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As filed with the Securities and Exchange Commission on February 28, 2017
Securities Act File No. 333

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

☐ **Pre-Effective Amendment No.**

☐ **Post-Effective Amendment No.**

SARATOGA INVESTMENT CORP.

(Exact Name of Registrant as Specified in Charter)

535 Madison Avenue
New York, New York 10022
(Address of Principal Executive Offices)

(212) 906-7800
(Registrant's Telephone Number, Including Area Code)

Christian L. Oberbeck
Chief Executive Officer
Saratoga Investment Corp.
535 Madison Avenue
New York, New York 10022
(Name and Address of Agent for Service)

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Approximate date of proposed public offering:
From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this form are offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☒

It is proposed that this filing will become effective (check appropriate box):

☐ When declared effective pursuant to Section 8(c).

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CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(7)
Common Stock, $0.001 par value per share(2)(3)		
Preferred Stock, $0.001 par value per share(2)		
Subscription Rights(2)		
Debt Securities(4)		
Warrants(5)		
Total(6)	$50,000,000	$5,795

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined, from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this Registration Statement. In reliance upon Rule 429 under the Securities Act of 1933, this amount is comprised of the amount previously registered by the Registrant under a registration statement on Form N-2 (File No. 333-215611). All amounts unsold under the prospectus contained in such prior Registration Statement (a total of $50,000,000) are carried forward into this Registration Statement, and the prospectus contained as a part of this Registration Statement shall be deemed to be combined with the prospectus contained in the above-referenced registration statement, which has previously been filed.

(2) Subject to Note 6 below, there is being registered hereunder an indeterminate number of shares of common stock, preferred stock, subscription rights to purchase shares of common stock or warrants to purchase shares of our common stock, as may be sold, from time to time.

(3) Subject to Note 6 below, includes such indeterminate number of shares of common stock as may, from time to time, be issued upon conversion or exchange of other securities registered hereunder, to the extent any such securities are, by their terms, convertible or exchangeable for common stock.

(4) Subject to Note 6 below, there is being registered hereunder an indeterminate number of debt securities as may be sold, from time to time. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed $50,000,000.

(5) Subject to Note 6 below, there is being registered hereunder an indeterminate number of warrants as may be sold, from time to time.

(6) In no event will the aggregate offering price of all securities issued from time to time pursuant to this Registration Statement exceed $50,000,000.

(7) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 28, 2017

$50,000,000

Common Stock
Preferred Stock
Subscription Rights
Debt Securities
Warrants

We are a specialty finance company that invests primarily in leveraged loans and mezzanine debt issued by private U.S. middle-market companies, both through direct lending and through participation in loan syndicates. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments.

We are externally managed and advised by Saratoga Investment Advisors, LLC, a New York-based investment firm affiliated with Saratoga Partners, a middle market private equity investment firm.

We may offer, from time to time, in one or more offerings or series, up to $50,000,000 of our common stock, preferred stock, subscription rights to purchase shares of our common stock, debt securities, and warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, which we refer to, collectively, as our "securities." The preferred stock, subscription rights, warrants and debt securities offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

Absent approval by the majority of our common stockholders, the offering price per share of our common stock less any underwriting commissions or discounts will not be less than the net asset value per share of our common stock at the time we make the offering unless we issue shares in connection with a rights offering to our existing stockholders or under such other circumstances as the SEC may permit. We do not currently have stockholder approval of issuances below net asset value. In addition, we cannot issue shares of our common stock below net asset value unless our Board of Directors determines that it would be in our and our stockholders' best interests to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See "Sales of Common Stock Below Net Asset Value."

Our securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of our securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such securities.

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "SAR." On February 27, 2017, the last reported sales price on the NYSE for our common stock was $22.22 per share. We are required to determine the net asset value per share of our common stock on a quarterly basis. Our net asset value per share of our common stock as of November 30, 2016 was $22.21.

Substantially all of the debt investments held in our portfolio hold a non-investment grade rating by one or more rating agencies (which non-investment grade debt is commonly referred to as "high yield" and "junk" debt) or, if not rated, would be rated below investment grade or "junk" if rated. A majority of our debt portfolio consists of debt securities for which issuers were not required to make principal payments until the maturity of such debt securities, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. A substantial amount of our subordinated debt and preferred equity investments pay payment-in-kind interest, which creates negative amortization on a loan, resulting in an increase in the amounts that our portfolio companies will ultimately be required to pay us. In addition, a majority of our debt investments had variable interest rates that reset periodically based on benchmarks such as LIBOR and the prime rate. As a result, significant increases in such benchmarks in the future may make it more difficult for these borrowers to service their obligations under the debt investments that we hold.

This prospectus and any accompanying prospectus supplement contain important information about us that a prospective investor should know before investing in our securities, and will collectively constitute the prospectus for each offering of our securities hereunder. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 535 Madison Avenue, New York, New York 10022, by telephone at (212) 906-7800, or on our website at *http://www.saratogainvestmentcorp.com*. The information on our website is not incorporated by reference into this prospectus or any accompanying prospectus supplement, and you should not consider that information to be part of either. The SEC also maintains a website at *www.sec.gov* that contains such information.

Investing in our securities involves a high degree of risk and should be considered speculative. For more information regarding the risks you should consider, including the risk of leverage, please see "Risk Factors" beginning on page 22 of this prospectus. For example, our investment in the subordinated notes of one collateralized loan obligation fund, Saratoga Investment Corp. CLO 2013-1, Ltd., represents a first loss position in a portfolio that is composed predominantly of senior secured first lien term loans. A first loss position means that we will suffer the first economic losses if losses are incurred on loans held by the collateralized loan obligation fund or losses are otherwise incurred by the collateralized loan obligation fund, including its incurrence of operating expenses in excess of its operating income.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

The date of this prospectus is , 2017

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You should rely only on the information contained in this prospectus. We have not authorized any dealer, salesperson or other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell, or a solicitation of an offer to buy, any securities by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information in this prospectus is accurate only as of the date of this prospectus, and under no circumstances should the delivery of this prospectus or the sale of any securities imply that the information in this prospectus is accurate as of any later date or that the affairs of Saratoga Investment Corp., have not changed since the date hereof or thereof. Our business, financial condition, results of operations and prospectus may have changed since then. We will update the information in this prospectus to reflect material changes only as required by law.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that is important to you. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus. Unless otherwise noted, the terms "we," "us," "our," the "Company" and "Saratoga" refer to Saratoga Investment Corp. and its wholly owned subsidiaries, Saratoga Investment Funding LLC and Saratoga Investment Corp. SBIC LP, and does not refer to Saratoga Investment Corp. CLO 2013-1 Ltd. In addition, the terms "Saratoga Investment Advisors" and "investment adviser" refer to Saratoga Investment Advisors, LLC, our external investment adviser.

Overview

We are a specialty finance company that invests primarily in leveraged loans and mezzanine debt issued by private U.S. middle-market companies, which we define as companies having annual EBITDA (earnings before interest, taxes, depreciation and amortization) of between $2 million and $50 million, both through direct lending and through participation in loan syndicates. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments. We are externally managed and advised by Saratoga Investment Advisors, LLC, a New York-based investment firm affiliated with Saratoga Partners, a middle market private equity investment firm.

Our portfolio is comprised primarily of investments in leveraged loans (both first and second lien term loans) issued by middle market companies. Term loans are loans that do not allow the borrowers to repay all or a portion of the loans prior to maturity and then re-borrow such repaid amounts under the loan again. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt which are issued by companies with below investment grade or "junk" ratings or, if not rated, would be rated below investment grade or "junk" and, as a result, carry a higher risk of default. Leveraged loans also have the benefit of first or second lien security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. We also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company. As of November 30, 2016, 24.7% of our debt portfolio at fair value consisted of debt securities for which issuers were not required to make principal payments until the maturity of such debt securities, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity.

Substantially all of the debt investments held in our portfolio hold a non-investment grade rating by one or more rating agencies (which non-investment grade debt is commonly referred to as "high yield" and "junk" debt) or, if not rated, would be rated below investment grade or "junk" if rated. In addition, 81.7% of our debt investments at November 30, 2016 had variable interest rates that reset periodically based on benchmarks such as LIBOR and the prime rate. As a result, significant increases in such benchmarks in the future may make it more difficult for these borrowers to service their obligations under the debt investments that we hold.

While our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, including securities of companies in bankruptcy, foreign debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds. Although we have no current intention to do so, to the extent we invest in private equity funds, we will limit our investments in entities that are excluded from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of Investment Company Act of 1940 ("1940 Act"), which includes private equity funds, to no more than 15% of its net assets.

As of November 30, 2016, we had total assets of $305.5 million and investments in 30 portfolio companies and an additional investment in the subordinated notes of one collateralized loan obligation fund, Saratoga Investment Corp. CLO 2013-1, Ltd. (“Saratoga CLO”), which investment had a fair value of $11.0 million as of November 30, 2016. Our overall portfolio composition as of November 30, 2016 consisted of 3.5% of syndicated loans, 57.8% of first lien term loans, 28.9% of second lien term loans, 5.5% of subordinated notes of Saratoga CLO and Class F notes tranche of the Saratoga CLO and 4.3% of common equity. As of November 30, 2016, the weighted average yield on all of our debt investments, including our investment in the subordinated notes of Saratoga CLO and Class F notes tranche of the Saratoga CLO, was approximately 10.8%. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders and, among other things, is calculated before the payment of our fees and expenses. As of November 30, 2016, approximately 100.0% of our first lien debt investments, which comprises 57.8% of our portfolio, were fully collateralized in which we held such investments had an asset coverage equal to or greater than the principal amount of the related debt investment. The Company uses enterprise value to assess the level of collateralization of its portfolio companies. The enterprise value of a portfolio company is determined by analyzing various factors, including EBITDA (earnings before interest, taxes, depreciation and amortization), cash flows from operations less capital expenditures and other pertinent factors, such as recent offers to purchase a portfolio company’s securities or other liquidation events. As a result, while we consider a portfolio company to be collateralized if its enterprise value exceeds the amount of our loan, we do not hold tangible assets as collateral in our portfolio companies that we would obtain in the event of a default. Even though these loans are fully collateralized as is the case with all of the liens on our debt investments, there can be no assurance that the value of collateral will be sufficient to allow the portfolio company repay our first lien debt investments in the event of its default on our investment.

Saratoga CLO is an exempted company with limited liability incorporated under the laws of the Cayman Islands, which was established to acquire or participate in U.S. dollar-denominated corporate debt obligations. Saratoga CLO has issued various tranches of senior notes, held by numerous investors, and one tranche of subordinated notes, held entirely by us. As we own 100% of the subordinated notes issued by Saratoga CLO, which is junior to all of its other outstanding indebtedness, we are deemed to hold 100% of the equity interests in Saratoga CLO for tax purposes. Our investment in the subordinated notes of Saratoga CLO represents a first loss position in a portfolio that, at November 30, 2016, was composed of $297.5 million in aggregate principal amount of predominantly senior secured first lien term loans. A first loss position means that we will suffer the first economic losses if losses are incurred on loans held by the Saratoga CLO or losses otherwise incurred by Saratoga CLO, including its incurrence of operating expenses in excess of its operating income. As a result, this investment is subject to unique risks. See “Risk Factors—Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility” for information regarding the general risks related to our investment in Saratoga CLO. Although we believe that we have observed and will observe certain formalities and operating procedures that are generally recognized requirements for maintaining our separate existence and that our assets and liabilities can be readily identified as distinct from those of Saratoga CLO, there can be no assurance that a bankruptcy court, in the exercise of its broad equitable powers, would not order that our assets and liabilities be substantively consolidated with those of Saratoga CLO in connection with a bankruptcy proceeding involving us or Saratoga CLO, including for the purposes of making distributions under a plan of reorganization or liquidation. Substantive consolidation means that our assets are placed in a single bankruptcy estate with those of Saratoga CLO, rather than kept separate, and that the creditors of Saratoga CLO have a claim against that single estate (including our assets), as opposed to retaining their claims against only Saratoga CLO. See “Risk Factors—In the event that a bankruptcy court orders the substantive consolidation of us with Saratoga CLO, the creditors of Saratoga CLO, including the holders of $282.4 million aggregate principal amount of debt, as of November 30, 2016, issued by Saratoga CLO, would have claims against the consolidated bankruptcy estate.”

On January 22, 2008, we entered into a collateral management agreement with Saratoga CLO, pursuant to which we act as its collateral manager. In addition, we purchased for $30.0 million all of the outstanding

subordinated notes of Saratoga CLO. The Saratoga CLO was initially refinanced in October 2013 and its reinvestment period ended in October 2016. On November 15, 2016, we completed the second refinancing of the Saratoga CLO. The Saratoga CLO refinancing, among other things, extended its reinvestment period to October 2018, and extended its legal maturity date to October 2025. Following the refinancing, the Saratoga CLO portfolio remained at the same size and with a similar capital structure of approximately $300 million in aggregate principal amount of predominantly senior secured first lien term loans. In addition to refinancing its liabilities, we also purchased $4.5 million in aggregate principal amount of the Class F notes tranche of the Saratoga CLO at par, with a coupon of 8.5%. The Class F tranche is the eighth tranche in the capital structure of Saratoga CLO and is subordinated to the other debt classes of Saratoga CLO. The Class F tranche is only senior to the subordinated notes, which is effectively the equity position in Saratoga CLO. As a result, the other tranches of debt in Saratoga CLO rank ahead of the $4.5 million Class F tranche and ahead of the aggregate principal amount of our position in the subordinated notes, which as of November 30, 2016 had a fair value of $4.3 million, with respect to priority of payments in the event of a default or a liquidation.

The Saratoga CLO remains effectively 100% owned and managed by Saratoga Investment Corp. because the Company owns all of the outstanding subordinated notes of Saratoga CLO, which is the equivalent of an equity position, and the Company manages the portfolio of Saratoga CLO. We receive a base management fee of 0.10% and a subordinated management fee of 0.40% of the fee basis amount at the beginning of the collection period, paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20.0% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return paid in cash equal to or greater than 12.0%.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (“1940 Act”). As a BDC, we are required to comply with various regulatory requirements, including limitations on our use of debt. We finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing.

We have elected to be treated for U.S. federal income tax purposes as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986 (the “Code”). As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders if we meet certain source-of-income, distribution and asset diversification requirements.

In addition, we have a wholly-owned subsidiary that is licensed as a small business investment company (“SBIC”) and regulated by the Small Business Administration (“SBA”). See “Regulation—Small Business Investment Company Regulations.” The SBIC license allows us, through our wholly-owned subsidiary, to issue SBA-guaranteed debentures. We received exemptive relief from the Securities and Exchange Commission to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities in the 200% asset coverage test under the 1940 Act. This allows us increased flexibility under the 200% asset coverage test by permitting us to borrow up to $150 million more than we would otherwise be able to absent the receipt of this exemptive relief.

Saratoga Investment Advisors

Our investment adviser was formed in 2010 as a Delaware limited liability company and became our investment adviser in July 2010. Our investment adviser is led by four principals, Christian L. Oberbeck, Michael J. Grisius, Thomas V. Inglesby, and Charles G. Phillips, with 28, 26, 29 and 19 years of experience in leveraged finance, respectively. Our investment adviser is affiliated with Saratoga Partners, a middle market private equity

investment firm. Saratoga Partners was established in 1984 to be the middle market private investment arm of Dillon Read & Co. Inc. and has been independent of Dillon Read since 1998. Saratoga Partners has a 28-year history of private investments in middle market companies and focuses on public and private equity, preferred stock, and senior and mezzanine debt investments.

We utilize the personnel, infrastructure, relationships and experience of Saratoga Investment Advisors to enhance the growth of our business. We currently have no employees and each of our executive officers is also an officer of Saratoga Investment Advisors.

We have entered into an investment advisory and management agreement (the "Management Agreement") with Saratoga Investment Advisors. Pursuant to the Management Agreement, Saratoga Investment Advisors implements our business strategy on a day-to-day basis and performs certain services for us under the direction of our board of directors. Saratoga Investment Advisors is responsible for, among other duties, performing all of our day-to-day investment-related functions, determining investment criteria, sourcing, analyzing and executing investments, asset sales, financings and performing asset management duties.

Saratoga Investment Advisors has formed an investment committee to advise and consult with its senior management team with respect to our investment policies, investment portfolio holdings, financing and leveraging strategies and investment guidelines. We believe that the collective experience of the investment committee members across a variety of fixed income asset classes will benefit us. The investment committee must unanimously approve all investments in excess of $1 million made by us. In addition, all sales of our investments must be approved by three out of four investment committee members. The current members of the investment committee are Messrs. Oberbeck, Grisius, Inglesby, and Phillips.

Investments

Our portfolio is comprised primarily of investments in leveraged loans issued by middle market companies. Investments in middle market companies are generally less liquid than equivalent investments in companies with larger capitalizations. These investments are sourced in both the primary and secondary markets through a network of relationships with commercial and investment banks, commercial finance companies and financial sponsors. The leveraged loans that we purchase are generally used to finance buyouts, acquisitions, growth, recapitalizations and other types of transactions. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt which are issued by companies with below investment grade or "junk" ratings or, if not rated, would be rated below investment grade or "junk" and, as a result, carry a higher risk of default. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. For a discussion risks pertaining to our secured investments, see "Risk Factors—Our investments may be risky, and you could lose all or part of our investment."

As part of our long-term strategy, we also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company. See "Risk Factors—If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event our portfolio companies defaults on their indebtedness."

In general, at least 70% of a BDC's assets must be comprised of the type of assets that are listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets. Qualifying assets are generally securities of U.S. private operating companies, or listed operating companies with an aggregate market value of outstanding voting and non-voting common equity of less than $250 million. As of November 30, 2016, with the exception of our investment in the subordinated notes of Saratoga CLO and a first lien term loan to one other portfolio company, all of our equity and debt investments constituted qualifying assets under the 1940 Act. While

our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds.

Prospective portfolio company characteristics

Our investment adviser generally selects portfolio companies with one or more of the following characteristics:

- a history of generating stable earnings and strong free cash flow;
- well-constructed balance sheets, including an established tangible liquidation value;
- reasonable debt-to-cash flow multiples;
- industry leadership with competitive advantages and sustainable market shares in attractive sectors; and
- capital structures that provide appropriate terms and reasonable covenants.

Investment selection

In managing us, Saratoga Investment Advisors employs the same investment philosophy and portfolio management methodologies used by Saratoga Partners. Through this investment selection process, based on quantitative and qualitative analysis, Saratoga Investment Advisors seeks to identify portfolio companies with superior fundamental risk-reward profiles and strong, defensible business franchises with the goal of minimizing principal losses while maximizing risk-adjusted returns. Saratoga Investment Advisors' investment process emphasizes the following:

- bottoms-up, company-specific research and analysis;
- capital preservation, low volatility and minimization of downside risk; and
- investing with experienced management teams that hold meaningful equity ownership in their businesses.

Our investment adviser's investment process generally includes the following steps:

- Initial screening. A brief analysis identifies the investment opportunity and reviews the merits of the transaction. The initial screening memorandum provides a brief description of the company, its industry, competitive position, capital structure, financials, equity sponsor and deal economics. If the deal is determined to be attractive by the senior members of the deal team, the opportunity is fully analyzed.
- Comprehensive analysis. A comprehensive analysis includes:
    - Business and Industry analysis—a review of the company's business position, competitive dynamics within its industry, cost and growth drivers and technological and geographic factors. Business and industry research often includes meetings with industry experts, consultants, other investors, customers and competitors.
    - Company analysis—a review of the company's historical financial performance, future projections, cash flow characteristics, balance sheet strength, liquidation value, legal, financial and accounting risks, contingent liabilities, market share analysis and growth prospects. The Company considers the ability of each portfolio company to continue to make

payments in an atmosphere of rising interest rates as a component of its overall diligence and monitoring process. In this regard, the Company regularly receives projections from its portfolio companies and models future performance for them in connection with its valuation process, taking into account changes in interest rates on the portfolio companies. Notwithstanding the foregoing, there can be no assurances that the portfolio companies will be able to meet their contractual obligations at any or all levels of increases in interest rates.

- Structural/security analysis—a thorough legal document analysis including but not limited to an assessment of financial and negative covenants, events of default, enforceability of liens and voting rights.

- Approval of the investment committee. The investment is then presented to the investment committee for approval. The investment committee must unanimously approve all investments in excess of $1 million made by us. In addition, all sales of our investments must be approved by four out of five investment committee members.

Investment structure

In general, our investment adviser intends to select investments with financial covenants and terms that reduce leverage over time, thereby enhancing credit quality. These methods include:

- maintenance leverage covenants requiring a decreasing ratio of debt to cash flow;
- maintenance cash flow covenants requiring an increasing ratio of cash flow to the sum of interest expense and capital expenditures; and
- debt incurrence prohibitions, limiting a company's ability to re-lever.

In addition, limitations on asset sales and capital expenditures should prevent a company from changing the nature of its business or capitalization without our consent.

Our investment adviser seeks, where appropriate, to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;
- requiring companies to use a portion of their excess cash flow to repay debt;
- selecting investments with covenants that incorporate call protection as part of the investment structure; and
- selecting investments with affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

Valuation process

We carry our investments at fair value, as approved in good faith using written policies and procedures adopted by our board of directors. Investments for which market quotations are readily available are recorded in our financial statements at such market quotations subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved in good faith by our board of directors based on input from Saratoga Investment Advisors, our audit committee and, on a selected basis, a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments

include the nature and realizable value of any collateral, the portfolio company's ability to make payments, the markets in which the portfolio company does business, market yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors.

