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This brochure provides information about the qualifications and business practices of Saratoga Research & Investment Management. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Saratoga Research & Investment Management is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the adviser.

Additional information about Saratoga Research & Investment Management is also available on the SEC's website at www.adviserinfo.sec.gov. The Firm's CRD number is 110506.



The previous annual updating amendment was dated February 12, 2013. The following material changes have been made to the Part 2 since that amendment.

Item 4:

Services we offer: SaratogaRIM offers equity and fixed income portfolios for long term investors through separately managed accounts. Our equity strategy is also offered through a mutual fund which we sub-advise.

Assets under management: As of December 31, 2013, we manage assets of \$1.4 billion on a discretionary basis.

Item 5:

Advisory Fees & Billing Practices: Our fee for managing Equity accounts with maximum exposure is 1.20% *per annum*.

Subadviser Relationships: SaratogaRIM subadvises for a registered investment company. SaratogaRIM receives, on a quarterly basis, a subadvisory fee based on the Fund's average net assets at month-end at an annual rate of 0.20% on the first \$100 million of assets, 0.30% on the next \$400 million, and 0.35% on assets over \$500 million, payable in arrears. This Agreement may be terminated by either party upon 60 days' written notice.

Other Costs Involved: The mutual fund that we subadvise for will not be charged an additional management fee other than that built into the fund.

Item 7: Our clients include individuals, high net worth individuals, foundations, endowments, corporations, registered investment company and pension plans.

Item 12: Removed reference to SaratogaRIM having discretion over the compensation to be paid to brokers and dealers used to execute client transactions.

Item 14: Added disclosure regarding our single solicitor arrangement as follows:

SaratogaRIM has an agreement with one solicitor which is effective through February, 2017. This solicitor is a previous employee of the SaratogaRIM and receives a percentage of advisory fees earned on client accounts that were brought in during her employment. SaratogaRIM does not anticipate entering into this type of agreement with additional solicitors. SaratogaRIM's agreement with the solicitor is in compliance with Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended.

Please contact us to receive a copy of our updated Part 2A. Additional information about SaratogaRIM is also available on the SEC's website at www.adviserinfo.sec.gov

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ITEM 4: ADVISORY BUSINESS

Who we are

Saratoga Research & Investment Management (referred to as “we,” “our,” “us,” or “SaratogaRIM”), has been registered as an investment adviser since August 1995. Our principal officer and sole shareholder is Kevin P. Tanner, President and Chief Executive Officer.

Services we offer

SaratogaRIM offers equity and fixed income portfolios for long term investors through separately managed accounts. Our equity strategy is also offered through a mutual fund which we sub-advise. We do not tailor our advice to the needs of the client. Clients may impose restrictions on our investments, but if a significant number of restrictions on an account exist, we may refuse to manage it.

Assets under management

As of December 31, 2013, we manage assets of \$1.4 billion on a discretionary basis. We do not manage assets on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

Advisory Fees & Billing Practices

Fees for investment management services are calculated as a percentage of assets under management. The fee is based on the investment style of the account as outlined below:

<u>Type of Account</u>	<u>Annual Fee</u>
Equity	1.00%
Equity (Maximum Exposure)	1.20%
Strategic Income	0.75%
Active Fixed Income	0.50%
Passive Fixed Income	0.25%

All fees are negotiable at the discretion of SaratogaRIM.

The foregoing describes SaratogaRIM’s basic fee schedule; however, fees may be negotiable in certain limited circumstances and arrangements with any particular client may vary. In some cases the fees charged may be greater than fees charged by other investment advisers for similar services; in other cases fees may be lower. When registered investment advisory professional firms bring clients to SaratogaRIM to manage their assets, the basic fee is 0.5%.

SaratogaRIM believes that it is important to invest as opportunities present themselves, rather than simply investing for the sake of investing. Upon inception of the relationship, client assets may not be invested until a suitable opportunity presents itself. For clients who deposit cash to open an account, money will generally be held in a money market fund at the Custodian. For clients who transfer assets to fund the account, SaratogaRIM may sell securities that it believes are not a good fit with its investment approach, but maintain certain positions until it is ready to begin actively investing in the account. Performance measurement does not commence until SaratogaRIM begins investing.

