



October 15, 2013

## Saratoga Investment Corp. Announces Fiscal Second Quarter 2014 Financial Results

NEW YORK, Oct. 15, 2013 /PRNewswire/ -- Saratoga Investment Corp. (NYSE:SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2014 fiscal second quarter.

### Operating Results

For the fiscal quarter ended August 31, 2013, Saratoga Investment reported net investment income of \$2.3 million, or \$0.48 on a weighted average per share basis, and a net loss on investments of \$2.3 million, or \$0.49 on a weighted average per share basis, resulting in a decrease in net assets from operations of \$0.04 million, or \$0.01 on a weighted average per share basis. The \$2.3 million net loss on investments was comprised of \$2.9 million in net unrealized depreciation on investments and \$0.6 million in net realized gains from investments.

Net asset value ("NAV") was \$112.4 million as of August 31, 2013, compared to \$112.5 million as of May 31, 2013 and \$108.7 million as of February 28, 2013. NAV per share was \$23.77 as of August 31, 2013 and \$23.78 as of May 31, 2013 and \$22.98 as of February 28, 2013.

Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment, said, "We continue to see opportunities and this quarter were able to add to the investments in our portfolio. We invested approximately \$55 million in both new and existing portfolio companies during the quarter, and our significant financial resources will enable us to invest in future situations as they arise."

### Portfolio and Investment Activity

As of August 31, 2013, the fair value of Saratoga Investment's investment portfolio was \$187.8 million, principally invested in 34 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 19.8% of middle market loans, 40.2% of first lien term loans, 8.7% of second lien term loans, 13.0% of senior secured notes, 2.9% of unsecured notes, 10.5% of subordinated notes of the CLO and 4.9% of equity interests.

During the 2014 fiscal second quarter, Saratoga Investment invested \$54.9 million in new or existing portfolio companies and had \$29.6 million in aggregate amount of exits and repayments on its investments, resulting in net investments of \$25.3 million for the period.

On October 1, 2013, the Saratoga CLO priced a refinancing of its notes. The refinanced Saratoga CLO has assets of \$300 million and will have a reinvestment period through October 2016. As a result of increased pricing on the notes and the smaller asset base, interest income and equity distributions in the future will be lower than historical amounts but provide greater earnings stability during the next three to four years. Saratoga Investment Corp. will continue to own 100% of the subordinated notes and receive a 50 basis point management fee for the life of the Saratoga CLO. The refinancing is expected to close on October 17, 2013.

As of August 31, 2013, the weighted average current yield on Saratoga Investment's middle market loans, first lien term loans, second lien term loans, senior secured notes, unsecured notes, and the CLO subordinated notes were 6.6%, 10.5%, 10.1%, 14.9%, 14.9%, and 27.2%, respectively, which resulted in an aggregate weighted average current yield of 12.2%.

### Liquidity and Capital Resources

As of August 31, 2013, Saratoga Investment had \$48.3 million in notes payable outstanding, no borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition, Saratoga Investment had an aggregate of \$11.6 million in cash and cash equivalents and \$16.6 million in cash and cash equivalents, reserve accounts at August 31, 2013. The Company is required to use the amounts held in cash and cash equivalents, reserve accounts to pay interest expense, reduce borrowings or pay other amounts in accordance with the terms of its senior secured revolving credit facility and its Company's Small Business Investment Company ("SBIC") subsidiary. As of August 31, 2013, the SBIC subsidiary had \$25 million in regulatory capital and \$40.0 million of Small Business Administration debentures.

### 2013 Annual Meeting of Stockholders

At Saratoga Investment's Annual Meeting of Stockholders held September 26, 2013, Messrs. Steven M. Looney and Charles S. Whitman were elected to serve until the 2016 Annual Meeting of Stockholders. Also approved at the Meeting was the proposal to reauthorize the Company to issue its common stock at an offering price per share not less than 85% of the Company's then current net asset value per share.

### 2014 Fiscal Second Quarter Conference Call/Webcast Information

**When:** Oct. 16, 2013 at 10:00 a.m. Eastern Time (ET)

**Call:** Interested parties may participate by dialing (877) 312-9208 (U.S. and Canada) or (678) 224-7872 (outside U.S. and Canada).