Our investment in the subordinated notes of Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar collateralized loan obligation fund subordinated notes or equity, when available. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for Saratoga CLO's valuation. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated cash flows. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows from our investment in Saratoga CLO) to perform a discounted cash flows analysis on expected future cash flows from our investment in Saratoga CLO to determine a valuation for the subordinated notes of Saratoga CLO held by us.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- each investment is initially valued by the responsible investment professionals of Saratoga Investment Advisors and preliminary valuation conclusions are documented and discussed with our senior management; and
- an independent valuation firm engaged by our board of directors independently values at least one quarter of our investments each quarter so that the valuation of each investment for which market quotes are not readily available is independently valued by an independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- the audit committee of our board of directors reviews each preliminary valuation and our investment adviser and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- our board of directors discusses the valuations and approves the fair value of each investment in good faith based on the input of our investment adviser, independent valuation firm (if applicable) and audit committee.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Ongoing relationships with and monitoring of portfolio companies

Saratoga Investment Advisors closely monitors each investment we make and, when appropriate, conducts a regular dialogue with both the management team and other debtholders and seeks specifically tailored financial reporting. In addition, in certain circumstances, senior investment professionals of Saratoga Investment Advisors may take board seats or board observation seats.

Risk Factors

Investing in us involves significant risks. The following is a summary of certain risks that you should carefully consider before investing in us. For a further discussion of these risk factors, please see "Risk Factors" beginning on page 22.

Risks Related to Our Business and Structure

- The current state of the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations.
- Saratoga Investment Advisors has a limited history of managing a BDC or a RIC.
- We may be obligated to pay Saratoga Investment Advisors incentive fees even if we incur a net loss or there is a decline in the value of our portfolio.
- Under the terms of the Management Agreement, we may have to pay incentive fees to Saratoga Investment Advisors in connection with the sale of an investment that is sold at a price higher than the fair value of such investment on May 31, 2010, even if we incur a loss on the sale of such investment.
- The way in which the base management and incentive fees under the Management Agreement is determined may encourage Saratoga Investment Advisors to take actions that may not be in the best interests of the holders of our securities.
- The base management fee we pay to Saratoga Investment Advisors may cause it to increase our leverage contrary to our interest.
- We employ leverage, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in our securities.
- Saratoga Investment Advisors' liability is limited under the Management Agreement and we will indemnify Saratoga Investments Advisors against certain liabilities, which may lead it to act in a riskier manner on our behalf than it would when acting for its own account.
- Substantially all of our assets are subject to security interests under the Credit Facility, or claims of the SBA with respect to SBA-guaranteed debentures we may issue and if we default on our obligations thereunder, we may suffer adverse consequences, including Madison Capital Funding and/or the SBA foreclosing on our assets.
- We are exposed to risks associated with changes in interest rates, including potential effects on our cost of capital and net investment income.
- There are significant potential conflicts of interest which could adversely impact our investment returns.
- Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.
- We face cyber-security risks.
- If we are unable to maintain the availability of our electronic data systems and safeguard the security of our data, our ability to conduct business may be compromised, which could impair our liquidity, disrupt our business, damage our reputation and cause losses.
- Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.
- Pending legislation may allow us to incur additional leverage.

- The agreement governing the Credit Facility contains various covenants that, among other things, limits our discretion in operating our business and provides for certain minimum financial covenants.
- A failure on our part to maintain our qualification as a BDC would significantly reduce our operating flexibility.
- We will be subject to corporate-level federal income tax if we fail to continue to qualify as a RIC.
- Because we intend to distribute between 90% and 100% of our income to our stockholders in connection with our election to be treated as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.
- We may have difficulty paying our required distributions if we recognize income before or without receiving cash in respect of such income.
- Our ability to enter into transactions with our affiliates is restricted.
- We operate in a highly competitive market for investment opportunities.
- Economic recessions or downturns could impair our portfolio companies and harm our operating results.
- We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.
- Our financial condition and results of operation depend on our ability to manage future investments effectively.
- We may experience fluctuations in our quarterly results.
- Substantially all of our portfolio investments are recorded at fair value as approved in good faith by our board of directors; such valuations are inherently uncertain and may be materially higher or lower than the values that we ultimately realize upon the disposal of such investments.
- If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event our portfolio companies default on their indebtedness.
- If we invest in the securities and other obligations of distressed or bankrupt companies, such investments may be subject to significant risks, including lack of income, extraordinary expenses, uncertainty with respect to satisfaction of debt, lower-than expected investment values or income potentials and resale restrictions.
- Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.
- The lack of liquidity in our investments may adversely affect our business.
- The debt securities in which we invest are subject to credit risk and prepayment risk.
- Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility.
- Our investments in Saratoga CLO are typically broadly syndicated loans that have a different risk profile than would direct investments made by us, including less information available and fewer rights regarding repayment compared to companies we invest in directly as well as complicated accounting and tax implications.

- Failure by Saratoga CLO to satisfy certain financial covenants may entitle senior debtholders to additional payments, which may harm our operating results by reducing payments we would otherwise be entitled to receive from Saratoga CLO.
- Available information about privately held companies is limited.
- When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.
- Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.
- There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.
- Investments in equity securities involve a substantial degree of risk.
- Our investments in foreign debt, including that of emerging market issuers, may involve significant risks in addition to the risks inherent in U.S. investments.
- We may expose ourselves to risks if we engage in hedging transactions.
- Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.
- We have no prior experience managing an SBIC and any failure to comply with SBA regulations, resulting from our lack of experience or otherwise, could have an adverse effect on our operations.
- Our investments may be risky, and you could lose all or part of your investment.
- Our independent auditors have not assessed our internal control over financial reporting. If our internal control over financial reporting is not effective, it could have a material adverse effect on our stock price and our ability to raise capital.

Risks Related to Our Common Stock

- Investing in our common stock may involve an above average degree of risk.
- We may continue to choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.
- The market price of our common stock may fluctuate significantly.
- There is a risk that you may not receive distributions or that our distributions may not grow over time.
- Provisions of our governing documents and the Maryland General Corporation Law could deter future takeover attempts and have an adverse impact on the price of our common stock.
- Our common stock may trade at a discount to our net asset value per share.
- Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock.
- The issuance of subscription rights, warrants or convertible debt that are exchangeable for our common stock will cause your economic interest and voting power in us to be diluted as a result of our offering of any such securities.
- We may be unable to invest a significant portion of the net proceeds from this offering, which could harm our financial condition and operating results.

Recent Developments

On December 21, 2016, we issued $74.5 million in aggregate principal amount of our 6.75% fixed-rate notes due 2023 (the "2023 Notes") for net proceeds of $72.1 million after deducting underwriting commissions of approximately $2.0 million and offering costs of approximately $0.5 million. The issuance included the exercise of substantially all of the underwriters' option to purchase an additional $9.8 million aggregate principal amount of 2023 Notes within 30 days. Interest on the 2023 Notes is paid quarterly in arrears on March 15, June 15, September 15 and December 15, at a rate of 6.75% per year, beginning March 30, 2017. The 2023 Notes mature on December 20, 2023, and commencing December 21, 2019, may be redeemed in whole or in part at any time or from time to time at our option. The net proceeds from the offering were used to repay all of the outstanding indebtedness under our 7.50% unsecured notes due 2020 (the "2020 Notes"), which amounts to $61.8 million, and for general corporate purposes in accordance with our investment objective and strategies. The 2020 Notes were redeemed in full on January 13, 2017.

On February 28, 2017, our board of directors declared a dividend of $0.46 per share, payable on March 28, 2017, to common stockholders of record as of March 15, 2017.

Corporate History and Information

We commenced operations on March 23, 2007 as GSC Investment Corp. and completed an initial public offering ("IPO") of shares of our common stock on March 28, 2007. From the date we commenced operations until July 30, 2010, we were managed and advised by GSCP (NJ), L.P., an entity affiliated with GSC Group, Inc. In connection with the consummation of a recapitalization transaction on July 30, 2010, we engaged Saratoga Investment Advisors to replace GSCP (NJ), L.P. as our investment adviser and changed our name to Saratoga Investment Corp.

The recapitalization transaction consisted of (i) the private sale of 986,842 shares of our common stock for $15 million in aggregate purchase price to Saratoga Investment Advisors and certain of its affiliates and (ii) the entry into a senior secured revolving credit facility ("the Credit Facility") with Madison Capital Funding LLC ("Madison Capital Funding"). We used the net proceeds from the private sale of shares of our common stock and a portion of the funds available to us under the Credit Facility with Madison Capital Funding to pay the full amount of principal and accrued interest, including default interest, outstanding under our revolving securitized credit facility with Deutsche Bank AG, New York Branch. Specifically, in July 2009, we had exceeded permissible borrowing limits under the revolving securitized credit facility with Deutsche Bank, which resulted in an event of default under the revolving securitized credit facility. As a result of the event of default, Deutsche Bank had the right to accelerate repayment of the outstanding indebtedness under the revolving securitized credit facility and to foreclose and liquidate the collateral pledged under the revolving securitized credit facility. The revolving securitized credit facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010. In January 2011, we registered for public resale by Saratoga Investment Advisors and certain of its affiliates the 986,842 shares of our common stock issued to them in the recapitalization.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp SBIC, LP, received an SBIC license from the SBA.

Our corporate offices are located at 535 Madison Avenue, New York, New York 10022. Our telephone number is (212) 906-7800. We maintain a website on the Internet at www.saratogainvestmentcorp.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

THE OFFERING

We may offer, from time to time, up to $50,000,000 of our securities, on terms to be determined at the time of the offering. Our securities may be offered at prices and on terms to be disclosed in one or more prospectus supplements.

Our securities may be offered directly to one or more purchasers by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities directly or through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our securities.

Set forth below is additional information regarding the offering of our securities:

Use of proceeds	We intend to use substantially all of the net proceeds from the sale of our securities to make investments in middle-market companies in accordance with our investment objective and strategies described in this prospectus, and for general corporate purposes. We may also use a portion of the net proceeds to reduce any of our outstanding borrowings. Pending such use, we will invest the net proceeds primarily in high quality, short-term debt securities consistent with our business development company election and our election to be taxed as a RIC. See "Use of Proceeds."
Investment Advisory and Management Agreement	Saratoga Investment Advisors serves as our investment adviser. Our investment adviser was formed in 2010 as a Delaware limited liability company and became our investment advisor in July 2010. Subject to the overall supervision of our board of directors, Saratoga Investment Advisors manages our day-to-day operations and provides investment advisory and management services to us. Under the terms of the Management Agreement, Saratoga Investment Advisors: • determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes; • identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); • closes and monitors the investments we make; and • determines the securities and other assets that we purchase, retain or sell. Pursuant to the Management Agreement with Saratoga Investment Advisors, we pay Saratoga Investment Advisors a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee.

The base management fee is paid quarterly in arrears, and equals 1.75% per annum of our gross assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and calculated at the end of each fiscal quarter based on the average value of our gross assets (other than cash or cash equivalents but including assets purchased with borrowed funds) as of the end of such fiscal quarter and the end of the immediate prior fiscal quarter. Base management fees for any partial month or quarter are appropriately pro-rated.

The incentive fee has the following two parts:

The first part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding fiscal quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence, managerial and consulting fees or other fees that we receive from portfolio companies) accrued during the fiscal quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock or debt security, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as market discount, debt instruments with payment-in-kind interest, preferred stock with payment-in-kind dividends and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less liabilities) at the end of the immediately preceding fiscal quarter, is compared to a “hurdle rate” of 1.875% per quarter, subject to a “catch up”. The base management fee is calculated prior to giving effect to the payment of any incentive fees.

We pay Saratoga Investment Advisors an incentive fee with respect to our pre-incentive fee net investment income in each fiscal quarter as follows: (A) no incentive fee in any fiscal quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate; (B) 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter is payable to Saratoga Investment Advisors; and (C) 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter. We refer to the amount specified in clause (B) as the “catch-up.” The “catch-up” provision is intended to provide Saratoga Investment Advisors with an incentive fee of 20.0% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our

	pre-incentive fee net investment income exceeds 2.344% in any fiscal quarter. There is no accumulation of amounts from quarter to quarter on either the hurdle rate or the parameters set by the "catch-up" mechanism or any clawback of amounts previously paid to Saratoga Investment Advisers if subsequent quarters are below the quarterly hurdle or the "catch-up" parameters. Furthermore, there is no delay of payment to Saratoga Investment Advisers if prior quarters are below the quarterly hurdle or "catch-up." Notwithstanding the foregoing, with respect to any period ending on or prior to December 31, 2010, Saratoga Investment Advisors was only entitled to 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeded 1.875% in any fiscal quarter without any catch-up provision. These calculations are appropriately pro-rated when such calculations are applicable for any period of less than three months. See "Management Agreements".
Administration Agreement	Pursuant to a separate administration agreement, Saratoga Investment Advisors, who also serves as our administrator, furnishes us with office facilities, equipment and clerical, book-keeping and record keeping services. Under the administration agreement, our administrator also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain, preparing reports for our stockholders and reports required to be filed with the SEC. In addition, our administrator assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the administration agreement equal an amount based upon our allocable portion of our administrator's overhead in performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our officers and their respective staffs relating to the performance of services under this agreement (including travel expenses). Our allocable portion is based on the proportion that our total assets bears to the total assets administered or managed by our administrator. Under the administration agreement, our administrator also provides managerial assistance, on our behalf, to those portfolio companies who accept our offer of assistance. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. The amount payable by us under the administration agreement was capped at $1.0 million for the initial two year term that began on July 10, 2010, and for subsequent annual renewals of the agreement. On October 5, 2016, our board of directors approved the renewal of the administration agreement for an additional one-year term and determined to increase the cap on the payment or reimbursement of expenses by us thereunder to $1.5 million for the additional one-year term, effective November 1, 2016. See "Management Agreements".

Distributions	Our distributions, if any, will be determined by our board of directors and paid out of assets legally available for distribution. Prior to January 2009, we paid quarterly distributions to our stockholders. However, in January 2009, we suspended the practice of paying quarterly distributions to our stockholders and only paid five dividend distributions (December 2013, 2012, 2011, 2010 and 2009) to our stockholders through December 2013, which distributions were made with a combination of cash and the issuance of shares of our common stock. On September 24, 2014, our board of directors adopted a new dividend policy pursuant to which we will begin to again pay a regular quarterly cash distributions to our shareholders. In this regard, most recently our board of directors declared a distribution in the amount of $0.45 per share for the fiscal quarter ended November 30, 2016. The distribution for the fiscal quarter ended November 30, 2016 has a payment date of February 9, 2017 to all stockholders of record at the close of business on January 31, 2016. As disclosed in the table under "Price Range of Common Stock and Distributions," beginning on page 49 of this prospectus, our board of directors has continued to declare regular quarterly cash distribution, to our shareholders since adopting our new dividend policy.
Taxation	We elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code. Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or realized net capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of- income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See "Material U.S. Federal Income Tax Considerations."
Dividend reinvestment plan	We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive distributions in the form of our common stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash, and will need to pay any such taxes from other sources in light of the fact that their distributions will be reinvested in additional shares of the Company's common stock. See "Dividend Reinvestment Plan" for a description of the plan and information on how to "opt out" of the plan.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Moreover, the information set forth below does not include any transaction costs and expenses that investors will incur in connection with each offering of our securities pursuant to this prospectus. As a result, investors are urged to read the "Fees and Expenses" table contained in any corresponding prospectus supplement to fully understanding the actual transaction costs and expenses they will incur in connection with each such offering. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you," "us" or "Saratoga Investment Corp.," or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Saratoga Investment Corp.

Stockholder transaction expenses (as a percentage of offering price):	
Sales load paid	— %(1)
Offering expenses borne by us	— %(2)
Dividend reinvestment plan expenses	None(3)
Total stockholder transaction expenses paid	— %
Annual estimated expenses (as a percentage of average net assets attributable to common stock):	
Management fees	3.4%(4)
Incentive fees payable under the Management Agreement	2.1%(5)
Interest payments on borrowed funds	6.0%(6)
Other expenses	3.0%(7)
Total annual expenses	14.5%(8)

(1) In the event that the shares of common stock to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.

(2) The prospectus supplement corresponding to each offering will disclose the applicable offering expenses and total stockholder transaction expenses.

(3) The expenses associated with the administration of our dividend reinvestment plan are included in "Other expenses." The participants in the dividend reinvestment plan will pay a pro rata share of brokerage commissions incurred with respect to open market purchases, if any, made by the administrator under the plan. For more details about the plan, see "Dividend Reinvestment Plan."

(4) Our base management fee under the Management Agreement with Saratoga Investment Advisors is based on our gross assets, which is defined as our total assets, including those acquired using borrowings for investment purposes, but excluding cash and cash equivalents. See "Investment Advisory and Management Agreement." The fact that our base management fee is payable based upon our gross assets, rather than our net assets (i.e., total assets after deduction of any liabilities, including borrowings) means that our base management fee as a percentage of net assets attributable to common stock will increase when we utilize leverage.

(5) The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of our "pre-incentive fee net investment income" for the immediately preceding quarter, subject to a preferred return, or "hurdle," and a "catch up" feature. For this purpose, "pre-incentive fee net investment income" means interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence, managerial and consulting fees or other fees that we receive from portfolio companies) accrued by us during the fiscal quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee).

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Management Agreement) and equals 20% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Under the Management Agreement, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and Saratoga Investment Advisors will be entitled to 20% of incentive fee capital gains that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date. We estimate this as zero for purposes of this table as these fees are hard to predict, as they are based on capital gains and losses. See "Investment Advisory and Management Agreement."

(6) We may borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The 6.0% figure in the table includes all expected borrowing costs in connection with the secured revolving credit facility we have with Madison Capital Funding LLC. The costs associated with our outstanding borrowings are indirectly borne by our stockholders. We do not expect to issue any preferred stock during the next twelve months and, therefore, have not included the cost of issuing and servicing preferred stock in the table. In addition, all of the commitment fees, interest expense, amortized financing costs of our Credit Facility, SBA debentures, and the 2023 Notes, and the fees and expenses of issuing and servicing any other borrowings or leverage that we expect to incur during the next twelve months are included in the table and expense example presentation below.

(7) "Other expenses" are based on estimated amounts for the current fiscal year and include our overhead expenses, including payments under our administration agreement based on our allocable portion of overhead and other expenses incurred by Saratoga Investment Advisors in performing its obligations under the administration agreement. See "Administration Agreement."

(8) This figure includes all of the fees and expenses of our wholly-owned subsidiaries, Saratoga Investment Corp SBIC, LP and Saratoga Investment Funding LLC. Furthermore, this table reflects all of the fees and expenses borne by us with respect to our investment in Saratoga CLO.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that we would have no additional leverage and our annual operating expenses would remain at the levels set forth in the table above. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load and offering expenses.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return on portfolio	$ 160	$ 505	$ 886	$ 2,016

This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual

return, our performance will vary and may result in a return greater or less than 5%. The example assumes that the 5% annual return is generated entirely through the realization of capital gains on our assets and, as a result, triggers the payment of an incentive fee on such capital gains under the Management Agreement. The “pre-incentive fee net investment income” under the Management Agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher.

While the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by either (i) the greater of (x) the net asset value of our common stock or (y) 95% of the market price per share of our common stock at the close of trading on the payment date fixed by our board of directors in the event that we use newly issued shares to satisfy the share requirements of the dividend reinvestment plan or (ii) the average purchase price, including any brokerage charges or other charges, of all shares of common stock purchased by the administrator of the dividend reinvestment plan in the event that shares are purchased in the open market to satisfy the share requirements of the dividend reinvestment plan, which may be at, above or below net asset value. See “Dividend Reinvestment Plan” for additional information regarding our dividend reinvestment plan.

SELECTED FINANCIAL AND OTHER DATA

The following selected financial and other data reflects the consolidated financial condition and the consolidated statement of operations of Saratoga as of and for the years ended February 29, 2016, February 28, 2015, February 28, 2014, February 28, 2013, and February 29, 2012. The selected financial and other data have been derived from our consolidated financial statements which have been audited by Ernst & Young LLP, an independent registered public accounting firm, whose report thereon is included in this registration statement. The financial information as of and for the nine months ended November 30, 2016 and 2015 was derived from our unaudited financial statements and related notes. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods, have been included. The data should be read in conjunction with our financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included in this prospectus. The historical data is not necessarily indicative of results to be expected for any future period.