No advisory fees are assessed to privately managed accounts until SaratogaRIM begins investing the portfolio. When trading begins, clients will be assigned to one of three billing groups. If trading of the account starts on a date other than the first day of a billing cycle of the assigned billing group, client accounts will be charged a prorated fee based on the number of days remaining in that billing cycle and based on the net market value of the account at the end of the month. Advisory fees are billed in advance on a quarterly basis. Fees are based on the value of the account as of the last day of the previous three-month period (i.e., fees billed on July 1 will be based on the June 30 closing account value and will cover the July-August-September period).

If a client contributes capital to an account on a date other than the first day of a billing cycle of the assigned billing group, the account will be charged a prorated fee based on the number of days remaining in that billing cycle and based on the net market value of the contributed capital on the opening of trading on the date of such contribution.

Subadviser Relationships

SaratogaRIM also acts as a subadviser to a growing number of investment firms. When registered investment advisory professional firms bring clients to SaratogaRIM to manage their assets, the basic fee is 0.5%, based upon the market value of the account. Arrangements with any particular subadvisor relationship may vary.

SaratogaRIM subadvises for a registered investment company. SaratogaRIM receives, on a quarterly basis, a subadvisory fee based on the Fund's average net assets at month-end at an annual rate of 0.20% on the first \$100 million of assets, 0.30% on the next \$400 million, and 0.35% on assets over \$500 million, payable in arrears. This Agreement may be terminated by either party upon 60 days' written notice.

Disclosures

Clients may provide authorization for us to deduct advisory fees directly from the investment account. Important information about the deduction of management fees:

- The client provides authorization for us to deduct fees when signing our contract.
- Client will receive a statement from your custodian which shows the holdings and account transactions, including the amount deducted for our fees.
- Client is responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

Clients may elect to pay by check rather than having payment deducted directly from the investment account.

Clients may terminate our advisory relationship by providing 30 days written notice. SaratogaRIM will prorate the advisory fees earned through the termination date and refund the prepaid, unearned portion of the fee. We process refund payments the month following the termination and will send a check or refund the investment account. In either case you will receive a final invoice detailing the calculation of the refund.

Other Costs Involved

In addition to our advisory fee shown above, clients are responsible for paying fees associated with investing for their account. These fees include:

- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund. **The mutual fund that we subadvise for will not be charged an additional management fee other than that built into the fund.**
- brokerage costs and transaction fees for any securities or fixed income trades. These are generally charged by the custodian and/or executing broker.

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

SaratogaRIM does not receive performance fees for managing accounts.

ITEM 7: TYPES OF CLIENTS

Our clients include individuals, high net worth individuals, foundations, endowments, corporations, registered investment company and pension plans. Generally we require that clients maintain at least \$100,000 under management with us. However, we may waive that minimum at our sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Equity Investment Process Summary

The SaratogaRIM investment process has four levels:

Quantitative Screening

- Five blocks of screens
 - Each designed to filter for a specific characteristic

Qualitative Analysis

- Understand the business model
- Eliminate pure commodity businesses
- Evaluate sustainable competitive advantages

Valuation Analysis

- Discounted Cash Flow Analysis
 - Derive conservative estimate of intrinsic value
 - Establish maximum purchase price with adequate margin of safety

- Cross-check
 - Establish maximum purchase price with minimum expected rate of return
 - Maximum price based on lower of analysis of both models

Portfolio Construction

- Approximately 25 to 45 positions

SaratogaRIM seeks to protect against permanent loss of capital through multiple levels of analysis from the perspective of a long term investor - we trade infrequently. Our analysis includes—but is not limited to—evaluations of the business model, capital structure and leverage employed, price relative to intrinsic value as well as considerations of extreme economic environments ranging from severe recessionary episodes to prolonged inflationary periods. What we can't factor in are risks associated with unpredictable natural or man-made disasters ranging from catastrophic earthquakes or tidalwaves to nuclear or biological terrorist attacks. All we can do to try to protect against these types of risks is to maintain adequate diversification. SaratogaRIM is most comfortable with 25 to 45 positions in a portfolio.

Principal Risks: As with any money manager, there is no guarantee that portfolios managed by SaratogaRIM will not lose money. The market value of the portfolio will fluctuate, which means clients could lose money by investing with us. The principal risks of investing in an equity account managed by SaratogaRIM are summarized as follows:

Active Management Risk: SaratogaRIM portfolios are subject to the risk that our research and judgment about the attractiveness, value, or potential appreciation of any of our portfolio holdings may prove incorrect. If the securities selected or strategies employed by SaratogaRIM fail to produce the intended results, portfolios managed by SaratogaRIM could underperform other managers with similar objectives and investment strategies. Furthermore, because our process is geared towards long term investment, our portfolios are not immune to short term market forces (such as a “Flash Crash”) which could impact any investor who instructs us to sell at an inopportune time.