A replay of the call will be available from 12:00 p.m. ET on Oct. 16, 2013 through 11:59 p.m. ET on Oct. 22, 2013 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada). Passcode for both replay numbers is 76281766.

**Webcast:** Interested parties may also access a simultaneous webcast of the call by going to <http://ir.saratogainvestmentcorp.com/events.cfm>.

### About Saratoga Investment Corp.

Saratoga Investment Corp. is a specialty finance company that provides customized financing solutions to U.S. middle-market businesses. The Company invests primarily in mezzanine debt, leveraged loans and equity to provide financing for change of ownership transactions, strategic acquisitions,

recapitalizations and growth initiatives in partnership with business owners, management teams and financial sponsors. Saratoga Investment Corp.'s objective is to create attractive risk-adjusted returns by generating current income and long-term capital appreciation from its debt and equity investments. Saratoga Investment Corp. has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 and is externally-managed by Saratoga Investment Advisors, LLC, an SEC-registered investment advisor focusing on credit-driven strategies. Within the BDC, Saratoga Investment manages both an SBIC-licensed subsidiary and a \$300 million Collateralized Loan Obligation (CLO) fund. These diverse funding sources, combined with a permanent capital base, enable Saratoga Investment to offer a broad range of financing solutions.

## Forward Looking Statements

This press release contains certain forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors enumerated in this press release and the filings Saratoga Investment Corp. makes with the SEC. Saratoga Investment Corp. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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## Financial Statements

### Saratoga Investment Corp.

#### Consolidated Statements of Assets and Liabilities

|   | <u>As of</u>                          |                          |
|---|---------------------------------------|--------------------------|
|   | <u>August 31, 2013</u><br>(unaudited) | <u>February 28, 2013</u> |
| <b>ASSETS</b>   |                                       |                          |
| Investments at fair value   |                                       |                          |
| Non-control/non-affiliate investments (amortized cost of \$167,382,770 and \$130,465,086, respectively)   | \$ 168,058,055                        | \$ 129,563,428           |
| Control investments (cost of \$16,804,518 and \$18,944,966 respectively)  | 19,741,624                            | 25,516,959               |
| Total investments at fair value (amortized cost of \$184,187,288 and \$149,410,052 respectively)  | 187,799,679                           | 155,080,387              |
| Cash and cash equivalents   | 11,558,783                            | 149,025                  |
| Cash and cash equivalents, reserve accounts   | 16,592,698                            | 12,086,142               |
| Interest receivable, (net of reserve of \$240,693 and \$53,543, respectively)   | 2,060,413                             | 2,889,358                |
| Due from manager  | 4,929                                 | -                        |
| Deferred debt financing costs, net  | 4,250,199                             | 2,090,184                |
| Management fee receivable   | 198,522                               | 215,853                  |
| Other assets  | 91,345                                | 83,407                   |
| Receivable from unsettled trades  | 1,500,585                             | 1,817,074                |
| Total assets  | <u>\$ 224,057,153</u>                 | <u>\$ 174,411,430</u>    |
| <b>LIABILITIES</b>  |                                       |                          |
| Revolving credit facility   | \$ -                                  | \$ 24,300,000            |
| SBA debentures payable  | 40,000,000                            | 36,000,000               |
| Notes payable   | 48,300,000                            | -                        |
| Payable for unsettled trades  | 16,270,000                            | -                        |
| Management and incentive fees payable   | 5,486,746                             | 4,509,322                |
| Accounts payable and accrued expenses   | 501,640                               | 435,038                  |
| Interest and debt fees payable  | 745,051                               | 257,796                  |
| Due to manager  | 308,401                               | 222,513                  |
| Total liabilities   | <u>\$ 111,611,838</u>                 | <u>\$ 65,724,669</u>     |
| <b>NET ASSETS</b>   |                                       |                          |
| Common stock, par value \$.001, 100,000,000 common shares<br>authorized, 4,730,116 and 4,730,116 common shares issued and outstanding, respectively | \$ 4,730                              | \$ 4,730                 |
| Capital in excess of par value  | 174,824,076                           | 174,824,076              |
| Distribution in excess of net investment income   | (19,781,396)                          | (24,522,951)             |
| Accumulated net realized loss from investments and derivatives  | (46,214,485)                          | (47,289,427)             |
| Net unrealized appreciation on investments and derivatives  | 3,612,390                             | 5,670,333                |
| Total Net Assets  | <u>112,445,315</u>                    | <u>108,686,761</u>       |
| Total liabilities and Net Assets  | <u>\$ 224,057,153</u>                 | <u>\$ 174,411,430</u>    |
| NET ASSET VALUE PER SHARE   | <u>\$ 23.77</u>                       | <u>\$ 22.98</u>          |