	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014(5)	Year Ended February 28, 2013(5)	Year Ended February 29, 2012(5)
	(dollar amounts in thousands, except share and per share numbers)						
Income Statement Data:							
Interest and related portfolio income:							
Interest	$ 22,057	$ 19,980	$ 26,876	$ 24,688	$ 20,187	$ 14,450	$ 11,262
Management fee and other income	2,742	2,275	3,174	2,687	2,706	2,557	2,250
Total interest and related portfolio income	24,799	22,255	30,050	27,375	22,893	17,007	13,512
Expenses:							
Interest and debt financing expenses	7,107	6,241	8,456	7,375	6,084	2,540	1,298
Base management and incentive management fees(1)	5,981	5,527	6,761	6,705	4,266	4,710	3,339
Administrator expenses	992	850	1,175	1,000	1,000	1,000	1,000
Administrative and other	2,158	2,181	2,866	2,327	2,669	2,287	2,638
Expense reimbursement	—	—	—	—	—	—	—
Total operating expenses after reimbursements	16,238	14,799	19,258	17,407	14,019	10,537	8,275
Net investment income before income taxes	8,561	7,456	10,792	9,968	8,874	6,470	5,237
Income tax expenses, including excise tax expense (credit)	—	(123)	114	294	—	—	—
Net investment income	$ 8,561	$ 7,579	$ 10,678	$ 9,674	$ 8,874	$ 6,470	$ 5,237

	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015	Year Ended February 29, 2016	Year Ended February 28, 2015	Year Ended February 28, 2014(5)	Year Ended February 28, 2013(5)	Year Ended February 29, 2012(5)
	(dollar amounts in thousands, except share and per share numbers)						
Realized and unrealized gain (loss) on investments and derivatives:							
Net realized gain (loss)	$ 12,300	$ 4,231	$ 226	$ 3,276	$ 1,271	$ 431	$ (12,186)
Net change in unrealized gain (loss)	(10,728)	239	741	(1,943)	(1,648)	7,143	19,760
Total net gain (loss)	1,572	4,470	967	1,333	(377)	7,574	7,574
Net increase (decrease) in net assets resulting from operations	$ 10,133	$ 12,049	$ 11,645	$ 11,007	$ 8,497	$ 14,044	$ 12,811
Per Share:							
Earnings (loss) per common share—basic and diluted(2)	$ 1.77	$ 2.18	$ 2.09	$ 2.04	$ 1.73	$ 3.42	$ 3.73
Net investment income per share—basic and diluted(2)	$ 1.49	$ 1.37	$ 1.91	$ 1.80	$ 1.80	$ 1.57	$ 1.52
Net realized and unrealized gain (loss) per share—basic and diluted(2)	$ 0.28	$ 0.81	$ 0.18	$ 0.24	$ (0.07)	$ 1.85	$ 2.21
Dividends declared per common share(3)	$ 1.48	$ 1.96	$ 2.36	$ 0.40	$ 2.65	$ 4.25	$ 3.00
Dilutive impact of dividends paid in stock on net asset value per share(4)	$ (0.14)	$ (0.33)	$ (0.37)	$ (0.02)	$ (0.71)	$ (1.40)	$ (1.99)
Net asset value per share	$ 22.21	$ 22.59	$ 22.06	$ 22.70	$ 21.08	$ 22.71	$ 24.94
Statement of Assets and Liabilities Data:							
Investment assets at fair value	$ 277,570	$ 241,038	$ 283,996	$ 240,538	$ 205,845	$ 155,080	$ 95,360
Total assets	305,533	271,743	295,047	263,560	215,168	172,321	124,291
Total debt outstanding	169,821	136,065	160,749	136,900	98,300	60,300	20,000
Stockholders' equity	127,680	127,273	125,150	122,599	113,428	107,438	96,689
Net asset value per common share	$ 22.21	$ 22.59	$ 22.06	$ 22.70	$ 21.08	$ 22.71	$ 24.94
Common shares outstanding at end of period	5,748,247	5,634,115	5,672,227	5,401,899	5,379,616	4,730,116	3,876,661
Other Data:							
Investments funded	$ 85,851	$ 57,429	$ 109,191	$ 104,872	$ 121,074	$ 71,596	$ 38,679
Principal collections related to investment repayments or sales	$ 94,691	$ 62,677	$ 68,174	$ 73,257	$ 71,607	$ 21,488	$ 33,568
Number of investments at end of period	53	54	60	64	60	47	33
Weighted average yield of income producing debt investments—Non-control/ non-affiliate	10.70%	10.57%	10.82%	11.07%	10.62%	11.26%	11.88%
Weighted average yield on income producing debt investments—Control	12.23%	18.90%	16.40%	25.22%	18.55%	27.11%	20.17%

(1) See note 6 in consolidated financial statements contained elsewhere herein.
(2) For the nine months ended November 30, 2016 and November 30, 2015, amounts are calculated using weighted average common shares outstanding of 5,735,443 and 5,533,094, respectively. For the years ended February 29, 2016, February 28, 2015, February 28, 2014, February 28, 2013 and February 29, 2012, calculated using weighted average common shares outstanding of 5,582,453, 5,385,049, 4,920,517, 4,110,484, and 3,434,345, respectively.
(3) Calculated using the shares outstanding at ex-dividend date.
(4) Dilutive effect of the issuance of shares of common stock below net asset value per share in connection with the satisfaction of the Company's annual RIC distribution requirement. See "Price Range of Common Stock and Distributions—Dividend Policy."
(5) During the year ended February 28, 2015, the Company identified errors related to the accounting for the capital gains portion of the incentive fee for the years ended February 28, 2014, February 28, 2013 and February 29, 2012, as well as the cumulative impact of these errors as of February 28, 2014. The Company assessed the materiality of these errors and concluded they were not material to any prior annual periods, but the cumulative impact of correcting them would be quantitatively material to the results of operations of the Company for the year ended February 28, 2015, if the entire adjustment was recorded in that period. The corrections for the errors are reflected in the selected financial and other data.

RISK FACTORS

Investing in our securities involves a number of significant risks. You should carefully consider these risks, together with all of the other information included in this prospectus, before making an investment in our securities. The risks set forth below are the principal risks with respect to the Company generally and with respect to business development companies, they may not be the only risks we face. This section nonetheless describes the principal risk factors associated with investment in the Company specifically, as well as those factors generally associated with investment in a company with investment objectives, investment policies, capital structure or trading markets similar to the Company's. If any of the risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our securities could decline and you may lose all or part of your investment.

Risks Related to Our Business and Structure

Market volatility and the condition of the debt and equity capital markets could negatively impact our financial condition and stock price.

Beginning in 2007, global credit and other financial markets began to suffer substantial stress, volatility, illiquidity and disruption. These forces reached extraordinary levels in 2008, resulting in the bankruptcy of, the acquisition of, or government intervention in the affairs of several major domestic and international financial institutions. In particular, the financial services sector was negatively impacted by significant write-offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to lend and invest. We believe that such value declines were exacerbated by widespread forced liquidations as leveraged holders of financial assets, faced with declining prices, were compelled to sell to meet margin requirements and maintain compliance with applicable capital standards. Such forced liquidations also impaired or eliminated many investors and investment vehicles, leading to a decline in the supply of capital for investment and depressed pricing levels for many assets. These events significantly diminished overall confidence in the debt and equity markets, engendered unprecedented declines in the values of certain assets, and caused extreme economic uncertainty. If market conditions similar to these were to recur, our assets could experience a similar decline in value, among other negative impacts to the company.

Since 2009, the global credit and other financial market conditions have improved as stability has increased throughout the international financial system and many public market indices have experienced positive total returns. However, the global macroeconomic environment and recovery from the downturn has been challenging and inconsistent. Instability in the global credit markets, the impact of periodic uncertainty regarding the U.S. federal budget, the instability in the geopolitical environment in many parts of the world, sovereign debt conditions in Europe and other disruptions may continue to put pressure on economic conditions in the U.S. and abroad.

We may be obligated to pay Saratoga Investment Advisors incentive fees even if we incur a net loss, or there is a decline in the value of our portfolio.

Saratoga Investment Advisors is entitled to incentive fees for each fiscal quarter in an amount equal to a percentage of the excess of our investment income for that quarter (before deducting incentive compensation, but net of operating expenses and certain other items) above a threshold return for that quarter. Our pre-incentive fee net investment income, for incentive compensation purposes, excludes realized and unrealized capital gains or losses that we may incur in the fiscal quarter, even if such capital gains or losses result in a net gain or loss on our consolidated statements of operations for that quarter. Thus, we may be required to pay Saratoga Investment Advisors incentive fees for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

Under the terms of the Management Agreement, we may have to pay incentive fees to Saratoga Investment Advisors in connection with the sale of an investment that is sold at a price higher than the fair value of such investment on May 31, 2010, even if we incur a loss on the sale of such investment.

Incentive fees on capital gains paid to Saratoga Investment Advisors under the Management Agreement equals 20.0% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Under the Management Agreement, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and Saratoga Investment Advisors will be entitled to 20.0% of the incentive fee capital gains that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date. See our Form 10-Q for the quarter ended May 31, 2010 that was filed with the SEC on July 15, 2010 for the fair value and other information related to our investments as of such date. As a result, we may be required to pay incentive fees to Saratoga Investment Advisors on the sale of an investment even if we incur a realized loss on such investment, so long as the investment is sold for an amount greater than its fair value as of May 31, 2010.

The way in which the base management and incentive fees under the Management Agreement is determined may encourage Saratoga Investment Advisors to take actions that may not be in our best interests.

The incentive fee payable by us to our investment adviser may create an incentive for it to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement, which could result in higher investment losses, particularly during cyclical economic downturns. The way in which the incentive fee payable to our investment adviser is determined, which is calculated separately in two components as a percentage of the income (subject to a hurdle rate) and as a percentage of the realized gain on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments or otherwise manipulate our income so as to recognize income in quarters where the hurdle rate is exceeded. Moreover, we pay Saratoga Investment Advisors a base management fee based on our total assets, including any investments made with borrowings, which may create an incentive for it to cause us to incur more leverage than is prudent, or not to repay our outstanding indebtedness when it may be advantageous for us to do so, in order to maximize its compensation. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our securities.

The incentive fee payable by us to our investment adviser also may create an incentive for our investment adviser to invest on our behalf in instruments that have a deferred interest feature. Under these investments, we would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the investment's term, if at all. Our net investment income used to calculate the income portion of our incentive fee, however, includes accrued interest. Thus, a portion of the incentive fee would be based on income that we have not yet received in cash and may never receive in cash if the portfolio company is unable to satisfy such interest payment obligation to us. Consequently, while we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a "claw back" right against our investment adviser per se, the amount of accrued income written off in any period will reduce the income in the period in which such write-off was taken and may thereby reduce such period's incentive fee payment.

In addition, Saratoga Investment Advisors receives a quarterly income incentive fee based, in part, on our pre-incentive fee net investment income, if any, for the immediately preceding calendar quarter. This income incentive fee is subject to a fixed quarterly hurdle rate before providing an income incentive fee return to Saratoga Investment Advisors. This fixed hurdle rate was determined when then current interest rates were relatively low on a historical basis. Thus, if interest rates rise, it would become easier for our investment income

to exceed the hurdle rate and, as a result, more likely that Saratoga Investment Advisors will receive an income incentive fee than if interest rates on our investments remained constant or decreased.

Moreover, our investment adviser receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no performance threshold applicable to the portion of the incentive fee based on net capital gains. As a result, our investment adviser may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

Our board of directors will seek to ensure that Saratoga Investment Advisors is acting in our best interests and that any conflict of interest faced by Saratoga Investment Advisors in its capacity as our investment adviser does not negatively impact us.

The base management fee we pay to Saratoga Investment Advisors may induce it to influence our leverage, which may be contrary to our interest.

We pay Saratoga Investment Advisors a quarterly base management fee based on the value of our total assets (including any assets acquired with leverage). Accordingly, Saratoga Investment Advisors has an economic incentive to increase our leverage. Our board of directors monitors the conflicts presented by this compensation structure by approving the amount of leverage that we incur. If our leverage is increased, we will be exposed to increased risk of loss, bear the increase cost of issuing and servicing such senior indebtedness, and will be subject to any additional covenant restrictions imposed on us in an indenture or other instrument or by the applicable lender.

We employ leverage, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in us. We borrow from and issue senior debt securities to banks and other lenders that is secured by a lien on our assets. Holders of these senior securities have fixed dollar claims on our assets that are superior to the claims of the holders of our securities. Leverage is generally considered a speculative investment technique. Any increase in our income in excess of interest payable on our outstanding indebtedness would cause our net income to increase more than it would have had we not incurred leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not incurred leverage. Such a decline could negatively affect our ability to make common stock distributions or scheduled debt payments, including with respect to the 2023 Notes. There can be no assurance that our leveraging strategy will be successful.

Our outstanding indebtedness imposes, and additional debt we may incur in the future will likely impose, financial and operating covenants that restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC. A failure to add new debt facilities or issue additional debt securities or other evidences of indebtedness in lieu of or in addition to existing indebtedness could have a material adverse effect on our business, financial condition or results of operations.

As of November 30, 2016, we had $112.7 million outstanding indebtedness guaranteed by the SBA and $61.8 million of outstanding 2020 Notes. This debt requires periodic payments of interest. The weighted average interest rate charged on our borrowings as of November 30, 2016 was 4.73% per annum (exclusive of deferred financing costs). We will need to generate sufficient cash flow to make these required interest payments. In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our November 30, 2016 total assets of at least 2.6%.

As of November 30, there was no outstanding balance under the Credit Facility. As of November 30, we had issued $112.7 million SBA-guaranteed debentures and $61.8 million of the 2020 Notes. On December 21, 2016, we issued $74.5 million in aggregate principal amount of the 2023 Notes. On January 13, 2017, we redeemed the $61.8 million of outstanding 2020 Notes using the proceeds from the issuance of the 2023 Notes, leaving $9.8 million in net proceeds from the 2023 Notes offering. We may incur additional indebtedness in the future, including, but not limited to, borrowings under the Credit Facility or the issuance of additional debt securities in one or more public or private offerings, although there can be no assurance that we will be successful in doing so. Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our management's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below:

Assumed Return on Our Portfolio(1)
(net of expenses)

	–10.0%	–5.0%	0.0%	5.0%	10.0%
Corresponding net return to common stockholder	–30.0%	–18.1%	–6.2%	5.7%	17.5%

(1) Assumes $300.3 million in average total assets, $170.0 million in average debt outstanding, $126.4 million in average net assets and an average interest rate of 4.73%. Actual interest payments may be different.

Saratoga Investment Advisors' liability is limited under the Management Agreement and we will indemnify Saratoga Investments Advisors against certain liabilities, which may lead it to act in a riskier manner on our behalf than it would when acting for its own account.

Saratoga Investment Advisors has not assumed any responsibility to us other than to render the services described in the Management Agreement. Pursuant to the Management Agreement, Saratoga Investment Advisors and its officers and employees are not liable to us for their acts under the Management Agreement absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect Saratoga Investment Advisors and its officers and employees with respect to all damages, liabilities, costs and expenses resulting from acts of Saratoga Investment Advisors not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the Management Agreement. These protections may lead Saratoga Investment Advisors to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Substantially all of our assets are subject to security interests under our Credit Facility or claims of the SBA with respect to SBA-guaranteed debentures we may issue and if we default on our obligations thereunder, we may suffer adverse consequences, including the foreclosure on our assets.

Substantially all of our assets are pledged as collateral under the Credit Facility or are subject to a superior claim over the holders of our common stock or the 2023 Notes by the SBA pursuant to the SBA-guaranteed debentures. If we default on our obligations under the Credit Facility or the SBA-guaranteed debentures, Madison Capital Funding and/or the SBA may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or superior claim. In such event, we may be forced to sell our investments to raise funds to repay our outstanding borrowings in order to avoid foreclosure and these forced sales may be at times and at prices we would not consider advantageous. Moreover, such deleveraging of our company could significantly impair our ability to effectively operate our business in the manner in which we have historically operated.

In addition, if Madison Capital Funding exercises its right to sell the assets pledged under the Credit Facility, such sales may be completed at distressed sale prices, thereby diminishing or potentially eliminating the amount of cash available to us after repayment of the amounts outstanding under the Credit Facility.

We are exposed to risks associated with changes in interest rates including potential effects on our cost of capital and net investment income.

General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt to finance our investments. Decreases in credit spreads on debt that pays a floating rate of return would have an impact on the income generation of our floating rate assets. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed rate securities that have longer maturities. Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of up to ten years. This means that we will be subject to greater risk (other things being equal) than an entity investing solely in shorter-term securities.

Because we may borrow to fund our investments, a portion of our net investment income may be dependent upon the difference between the interest rate at which we borrow funds and the interest rate at which we invest these funds. A portion of our investments will have fixed interest rates, while a portion of our borrowings will likely have floating interest rates. As a result, a significant change in market interest rates could have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds could increase, which would reduce our net investment income. We may hedge against such interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts, subject to applicable legal requirements, including without limitation, all necessary registrations (or exemptions from registration) with the Commodity Futures Trading Commission. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged borrowings. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations.

There are significant potential conflicts of interest which could adversely impact our investment returns.

Our executive officers and directors, and the members of our investment adviser, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, Christian L. Oberbeck, our chief executive officer and managing member of our investment adviser, is the managing partner of Saratoga Partners, a middle market private equity investment firm. In addition, the principals of our investment adviser may manage other funds which may from time to time have overlapping investment objectives with those of us and accordingly invest in, whether principally or secondarily, asset classes similar to those targeted by us. If this should occur, the principals of our investment adviser will face conflicts of interest in the allocation of investment opportunities to us and such other funds. Although our investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, we and our common stockholders could be adversely affected in the event investment opportunities are allocated among us and other investment vehicles managed or sponsored by, or affiliated with, our executive officers, directors and investment adviser, and the members of our investment adviser.

Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.

We are subject to regulation at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Any change in these laws or regulations, or their interpretation, or any failure by us to comply with these laws or regulations may adversely affect our business.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, results of operations or financial condition.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen information, misappropriation of assets, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. Any such attack could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect our business, financial condition or results of operations. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. We face risks posed to our information systems, both internal and those provided to us by third-party service providers. We, our Adviser and its affiliates have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, may be ineffective and do not guarantee that a cyber incident will not occur or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

Third parties with which we do business (including those that provide services to us) may also be sources or targets of cybersecurity or other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information and assets, as well as certain investor, counterparty, employee and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing,

ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above. Privacy and information security laws and regulation changes, and compliance with those changes, may also result in cost increases due to system changes and the development of new administrative processes.

Regulations governing our operation as a BDC will affect our ability to raise additional capital.

Our business requires a substantial amount of additional capital. We may acquire additional capital from the issuance of senior securities or other indebtedness or the issuance of additional shares of our common stock. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities or preferred securities, which we refer to collectively as "senior securities," and we may borrow money from banks or other financial institutions, up to the maximum amount permitted by the 1940 Act.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200.0% after such incurrence or issuance. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. As a business development company, therefore, we may need to issue equity more frequently than our privately owned competitors, which may lead to greater stockholder dilution. With respect to certain types of senior securities, we must make provisions to prohibit any dividend distribution to our stockholders or the repurchase of certain of our securities, unless we meet the applicable asset coverage ratios at the time of the dividend distribution or repurchase. If the value of our assets declines, we may be unable to satisfy the asset coverage test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous in order to make dividend distributions or repurchase certain of our securities.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any commission or discount). If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital. We do not currently have stockholder approval of issuances below net asset value.

Pending legislation may allow us to incur additional leverage.

As a business development company, we are generally not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). We have agreed in the covenant in the indenture governing the 2023 Notes not to violate this section of the 1940 Act, whether or not we continue to be subject to such provision, but giving effect, in either case, to any exemptive relief granted to us by the SEC. Recent legislation, if passed, would modify this section of the 1940 Act and increase the amount of debt that business development companies may incur. As a result, we may be able to incur additional indebtedness in the future.

The agreement governing our Credit Facility contains various covenants that, among other things, limits our discretion in operating our business and provides for certain minimum financial covenants.

The agreement governing the Credit Facility contains customary default provisions such as the termination or departure of certain "key persons" of Saratoga Investment Advisors, a material adverse change in our business and the failure to maintain certain minimum loan quality and performance standards. An event of default under

the facility would result, among other things, in termination of the availability of further funds under the facility and an accelerated maturity date for all amounts outstanding under the facility, which would likely disrupt our business and, potentially, the portfolio companies whose loans we financed through the facility. This could reduce our revenues and, by delaying any cash payment allowed to us under the facility until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and maintain our status as a RIC.

Each loan origination under the facility is subject to the satisfaction of certain conditions. We cannot assure you that we will be able to borrow funds under the facility at any particular time or at all.

We will be subject to corporate-level income tax if we fail to qualify as a RIC.

We intend to maintain our qualification as a RIC under the Code. As a RIC, we do not pay federal income taxes on our income (including realized gains) that is distributed to our stockholders, provided that we satisfy certain source of income, distribution and asset diversification requirements.

The source of income requirement is satisfied if we derive at least 90.0% of our annual gross income from interest, dividends, payments with respect to certain securities loans, gains from the sale or other disposition of securities or options thereon or foreign currencies, or other income derived with respect to our business of investing in such securities or currencies, and net income from interests in “qualified publicly traded partnerships,” as defined in the Code.

The annual distribution requirement is satisfied if we distribute to our stockholders on an annual basis an amount equal to at least 90.0% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. We are subject to certain asset coverage ratio requirements under the 1940 Act and covenants under our borrowing agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. In such case, if we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax.

The diversification requirements will be satisfied if we diversify our holdings so that at the end of each quarter of the taxable year: (i) at least 50.0% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other regulated investment companies, and other securities if such other securities of any one issuer do not represent more than 5.0% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and (ii) no more than 25.0% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other regulated investment companies, of one issuer or of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in certain publicly traded partnerships.

Failure to meet these tests may result in our having to (i) dispose of certain investments quickly or (ii) raise additional capital to prevent the loss of our RIC qualification. Because most of our investments will be in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we raise additional capital to satisfy the asset diversification requirements, it could take us time to invest such capital. During this period, we will invest the additional capital in temporary investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in leveraged loans and mezzanine debt.

If we fail to qualify as a RIC for any reason, all of our taxable income will be subject to U.S. federal income tax at regular corporate rates. The resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution to our common stockholders or payment of our outstanding indebtedness including the 2023 Notes. Such a failure would have a material adverse effect on our results of operations and financial condition.

Because we intend to distribute between 90% and 100% of our income to our stockholders in connection with our election to be treated as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow will be impaired.

In order to qualify for the tax benefits available to RICs and to minimize corporate-level taxes, we intend to distribute to our stockholders between 90% and 100% of our annual taxable income, except that we may retain certain net capital gains for investment, and treat such amounts as deemed distributions to our stockholders. If we elect to treat any amounts as deemed distributions, we must pay income taxes at the corporate rate on such deemed distributions on behalf of our stockholders. As a result of these requirements, we will likely need to raise capital from other sources to grow our business. As a BDC, we generally are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which includes all of our borrowings and any outstanding preferred stock, of at least 200%. These requirements limit the amount that we may borrow. Because we will continue to need capital to grow our investment portfolio, these limitations may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so.

While we expect to be able to borrow and to issue additional debt and equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. Also, as a BDC, we generally are not permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value and share price could decline.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash in respect of such income.

For federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, we may on occasion hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind interest ("PIK") or, in certain cases, increasing interest rates or issued with warrants) and we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. In addition, we may be required to accrue for federal income tax purposes amounts attributable to our investment in Saratoga CLO, a collateralized loan obligation fund, that may differ from the distributions paid in respect of our investment in the subordinated notes of such collateralized loan obligation fund because of the factors set forth above or because distributions on the subordinated notes are contractually required to be diverted for reinvestment or to pay down outstanding indebtedness.

Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the annual distribution requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the annual distribution requirement necessary to obtain and maintain RIC tax treatment under the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

Our ability to enter into transactions with our affiliates is restricted.

Because we have elected to be treated as a BDC, we are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of our independent directors and, in

some cases, the SEC. Any person that owns, directly or indirectly, 5.0% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any securities (other than our securities) from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company, without prior approval of our independent directors and, in some cases, the SEC. If a person acquires more than 25.0% of our voting securities, we are prohibited from buying or selling any security (other than any security of which we are the issuer) from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such person, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers, directors or investment adviser or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to any portfolio company of a private equity fund managed by our investment adviser without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we make in private middle market companies. We compete with other BDCs, public and private funds (including SBICs), commercial and investment banks, commercial financing companies, insurance companies, high-yield investors, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments that could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we cannot assure you that we will be able to identify and make investments that meet our investment objective.

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer.

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on better terms to our portfolio companies than we originally anticipated, which may impact our return on these investments.

Economic recessions or downturns could impair the ability of our portfolio companies to repay loans and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from adding to our investment portfolio, cause us to receive a reduced level of interest income from our portfolio companies and/or reduce the fair market value of our investments. Any of the foregoing events could adversely affect our distributable income and have a material adverse effect on our operating results.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Although we seek to maintain a diversified portfolio in accordance with our business strategies, to the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our RIC asset diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Our financial condition and results of operations depend on our ability to manage future investments effectively.

Our ability to achieve our investment objective depends on our ability to acquire suitable investments and monitor and administer those investments, which depends, in turn, on Saratoga Investment Advisors' ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis is largely a function of Saratoga Investment Advisors' structuring of the investment process and its ability to provide competent, attentive and efficient service to us. Our executive officers and the officers and employees of Saratoga Investment Advisors have substantial responsibilities in connection with their roles at Saratoga Partners as well as responsibilities under the Management Agreement. They may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time, which will increase as the number of investments grow, may distract them or slow the rate of investment. In order to grow, Saratoga Investment Advisors may need to hire, train, supervise and manage new employees. However, we cannot assure you that any such employees will contribute to the work of Saratoga Investment Advisors. Any failure to manage our future growth effectively could have a material adverse effect on our business and financial condition.

We may experience fluctuations in our quarterly and annual results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt investments we make, the default rate on such investments, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses changes in our portfolio composition, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. In addition, any of these factors could negatively impact our ability to achieve our investment objectives, which may cause the net asset value of our common stock to decline.

Substantially all of our portfolio investments are recorded at fair value as approved in good faith by our board of directors; such valuations are inherently uncertain and may be materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Substantially all of our portfolio is, and we expect will continue to be, comprised of investments that are not publicly traded. The value of investments that are not publicly traded may not be readily determinable. We value these investments quarterly at fair value as approved in good faith by our board of directors. Where appropriate, Saratoga Investment Advisors may utilize the services of an independent valuation firm to aid it in determining fair value. The types of factors that may be considered in valuing our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, market yield trend analysis, comparison to publicly traded

companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event our portfolio companies default on their indebtedness.

We make unsecured debt investments in portfolio companies. Unsecured debt investments are unsecured and junior to other indebtedness of the portfolio company. As a consequence, the holder of an unsecured debt investment may lack adequate protection in the event the portfolio company becomes distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event the portfolio company defaults on its indebtedness. In addition, unsecured debt investments of middle-market companies are often highly illiquid and in adverse market conditions may experience steep declines in valuation even if they are fully performing.

If we invest in the securities and other obligations of distressed or bankrupt companies, such investments may be subject to significant risks, including lack of income, extraordinary expenses, uncertainty with respect to satisfaction of debt, lower-than expected investment values or income potentials and resale restrictions.

We are authorized to invest in the securities and other obligations of distressed or bankrupt companies. At times, distressed debt obligations may not produce income and may require us to bear certain extraordinary expenses (including legal, accounting, valuation and transaction expenses) in order to protect and recover our investment. Therefore, to the extent we invest in distressed debt, our ability to achieve current income may be diminished which may affect our ability to make distributions on our common stock or make interest and principal payments of the 2023 Notes.

We also will be subject to significant uncertainty as to when and in what manner and for what value the distressed debt we invest in will eventually be satisfied (e.g., through a liquidation of the obligor’s assets, an exchange offer or plan of reorganization involving the distressed debt securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to distressed debt held by us, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made.

Moreover, any securities received by us upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of our participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed debt, we may be restricted from disposing of such securities if we are in possession of material non-public information relating to the issuer.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans that we make to portfolio companies will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company’s obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In

addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken with respect to the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

The lack of liquidity in our investments may adversely affect our business.

We primarily make investments in private companies. A portion of these securities may be subject to legal and other restrictions on resale, transfer, pledge or other disposition or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or our investment adviser has or could be deemed to have material non-public information regarding such business entity.

The debt securities in which we invest are subject to credit risk and prepayment risk.

An issuer of a debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security by rating agencies may further decrease its value.

Certain debt instruments may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument's stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher interest debt instruments with lower interest debt instruments. An issuer may also elect to refinance their debt instruments with lower interest debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may receive less than we paid for such security and we may be forced to reinvest in lower yielding securities or debt securities of issuers of lower credit quality.

Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility.

At November 30, 2016, our investment in the subordinated notes of Saratoga CLO, a collateralized loan obligation fund, had a fair value of $11.0 million and constituted 4.0% of our portfolio. This investment constitutes a first loss position in a portfolio that, as of November 30, 2016, was composed of $297.5 million in aggregate principal amount of primarily senior secured first lien term loans and $16.0 million in uninvested cash. A first loss position means that we will suffer the first economic losses if the value of Saratoga CLO decreases. First loss positions typically carry a higher risk and earn a higher yield. Interest payments generated from this

portfolio will be used to pay the administrative expenses of Saratoga CLO and interest on the debt issued by Saratoga CLO before paying a return on the subordinated notes. Principal payments will be similarly applied to pay administrative expenses of Saratoga CLO and for reinvestment or repayment of Saratoga CLO debt before paying a return on, or repayment of, the subordinated notes. In addition, 80.0% of our fixed management fee and 100.0% our incentive management fee for acting as the collateral manager of Saratoga CLO is subordinated to the payment of interest and principal on Saratoga CLO debt. Any losses on the portfolio will accordingly reduce the cash flow available to pay these management fees and provide a return on, or repayment of, our investment. Depending on the amount and timing of such losses, we may experience smaller than expected returns and, potentially, the loss of our entire investment.

As the manager of the portfolio of Saratoga CLO we will have some ability to direct the composition of the portfolio, but our discretion is limited by the terms of the debt issued by Saratoga CLO which may limit our ability to make investments that we feel are in the best interests of the subordinated notes, and the availability of suitable investments. The performance of Saratoga CLO's portfolio is also subject to many of the same risks sets forth in this prospectus with respect to portfolio investments in leveraged loans.

In the event that a bankruptcy court orders the substantive consolidation of us with Saratoga CLO, the creditors of Saratoga CLO, including the holders of $282.4 million aggregate principal amount of debt, as of November 30, 2016 issued by Saratoga CLO, would have claims against the consolidated bankruptcy estate, which would include our assets.

We believe that we have observed and will observe certain formalities and operating procedures that are generally recognized requirements for maintaining our separate existence and that our assets and liabilities can be readily identified as distinct from those of Saratoga CLO. However, we cannot assure you that a bankruptcy court would agree in the event that we or Saratoga CLO became a debtor in connection with a bankruptcy proceeding. If a bankruptcy court concludes that substantive consolidation of us with Saratoga CLO is warranted, the creditors of Saratoga CLO, including the holders of $282.4 million aggregate principal amount of debt, as of November 30, 2016 issued by Saratoga CLO, would have claims against the consolidated bankruptcy estate. Substantive consolidation means that our assets are placed in a single bankruptcy estate with those of Saratoga CLO, rather than kept separate, and that the creditors of Saratoga CLO have a claim against that single estate (including our assets), as opposed to retaining their claims against only Saratoga CLO.

Our investments in Saratoga CLO are typically broadly syndicated loans that have a different risk profile than would direct investments made by us, including less information available and fewer rights regarding repayment compared to companies we invest in directly as well as complicated accounting and tax implications.

Due to our investments in the Saratoga CLO being primarily broadly syndicated loans, there may be less information available to us on those companies as compared to most investments that we make directly. For example, we will typically have fewer rights relating to how such companies manage their cash flow to repay debt, the inclusion of protective covenants, default penalties, lien protection, change of control provisions and board observation rights in deal terms, and our general ability to oversee the company's operations. Our investment in Saratoga CLO is also subject to the risk of leverage associated with the debt issued by Saratoga CLO and the repayment priority of senior debt holders in Saratoga CLO.

The accounting and tax implications of such investments are complicated. In particular, reported earnings from the equity tranche investment of Saratoga CLO are recorded under GAAP based upon an effective yield calculation. Current taxable earnings on these investments, however, will generally not be determinable until after the end of the fiscal year of Saratoga CLO that ends within the Company's fiscal year, even though the investment is generating cash flow. In general, the tax treatment of investment in Saratoga CLO may result in higher distributable earnings in the early years and a capital loss at maturity, while for reporting purposes the totality of cash flows are reflected in a constant yield to maturity.

The senior loan portfolio of Saratoga CLO is concentrated in a limited number of industries or borrowers, which may subject Saratoga CLO, and in turn us, to a risk of significant loss if there is a downturn in a particular industry in which Saratoga CLO is concentrated.

Saratoga CLO has senior loan portfolios that are concentrated in a limited number of industries or borrowers. A downturn in any particular industry or borrower in which Saratoga CLO is heavily invested may subject Saratoga CLO, and in turn us, to a risk of significant loss and could significantly impact the aggregate returns we realize. If an industry in which Saratoga CLO is heavily invested suffers from adverse business or economic conditions, a material portion of our investment in Saratoga CLO could be affected adversely, which, in turn, could adversely affect our financial position and results of operations. For example, as of November 30, 2016, Saratoga CLO's investments in the business services industry represented approximately 14.2% of the fair value of Saratoga CLO's portfolio. Companies in the business services industry are subject to general economic downturns and business cycles, and will often suffer reduced revenues and rate pressures during periods of economic uncertainty. In addition, investments in the healthcare & pharmaceuticals industry represented approximately 10.6% of the fair value of Saratoga CLO's portfolio. Changes in healthcare or other laws and regulations applicable to the businesses of some of the companies in which Saratoga CLO invests may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of companies in which Saratoga CLO invests.

The application of the risk retention rules to CLOs may have broader effects on the CLO and loan markets in general, potentially resulting in fewer or less desirable investment opportunities for Saratoga CLO.

Section 941 of the Dodd-Frank Act added a provision to the Securities Exchange Act of 1934, as amended, requiring the seller, sponsor or securitizer of a securitization vehicle to retain no less than five percent of the credit risk in assets it sells into a securitization and prohibits such securitizer from directly or indirectly hedging or otherwise transferring the retained credit risk. The responsible federal agencies adopted final rules implementing these restrictions on October 22, 2014. These rules will become effective with respect to CLOs two years after publication in the Federal Register. Under the final rules, the asset manager of a CLO would be considered the sponsor of a securitization vehicle and would be required to retain five percent of the credit risk in the CLO, which may be retained horizontally in the equity tranche of the CLO or vertically as a five percent interest in each tranche of the securities issued by the CLO. Although the final rules contain an exemption from such requirements for the asset manager of a CLO if, among other things, the originator or lead arranger of all of the loans acquired by the CLO retain such risk at the asset level and, at origination of such asset, takes a loan tranche of at least 20% of the aggregate principal balance, it is possible that the originators and lead arrangers of loans in this market will not agree to assume this risk or provide such retention at origination of the asset in a manner that would provide meaningful relief from the risk retention requirements for CLO managers.

We believe that the U.S. risk retention requirements imposed for CLO managers under Section 941 of the Dodd-Frank Act has created some uncertainty in the market in regard to future CLO issuance. Given that certain CLO managers may require capital provider partners to satisfy this requirement beginning on December 24, 2016, we believe that this may create additional opportunities (and additional risks) for us in the future.

Failure by Saratoga CLO to satisfy certain financial covenants may entitle senior debtholders to additional payments, which may harm our operating results by reducing payments we would otherwise be entitled to receive from Saratoga CLO.

The failure by Saratoga CLO to satisfy certain financial covenants, specifically those with respect to adequate collateralization and/or interest coverage tests, could lead to a reduction in its payments to us. In the event that Saratoga CLO failed these certain tests, senior debt holders may be entitled to additional payments that

would, in turn, reduce the payments we would otherwise be entitled to receive. Separately, we may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with Saratoga CLO or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows.

Available information about privately held companies is limited.

We invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of our investment adviser's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes-Oxley Act of 2002 and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments.

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.

We make both debt and minority equity investments; therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

Our portfolio companies usually will have, or may be permitted to incur, other debt, or issue other equity securities that rank equally with, or senior to, our investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments will usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debtor ranking equally with our investments, we would have to share on an equal basis any distributions with other holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

If one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we actually render significant managerial assistance.

Investments in equity securities involve a substantial degree of risk.

We purchase common stock and other equity securities. Although equity securities have historically generated higher average total returns than fixed-income securities over the long-term, equity securities also have experienced significantly more volatility in those returns and in recent years have significantly underperformed

relative to fixed-income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless and our ability to recover our investment will depend on our portfolio company's success. Investments in equity securities involve a number of significant risks, including:

- any equity investment we make in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;
- to the extent that the portfolio company requires additional capital and is unable to obtain it, we may not recover our investment in equity securities; and
- in some cases, equity securities in which we invest will not pay current dividends, and our ability to realize a return on our investment, as well as to recover our investment, will be dependent on the success of our portfolio companies. Even if the portfolio companies are successful, our ability to realize the value of our investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or we can sell our equity investments. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it could be advantageous to sell.

There are special risks associated with investing in preferred securities, including:

- preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for tax purposes even though we have not received any cash payments in respect of such income;
- preferred securities are subordinated with respect to corporate income and liquidation payments, and are therefore subject to greater risk than debt;
- preferred securities may be substantially less liquid than many other securities, such as common securities or U.S. government securities; and
- preferred security holders generally have no voting rights with respect to the issuing company, subject to limited exceptions.

Our investments in foreign debt, including that of emerging market issuers, may involve significant risks in addition to the risks inherent in U.S. investments.

Although there are limitations on our ability to invest in foreign debt, we may, from time to time, invest in debt of foreign companies, including the debt of emerging market issuers. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Investments in the debt of emerging market issuers may subject us to additional risks such as inflation, wage and price controls, and the imposition of trade barriers. Furthermore, economic conditions in emerging market countries are, to some extent, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reaction to developments in one country can have effects on the debt of issuers in other countries.

Although most of our investments will be U.S. dollar-denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term

opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we cannot assure you that we will fully hedge against these risks or that such strategies will be effective. As a result, a change in currency exchange rates may adversely affect our profitability.

We may expose ourselves to risks if we engage in hedging transactions.

We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may expose us to counter-party credit risk. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is generally anticipated at an acceptable price.

The success of our hedging transactions will depend on our ability to correctly predict movements in currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not entirely related to currency fluctuations. To the extent we engage in hedging transactions, we also face the risk that counterparties to the derivative instruments we hold may default, which may expose us to unexpected losses from positions where we believed that our risk had been appropriately hedged.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

Our board of directors has the authority to modify or waive our current investment objective, operating policies and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, financial condition, and value of our common stock. However, the effects might be adverse, which could negatively impact our ability to pay dividends and cause you to lose all or part of your investment.

We have limited experience in managing an SBIC and any failure to comply with SBA regulations, resulting from our lack of experience or otherwise, could have an adverse effect on our operations.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP, received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958 and is regulated by the SBA.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBIC requirements may cause our SBIC subsidiary to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, SBA regulations require that an SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a

"change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of an SBIC. If our SBIC subsidiary fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit its use of debentures, declare outstanding debentures immediately due and payable, and/or limit it from making new investments. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. These actions by the SBA would, in turn, negatively affect us because our SBIC subsidiary is our wholly-owned subsidiary. We do not have any prior experience managing an SBIC. Our lack of experience in complying with SBA regulations may hinder our ability to take advantage of our SBIC subsidiary's access to SBA-guaranteed debentures.

Any failure to comply with SBA regulations could have an adverse effect on our operations.

Our investments may be risky, and you could lose all or part of your investment.

Substantially all of our debt investments hold a non-investment grade rating by one or more rating agencies (which non-investment grade debt is commonly referred to as "high yield" and "junk" debt) or, where not rated by any rating agency, would be below investment grade or "junk", if rated. A below investment grade or "junk" rating means that, in the rating agency's view, there is an increased risk that the obligor on such debt will be unable to pay interest and repay principal on its debt in full. We also invest in debt that defers or pays PIK interest. To the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates, such debt could produce taxable income without a corresponding cash payment to us, and since we generally do not receive any cash prior to maturity of the debt, the investment will be of greater risk.

In addition, private middle market companies in which we invest are exposed to a number of significant risks, including:

- limited financial resources and an inability to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- dependence on the management talents and efforts of a small group of persons; the death, disability, resignation or termination of one or more of which could have a material adverse impact on the company and, in turn, on us;
- less predictable operating results and, possibly, substantial additional capital requirements to support their operations, finance expansion or maintain their competitive position; and
- difficulty accessing the capital markets to meet future capital needs.

In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

Our independent auditors have not assessed our internal control over financial reporting. If our internal control over financial reporting is not effective, it could have a material adverse effect on our stock price and our ability to raise capital.

Because we are a "non-accelerated filer" within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934, our independent auditors are not required to assess our internal control over financial reporting or to provide a report thereon. Although our management determined that our internal control over financial reporting was effective at August 31, 2016 (the last date that such determination was required to be made by us), there can be no assurance that our independent auditors would agree with our management's conclusion. Furthermore, if our

market capitalization, excluding affiliated stockholders, at August 31 of any fiscal year is greater than $75 million, then we will be required to obtain independent auditor certification on the adequacy of our internal control over financial reporting for that fiscal year. If our internal control over financial reporting is determined in the future to not be effective, whether by our management or by our independent auditors, there could be an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements, which could materially adversely affect our stock price and our ability to raise capital necessary to operate our business. In addition, we may be required to incur costs in improving our internal control system and hiring additional personnel.

Our portfolio may continue to be concentrated in a limited number of industries, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which a number of our investments are concentrated.

Our portfolio may continue to be concentrated in a limited number of industries. A downturn in any particular industry in which we are invested could significantly impact the aggregate returns we realize.

As of November 30, 2016, our investments in the business services industry represented approximately 52.7% of the fair value of our portfolio and our investments in the healthcare industry represented approximately 10.1% of the fair value of our portfolio. In addition, we may from time to time invest a relatively significant percentage of our portfolio in industries we do not necessarily target. If an industry in which we have significant investments suffers from adverse business or economic conditions, as these industries have to varying degrees, a material portion of our investment portfolio could be affected adversely, which, in turn, could adversely affect our financial position and results of operations.

Risks Related to Our Common Stock

Investing in our common stock may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

We may continue to choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

We have in the past, and may continue to, distribute taxable dividends that are payable to our stockholders in part through the issuance of shares of our common stock. For example, on October 30, 2013, our board of directors declared a dividend of $2.65 per share to shareholders payable in cash or shares of our common stock. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service has issued private rulings indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20.0% of the total distribution. Under these rulings, if too many stockholders elect to receive their distributions in cash, each such stockholder would receive a pro rata share of the total cash to be distributed and would receive the remainder of their distribution in shares of stock. If we decide to make any distributions consistent with these rulings that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount

included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

On September 24, 2014, we announced the recommencement of quarterly dividends to our stockholders. We have adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividends automatically reinvested into additional shares of our common stock, rather than receiving the cash dividends. We have the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies, accounting pronouncements or tax rules, particularly with respect to RICs, BDCs or SBICs;
- loss of RIC qualification;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of any of Saratoga Investment Advisors' key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; or
- loss of a major funding source.

Our business and operation could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or shareholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to

any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

As a BDC for 1940 Act purposes and a RIC for U.S. federal income tax purposes, we intend to make distributions out of assets legally available for distribution to our stockholders once such distributions are authorized by our board of directors and declared by us. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or periodically increase our dividend rate. In addition, due to the asset coverage test that is applicable to us as a BDC, and provisions contained in the agreements governing our borrowings, we may be limited in our ability to make distributions. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution.

Provisions of our governing documents and the Maryland General Corporation Law could deter future takeover attempts and have an adverse impact on the price of our common stock.

We are governed by our charter and bylaws, which we refer to as our "governing documents."

Our governing documents and the Maryland General Corporation Law contain provisions that may have the effect of delaying, deferring or preventing a future transaction or change in control of us that might involve a premium price for our stockholders or otherwise be in their best interest.

Our charter provides for the classification of our board of directors into three classes of directors, serving staggered three-year terms, which may render a change of control of us or removal of our incumbent management more difficult. Furthermore, any and all vacancies on our board of directors will be filled generally only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term until a successor is elected and qualifies.

Our board of directors is authorized to create and issue new series of shares, to classify or reclassify any unissued shares of stock into one or more classes or series, including preferred stock and, without stockholder approval, to amend our charter to increase or decrease the number of shares of stock that we have authority to issue, which could have the effect of diluting a stockholder's ownership interest. Prior to the issuance of shares of stock of each class or series, including any reclassified series, our board of directors is required by our governing documents to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of shares of stock.

Our governing documents also provide that our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws, and to make new bylaws. The Maryland General Corporation Law also contains certain provisions that may limit the ability of a third party to acquire control of us, such as:

- The Maryland Business Combination Act, which, subject to certain limitations, prohibits certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of the common stock or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special minimum price provisions and special stockholder voting requirements on these combinations; and
- The Maryland Control Share Acquisition Act, which provides that "control shares" of a Maryland corporation (defined as shares of common stock which, when aggregated with other shares of common

stock controlled by the stockholder, entitles the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares of common stock.