Investment Style Risk: Portfolios managed by SaratogaRIM have tended to underperform in up markets. SaratogaRIM does not believe in being fully invested all the time. Holding cash may cause portfolios managed by SaratogaRIM to underperform in up markets. Furthermore, at various stages of the market cycle, speculators tend to gravitate towards highly leveraged investments that are at that time generating high levels of profitability. Because portfolios managed by SaratogaRIM avoid investing in highly leveraged businesses, they will almost certainly underperform in those types of market environments. In general, SaratogaRIM should be expected to underperform anytime high quality investments underperform riskier assets.

Stock and Bond Market Risk: Stocks generally fluctuate more than bonds or cash and may decline rapidly over short time periods. There is always a chance that stock prices will decline because stock markets tend to move in cycles, with periods of rising and falling prices. Prices of individual stocks can fall either because of factors related to the underlying business, industry or due to general weakness in the stock market as a whole. We invest primarily in common stocks and bonds. With any bond or stock investment, there is the risk of a loss of capital. While we try to limit potential loss through careful security selection, it is impossible to completely eliminate the possibility of a permanent loss of capital.

All investments involve different degrees of risk. Clients should be aware of their risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose any material facts regarding any legal or disciplinary actions that would be material to a client's evaluation of the investment adviser and each investment adviser representative providing investment advice to the client. We have no information of this type to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither SaratogaRIM nor any of our officers or management persons has outside business affiliations that present material conflicts of interest to our clients.

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

Code of Ethics

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by SaratogaRIM and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before those of our clients,
- using nonpublic information gathered when providing services to clients for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

A full copy of this Code of Ethics is available upon request.

Personal Trading for Associated Persons

We may buy or sell some of the same securities for clients that personnel of SaratogaRIM already hold in their personal accounts. We may also buy for our personal account some of the same securities already held in client accounts. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by client transactions.

We may restrict trading for a particular security for SaratogaRIM accounts or those of our associated person if there is a pending trade in that security in a client account. Trades for our accounts (and those of our associated persons) will be placed as part of a block trade with client trades, or will be placed on a subsequent day. Personal trades are not placed on the same day as client trades unless they can be block traded. Additional information about block trades is provided in the Aggregation of Orders section of "Item 12: Brokerage Practices."

SaratogaRIM and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

All persons associated with SaratogaRIM are required to report all personal securities transactions to us quarterly.

ITEM 12: BROKERAGE PRACTICES

How We Select Brokers/Custodians

We seek to recommend a broker/custodian who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below.

We do not maintain custody of client assets that we manage, although we may be deemed to have custody of client assets if we have the authority to withdraw assets from a client account (see “Item 15: Custody”). Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We provide a number of broker/custodians which can hold client assets in a brokerage account and buy and sell securities when we instruct them to. Clients need to choose one of those firms and open an account with that firm. We will not open the client account, although we will prepare and send the necessary paperwork for clients to sign. An account number may be assigned to clients through the institutional platform interface we use to generate the necessary paperwork.

In most cases, SaratogaRIM will place trades through the broker-dealer previously selected by the client (“Designated Broker-Dealer”). In these cases clients have negotiated the terms and conditions (including, but not limited to, all fees and commission rates) relating to all services to be provided by such Designated Broker-Dealer and clients are satisfied with such terms and conditions. SaratogaRIM will not negotiate brokerage commissions with respect to transactions executed by Designated Broker-Dealer for clients and as a result, clients may pay higher commissions than those paid by clients who have not directed SaratogaRIM to execute transactions through either the Designated Broker-Dealer or another broker-dealer designated by such clients. By directing SaratogaRIM to use the Designated Broker-Dealer, clients may not receive best execution with respect to certain transactions effected on their behalf.

SaratogaRIM will have discretion to choose the broker-dealer for an account only where the clients have selected to maintain their accounts at a custodian (usually a bank or trust company) that does not provide execution services. In these very limited cases, the custodians mandate that SaratogaRIM select a broker for trade execution. In these instances, SaratogaRIM also has complete discretion over the selection of brokers and dealers to be used.

In addition to using brokers as “agents” and paying commissions, SaratogaRIM may cause clients to buy or sell securities from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters or dealers.