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Operations

|  | For the three months ended August 31 |                     | For the six months ended August 31 |                     |
|--|--------------------------------------|---------------------|------------------------------------|---------------------|
|  | 2013<br>(unaudited)                  | 2012<br>(unaudited) | 2013<br>(unaudited)                | 2012<br>(unaudited) |
| <b>INVESTMENT INCOME</b>   |                                      |                     |                                    |                     |
| Interest from investments  |                                      |                     |                                    |                     |
| Non-control/Non-affiliate investments  | \$ 3,385,362                         | \$ 2,206,947        | \$ 7,254,826                       | \$ 3,945,469        |
| Payment-in-kind interest income from Non-control/Non-affiliate investments   | 296,802                              | 212,811             | 472,923                            | 539,274             |
| Control investments  | 1,109,535                            | 1,094,681           | 2,235,539                          | 2,140,466           |
| Total interest income  | 4,791,699                            | 3,514,439           | 9,963,288                          | 6,625,209           |
| Interest from cash and cash equivalents                                      | 3,959                                | 1,791               | 5,865                              | 4,637               |
| Management fee income  | 480,750                              | 500,225             | 978,841                            | 1,000,065           |
| Other income   | 111,300                              | 146,834             | 457,476                            | 152,560             |
| Total investment income  | 5,387,708                            | 4,163,289           | 11,405,470                         | 7,782,471           |
| <b>EXPENSES</b>  |                                      |                     |                                    |                     |
| Interest and debt financing expenses   | 1,603,581                            | 653,025             | 2,731,436                          | 1,278,728           |
| Base management fees   | 811,106                              | 504,802             | 1,547,822                          | 963,610             |
| Professional fees  | 235,191                              | 293,483             | 566,255                            | 639,322             |
| Administrator expenses   | 250,000                              | 250,000             | 500,000                            | 500,000             |
| Incentive management fees  | (39,770)                             | 869,403             | 781,352                            | 1,299,674           |
| Insurance  | 119,234                              | 130,308             | 239,229                            | 260,615             |
| Directors fees and expenses  | 45,000                               | 51,000              | 96,000                             | 102,000             |
| General & administrative   | 91,425                               | 97,022              | 189,786                            | 148,363             |
| Other expense  | 75                                   | -                   | 12,035                             | 3,123               |
| Total expenses   | 3,115,842                            | 2,849,043           | 6,663,915                          | 5,195,435           |
| <b>NET INVESTMENT INCOME</b>   | <b>2,271,866</b>                     | <b>1,314,246</b>    | <b>4,741,555</b>                   | <b>2,587,036</b>    |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>                   |                                      |                     |                                    |                     |
| Net realized gain from investments   | 545,642                              | 268,718             | 1,074,942                          | 447,348             |
| Net realized loss from derivatives   | -                                    | -                   | -                                  | (131,000)           |
| Net unrealized appreciation (depreciation) on investments                    | (2,858,805)                          | 3,288,078           | (2,057,943)                        | 5,027,500           |
| Net unrealized appreciation on derivatives                                   | -                                    | -                   | -                                  | 130,925             |
| Net gain (loss) on investments   | (2,313,163)                          | 3,556,796           | (983,001)                          | 5,474,773           |
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>       | <b>\$ (41,297)</b>                   | <b>\$ 4,871,042</b> | <b>\$ 3,758,554</b>                | <b>\$ 8,061,809</b> |
| <b>WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE</b> | <b>\$ (0.01)</b>                     | <b>\$ 1.26</b>      | <b>\$ 0.79</b>                     | <b>\$ 2.08</b>      |
| <b>WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED</b>         | <b>4,730,116</b>                     | <b>3,876,661</b>    | <b>4,730,116</b>                   | <b>3,876,661</b>    |

See accompanying notes to consolidated financial statements.

SOURCE Saratoga Investment Corp.

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