In addition, the provisions of the Maryland Business Combination Act will not apply, however, if our board of directors adopts a resolution that any business combination between us and any other person will be exempt from the provisions of the Maryland Business Combination Act. Although our board of directors has adopted such a resolution, there can be no assurance that this resolution will not be altered or repealed in whole or in part at any time. If the resolution is altered or repealed, the provisions of the Maryland Business Combination Act may discourage others from trying to acquire control of us.

As permitted by Maryland law, our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our common stock. Although our bylaws include such a provision, such a provision may also be amended or eliminated by our board of directors at any time in the future, subject to obtaining confirmation from the SEC that it does not object to us being subject to the Maryland Control Share Acquisition Act.

Our common stock may trade at a discount to our net asset value per share.

Common stock of BDCs, as closed-end investment companies, frequently trade at a discount to net asset value. Our common stock has traded at a discount to our net asset value since shortly after our initial public offering. The risk that our common stock may continue to trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline.

Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock.

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our board of directors makes certain determinations. We do not currently have stockholder approval of issuances below net asset value.

If we were to sell shares of our common stock below net asset value per share, such sales would result in an immediate dilution to the net asset value per share. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

The issuance of subscription rights, warrants or convertible debt that are exchangeable for our common stock, will cause your economic interest and voting power in us to be diluted as a result of our offering of any such securities.

Stockholders who do not fully exercise rights, warrants or convertible debt issued to them in any offering of subscription rights, warrants or convertible debt to purchase our common stock should expect that they will, at the completion of the offering, own a smaller proportional economic interest and have diminished voting power in us than would otherwise be the case if they fully exercised their rights, warrants or convertible debt. We cannot state precisely the amount of any such dilution in share ownership or voting power because we do not know what proportion of the common stock would be purchased as a result of any such offering.

In addition, if the subscription price, warrant price or convertible debt price is less than our net asset value per share of common stock at the time of such offering, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any such decrease in net asset value is not predictable because it is not known at this time what the subscription price, warrant price, convertible debt price or net asset value per share will be on the expiration date of such offering or what proportion of our common stock will be purchased as a result of any such offering. The risk of dilution is greater if there are multiple rights offerings. However, our board of directors will make a good faith determination that any offering of subscription rights, warrants or convertible debt would result in a net benefit to existing stockholders.

Finally, our common stockholders will bear will all costs and expenses incurred by us in connection with any proposed offering of subscription rights, warrants or convertible debt that are exchangeable for our common stock, whether or not such offering is actually completed by us.

We may be unable to invest a significant portion of the net proceeds from this offering, which could harm our financial condition and operating results.

Delays in investing the net proceeds raised in this offering may cause our performance to be worse than that of other fully invested business development companies or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results. We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all of the net proceeds from this offering in investments meeting our investment objective. During this period, we will invest the capital primarily in cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective.

USE OF PROCEEDS

We intend to use substantially all of the net proceeds from the sale of our securities to make investments in middle-market companies in accordance with our investment objective and strategies described in this prospectus, and for general corporate purposes. We may also use a portion of the net proceeds to reduce any of our outstanding borrowings.

We anticipate that substantially all of the net proceeds from any offering of our securities will be used as described above within six to twelve months. Pending such use, we will invest the net proceeds primarily in high quality, short-term debt securities consistent with our business development company election and our election to be taxed as a RIC. See “Regulation—Business Development Company Regulations—Temporary Investments.” Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in interest-bearing deposits or other short-term instruments. See “Risk Factors—Risks Relating to Our Business and Structure—We may be unable to invest a significant portion of the net proceeds from an offering of our securities on acceptable terms within an attractive timeframe” for additional information regarding this matter. The supplement to this prospectus relating to an offering will more fully identify the use of proceeds from such an offering.

RATIO OF EARNINGS TO FIXED CHARGES

For the nine months ended November 30, 2016, and the fiscal years ended February 29, 2016, February 28, 2015, 2014 and 2013, February 29, 2012 and February 28, 2011 and 2010, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	Nine months ended November 30, 2016	Year ended February 29, 2016	Year ended February 28, 2015	Year ended February 28, 2014	Year ended February 28, 2013	Year ended February 29, 2012	Year ended February 28, 2011	Year ended February 28, 2010
Earnings to Fixed Charges	2.43	2.39	2.53	2.40	6.53	10.87	7.41	(1.55)

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax provision (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees and amortization of deferred financing fees.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed in the section entitled “Risk Factors.”

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

The forward-looking statements contained in this prospectus involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax treatment, including our ability to operate as a business development company, a regulated investment company and a small business investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and effectively administer our investments.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this prospectus.

You should understand that, under Sections 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)B of the Exchange Act, the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus. Any forward-looking statements contained in any reports that the Company may file under the Exchange Act will be excluded from the safe harbor protection provided by Section 21E of the Exchange Act.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on the NYSE under the symbol “SAR”. Prior to July 30, 2010, our common stock traded on the NYSE under the symbol “GNV.” The following table lists the high and low closing sales prices for the Company’s common stock and such closing sales prices’ percentage of premium or discount to NAV for the last four completed fiscal years and the current fiscal year to date. On February 27, 2017, the last reported closing sale price of our common stock was $22.22 per share which represents a discount of approximately 0.0% to the NAV reported as of November 30, 2016.

		Price Range			
	NAV(1)	High	Low	Percentage of High Sales Price as a Premium (Discount) to NAV(2)	Percentage of Low Sales Price as a Premium (Discount) to NAV(2)
Fiscal Year ending February 28, 2017					
First Quarter	$22.11	$16.84	$14.03	(23.8)%	(36.5)%
Second Quarter	$23.39	$18.15	$16.37	(18.9)%	(26.9)%
Third Quarter	$22.21	$20.24	$17.20	(8.9)%	(22.6)%
Fourth Quarter (through 2017)	*	$23.30	$18.12	*	*
Fiscal Year ended February 29, 2016					
First Quarter	$22.75	$19.95	$15.28	(12.3)%	(32.8)%
Second Quarter	$22.42	$17.68	$16.83	(21.1)%	(24.9)%
Third Quarter	$22.59	$16.65	$14.92	(26.3)%	(34.0)%
Fourth Quarter	$22.06	$15.93	$13.50	(27.8)%	(38.8)%
Fiscal Year ended February 28, 2015					
First Quarter	$21.41	$15.91	$15.05	(25.7)%	(29.7)%
Second Quarter	$22.00	$16.26	$15.15	(26.1)%	(31.1)%
Third Quarter	$22.45	$16.32	$15.00	(27.3)%	(33.2)%
Fourth Quarter	$22.70	$15.84	$14.44	(30.2)%	(36.4)%
Year ended February 28, 2014					
First Quarter	$23.48	$19.08	$16.35	(18.7)%	(30.4)%
Second Quarter	$23.55	$18.70	$17.40	(20.6)%	(26.1)%
Third Quarter	$20.39	$19.55	$15.40	(4.1)%	(24.5)%
Fourth Quarter	$21.08	$16.56	$15.25	(21.4)%	(27.7)%
Year ended February 28, 2013					
First Quarter	$25.74	$18.29	$15.15	(28.9)%	(41.1)%
Second Quarter	$26.96	$17.20	$16.50	(36.2)%	(38.8)%
Third Quarter	$21.52	$19.97	$15.17	(7.2)%	(29.5)%
Fourth Quarter	$22.71	$18.50	$15.07	(18.5)%	(33.6)%
Year ended February 28, 2012					
First Quarter	$27.89	$18.26	$16.69	(34.5)%	(40.2)%
Second Quarter	$27.33	$17.26	$13.58	(36.8)%	(50.3)%
Third Quarter	$24.17	$13.82	$12.35	(42.8)%	(48.9)%
Fourth Quarter	$24.94	$16.15	$12.07	(35.2)%	(51.6)%

* Net asset value has not yet been calculated for this period.

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.

(2) Calculated as the respective high or low sales price less net asset value, divided by net asset value.

Holders

The last reported price for our common stock on February 27, 2017 was $22.22 per share. As of February 24, 2017, there were 21 holders of record of our common stock.

Dividend Policy

The following table summarizes our dividends or distributions declared during fiscal 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017:

Date Declared	Record Date	Payment Date	Amount per Share
May 22, 2008	May 30, 2008	June 13, 2008	$ 3.90
August 19, 2008	August 29, 2008	September 15, 2008	$ 3.90
December 8, 2008	December 18, 2008	December 29, 2008	$ 2.50
Total Dividends Declared for Fiscal 2009			$ 10.30
November 13, 2009	November 25, 2009	December 31, 2009	$ 18.25(1)
Total Dividends Declared for Fiscal 2010			$ 18.25
November 12, 2010	November 19, 2010	December 29, 2010	$ 4.40(1)
Total Dividends Declared for Fiscal 2011			$ 4.40
November 15, 2011	November 25, 2011	December 30, 2011	$ 3.00(1)
Total Dividends Declared for Fiscal 2012			$ 3.00
November 9, 2012	November 20, 2012	December 31, 2012	$ 4.25(1)
Total Dividends Declared for Fiscal 2013			$ 4.25
October 30, 2013	November 13, 2013	December 27, 2013	$ 2.65(1)
Total Dividends Declared for Fiscal 2014			$ 2.65
September 24, 2014	November 3, 2014	November 28, 2014	$ 0.18(1)
September 24, 2014	February 2, 2015	February 27, 2015	$ 0.22(1)
Total Dividends Declared for Fiscal 2015			$ 0.40
April 9, 2015	May 4, 2015	May 29, 2015	$ 0.27(1)
May 14, 2015	May 26, 2015	June 5, 2015	$ 1.00(1)
July 8, 2015	August 3, 2015	August 31, 2015	$ 0.33(1)
October 7, 2015	November 2, 2015	November 30, 2015	$ 0.36(1)
January 12, 2015	February 1, 2016	February 29, 2016	$ 0.40(1)
Total Dividends Declared for Fiscal 2016			$ 2.36
March 31, 2016	April 5, 2016	April 27, 2016	$ 0.41(1)
July 7, 2016	July 29, 2016	August 9, 2016	$ 0.43(1)
August 8, 2016	August 24, 2016	September 5, 2016	$ 0.20(1)
October 5, 2016	October 31, 2016	November 9, 2016	$ 0.44(1)
January 12, 2017	January 31, 2017	February 9, 2017	$ 0.45
Total Dividends Declared for Fiscal 2017 (through February 27, 2017)			$ 1.93

(1) This dividend was paid by combination of shares of common stock and cash. Please see the discussion immediately following this table for more detail about the composition of this dividend.

Our distributions, if any, will be determined by our board of directors and paid out of assets legally available for distribution. Any such distributions will be taxable to our stockholders, including to those stockholders who receive additional shares of our common stock pursuant to our dividend reinvestment plan. The reinvested dividends under our dividend reinvestment plan increase our gross assets, which will result in higher

management fees, and potentially income incentive fees and capital gains incentive fees payable to Saratoga Investment Advisors. Prior to January 2009, we paid quarterly dividends to our stockholders. However, in January 2009, we suspended the practice of paying quarterly dividends to our stockholders and made five dividend distributions (in December 2013, 2012, 2011, 2010 and 2009) to our stockholders in the form of a combination of cash and the issuance of shares of our common stock as discussed more fully below. On September 24, 2014, our board of directors adopted a new dividend policy pursuant to which we will begin to again pay a regular quarterly cash dividend to our shareholders. In this regard, as noted in the table above, our board of directors has declared a regular quarterly cash dividends to our shareholders since adopting our new dividend policy.

We are prohibited from making distributions that cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act, subject to certain exceptions, or that violate our debt covenants.

Prior to the adoption of our new dividend policy described above, our board of directors believed that using our capital resources to build and diversify our portfolio served our stockholders' interests best by better positioning us to generate current income and capital appreciation on an increasing scale. Therefore, our board of directors determined to pay a 20.0% cash and 80.0% stock dividend with respect to a significant portion of our taxable income for our 2014, 2013, 2012, 2011 and 2010 fiscal years in accordance with an IRS revenue procedure or certain IRS private letter rulings. For more detailed information about these dividends, please see the discussion below.

In order to maintain our qualification as a RIC, we must for each fiscal year distribute an amount equal to at least 90.0% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. In addition, we will be subject to federal excise taxes to the extent we do not distribute during the calendar year at least (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax. For the 2013 calendar year, the Company made distributions sufficient such that we did not incur any federal excise taxes. We may elect to withhold from distribution a portion of our ordinary income for the 2014 calendar year and/or portion of the capital gains in excess of capital losses realized during the one year period ending October 31, 2014, if any, and, if we do so, we would expect to incur federal excise taxes as a result.

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends.

Pursuant to a revenue procedure (Revenue Procedure 2010-12), or the Revenue Procedure, issued by the Internal Revenue Service, or IRS, the IRS indicated that it would treat distributions from certain publicly traded RICs (including BDCs) that were paid part in cash and part in stock as dividends that would satisfy the RIC's annual distribution requirements and qualify for the dividends paid deduction for federal income tax purposes. In order to qualify for such treatment, the Revenue Procedure required that at least 10.0% of the total distribution be payable in cash and that each stockholder have a right to elect to receive its entire distribution in cash. If too many stockholders elected to receive cash, each stockholder electing to receive cash must receive a proportionate share of the cash to be distributed (although no stockholder electing to receive cash may receive less than 10.0% of such stockholder's distribution in cash). This Revenue Procedure applied to distributions declared on or before December 31, 2012 with respect to taxable years ending on or before December 31, 2011.

Although this Revenue Procedure is no longer available and did not apply to our distributions for our fiscal year ended February 28, 2014, the revenue procedure was based upon certain applicable provisions of the Code and the Treasury regulations pursuant to which distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. Consistent with these provisions, the IRS has issued private letter rulings concluding that a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20.0% of the aggregate declared distribution.

On October 30, 2013, our board of directors declared a dividend of $2.65 per share payable on December 27, 2013, to common stockholders of record on November 13, 2013. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.5 million or $0.53 per share.

Based on shareholder elections, the dividend consisted of approximately $2.5 million in cash and 649,500 shares of common stock, or 13.7% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.439 per share, which equaled the volume weighted average trading price per share of the common stock on December 11, 13, and 16, 2013.

On November 9, 2012, our board of directors declared a dividend of $4.25 per share payable on December 31, 2012, to common stockholders of record on November 20, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $3.3 million or $0.85 per share.

Based on shareholder elections, the dividend consisted of $3.3 million in cash and 853,455 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.444 per share, which equaled the volume weighted average trading price per share of the common stock on December 14, 17 and 19, 2012.

On November 15, 2011, our board of directors declared a dividend of $3.00 per share payable on December 30, 2011, to common stockholders of record on November 25, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of $2.0 million in cash and 599,584 shares of common stock, or 18.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.12 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011.

On November 12, 2010, we declared a dividend of $4.40 per share which was paid on December 29, 2010. Stockholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $1.2 million or $0.44 per share.

Based on shareholder elections, the dividend consisted of $1.2 million in cash and 596,235 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010.

On November 13, 2009, we declared a dividend of $18.25 per share payable on December 31, 2009. Stockholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all stockholders was limited to $2.1 million or $0.25 per share.

Based on stockholder elections, the dividend consisted of $2.1 million in cash and 8,648,725 shares of common stock, or 104.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to stockholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $1.5099 per share, which equaled the volume weighted average trading price per share of the common stock on December 24 and 28, 2009.

DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan (the "Plan") that provides that, unless you elect to receive your dividends or other distributions in cash, they will be automatically reinvested by the Plan Administrator, American Stock Transfer & Trust Company LLC, in additional shares of our common stock. If you elect to receive your dividends or other distributions in cash, you will receive them in cash paid by check mailed directly to you by the Plan Administrator. The reinvestment of our distributions does not relieve stockholders of any tax that may be payable on such distributions. For U.S. federal income tax purposes, stockholders will be treated as receiving the amount of the distributions made by us, which amount generally will be either equal to the amount of the cash distribution the stockholder would have received if the stockholder had elected to receive cash or, for shares issued by us, the fair market value of the shares issued to the stockholder.

No action is required on the part of a registered stockholder to have their cash dividend reinvested in shares of our common stock. When the share price of our common stock is trading above net asset value, we intend to primarily use newly issued shares to implement the plan. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan even if the share price of our common stock is trading below net asset value. Unless you or your brokerage firm decides to opt out of the Plan, the number of shares of common stock you will receive will be determined as follows:

(1) If we use newly issued shares under the Plan, we will issue the new shares at a price equal to 95% of the average of the market prices of our common stock at the close of trading on the ten trading days immediately preceding and ending on the date fixed by our board of directors for the payment of the dividend.

(2) If we use shares purchased in the open market under the Plan, the Plan Administrator will receive the dividend or distribution in cash and will purchase common stock in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. Shares purchased in the open market will be allocated to a participant based on the average purchase price, excluding any brokerage charges or other charges, of all shares purchased with respect to the dividend.

You may withdraw from the Plan at any time by giving written notice to the Plan Administrator, or by telephone in accordance with such reasonable requirements as we and the Plan Administrator may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Administrator will sell your shares and send you the proceeds, minus brokerage commissions.

The Plan Administrator maintains all common stockholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common stock in your account will be held by the Plan Administrator in non-certificated form. The Plan Administrator will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to us. Any proxy you receive will include all common stock you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in common stock.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon the reinvestment of such dividends and distributions. See "Material United States Federal Income Tax Considerations".

If you hold your common stock with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisory for more information.

Neither us nor the Plan Administrator nor its nominee or nominees shall be liable for any act done in good faith, or for any good faith omission to act, including without limitation, any claims of liability arising out of failure to terminate a participant's account upon the participant's death prior to receipt of notice in writing of such death, and with respect to the price at which shares are purchased or sold for the participant's account.

The Plan Administrator's fees under the Plan will be borne by us. There is no direct service charge to participants in the Plan; however, we reserve the right to amend or terminate the Plan, including amending the Plan to include a service charge payable by the participants, if in the judgment of the board of directors the change is warranted. Any amendment to the Plan, except amendments necessary or appropriate to comply with applicable law or the rules and policies of the SEC or any other regulatory authority, require us to provide at least 30 days written notice to each participant. Additional information about the Plan may be obtained from American Stock Transfer & Trust Company LLC, 59 Maiden Lane, New York, New York 10038.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under "Risk Factors" and "Note about Forward-Looking Statements" appearing elsewhere in this prospectus.

OVERVIEW

We are a Maryland corporation that has elected to be treated as a Business Development Company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments. We invest primarily in leveraged loans and mezzanine debt issued by private U.S. middle market companies, which we define as companies having EBITDA of between $2 million and $50 million, both through direct lending and through participation in loan syndicates. We may also invest up to 30.0% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, which may include securities of companies in bankruptcy, foreign debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds. On January 22, 2008, we entered into a collateral management agreement with Saratoga CLO, pursuant to which we act as its collateral manager. In addition, we purchased for $30.0 million all of the outstanding subordinated notes of Saratoga CLO. The Saratoga CLO was initially refinanced in October 2013 and its reinvestment period ended in October 2016. On November 15, 2016, we completed the second refinancing of the Saratoga CLO. The Saratoga CLO refinancing, among other things, extended its reinvestment period to October 2018, and extended its legal maturity date to October 2025. Following the refinancing, the Saratoga CLO portfolio remained at the same size and with a similar capital structure of approximately $300 million in aggregate principal amount of predominantly senior secured first lien term loans. In addition to refinancing its liabilities, we also purchased $4.5 million in aggregate principal amount of the Class F notes tranche of the Saratoga CLO at par, with a coupon of 8.5%.

Although we have no current intention to do so, to the extent we invest in private equity funds, we will limit our investments in entities that are excluded from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, which includes private equity funds, to no more than 15% of its net assets.

We have elected and qualified to be treated as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code").

Corporate History and Recent Developments

We commenced operations, at the time known as GSC Investment Corp., on March 23, 2007 and completed an initial public offering of shares of common stock on March 28, 2007. Prior to July 30, 2010, we were externally managed and advised by GSCP (NJ), L.P., an entity affiliated with GSC Group, Inc. In connection with the consummation of a recapitalization transaction on July 30, 2010, as described below we engaged Saratoga Investment Advisors ("SIA") to replace GSCP (NJ), L.P. as our investment adviser and changed our name to Saratoga Investment Corp.

As a result of the event of default under a revolving securitized credit facility with Deutsche Bank we previously had in place, in December 2008 we engaged the investment banking firm of Stifel, Nicolaus & Company to evaluate strategic transaction opportunities and consider alternatives for us. On April 14, 2010, GSC Investment Corp. entered into a stock purchase agreement with Saratoga Investment Advisors and certain of its

affiliates and an assignment, assumption and novation agreement with Saratoga Investment Advisors, pursuant to which GSC Investment Corp. assumed certain rights and obligations of Saratoga Investment Advisors under a debt commitment letter Saratoga Investment Advisors received from Madison Capital Funding LLC, which indicated Madison Capital Funding's willingness to provide GSC Investment Corp. with a $40.0 million senior secured revolving credit facility, subject to the satisfaction of certain terms and conditions. In addition, GSC Investment Corp. and GSCP (NJ), L.P. entered into a termination and release agreement, to be effective as of the closing of the transaction contemplated by the stock purchase agreement, pursuant to which GSCP (NJ), L.P., among other things, agreed to waive any and all accrued and unpaid deferred incentive management fees up to and as of the closing of the transaction contemplated by the stock purchase agreement but continued to be entitled to receive the base management fees earned through the date of the closing of the transaction contemplated by the stock purchase agreement.

The Saratoga CLO remains effectively 100% owned and managed by Saratoga Investment Corp. We receive a base management fee of 0.10% and a subordinated management fee of 0.40% of the fee basis amount at the beginning of the collection period, paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20.0% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return paid in cash equal to or greater than 12.0%.