When we select the broker-dealer for a transaction that cannot be executed through the client’s broker/custodian, we may cause the client to pay a higher commission for effecting a transaction than another broker-dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities to our clients.

TD Ameritrade

SaratogaRIM participates in the institutional adviser program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”). TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program. Please see Item 14: Client Referrals and Other Compensation” for additional information.

Charles Schwab & Co, Inc.

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge clients separately for custody services but is compensated by charging clients commissions or other fees on trades that it executes or that settle into the client’s Schwab account. For some accounts, Schwab may charge clients a percentage of the dollar amount of assets in the account in lieu of commissions. In addition to commissions and asset-based fees, Schwab charges clients a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client’s Schwab account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize client trading costs, we have Schwab execute most trades for client accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

Fidelity

SaratogaRIM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, “Fidelity”) through which Fidelity provides

SaratogaRIM with “institutional platform services.” The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist SaratogaRIM in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

SaratogaRIM is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its adviser clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Aggregation of Orders

SaratogaRIM performs investment management services for multiple clients. Often, we will seek to purchase or sell the same security for numerous accounts at the same time. In those cases, where a custodial broker-dealer's systems are conducive to the practice, we may place an aggregate order with that broker/dealer and allocate the resulting securities or proceeds among all participating accounts on an average price basis. The main reason we do so is to promote equality of results for our many clients for whom we believe transactions in that security are appropriate at that time. Clients whose accounts are custodied at (and whose transactions are therefore executed by) one brokerage firm often will not receive exactly the same execution prices as clients whose accounts are custodied at another brokerage firm. SaratogaRIM attempts to minimize these execution differences to the extent practicable. Commissions typically are calculated and assessed on an account-by-account basis, regardless of whether the transaction is part of an aggregated order. Aggregation of orders often will not result in lower commission rates, particularly from custodial brokers that already provide SaratogaRIM clients discounts based on their relationship with SaratogaRIM.

Whenever we are trading the same security for multiple clients (at the same custodian) we aggregate purchases and sales through block trades in order to avoid giving any particular client an unfair pricing advantage. When trading at different custodians, all block trades are entered simultaneously to ensure no custodian takes priority over the other.

Soft Dollars

“Soft dollars” are typically generated when an investment adviser enters into an agreement with an executing broker to receive a portion of the commissions generated by the adviser's client trades. The soft dollars are allocated to the investment adviser and can then be used to purchase items or services. The investment adviser has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to

clients could be seen as “soft dollars.” The additional services we receive from TD Ameritrade, as disclosed in Item 14 below, and from Schwab, as disclosed in the section entitled “Products and Services Available to Us From Schwab “ above, would fall under this description of soft dollars.

ITEM 13: REVIEW OF ACCOUNTS

Review of Client Accounts

Our operations teams reconcile accounts daily, and our investment team reviews every account after it has been invested or re-balanced to ensure portfolio weightings are correct. We perform account reviews when there has been a material movement in a stock position or when cash has been withdrawn from or deposited into an account. Accounts are reviewed by operations or the investment team to determine whether a rebalance is required. These teams include the following individuals: Jim Tanner (Director of Operations), Phil Spencer (Assistant Portfolio Manager), Dave Lii (Assistant Portfolio Manager), and Kevin Tanner (President & Chief Investment Officer).

Reports to Clients

Clients may view the following reports on our website:

Daily: Basic Portfolio Appraisal, Detailed Portfolio Appraisal, Unrealized Gain & Loss Appraisal
Weekly: Year -to-Date Realized Gain Loss Report, Year-to-Date Income & Expense Report
Monthly: Performance Report
Quarterly: Client Letter & Invoice
Annually: Annual Realized Gain & Loss and Income & Expense Reports

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Other Compensation

Charles Schwab & Co., Inc.

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide SaratogaRIM and our clients with access to its institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them). Following is a more detailed description of Schwab’s support services:

Services That May Not Directly Benefit Clients.

Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or client account. These products and services assist us in managing and administering our clients’ accounts. Schwab makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

TD Ameritrade

As disclosed in "Item 12: Brokerage Practices," we participate in TD Ameritrade's institutional customer program and we may recommend that clients use TD Ameritrade for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research related products and tools
- Access to a trading desk serving investment adviser participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information

Some of the products and services made available by TD Ameritrade through the program may benefit SaratogaRIM but may not benefit its client accounts. These products or services may assist us in managing and administering client accounts. The benefits received by SaratogaRIM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of economic benefits in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

Fidelity

Fidelity also offers other services intended to help SaratogaRIM manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom SaratogaRIM may contract directly.

