstance, execution prices could differ. Also, If the price of the security changes substantially, the Adviser may decide to not execute the remainder 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.

As noted in Item 5 and 10 above, K&B has a dually registered broker dealer to which it will place orders for the purchase or sale of securities. K&B will strive to achieve the best execution possible for client transactions. This does not require K&B to solicit competitive bids and K&B does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is whether the transaction represents the overall best qualitative execution, taking into consideration the full range of the broker dealer's services including execution capability, commission rates, research and responsiveness. Transactions in equities and fixed income securities will be handled by the Adviser's broker dealer. A commission will be applied to such transactions in accordance with the commission schedule then applicable. In its selection of an executing broker, K&B utilizes the services of National Financial Services, LLC. Adviser has considered a variety of factors, including the following: the broker's capital depth and stability; the broker's market access; the broker's transaction confirmation and account statement practices; the nature and character for the security or instrument to be purchased or sold; the execution, clearance and settlement capabilities of the broker selected and others considered; and the reasonableness of the commission for the specific transaction. Brokers selected by Adviser will be paid commissions for effecting these transactions if Adviser determines in good faith that such amounts are reasonable relative to the value of the brokerage services provided by those brokers,

viewed either in terms of a particular transaction or Adviser's overall duty to its discretionary accounts.

K&B broker dealer does not act in an "agency cross" basis. Agency cross transactions occur when an advisory client is on one side of the transaction and a customer of the broker dealer is on the other side of the transaction. Adviser does not engage in "cross" transactions where advisory clients are on both sides of the transaction.

K&B does not act as a principal in any transaction, even when acting in the capacity of a broker in an agency transaction.

Item 13 – Review of Accounts

Accounts are reviewed by:

- Michael Kimelman
- Sheila Baird
- Yasmeen Mock
- Scott Kimelman
- Sapan Vyas

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.

The frequency of such reviews is determined by client need, investment advisor representative's determination, or by K&B management's discretion. This review is an important aspect of K&B's fiduciary duty to ensure accuracy, completeness, and continued applicability and suitability for each account. The nature of this review might encompass statements, confirmations, performance reports, and billing / fee analysis with such reports being generated internally by K&B or furnished from financial services institutions with which the client transacts business. The frequency of such reports may also be determined by the various financial institutions generating the reports, but are typically produced monthly, quarterly, annually, or in the instance of confirmations, as transactions occur. Account reviews are performed more frequently when market conditions dictate, there is a notable increase in the amount of requests by a client that affect transactions in their account(s), or a client's request to liquidate positions. Other conditions that may trigger a periodic review are changes in the tax laws, new investment information, and changes in a client's own situation.

All accounts receive confirmations from National Financial Services, LLC, and other custodians of 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 National Financial Services, LLC or other custodian as applicable. In the event that there is no activity in an account, the account holder will receive only a quarterly statement.

Accounts with minimal transaction history are reviewed annually to determine if the investment strategy is more suited to a brokerage account, based upon the level of supervision required for the account or any prospective change in client suitability.

Item 14 – Client Referrals and Other Compensation

K&B has entered into arrangements with unaffiliated and affiliated individuals that will refer clients to K&B. The following individuals provide, or provided client referrals to K&B for quarterly fees based on account assets under management:

- Michael Rappaport
- Bernadette B. Murphy
- Walter H. Baur

Ms. Murphy and Mr. Baur are two former employees who retired from K&B in July 2015 and December 1999 respectively, and continue to receive a fee equal to 25% of the advisory fees for clients introduced to K&B during their employment with Adviser.

K&B currently has an agreement with Michael H. Rappaport since October 2008. In consideration for referring prospective investors to K&B, the Adviser pays a fee equal to 25% of the investment management fee received by K&B on the accounts referred as long as the accounts remain with K&B. Mr. Rappaport receives a percentage of fees received by K&B broker dealer business unit for marketing interests in privately offered investment vehicles.

A solicitor is not authorized to provide investment advice or manage investments on behalf of K&B. The solicitor does not have authority to accept an investment advisory agreement on behalf of K&B or to collect or receive payment in his or her own name for any investment advisory services of K&B. The role is strictly limited to introducing or referring a prospective client to K&B.

The referral program of K&B is subject to federal and state regulations, including those governing compensation and written client disclosure. The solicitation/referral fee is paid pursuant to a written agreement. The prospective client is informed of the relationship and must sign a disclosure form indicating the client is aware of the arrangement along with a copy of Form ADV Part 2A. Compensation paid by K&B to the solicitor is dependent upon the client entering into an investment advisory agreement with K&B and will be an agreed upon percentage of the investment management fee of K&B as specified in the disclosure statement provided to the client. The investment advisory fee charged to client will not increase as a result of compensation being shared by the solicitor. The client will not pay an added fee for the referral.

Inherent conflicts of interest exist with respect to the solicitation/referral arrangements described above. Solicitors may refer potential clients to K&B because they will be paid a fee, rather than be provided investment advice that is appropriate and suitable for the client. To mitigate this conflict, K&B retains ultimate discretion to accept client referrals from solicitors.

Item 15 – Custody

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

K&B would be deemed to have custody of client assets under certain specific circumstances as discussed below:

- Client authorization to a custodian to debit K&B's advisory fees from client's account
- Client authorization to direct checks or money transfers from client account to third parties
- Client sends a check to K&B for deposit at the custodian, but the check is payable to K&B
- An employee of K&B serves as a trustee for a client or has full power of attorney at the client's request.

With the exception of the ability to debit a client(s) account for advisory fees pursuant to the investment management agreement (SEC Release No. IA-2106), K&B will not have custody of client funds nor securities.

K&B in its capacity as a registered investment adviser will not physically take custody of client assets. K&B will recommend the client establish a custodial agreement for the benefit of the client with K&B's custodian (National Financial Services, LLC). The firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under the client's name. Clients will direct in writing, the establishment of all accounts and therefore are aware of the custodian's name, address and the manner in which the funds and securities are maintained.

K&B clients will receive at least quarterly account statements directly from the qualified custodian that holds and maintains the assets. This report will detail the clients' investment positions held with custodian, the prior quarters' values, contributions and/or distributions made during the quarter, and the investment returns for the quarter. K&B urges the client to carefully review these statements and compare such official custodial records to any reports that K&B or its advisor representative may provide. K&B requests that the client notify the firm promptly of any discrepancies or errors in such statements.

K&B conducts reasonable inquiry to determine that the custodian sends regular statement of accounts, directly to its clients.

Item 16 – Investment Discretion

K&B receives 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.

Discretion is exercised in a manner consistent with stated investment objectives for your account pursuant to the fiduciary duty and standard of care which we must discharge. Discretionary trading authority facilitates placing trades in the client account, to be able to promptly implement the investment policy that has been approved in writing. In all cases, 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 to be invested, K&B observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to K&B in writing and noted in the investment management agreement.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, K&B does not undertake authority to vote proxies on securities on behalf of advisory clients. Clients are expected to vote their own proxies and they will receive proxies and other solicitations directly from their asset custodian.

Item 18 – Financial Information

Registered investment advisers are required 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.

A balance sheet is not required to be provided because K&B does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1200 per client, six months in advance.