On July 30, 2010, the transactions contemplated by the stock purchase agreement with Saratoga Investment Advisors and certain of its affiliates were completed, the private sale of 986,842 shares of our common stock for $15.0 million in aggregate purchase price to Saratoga Investment Advisors and certain of its affiliates closed, the Company entered into the Credit Facility, and the Company began doing business as Saratoga Investment Corp.

We used the net proceeds from the private sale transaction and a portion of the funds available to us under the Credit Facility to pay the full amount of principal and accrued interest, including default interest, outstanding under our revolving securitized credit facility with Deutsche Bank. The revolving securitized credit facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010.

On August 12, 2010, we effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Any fractional shares received as a result of the reverse stock split were redeemed for cash. The total cash payment in lieu of shares was $230. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

In January 2011, we registered for public resale of the 986,842 shares of our common stock issued to Saratoga Investment Advisors and certain of its affiliates.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP ("SBIC LP"), received an SBIC license from the Small Business Administration ("SBA").

In May 2013, we issued $48.3 million in aggregate principal amount of our 7.50% unsecured notes due 2020 (the "2020 Notes") for net proceeds of $46.1 million after deducting underwriting commissions of $1.9 million and offering costs of $0.3 million. The proceeds included the underwriters' full exercise of their overallotment option. Interest on these 2020 Notes is paid quarterly in arrears on February 15, May 15, August 15 and November 15, at a rate of 7.50% per year, beginning August 15, 2013. The 2020 Notes mature on May 31, 2020 and since May 31, 2016, may be redeemed in whole or in part at any time or from time to time at our option. The 2020 Notes were listed on the NYSE under the trading symbol "SAQ" with a par value of $25.00 per share. The 2020 Notes were redeemed in full on January 13, 2017.

On April 2, 2015, the SBA issued a "green light" letter inviting us to continue the application process to obtain a license to form and operate its second SBIC subsidiary. On September 27, 2016, the SBA informed us

that as part of their continued review of our application for a second license, and in order to ensure that they were reviewing the most current information available, we would need to update all previously submitted materials and invited us to reapply. As a result of this request, with which we are in the process of complying, the existing "green light" letter that the SBA issued to us has expired. If approved in the future, a second SBIC license would provide us an incremental source of long-term capital by permitting us to issue up to $150.0 million of additional SBA-guaranteed debentures in addition to the $150.0 million already approved under the first license.

On May 29, 2015, we entered into a Debt Distribution Agreement with Ladenburg Thalmann & Co. Inc. through which we may offer for sale, from time to time, up to $20.0 million in aggregate principal amount of the 2020 Notes through an At-the-Market ("ATM") offering. As of November 30, 2016, the Company sold 539,725 bonds with a principal of $13,493,125 at an average price of $25.31 for aggregate net proceeds of $13,385,766 (net of transaction costs).

On December 21, 2016, we issued $74.5 million in aggregate principal amount of our 6.75% fixed-rate notes due 2023 (the "2023 Notes") for net proceeds of $72.1 million after deducting underwriting commissions of approximately $2.0 million and offering costs of approximately $0.5 million. The issuance included the exercise of substantially all of the underwriters' option to purchase an additional $9.8 million aggregate principal amount of 2023 Notes within 30 days. Interest on the 2023 Notes is paid quarterly in arrears on March 15, June 15, September 15 and December 15, at a rate of 6.75% per year, beginning March 30, 2017. The 2023 Notes mature on December 20, 2023, and commencing December 21, 2019, may be redeemed in whole or in part at any time or from time to time at our option. The net proceeds from the offering were used to repay all of the outstanding indebtedness under the 2020 Notes, which amounts to $61.8 million, and for general corporate purposes in accordance with our investment objective and strategies. The 2020 Notes were redeemed in full on January 13, 2017.

Critical Accounting Policies

Basis of Presentation

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make certain estimates and assumptions affecting amounts reported in the Company's consolidated financial statements. We have identified investment valuation, revenue recognition and the recognition of capital gains incentive fee expense as our most critical accounting estimates. We continuously evaluate our estimates, including those related to the matters described below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

Investment Valuation

The Company accounts for its investments at fair value in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Company to assume that its investments are to be sold at the balance sheet date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments.

We value investments for which market quotations are not readily available at fair value as approved, in good faith, by our board of directors based on input from Saratoga Investment Advisers, the audit committee of our board of directors and a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals of Saratoga Investment Advisors and preliminary valuation conclusions are documented and discussed with our senior management; and
- An independent valuation firm engaged by our board of directors reviews a selection of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least once each fiscal year.

In addition, all our investments are subject to the following valuation process:

- The audit committee of our board of directors reviews and approves each preliminary valuation and Saratoga Investment Advisors and an independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- Our board of directors discusses the valuations and approves the fair value of each investment, in good faith, based on the input of Saratoga Investment Advisors, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

Our investment in Saratoga Investment Corp. CLO 2013-1, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by SIA and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flow analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO.

Revenue Recognition

Income Recognition

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest

payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in Saratoga CLO is recorded using the effective interest method in accordance with the provisions of ASC Topic 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Payment-in-Kind Interest

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Capital Gains Incentive Fee

The Company records an expense accrual relating to the capital gains incentive fee payable by the Company to its investment adviser when the unrealized gains on its investments exceed all realized capital losses on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains for the period.

Revenues

We generate revenue in the form of interest income and capital gains on the debt investments that we hold and capital gains, if any, on equity interests that we may acquire. We expect our debt investments, whether in the form of leveraged loans or mezzanine debt, to have terms of up to ten years, and to bear interest at either a fixed or floating rate. Interest on debt will be payable generally either quarterly or semi-annually. In some cases, our debt investments may provide for a portion of the interest to be PIK. To the extent interest is paid-in-kind, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation. The principal amount of the debt and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance or investment management services and possibly consulting fees. Any such fees will be generated in connection with our investments and recognized as earned. We may also invest in preferred equity securities that pay dividends on a current basis.

On January 22, 2008, we entered into a collateral management agreement with Saratoga CLO, pursuant to which we act as its collateral manager. The Saratoga CLO was initially refinanced in October 2013 and its reinvestment period ended in October 2016. On November 15, 2016, we completed the second refinancing of the Saratoga CLO. The Saratoga CLO refinancing, among other things, extended its reinvestment period to October 2018, and extended its legal maturity date to October 2025. Following the refinancing, the Saratoga CLO portfolio remained at the same size and with a similar capital structure of approximately $300300.0 million in aggregate principal amount of predominantly senior secured first lien term loans. In addition to refinancing its

liabilities, we also purchased $4.5 million in aggregate principal amount of the Class F notes tranche of the Saratoga CLO at par, with a coupon of LIBOR plus 8.5%.

The Saratoga CLO remains effectively 100% owned and managed by Saratoga Investment Corp. Following the refinancing, we receive a base management fee of 0.10% and a subordinated management fee of 0.40% of the fee basis amount at the beginning of the collection period, paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20.0% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return paid in cash equal to or greater than 12.0%.

We recognize interest income on our investment in the subordinated notes of Saratoga CLO using the effective interest method, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Expenses

Our primary operating expenses include the payment of investment advisory and management fees, professional fees, directors and officers insurance, fees paid to independent directors and administrator expenses, including our allocable portion of our administrator's overhead. Our investment advisory and management fees compensate our investment adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions, including those relating to:

- organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- expenses incurred by our investment adviser payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- expenses incurred by our investment adviser payable for travel and due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- investment advisory and management fees;
- fees payable to third parties, including agents, consultants or other advisers, relating to, or associated with, evaluating and making investments;
- transfer agent and custodial fees;
- federal and state registration fees;
- all costs of registration and listing our common stock on any securities exchange;
- federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by governmental bodies (including the SEC and the SBA);
- costs of any reports, proxy statements or other notices to common stockholders including printing costs;

- our fidelity bond, directors and officers errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- administration fees and all other expenses incurred by us or, if applicable, the administrator in connection with administering our business (including payments under the administration agreement based upon our allocable portion of the administrator's overhead in performing its obligations under an administration agreement, including rent and the allocable portion of the cost of our officers and their respective staffs (including travel expenses)).

Pursuant to the Management Agreement that we had with GSCP (NJ), L.P., our former investment adviser and administrator, we had agreed to pay GSCP (NJ), L.P. as investment adviser a quarterly base management fee of 1.75% of the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters and an incentive fee.

The incentive fee had two parts:

- A fee, payable quarterly in arrears, equal to 20.0% of our pre-incentive fee net investment income, expressed as a rate of return on the value of the net assets at the end of the immediately preceding quarter, that exceeded a 1.875% quarterly hurdle rate measured as of the end of each fiscal quarter. Under this provision, in any fiscal quarter, our investment adviser received no incentive fee unless our pre-incentive fee net investment income exceeded the hurdle rate of 1.875%. Amounts received as a return of capital were not included in calculating this portion of the incentive fee. Since the hurdle rate was based on net assets, a return of less than the hurdle rate on total assets could still have resulted in an incentive fee.
- A fee, payable at the end of each fiscal year, equal to 20.0% of our net realized capital gains, if any, computed net of all realized capital losses and unrealized capital depreciation, in each case on a cumulative basis, less the aggregate amount of capital gains incentive fees paid to the investment adviser through such date.

We deferred cash payment of any incentive fee otherwise earned by our former investment adviser if, during the then most recent four full fiscal quarters ending on or prior to the date such payment was to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less liabilities) (before taking into account any incentive fees payable during that period) was less than 7.5% of our net assets at the beginning of such period. These calculations were appropriately pro-rated for the first three fiscal quarters of operation and adjusted for any share issuances or repurchases during the applicable period. Such incentive fee would become payable on the next date on which such test had been satisfied for the most recent four full fiscal quarters or upon certain terminations of the Management Agreement. We commenced deferring cash payment of incentive fees during the quarterly period ended August 31, 2007, and continued to defer such payments through the quarterly period ended May 31, 2010. As of July 30, 2010, the date on which GSCP (NJ), L.P. ceased to be our investment adviser and administrator, we owed GSCP (NJ), L.P. $2.9 million in fees for services previously provided to us; of which $0.3 million has been paid by us. GSCP (NJ), L.P. agreed to waive payment by us of the remaining $2.6 million in connection with the consummation of the stock purchase transaction with Saratoga Investment Advisors and certain of its affiliates described elsewhere in this Prospectus.

The terms of the Management Agreement with Saratoga Investment Advisors, our current investment adviser, are substantially similar to the terms of the Management Agreement we had entered into with GSCP (NJ), L.P., our former investment adviser, except for the following material distinctions in the fee terms:

- The capital gains portion of the incentive fee was reset with respect to gains and losses from May 31, 2010, and therefore losses and gains incurred prior to such time will not be taken into account when

calculating the capital gains fee payable to Saratoga Investment Advisors and, as a result, Saratoga Investment Advisors will be entitled to 20.0% of net gains that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 equal the fair value of such investment as of such date. Under the Management Agreement with our former investment adviser, GSCP (NJ), L.P., the capital gains fee was calculated from March 21, 2007, and the gains were substantially outweighed by losses.

- Under the "catch up" provision, 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income that exceeds 1.875% but is less than or equal to 2.344% in any fiscal quarter is payable to Saratoga Investment Advisors. This will enable Saratoga Investment Advisors to receive 20.0% of all net investment income as such amount approaches 2.344% in any quarter, and Saratoga Investment Advisors will receive 20.0% of any additional net investment income. Under the Management Agreement with our former investment adviser, GSCP (NJ), L.P. only received 20.0% of the excess net investment income over 1.875%.
- We will no longer have deferral rights regarding incentive fees in the event that the distributions to stockholders and change in net assets is less than 7.5% for the preceding four fiscal quarters.

To the extent that any of our leveraged loans are denominated in a currency other than U.S. dollars, we may enter into currency hedging contracts to reduce our exposure to fluctuations in currency exchange rates. We may also enter into interest rate hedging agreements. Such hedging activities, which will be subject to compliance with applicable legal requirements, may include the use of interest rate caps, futures, options and forward contracts. Costs incurred in entering into or settling such contracts will be borne by us.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which is intended to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods therein. Early adoption is permitted. Management is currently evaluating the impact ASU 2016-15 will have on the consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Amendments to the Leases ("ASC Topic 842"), which will require for all operating leases the recognition of a right-of-use asset and a lease liability, in the statement of financial position. The lease cost will be allocated over the lease term on a straight-line basis. This guidance is effective for annual and interim periods beginning after December 15, 2018. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 retains many current requirements for the classification and measurement of financial instruments; however, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted for public business entities. Management is currently evaluating the impact the adoption of this standard has on our consolidated financial statements and disclosures.

In August 2014, the FASB issued new accounting guidance that requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The amendments provide a definition of the term "substantial doubt" and include

principles for considering the mitigating effect of management's plans. The amendments also require an evaluation every reporting period, including interim periods for a period of one year after the date that the financial statements are issued (or available to be issued), and certain disclosures when substantial doubt is alleviated or not alleviated. The amendments in this update are effective for reporting periods ending after December 15, 2016. Management does not believe these changes will have a material impact on the Company's consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU *2014-09, Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605). Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In May 2016, ASU 2016-12 amended ASU 2014-09 and deferred the effective period to December 15, 2017. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

Portfolio and investment activity

Corporate Debt Portfolio Overview

	At November 30, 2016 ($ in millions)	At February 29, 2016 ($ in millions)	At February 28, 2015 ($ in millions)	At February 28, 2014 ($ in millions)
Number of investments(1)	52	59	63	59
Number of portfolio companies(1)	30	34	34	37
Average investment size(1)	$ 5.1	$ 4.6	$ 3.5	$ 3.2
Weighted average maturity(1)	3.4 yrs	3.8yrs	3.7yrs	4.3yrs
Number of industries(1)	11	11	14	16
Average investment per portfolio company(1)	$ 8.9	$ 8.0	$ 6.6	$ 5.0
Non-performing or delinquent investments(1)	$ 0.0	$ 0.0	$ 0.0	$ 0.3
Fixed rate debt (% of interest bearing portfolio)(2)	$ 46.7(18.3)%	$ 97.9(40.0)%	$ 82.5(40.6)%	$ 70.6(40.1)%
Weighted average current coupon(2)	11.9%	11.5%	12.0%	12.5%
Floating rate debt (% of interest bearing portfolio)(2)	$ 208.5(81.7)%	$ 146.8(60.0)%	$ 120.8(59.4)%	$ 105.4(59.9)%
Weighted average current spread over LIBOR(2)(3)	10.1%	9.1%	8.7%	7.3%

(1) Excludes our investment in the subordinated notes of Saratoga CLO.
(2) Excludes our investment in the subordinated notes of Saratoga CLO and investments in equity interests.
(3) Calculation uses either 1-month or 3-month LIBOR, depending on the contractual turns, and after factoring in any existing LIBOR floors.

During the three months ended November 30, 2016, we invested $30.1 million in new or existing portfolio companies and had $23.8 million in aggregate amount of exits and repayments resulting in net investments of $6.3 million for the period. During the three months ended November 30, 2015, we invested $15.3 million in new or existing portfolio companies and had $27.9 million in aggregate amount of exits and repayments resulting in net repayments of $12.6 million for the period.

During the nine months ended November 30, 2016, we invested $85.9 million in new or existing portfolio companies and had $94.7 million in aggregate amount of exits and repayments resulting in net repayments of $8.8 million for the period. During the nine months ended November 30, 2015, we invested $57.4 million in new

or existing portfolio companies and had $62.7 million in aggregate amount of exits and repayments resulting in net repayments of $5.3 million for the period.

During the fiscal year ended February 29, 2016, we invested $109.2 million in new or existing portfolio companies and had $68.2 million in aggregate amount of exits and repayments resulting in net investments of $41.0 million for the year.

During the fiscal year ended February 28, 2015, we invested $104.9 million in new or existing portfolio companies and had $73.3 million in aggregate amount of exits and repayments resulting in net investments of $31.6 million for the year.

During the fiscal year ended February 28, 2014, we invested $121.1 million in new or existing portfolio companies and had $71.6 million in aggregate amount of exits and repayments resulting in net investments of $49.5 million for the year.

Our portfolio composition at November 30, 2016, February 29, 2016, February 28, 2015 and February 28, 2014 at fair value was as follows:

Portfolio composition

	At November 30, 2016		At February 29, 2016		At February 28, 2015		At February 28, 2014	
	Percentage of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield
Syndicated loans	3.5%	5.4%	4.2%	8.2%	7.6%	6.2%	15.7%	6.2%
First lien term loans	57.8	10.5	50.9	10.6	60.3	11.0	53.6	11.5
Second lien term loans	28.9	11.7	31.1	11.5	14.8	11.2	13.5	11.1
Unsecured notes	—	—	—	—	1.8	13.7	2.7	15.2
Saratoga CLO subordinated notes	—	—	4.5	16.4	7.1	25.2	9.5	18.6
Structured finance securities	5.5	12.2	—	—	—	—	—	—
Equity interests	4.3	0.7	9.3	N/A	8.4	N/A	5.0	N/A
Total	100.0%	10.8%	100.0%	11.1%	100.0%	11.8%	100.0%	11.8%

Our investment in the subordinated notes of Saratoga CLO represents a first loss position in a portfolio that, at November 30, 2016, February 29, 2016, February 28, 2015 and February 28, 2014 was composed of $297.5 million, $302.7 million, $296.9 million and $301.3 million, respectively, in aggregate principal amount of predominantly senior secured first lien term loans. This investment is subject to unique risks. (See “Risk Factors—Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility”). We do not consolidate the Saratoga CLO portfolio in our consolidated financial statements. Accordingly, the metrics below do not include the underlying Saratoga CLO portfolio investments. However, at November 30, 2016 and February 29, 2016, $286.1 million or 99.4% and $283.3 million or 99.4%, respectively, of the Saratoga CLO portfolio investments in terms of market value had a CMR (as defined below) color rating of green or yellow and none and one Saratoga CLO portfolio investment was in default with a fair value of $0.8 million, respectively. At February 28, 2015, $291.6 million or 98.8% of the Saratoga CLO portfolio investments in terms of market value had a CMR (as defined below) color rating of green or yellow and two Saratoga CLO portfolio investments were in default with a fair value of $2.7 million. For more information relating to Saratoga CLO, see the audited financial statements for Saratoga CLO included elsewhere herein.

Saratoga Investment Advisors normally grades all of our investments using a credit and monitoring rating system (“CMR”). The CMR consists of a single component: a color rating. The color rating is based on several

criteria, including financial and operating strength, probability of default, and restructuring risk. The color ratings are characterized as follows: (Green)—strong credit; (Yellow)—satisfactory credit; (Red)—payment default risk, in payment default and/or significant restructuring activity.

The CMR distribution of our investments at November 30, 2016, February 29, 2016 and February 28, 2015 was as follows:

Portfolio CMR distribution

Color Score	At November 30, 2016 Investments at Fair Value	At November 30, 2016 Percentage of Total Portfolio	At February 29, 2016 Investments at Fair Value	At February 29, 2016 Percentage of Total Portfolio	At February 28, 2015 Investments at Fair Value	At February 28, 2015 Percentage of Total Portfolio
	($ in thousands)					
Green	$ 246,130	88.7%	$ 240,623	84.7%	$ 191,606	79.7%
Yellow	8,423	3.0	4,058	1.4	11,635	4.8
Red	8	0.0	8	0.0	101	0.0
N/A(1)	23,009	8.3	39,307	13.9	37,196	15.5
Total	$ 277,570	100.0%	$ 283,996	100.0%	$ 240,538	100.0%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO and equity interests.

The CMR distribution of Saratoga CLO investments at November 30, 2016, February 29, 2016 and February 28, 2015 was as follows:

Portfolio CMR distribution

Color Score	At November 30, 2016 Investments at Fair Value	At November 30, 2016 Percentage of Total Portfolio	At February 29, 2016 Investments at Fair Value	At February 29, 2016 Percentage of Total Portfolio	At February 28, 2015 Investments at Fair Value	At February 28, 2015 Percentage of Total Portfolio
	($ in thousands)					
Green	$ 257,697	88.9%	$ 251,570	88.3%	$ 278,769	94.4%
Yellow	28,425	9.8	31,752	11.1	12,875	4.4
Red	3,840	1.3	1,331	0.5	2,978	1.0
N/A(1)	37	0.0	192	0.1	617	0.2
Total	$ 289,999	100.0%	$ 284,845	100.0%	$ 295,239	100.0%

(1) Comprised of Saratoga CLO's equity interests.

Portfolio composition by industry grouping at fair value

The following table shows our portfolio composition by industry grouping at fair value at November 30, 2016, February 29, 2016 and February 28, 2015:

	At November 30, 2016		At February 29, 2016		At February 28, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
			($ in thousands)			
Business Services	$ 146,250	52.7%	$ 88,596	31.2%	$ 52,128	21.7%
Consumer Services	20,737	7.5	43,109	15.2	24,169	10.0
Software as a Service	—	—	39,187	13.8	53,525	22.3
Healthcare Services	28,128	10.1	24,635	8.7	20,641	8.6
Media	18,522	6.7	16,574	5.8	15,026	6.2
Automotive Aftermarket	—	—	14,707	5.2	10,980	4.6
Structured Finance(1)	15,266	5.5	12,828	4.5	17,031	7.1
Education	10,919	3.9	10,694	3.8	101	0.0
Metals	8,857	3.2	10,526	3.7	15,262	6.3
Food and Beverage	8,423	3.0	9,131	3.2	10,348	4.3
Consumer Products	787	0.3	7,642	2.7	9,239	3.9
Building Products	2,000	0.7	6,367	2.2	3,436	1.4
Electronics	—	—	—	—	6,667	2.8
Publishing	—	—	—	—	1,985	0.8
Aerospace and Defense	1,020	0.4	—	—	—	—
Real Estate	16,661	6.0	9,537	3.4	—	—
Total	$277,570	100.0%	$ 283,996	100.0%	$ 240,538	100.0%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO.