Client Referrals

SaratogaRIM has an agreement with one solicitor which is effective through February, 2017. This solicitor is a previous employee of the SaratogaRIM and receives a percentage of advisory fees earned on client accounts that were brought in during her employment. SaratogaRIM does not anticipate entering into this type of agreement with additional solicitors. SaratogaRIM's agreement with the solicitor is in compliance with Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended.

ITEM 15: CUSTODY

If a client gives us authority to deduct our fees directly from the investment account, we have custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in "Item 5: Fees and Compensation." Clients also receive quarterly statements directly from custodian of the account that details all transactions in the account. Clients should carefully review those statements promptly when they are received. We also urge clients to compare account statements received from the custodian to the periodic portfolio reports received from SaratogaRIM online.

ITEM 16: INVESTMENT DISCRETION

As one of the conditions of managing client accounts, the client is required to provide discretionary authority for SaratogaRIM to manage account assets. Discretionary authority means the client gives us a limited power of attorney to place trades on the client's behalf. This limited power of attorney does not allow us to withdraw money from the client account, other than advisory fees if the client agrees to give us that authority.

Clients grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker-dealer acting as custodian for the client account(s).

On occasion our clients may ask us not to buy or sell a specific stock due to any number of factors. Examples would include: personal diversification reasons (i.e., they own one of our holdings elsewhere and don't want added exposure); prohibition from owning a particular issue due to an affiliation they may have with that particular company; objections to an investment on moral or religious grounds; or they may simply dislike a specific company or industry.

ITEM 17: VOTING CLIENT SECURITIES

SaratogaRIM must treat voting rights as to securities held in its clients' portfolios in a manner that is in its clients' best interests. SaratogaRIM has developed a Proxy Voting Policy which describes its policy for doing so. This policy contains the guidelines that SaratogaRIM uses when voting for clients who have asked us to do so on their behalf.

When the purpose of holding a stock relates to the stock's growth or value over an extended period, voting proxies may further that purpose. As to those types of holdings, therefore, SaratogaRIM will evaluate on a case-by-case basis whether, under the circumstances, it is likely to be in the clients' best interest to exercise voting rights as to those securities. We will consider a variety of factors, including our reasons for buying the stock, the nature of the proxy proposals, and the estimated time the clients will continue to hold the stock.

SaratogaRIM's designated Proxy Officer, Kevin Tanner, and the relevant portfolio manager will be responsible for reviewing and (where applicable) voting shareholder proxies.

Conflicts of Interest

SaratogaRIM is sensitive to conflicts of interest that may arise in the proxy decision making process. For example, conflicts may arise under the following circumstances:

- Proxy votes regarding non-routine matters are solicited by a company that has (or whose retirement plans have) an institutional separate account relationship with SaratogaRIM.
- SaratogaRIM has a material business relationship with a proponent of a proxy proposal, participants in a proxy contest, or directors or director candidates of a company; or
- A SaratogaRIM employee has a personal interest in the outcome of a particular proxy proposal (which might be the case if, for example, a member of a SaratogaRIM employee's immediate family were a director or executive officer of the relevant company).

SaratogaRIM will seek to resolve all conflicts in its clients' collective best interest. Voting in accordance with the Guidelines set forth in the Proxy Voting Policy will generally prevent any conflicts that may appear to exist from affecting its voting. However, if (i) a proposal is not covered by the Guidelines or (ii) a portfolio manager seeks to vote contrary to the Guidelines, the Proxy Officer will inquire whether SaratogaRIM or the portfolio manager deciding how to vote has any interests that could be viewed as potentially conflicting with the interests of our clients. If there are any potential conflicts, the Proxy Officer will consult with other SaratogaRIM senior management and, as appropriate, an independent consultant or outside counsel, to determine what votes on those proposals would be in the collective best interest of the clients.

Clients may not provide direction to SaratogaRIM regarding any particular proxy solicitation.

Clients may obtain free of charge a copy of our Proxy Voting policy, or records detailing how SaratogaRIM voted proxy issues on its clients' behalf by submitting a written request.

Clients may elect to retain the authority to vote the proxies. In this case, the client will receive proxies and other related paperwork directly from the custodian. Upon request we will provide guidance about voting a specific proxy solicitation.

ITEM 18: FINANCIAL INFORMATION

SaratogaRIM does not charge or solicit pre-payment of more than \$1,200 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.