The following table shows Saratoga CLO's portfolio composition by industry grouping at fair value at November 30, 2016, February 29, 2016 and February 28, 2015:

	At November 30, 2016		At February 29, 2016		At February 28, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)					
Services: Business	$ 41,241	14.2%	$ 37,308	13.1%	$ 42,751	14.5%
Healthcare & Pharmaceuticals	30,765	10.6	28,339	9.9	35,341	11.9
Chemicals/Plastics	23,271	8.0	24,714	8.7	25,758	8.7
Retailers (Except Food and Drugs)	14,664	5.1	18,898	6.6	22,026	7.4
Financial Intermediaries	7,760	2.7	13,559	4.8	10,806	3.7
Aerospace and Defense	13,008	4.5	12,580	4.4	7,287	2.5
Industrial Equipment	9,921	3.4	11,777	4.1	15,290	5.2
Conglomerate	12,767	4.4	11,770	4.1	19,928	6.7
Telecommunications	11,741	4.0	11,364	4.0	6,675	2.3
Banking, Finance, Insurance & Real Estate	15,678	5.4	10,175	3.6	—	—
High Tech Industries	16,703	5.8	9,451	3.3	—	—
Electronics/Electric	8,344	2.9	9,342	3.3	12,904	4.4
Leisure Goods/Activities/Movies	9,198	3.3	8,009	2.8	12,629	4.3
Technology	3,883	1.3	7,774	2.7	1,008	0.3
Utilities	2,894	1.0	6,975	2.4	6,281	2.1
Food Services	5,872	2.0	5,944	2.1	5,886	2.0
Food Products	3,150	1.1	5,694	2.0	5,856	2.0
Automotive	5,004	1.7	5,470	1.9	6,650	2.2
Lodging and Casinos	4,352	1.5	4,958	1.8	5,826	2.0
Media	10,732	3.7	4,768	1.7	2,004	0.7
Insurance	2,988	1.0	4,712	1.7	5,425	1.8
Containers/Glass Products	1,993	0.7	4,168	1.5	4,313	1.5
Cable and Satellite Television	1,617	0.6	3,557	1.2	2,646	0.9
Publishing	4,938	1.7	3,029	1.1	5,627	1.9
Drugs	2,936	1.0	2,873	1.0	10,091	3.4
Construction & Building	1,958	0.7	2,869	1.0	—	—
Food/Drug Retailers	3,835	1.3	2,737	1.0	5,861	2.0
Brokers/Dealers/Investment Houses	2,470	0.9	2,618	0.9	4,832	1.6
Oil & Gas	2,519	0.9	2,273	0.8	6,070	2.1
Hotel, Gaming and Leisure	2,604	0.9	1,917	0.7	—	—
Nonferrous Metals/Minerals	1,207	0.4	1,505	0.5	1,835	0.6
Broadcast Radio and Television	283	0.1	1,258	0.4	467	0.2
Beverage, Food & Tobacco	3,005	1.0	984	0.3	—	—
Environmental Industries	801	0.3	732	0.3	250	0.1
Services: Consumer	655	0.2	496	0.2	—	—
Building and Development	248	0.1	248	0.1	485	0.2
Telecommunications/Cellular	—	—	—	—	2,431	0.8
Capital Equipment	3,989	1.4	—	—	—	—
Transportation	1,005	0.3	—	—	—	—
Total	$ 289,999	100.0%	$ 284,845	100.0%	$ 295,239	100.0%

Portfolio composition by geographic location at fair value

The following table shows our portfolio composition by geographic location at fair value at November 30, 2016, February 29, 2016 and February 28, 2015. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

	At November 30, 2016		At February 29, 2016		At February 28, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)					
Southeast	$ 113,621	40.9%	$ 108,661	38.3%	$ 92,069	38.3%
Midwest	55,526	20.0	57,553	20.3	55,767	23.2
Northeast	41,973	15.1	52,875	18.6	34,412	14.3
Southwest	24,843	9.0	25,535	9.0	—	—
West	16,561	6.0	24,544	8.6	40,259	16.7
Other(1)	15,266	5.5	12,828	4.5	17,031	7.1
Northwest	7,780	2.8	—	—	—	—
International	2,000	0.7	2,000	0.7	1,000	0.4
Total	$ 277,570	100.0%	$ 283,996	100.0%	$ 240,538	100.0%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO and, as of November 30, 2016, the Class F Notes of Saratoga CLO.

Results of operations

Operating results for the three and nine months ended November 30, 2016 and the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014 are as follows:

	For the Three Months Ended November 30, 2016	For the Nine Months Ended November 30, 2016	For the Year Ended		
			February 29, 2016	February 28, 2015	February 28, 2014
			($ in thousands)		
Total investment income	$ 8,442	$ 24,799	$ 30,050	$ 27,375	$ 22,893
Total expenses	5,023	16,238	19,372	17,701	14,019
Net investment income	3,419	8,561	10,678	9,674	8,874
Net realized gains	260	12,300	226	3,276	1,271
Net unrealized appreciation (depreciation) on investments	(2,105)	(10,728)	741	(1,943)	(1,648)
Net increase in net assets resulting from operations	$ 1,574	$ 10,133	$ 11,645	$ 11,007	$ 8,497

As described in Note 2 to the consolidated financial statements and notes thereto, we identified errors that impacted the year ended February 28, 2014. The corrections for the errors, which we have concluded are immaterial to all prior period consolidated financial statements, are reflected in the consolidated financial statements and selected financial data included in this Prospectus.

Investment income

The composition of our investment income for the three and nine months ended November 30, 2016 and the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014 are as follows:

	For the Three Months Ended November 30, 2016	For the Nine Months Ended November 30, 2016	For the Year Ended		
			February 29, 2016	February 28, 2015	February 28, 2014
			($ in thousands)		
Interest from investments	$ 7,456	$ 22,040	$ 26,871	$ 24,684	$ 20,179
Management fee income	375	1,124	1,495	1,520	1,775
Interest from cash and cash equivalents and other income	611	1,635	1,684	1,171	939
Total	$ 8,442	$ 24,799	$ 30,050	$ 27,375	$ 22,893

For the three months ended November 30, 2016, total investment income of $8.4 million, increased $1.5 million, or 21.7% compared to $6.9 million for the three months ended November 30, 2015. Interest income from investments increased $1.3 million, or 19.7%, to $7.5 million for the three months ended November 30, 2016 from $6.2 million for the three months ended November 30, 2015. This reflects an increase of 15.2% in total investments to $277.6 million at November 30, 2016 from $241.0 million at November 30, 2015, with the weighted average current coupon increasing from 11.3% to 11.9%.

For the nine months ended November 30, 2016, total investment income of $24.8 million, increased $2.5 million, or 11.4% compared to $22.3 million for the nine months ended November 30, 2015. Interest income from investments increased $2.0 million, or 10.3%, to $22.0 million for the nine months ended November 30, 2016 from $20.0 million for the nine months ended November 30, 2015. This reflects an increase of 15.2% in total investments to $277.6 million at November 30, 2016 from $241.0 million at November 30, 2015, with the weighted average current coupon increasing from 11.3% to 11.9%.

For the fiscal year ended February 29, 2016, total investment income increased $2.7 million, or 9.8% compared to the fiscal year ended February 28, 2015. Interest income from investments increased $2.2 million, or 8.9%, to $26.9 million for the year ended February 29, 2016 from $24.7 million for the fiscal year ended February 28, 2015. This reflects an increase of 18.1% in total investments to $284.0 million at February 29, 2016 from $240.5 million at February 28, 2015, offset by the weighted average current coupon reducing from 12.0% to 11.5%.

For the fiscal year ended February 28, 2015, total investment income increased $4.5 million, or 19.6% compared to the fiscal year ended February 28, 2014. Interest income from investments increased $4.5 million, or 22.3%, to $24.7 million for the year ended February 28, 2015 from $20.2 million for the fiscal year ended February 28, 2014. This reflects an increase of 16.9% in total investments to $240.5 million at February 28, 2015 from $205.8 million at February 28, 2014, offset by the weighted average current coupon reducing from 12.5% to 12.0%.

For the three and nine months ended November 30, 2016, total PIK income was $0.2 million and $0.5 million, respectively. For the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014, total PIK income was $1.0 million, $1.2 million, and $0.9 million, respectively.

The Saratoga CLO was refinanced in October 2013. As a result, proceeds from principal payments in the loan portfolio of Saratoga CLO must now be used to paydown its outstanding notes. Thus, the management fee income and investment income that we receive from Saratoga CLO has declined from historical periods, decreasing $0.03 million or 1.7% to $1.5 million and $0.3 million or 14.3% to $1.5 million, for the years ended February 29, 2016 and February 28, 2015, respectively.

Operating expenses

The composition of our operating expenses for the three and nine months ended November 30, 2016 and the years ended February 29, 2016, February 28, 2015 and February 28, 2014 are as follows:

Operating Expenses

	For the Three Months Ended November 30, 2016	For the Nine Months Ended November 30, 2016	For the Year Ended February 29, 2016	For the Year Ended February 28, 2015	For the Year Ended February 28, 2014
			($ in thousands)		
Interest and debt financing expenses	$ 2,369	$ 7,107	$ 8,456	$ 7,375	$ 6,084
Base management fees	1,220	3,650	4,529	4,157	3,327
Professional fees	330	992	1,336	1,302	1,212
Incentive management fees	342	992	2,232	2,548	939
Administrator expenses	395	2,331	1,175	1,000	1,000
Insurance	69	210	331	337	443
Directors fees and expenses	66	192	204	210	204
Excise tax expense	232	764	114	294	—
General & administrative and other expenses	—	—	995	478	810
Total expenses	$ 5,023	$ 16,238	$ 19,372	$ 17,701	$ 14,019

For the three months ended November 30, 2016, total operating expenses increased $0.2 million, or 5.0% compared to the three months ended November 30, 2015. For the nine months ended November 30, 2016, total operating expenses increased $1.6 million, or 10.6% compared to the nine months ended November 30, 2015.

For the year ended February 29, 2016, total operating expenses increased $1.7 million, or 9.4% compared to the year ended February 28, 2015. For the year ended February 28, 2015, total operating expenses increased $3.7 million, or 26.3% compared to the year ended February 28, 2014.

For the three and nine months ended November 30, 2016 and the years ended February 29, 2016 and February 28, 2015, the increase in interest and debt financing expenses is primarily attributable to an increase in outstanding debt as compared to the prior years, with increased levels of outstanding SBA debentures, as well as the notes payable being outstanding for the full year ended February 29, 2016, and additional notes being issued during this year. The Credit Facility decreased from $9.6 million outstanding at February 28, 2015 to $0.0 million at February 29, 2016, while our SBA debentures increased from $79.0 million at November 30, 2015 to $112.7 million at November 30, 2016 and from $79.0 million to $103.7 million from February 28, 2015 to February 29, 2016. The notes increased from $61.4 million outstanding to $61.8 million outstanding and from $48.3 million outstanding to $61.8 million outstanding for these same periods. For the three months ended November 30, 2016, the weighted average interest rate on our outstanding indebtedness was 4.66% compared to 5.07% for the three months ended November 30, 2015. For the nine months ended November 30, 2016, the weighted average interest rate on our outstanding indebtedness was 4.73% compared to 4.99% for the nine months ended November 30, 2015. For the year ended February 29, 2016, the weighted average interest rate on our outstanding indebtedness was 4.91% compared to 4.95% for the fiscal year ended February 28, 2015 and 5.35% for the fiscal year ended February 28, 2014. This decrease was primarily driven by an increase in SBA debentures that carry a lower interest rate but now make up a higher proportion of our overall debt, increasing from 56.3% of overall debt as of November 30, 2015 to 64.6% as of November 30, 2016 and from 57.7% of overall debt as of February 28, 2015 to 62.7% as of February 29, 2016.

For the three months ended November 30, 2016, base management fees increased $0.1 million, or 11.8% compared to the three months ended November 30, 2015. For the nine months ended November 30, 2016, base

management fees increased $0.3 million, or 8.4% compared to the nine months ended November 30, 2015. The increase in base management fees results from the 11.8% increase in the average value of our total assets, less cash and cash equivalents, from $250.1 million as of November 30, 2015 to $279.6 million as of November 30, 2016. For the year ended February 29, 2016, base management fees increased $0.4 million, or 8.9% compared to the fiscal year ended February 28, 2015. The increase in base management fees results from the increase in the average value of our total assets, less cash and cash equivalents, from $246.5 million as of February 28, 2015 to $266.3 million as of February 29, 2016. For the year ended February 28, 2015, base management fees increased $0.8 million, or 25.0% compared to the fiscal year ended February 28, 2014. The increase in base management fees results from the increase in the average value of our total assets, less cash and cash equivalents, from $209.2 million to $246.5 million as of February 28, 2014 and 2015, respectively.

For the three and nine months ended November 30, 2016, professional fees decreased $0.02 million, or 5.0%, and decreased $0.04 million, or 3.8%, respectively, compared to the three and nine months ended November 30, 2015. For the year ended February 29, 2016, professional fees increased $0.03 million, or 2.7% compared to the fiscal year ended February 28, 2015. For the year ended February 28, 2015, professional fees increased $0.09 million, or 7.4% compared to the fiscal year ended February 28, 2014.

For the three months ended November 30, 2016, incentive management fees decreased $0.01 million, or 2.4%, compared to the three months ended November 30, 2015. For the nine months ended November 30, 2016, incentive management fees increased $0.2 million, or 7.9%, compared to the nine months ended November 30, 2015. For the year ended February 29, 2016, incentive management fees decreased $0.3 million, or 12.4% compared to the fiscal year ended February 28, 2015. The first part of the incentive management fees increased this year, as higher total assets has led to increased net investment income above the hurdle rate pursuant to the Management Agreement. For the three months ended November 30, 2016, there was a reduction of $0.4 million in incentive management fees related to capital gains compared to a $0.2 million increase in expense as compared to the three months ended November 30, 2015, reflecting a $1.3 million net gain on investments for the three months ended November 30, 2015, as compared to a $1.8 million net loss on investments for the three months ended November 30, 2016. For the nine months ended November 30, 2016, the incentive management fees related to capital gains decreased from $0.5 million to $0.1 million compared to the nine months ended November 30, 2015, reflecting a $4.5 million net gain on investments for the nine months ended November 30, 2015, as compared to a $1.6 million net gain on investments for the nine months ended November 30, 2016. For the year ended February 29, 2016, incentive management fees in total were more than offset as the incentive management fees related to capital gains changed from a $0.3 million increase in expense to a $0.05 million decrease in expense compared to the fiscal year ended February 28, 2015. For the year ended February 28, 2015, incentive management fees increased $1.6 million, or 171.4% compared to the fiscal year ended February 28, 2014. The increase in incentive management fees is primarily attributable to an increase in accrued incentive fees this year, as higher total assets has led to increased net investment income above the hurdle rate pursuant to the Management Agreement. In addition, for the year ended February 28, 2015, the incentive management fees related to capital gains changed from a $0.07 million reduction of expense to a $0.3 million increase in expense compared to the fiscal year ended February 28, 2014.

As discussed above, the increase in interest and debt financing expenses for the three and nine months ended November 30, 2016 and for the years ended February 29, 2016, February 28, 2015 and February 28, 2014 is primarily attributable to an increase in the amount of outstanding debt as compared to the prior years. For the three and nine months ended November 30, 2016 and for the years ended February 29, 2016, February 28, 2015 and February 28, 2014, the weighted average interest rate on the outstanding borrowings under the Credit Facility was 6.00%, 6.00%, 6.00%, 6.75% and 7.50%, respectively. For the three and nine months ended November 30, 2016 and for the years ended February 29, 2016, February 28, 2015 and February 28, 2014, the weighted average interest rate on the outstanding borrowings of the SBA debentures was 3.08%, 3.12%, 3.12%, 2.93% and 3.03%, respectively.

Net realized gains/(losses) on sales of investments

For the three months ended November 30, 2016, the Company had $23.8 million of sales, repayments, exits or restructurings resulting in $0.3 million of net realized gains. For the nine months ended November 30, 2016, the Company had $94.7 million of sales, repayments, exits or restructurings resulting in $12.3 million of net realized gains. The most significant realized gains during the nine months ended November 30, 2016 were as follows (dollars in thousands):

Nine Months ended November 30, 2016

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain
Take 5 Oil Change, L.L.C.	Common Stock	$ 6,505	$ 481	$ 6,024
Legacy Cabinets, Inc.	Common Stock Voting A-1	2,320	221	2,099
Legacy Cabinets, Inc.	Common Stock Voting B-1	1,464	139	1,325

The $6.0 million of realized gain on our investment in Take 5 Oil Change, L.L.C. was due to the completion of a sales transaction with a strategic acquirer.

The $3.4 million of realized gains on our investments in Legacy Cabinets, Inc. were due to a period of steadily improving performance, leading up to our sale of shares in Legacy Cabinets, Inc.

For the fiscal year ended February 29, 2016, the Company had $68.2 million of sales, repayments, exits or restructurings resulting in $0.2 million of net realized gains. The most significant realized gains and losses during the year ended February 29, 2016 were as follows (dollars in thousands):

Fiscal year ended February 29, 2016

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/ (Loss)
Network Communications, Inc.	Common Stock	$ 3,206	$ —	$ 3,206
Targus Holdings, Inc.	Unsecured Note	—	(2,054)	(2,054)
Targus Holdings, Inc.	First Lien Term Loan	—	(1,172)	(1,172)
Targus Holdings, Inc.	Common Stock	—	(567)	(567)

The $3.2 million of realized gain on our investments in Network Communications, Inc. is due to the sale of the company to a third party and reflects the realization value pursuant to that transaction. The $3.8 million realized loss in our investments in Targus Holdings, Inc. was due to a restructuring that occurred during the quarter, resulting in the elimination of our former Unsecured Note and common equity, accompanied by a conversion of our prior first lien term loan in to a new equity.

For the fiscal year ended February 28, 2015, the Company had $73.3 million of sales, repayments, exits or restructurings resulting in $3.3 million of net realized gains. The most significant realized gains during the year ended February 28, 2015 were as follows (dollars in thousands):

Fiscal year ended February 28, 2015

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/ (Loss)
Community Investors, Inc.	Term Loan A Senior Facility	$ 6,983	$ 6,886	$ 97
HOA Restaurant GP/Finance	Senior Secured Notes	4,225	3,938	287
USS Parent Holding Corp	Non Voting Common Stock	248	133	115
USS Parent Holding Corp	Voting Common Stock	5,650	3,026	2,624

For the fiscal year ended February 28, 2014, the Company had $71.6 million of sales, repayments, exits or restructurings resulting in $1.3 million of net realized gains. The most significant realized gains during the year ended February 28, 2014 were as follows (dollars in thousands):

Fiscal year ended February 28, 2014

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/ (Loss)
Penton Media, Inc.	First Lien Term Loan	$ 4,887	$ 4,681	$ 206
Sourcehov, LLC	Second Lien Term Loan	3,030	2,659	371
Worldwide Express Operations, LLC	Warrants	128	—	128

Net unrealized appreciation/depreciation on investments

For the three months ended November 30, 2016, our investments had net unrealized depreciation of $2.1 million versus net unrealized appreciation of $0.8 million for the three months ended November 30, 2015. For the nine months ended November 30, 2016, our investments had net unrealized depreciation of $10.7 million versus net unrealized appreciation of $0.2 million for the nine months ended November 30, 2015. The most significant cumulative changes in unrealized appreciation and depreciation for the nine months ended November 30, 2016, were the following (dollars in thousands):

Nine Months ended November 30, 2016

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Depreciation	YTD Change in Unrealized Depreciation
Take 5 Oil Change, L.L.C.	Common Stock	$ —	$—	$ —	$ (5,755)
Legacy Cabinets, Inc.	Common Stock Voting A-1	—	—	—	(2,456)
Legacy Cabinets, Inc.	Common Stock Voting B-1	—	—	—	(1,550)
Elyria Foundry Company, L.L.C.	Common Stock	9,217	357	(8,860)	(1,669)

The $5.8 million of change in unrealized depreciation in our investment in Take 5 Oil Change, L.L.C. was driven by the completion of a sales transaction with a strategic acquirer. In realizing this gain as a result of the sale, unrealized appreciation was adjusted to zero, which resulted in a $5.8 million change in unrealized depreciation for the period.

The $4.0 million of change in unrealized depreciation in our investments in Legacy Cabinets, Inc. were driven by the completion of a sales transaction. In realizing these gains as a result of the sale, unrealized appreciation was adjusted to zero, which resulted in a $4.0 million change in unrealized depreciation for the period.

The $1.7 million of change in unrealized depreciation in our investment in Elyria Foundry Company, L.L.C. was driven by a decline in oil and gas end markets since year-end, negatively impacting the company’s performance.

For the year ended February 29, 2016, our investments had net unrealized appreciation of $0.7 million versus net unrealized depreciation of $1.9 million for the year ended February 28, 2015. The most significant cumulative changes in unrealized appreciation and depreciation for the year ended February 29, 2016, were the following (dollars in thousands):

Fiscal year ended February 29, 2016

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/ (Depreciation)	YTD Change in Unrealized Appreciation/ (Depreciation)
Take 5 Oil Change, LLC	Common Stock	$ 481	$ 6,235	$ 5,754	$ 4,762
Targus Holdings, Inc.	Unsecured Notes	—	—	—	2,054
Elyria Foundry Company, LLC	Common Stock	9,217	2,026	(7,191)	(4,735)

The $4.8 million of change in unrealized appreciation in our investment in Take 5 Oil Change, LLC was driven by a transaction with a strategic acquirer.

The $2.1 million of change in unrealized appreciation in our investment in Targus Holdings, Inc. was due to a restructuring that occurred during the quarter, resulting in the elimination of our former Unsecured Note. In realizing this loss as a result of the restructuring, unrealized depreciation was adjusted to zero which resulted in a $2.1 million change in unrealized appreciation for the year.

The $4.7 million change in unrealized depreciation in our investment in the Elyria Foundry Company, LLC was primarily due to a decline in oil and gas end markets since year-end, negatively impacting the Company's performance.

For the year ended February 28, 2015, our investments had net unrealized depreciation of $1.9 million versus net unrealized depreciation of $1.6 million for the year ended February 28, 2014. The most significant cumulative changes in unrealized appreciation and depreciation for the year ended February 28, 2015, were the following (dollars in thousands):

Fiscal year ended February 28, 2015

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/ (Depreciation)	YTD Change in Unrealized Appreciation/ (Depreciation)
Legacy Cabinets, Inc.	Common—Voting A-1	$ 221	$ 1,493	$ 1,272	$ 941
Targus Holdings, Inc.	Common	567	—	(567)	(730)
Saratoga CLO	Other/Structured Finance Securities	15,953	17,031	1,078	(1,935)

For the year ended February 28, 2014, our investments had a decrease in net unrealized depreciation of $1.6 million versus an increase in net unrealized appreciation of $7.0 million for the year ended February 28, 2013. The most significant cumulative changes in unrealized appreciation and depreciation for the year ended February 28, 2014, were the following (in thousands):

Fiscal year ended February 28, 2014

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/ (Depreciation)	YTD Change in Unrealized Appreciation/ (Depreciation)
Saratoga CLO	Other/Structured Finance Securities	$16,556	$19,570	$ 3,014	$ (3,558)
Targus Holdings, Inc.	Common Stock	567	730	163	(2,595)
USS Parent Holding Corp.	Voting Common Stock	3,026	5,028	2,002	2,162
Group Dekko, Inc.	Second Lien Term Loan	6,902	6,741	(161)	(56)
Elyria Foundry Company, LLC	Senior Secured Notes	9,037	6,777	(2,260)	(2,259)

Changes in net assets resulting from operations

For the three and nine months ended November 30, 2016 and the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014, we recorded a net increase in net assets resulting from operations of $1.6 million, $10.1 million, $11.6 million, $11.0 million and $8.5 million, respectively. Based on 5,727,933 weighted average common shares outstanding as of November 30, 2016, our per share net increase in net assets resulting from operations was $0.27 for the three months ended November 30, 2016. This compares to a per share net increase in net assets resulting from operations of $0.61 for the three months ended November 30, 2015 based on 5,632,011 weighted average common shares outstanding as of November 30, 2015. Based on 5,735,443 weighted average common shares outstanding as of November 30, 2016, our per share net increase in net assets resulting from operations was $1.77 for the nine months ended November 30, 2016. This compares to a per share net increase in net assets resulting from operations of $2.18 for the nine months ended November 30, 2015 based on 5,533,094 weighted average common shares outstanding as of November 30, 2015. Based on 5,582,453 weighted average common shares outstanding as of February 29, 2016, our per share net increase in net assets resulting from operations was $2.09 for the fiscal year ended February 29, 2016. This compares to a per share net increase in net assets resulting from operations of $2.04 for the fiscal year ended February 28, 2015 (based on 5,385,049 weighted average common shares outstanding as of February 28, 2015), and a per share net increase in net assets resulting from operations of $1.73 for the fiscal year ended February 28, 2014 (based on 4,920,517 weighted average common shares outstanding as of February 28, 2014).

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We intend to continue to generate cash primarily from cash flows from operations, including interest earned from our investments in debt in middle market companies, interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less, future borrowings and future offerings of securities.

Although we expect to fund the growth of our investment portfolio through the net proceeds from SBA debenture drawdowns and future equity offerings, including our dividend reinvestment plan, and issuances of senior securities or future borrowings, to the extent permitted by the 1940 Act, we cannot assure you that our plans to raise capital will be successful. In this regard, because our common stock has historically traded at a price below our current net asset value per share and we are limited in our ability to sell our common stock at a price below net asset value per share, we have been and may continue to be limited in our ability to raise equity capital.

In addition, we intend to distribute to our stockholders substantially all of our taxable income in order to satisfy the distribution requirement applicable to RICs under Subchapter M of the Code. In satisfying this distribution requirement, we have in the past relied on IRS issued private letter rulings concluding that a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20% of the aggregate declared distribution. We may rely on these IRS private letter rulings in future periods to satisfy our RIC distribution requirement.

Also, as a BDC, we generally are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which include all of our borrowings and any outstanding preferred stock, of at least 200%. This requirement limits the amount that we may borrow. Our asset coverage ratio, as defined in the 1940 Act, was 306.6% as of November 30, 2016, 302.5% as of February 29, 2016 and 311.7% as of February 28, 2015. To fund growth in our investment portfolio in the future, we anticipate needing to raise additional capital from various sources, including the equity markets and other debt-related markets, which may or may not be available on favorable terms, if at all.

Consequently, we may not have the funds or the ability to fund new investments, to make additional investments in our portfolio companies, to fund our unfunded commitments to portfolio companies or to repay borrowings. Also, the illiquidity of our portfolio investments may make it difficult for us to sell these investments when desired and, if we are required to sell these investments, we may realize significantly less than their recorded value.

Madison revolving credit facility

Below is a summary of the terms of the senior secured revolving credit facility we entered into with Madison Capital Funding (the “Credit Facility”) on June 30, 2010.

Availability. The Company can draw up to the lesser of (i) $40.0 million (the “Facility Amount”) and (ii) the product of the applicable advance rate (which varies from 50.0% to 75.0% depending on the type of loan asset) and the value, determined in accordance with the Credit Facility (the “Adjusted Borrowing Value”), of certain “eligible” loan assets pledged as security for the loan (the “Borrowing Base”), in each case less (a) the amount of any undrawn funding commitments the Company has under any loan asset and which are not covered by amounts in the Unfunded Exposure Account referred to below (the “Unfunded Exposure Amount”) and (b) outstanding borrowings. Each loan asset held by the Company as of the date on which the Credit Facility was closed was valued as of that date and each loan asset that the Company acquires after such date will be valued at the lowest of its fair value, its face value (excluding accrued interest) and the purchase price paid for such loan asset. Adjustments to the value of a loan asset will be made to reflect, among other things, changes in its fair value, a default by the obligor on the loan asset, insolvency of the obligor, acceleration of the loan asset, and certain modifications to the terms of the loan asset.

The Credit Facility contains limitations on the type of loan assets that are “eligible” to be included in the Borrowing Base and as to the concentration level of certain categories of loan assets in the Borrowing Base such as restrictions on geographic and industry concentrations, asset size and quality, payment frequency, status and terms, average life, and collateral interests. In addition, if an asset is to remain an “eligible” loan asset, the Company may not make changes to the payment, amortization, collateral and certain other terms of the loan assets without the consent of the administrative agent that will either result in subordination of the loan asset or be materially adverse to the lenders.

Collateral. The Credit Facility is secured by substantially all of the assets of the Company (other than assets held by our SBIC subsidiary) and includes the subordinated notes (“CLO Notes”) issued by Saratoga CLO and the Company’s rights under the CLO Management Agreement (as defined below).

Interest Rate and Fees. Under the Credit Facility, funds are borrowed from or through certain lenders at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At the Company's option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, the Company pays the lenders a commitment fee of 0.75% per year on the unused amount of the Credit Facility for the duration of the Revolving Period (defined below). Accrued interest and commitment fees are payable monthly. The Company was also obligated to pay certain other fees to the lenders in connection with the closing of the Credit Facility.

Revolving Period and Maturity Date. The Company may make and repay borrowings under the Credit Facility for a period of three years following the closing of the Credit Facility (the "Revolving Period"). The Revolving Period may be terminated at an earlier time by the Company or, upon the occurrence of an event of default, by action of the lenders or automatically. All borrowings and other amounts payable under the Credit Facility are due and payable in full five years after the end of the Revolving Period.

Collateral Tests. It is a condition precedent to any borrowing under the Credit Facility that the principal amount outstanding under the Credit Facility, after giving effect to the proposed borrowings, not exceed the lesser of the Borrowing Base or the Facility Amount (the "Borrowing Base Test"). In addition to satisfying the Borrowing Base Test, the following tests must also be satisfied (together with Borrowing Base Test, the "Collateral Tests"):

- *Interest Coverage Ratio.* The ratio (expressed as a percentage) of interest collections with respect to pledged loan assets, less certain fees and expenses relating to the Credit Facility, to accrued interest and commitment fees and any breakage costs payable to the lenders under the Credit Facility for the last 6 payment periods must equal at least 175.0%.
- *Overcollateralization Ratio.* The ratio (expressed as a percentage) of the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets plus the fair value of certain ineligible pledged loan assets and the CLO Notes (in each case, subject to certain adjustments) to outstanding borrowings under the Credit Facility plus the Unfunded Exposure Amount must equal at least 200.0%.
- *Weighted Average FMV Test.* The aggregate adjusted or weighted value of "eligible" pledged loan assets as a percentage of the aggregate outstanding principal balance of "eligible" pledged loan assets must be equal to or greater than 72.0% and 80.0% during the one-year periods prior to the first and second anniversary of the closing date, respectively, and 85.0% at all times thereafter.

The Credit Facility also requires payment of outstanding borrowings or replacement of pledged loan assets upon the Company's breach of its representation and warranty that pledged loan assets included in the Borrowing Base are "eligible" loan assets. Such payments or replacements must equal the lower of the amount by which the Borrowing Base is overstated as a result of such breach or any deficiency under the Collateral Tests at the time of repayment or replacement. Compliance with the Collateral Tests is also a condition to the discretionary sale of pledged loan assets by the Company.

Priority of Payments. During the Revolving Period, the priority of payments provisions of the Credit Facility require, after payment of specified fees and expenses and any necessary funding of the Unfunded Exposure Account, that collections of principal from the loan assets and, to the extent that these are insufficient, collections of interest from the loan assets, be applied on each payment date to payment of outstanding borrowings if the Borrowing Base Test, the Overcollateralization Ratio and the Interest Coverage Ratio would not otherwise be met. Similarly, following termination of the Revolving Period, collections of interest are required to be applied, after payment of certain fees and expenses, to cure any deficiencies in the Borrowing Base Test, the Interest Coverage Ratio and the Overcollateralization Ratio as of the relevant payment date.

Reserve Account. The Credit Facility requires the Company to set aside an amount equal to the sum of accrued interest, commitment fees and administrative agent fees due and payable on the next succeeding three

payment dates (or corresponding to three payment periods). If for any monthly period during which fees and other payments accrue, the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets which do not pay cash interest at least quarterly exceeds 15.0% of the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets, the Company is required to set aside such interest and fees due and payable on the next succeeding six payment dates. Amounts in the reserve account can be applied solely to the payment of administrative agent fees, commitment fees, accrued and unpaid interest and any breakage costs payable to the lenders.

Unfunded Exposure Account. With respect to revolver or delayed draw loan assets, the Company is required to set aside in a designated account (the "Unfunded Exposure Account") 100.0% of its outstanding and undrawn funding commitments with respect to such loan assets. The Unfunded Exposure Account is funded at the time the Company acquires a revolver or delayed draw loan asset and requests a related borrowing under the Credit Facility. The Unfunded Exposure Account is funded through a combination of proceeds of the requested borrowing and other Company funds, and if for any reason such amounts are insufficient, through application of the priority of payment provisions described above.

Operating Expenses. The priority of payments provision of the Credit Facility provides for the payment of certain operating expenses of the Company out of collections on principal and interest during the Revolving Period and out of collections on interest following the termination of the Revolving Period in accordance with the priority established in such provision. The operating expenses payable pursuant to the priority of payment provisions is limited to $350,000 for each monthly payment date or $2.5 million for the immediately preceding period of twelve consecutive monthly payment dates. This ceiling can be increased by the lesser of 5.0% or the percentage increase in the fair market value of all the Company's assets only on the first monthly payment date to occur after each one-year anniversary following the closing of the Credit Facility. Upon the occurrence of a Manager Event (described below), the consent of the administrative agent is required in order to pay operating expenses through the priority of payments provision.

Events of Default. The Credit Facility contains certain negative covenants, customary representations and warranties and affirmative covenants and events of default. The Credit Facility does not contain grace periods for breach by the Company of certain covenants, including, without limitation, preservation of existence, negative pledge, change of name or jurisdiction and separate legal entity status of the Company covenants and certain other customary covenants. Other events of default under the Credit Facility include, among other things, the following:

- an Interest Coverage Ratio of less than 150.0%;
- an Overcollateralization Ratio of less than 175.0%;
- the filing of certain ERISA or tax liens;
- the occurrence of certain "Manager Events" such as:
    - failure by Saratoga Investment Advisors and its affiliates to maintain collectively, directly or indirectly, a cash equity investment in the Company in an amount equal to at least $5,000,000 at any time prior to the third anniversary of the closing date;
    - failure of the Management Agreement between Saratoga Investment Advisors and the Company to be in full force and effect;
    - indictment or conviction of Saratoga Investment Advisors or any "key person" for a felony offense, or any fraud, embezzlement or misappropriation of funds by Saratoga Investment Advisors or any "key person" and, in the case of "key persons," without a reputable, experienced individual reasonably satisfactory to Madison Capital Funding appointed to replace such key person within 30 days;

- resignation, termination, disability or death of a "key person" or failure of any "key person" to provide active participation in Saratoga Investment Advisors' daily activities, all without a reputable, experienced individual reasonably satisfactory to Madison Capital Funding appointed within 30 days; or
- occurrence of any event constituting "cause" under the Collateral Management Agreement between the Company and Saratoga CLO (the "CLO Management Agreement"), delivery of a notice under Section 12(c) of the CLO Management Agreement with respect to the removal of the Company as collateral manager or the Company ceases to act as collateral manager under the CLO Management Agreement.

Conditions to Acquisitions and Pledges of Loan Assets. The Credit Facility imposes certain additional conditions to the acquisition and pledge of additional loan assets. Among other things, the Company may not acquire additional loan assets without the prior written consent of the administrative agent until such time that the administrative agent indicates in writing its satisfaction with Saratoga Investment Advisors' policies, personnel and processes relating to the loan assets.

Fees and Expenses. The Company paid certain fees and reimbursed Madison Capital Funding for the aggregate amount of all documented, out-of-pocket costs and expenses, including the reasonable fees and expenses of lawyers, incurred by Madison Capital Funding in connection with the Credit Facility and the carrying out of any and all acts contemplated thereunder up to and as of the date of closing of the stock purchase transaction with Saratoga Investment Advisors and certain of its affiliates. These amounts totaled $2.0 million.

On February 24, 2012, we amended our senior secured revolving credit facility with Madison Capital Funding LLC to, among other things:

- expand the borrowing capacity under the credit facility from $40.0 million to $45.0 million;
- extend the Revolving Period from July 30, 2013 to February 24, 2015; and
- remove the condition that we may not acquire additional loan assets without the prior written consent of the administrative agent.

On September 17, 2014, we entered into a second amendment to the Revolving Facility with Madison Capital Funding LLC to, among other things:

- extend the commitment termination date from February 24, 2015 to September 17, 2017;
- extend the maturity date of the Revolving Facility from February 24, 2020 to September 17, 2022 (unless terminated sooner upon certain events);
- reduce the applicable margin rate on base rate borrowings from 4.50% to 3.75%, and on LIBOR borrowings from 5.50% to 4.75%; and
- reduce the floor on base rate borrowings from 3.00% to 2.25%; and on LIBOR borrowings from 2.00% to 1.25%.

As of November 30, 2016 and February 29, 2016, we had no outstanding borrowings under the Credit Facility and $112.7 million and $103.7 million SBA-guaranteed debentures outstanding, respectively (which are discussed below). As of February 28, 2015, we had $9.6 million outstanding under the Credit Facility and $79.0 million SBA-guaranteed debentures outstanding. Our borrowing base under the Credit Facility at November 30, 2016, February 29, 2016 and February 28, 2015 was $24.1 million, $21.8 million and $36.3 million, respectively.

Our asset coverage ratio, as defined in the 1940 Act, was 306.6%, 302.5% and 311.7% as of November 30, 2016 and for the years ended February 29, 2016 and February 28, 2015, respectively.

SBA-guaranteed debentures

In addition, we, through a wholly-owned subsidiary, sought and obtained a license from the SBA to operate an SBIC. In this regard, on March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP,

received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958. SBICs are designated to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses.

The SBIC license allows our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with 10-year maturities.

SBA regulations currently limit the amount that our SBIC subsidiary may borrow to a maximum of $150.0 million when it has at least $75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. As of February 29, 2016, our SBIC subsidiary had $75.0 million in regulatory capital and $103.7 million SBA-guaranteed debentures outstanding.

We received exemptive relief from the Securities and Exchange Commission to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities in the 200% asset coverage test under the 1940 Act. This allows us increased flexibility under the 200% asset coverage test by permitting us to borrow up to $150.0 million more than we would otherwise be able to absent the receipt of this exemptive relief.

On April 2, 2015, the SBA issued a “green light” letter inviting us to continue the application process to obtain a license to form and operate its second SBIC subsidiary. On September 27, 2016, the SBA informed us that as part of their continued review of our application for a second license, and in order to ensure that they were reviewing the most current information available, we would need to update all previously submitted materials and invited us to reapply. As a result of this request, with which we are in the process of complying, the existing “green light” letter that the SBA issued to us has expired. If approved in the future, a second SBIC license would provide us an incremental source of long-term capital by permitting us to issue up to $150.0 million of additional SBA-guaranteed debentures in addition to the $150.0 million already approved under the first license.

Unsecured notes

In May 2013, we issued $48.3 million in aggregate principal amount of our 2020 Notes for net proceeds of $46.1 million after deducting underwriting commissions of $1.9 million and offering costs of $0.3 million. The proceeds included the underwriters’ full exercise of their overallotment option. Interest on these 2020 Notes is paid quarterly in arrears on February 15, May 15, August 15 and November 15, at a rate of 7.50% per year, beginning August 15, 2013. The 2020 Notes mature on May 31, 2020 and since May 31, 2016 may be redeemed in whole or in part at any time or from time to time at our option. Pursuant to the Company’s Notification of Redemption of Securities filed on December 14, 2016, the Company has redeemed in full its 2020 Notes. The Company used a portion of the net proceeds from the 2023 Notes offering, which commenced on December 21, 2016, to repay all the outstanding indebtedness under the 2020 Notes. In connection with the issuance of the 2020 Notes, we agreed to the following covenants for the period of time during which the 2020 Notes are outstanding:

The 2020 Notes were redeemed in full on January 13, 2017 and are no longer listed on the NYSE.

On May 29, 2015, we entered into a Debt Distribution Agreement with Ladenburg Thalmann & Co. Inc. through which we may offer for sale, from time to time, up to $20.0 million in aggregate principal amount of the 2020 Notes through an ATM offering. As of November 30, 2016, the Company sold 539,725 2020 N with a principal of $13,493,125 at an average price of $25.31 for aggregate net proceeds of $13,385,766 (net of transaction costs).

On December 21, 2016, we issued $74.5 million in aggregate principal amount of our 2023 Notes for net proceeds of $72.1 million after deducting underwriting commissions of approximately $2.0 million and offering costs of approximately $0.5 million. The issuance included the exercise of substantially all of the underwriters' option to purchase an additional $9.8 million aggregate principal amount of 2023 Notes within 30 days. Interest on the 2023 Notes is paid quarterly in arrears on March 15, June 15, September 15 and December 15, at a rate of 6.75% per year, beginning March 30, 2017. The 2023 Notes mature on December 20, 2023, and commencing December 21, 2019, may be redeemed in whole or in part at any time or from time to time at our option. The net proceeds from the offering were used to repay all of the outstanding indebtedness under the 2020 Notes, which amounts to $61.8 million, and for general corporate purposes in accordance with our investment objective and strategies. The 2020 Notes were redeemed in full on January 13, 2017.

In connection with the issuance of the 2023 Notes, we agreed to the following covenants for the period of time during which the notes are outstanding:

- we will not violate (whether or not we are subject to) Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings.
- if, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, to file any periodic reports with the SEC, we agree to furnish to holders of the 2023 Notes and the Trustee, for the period of time during which the 2023 Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles.

At November 30, 2016, February 29, 2016 and February 28, 2015, the fair value of investments, cash and cash equivalents and cash and cash equivalents, securitization accounts were as follows:

	At November 30, 2016		At February 29, 2016		At February 28, 2015	
	Fair Value	Percentage of Total	Fair Value	Percent of Total	Fair Value	Percent of Total
	($ in thousands)					
Cash and cash equivalents	$ 5,770	1.9%	$ 2,440	0.8%	$ 1,888	0.7%
Cash and cash equivalents, securitization accounts	17,521	5.8	4,595	1.6	18,175	7.0
Syndicated loans	9,627	3.2	11,868	4.1	18,302	7.0
First lien term loans	160,460	53.3	144,643	49.7	145,207	55.7
Second lien term loans	80,195	26.7	88,178	30.3	35,603	13.7
Unsecured notes	—	—	—	—	4,230	1.7
Structured finance securities	15,266	5.1	12,828	4.4	17,031	6.5
Equity Interest	12,022	4.0	26,479	9.1	20,165	7.7
Total	$300,861	100.0%	$291,031	100.0%	$260,601	100.0%

On September 24, 2014, we announced the approval of an open market share repurchase plan that allows it to repurchase up to 200,000 shares of our common stock at prices below our NAV as reported in its then most recently published consolidated financial statements, which was subsequently increased to 400,000 shares of our common stock. On October 5, 2016, our board of directors extended the open market share repurchase plan for

another year to October 15, 2017 and increased the number of shares we are permitted to repurchase at prices below our NAV, as reported in its then most recently published consolidated financial statements, to 600,000 shares of our common stock. As of November 30, 2016, we purchased 214,391 shares of common stock, at the average price of $16.84 for approximately $3.6 million pursuant to this repurchase plan.

On October 5, 2016, our board of directors declared a dividend of $0.44 per share, which was paid on November 9, 2016, to common stockholders of record as of October 31, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 58,548 newly issued shares of common stock, or 1.0% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.12 per share, which equaled the volume weighted average trading price per share of the common stock on October 27, 28, 31 and November 1, 2, 3, 4, 7, 8 and 9, 2016.

On August 8, 2016, our board of directors declared a special dividend of $0.20 per share, which was paid on September 5, 2016, to common stockholders of record as of August 24, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.7 million in cash and 24,786 newly issued shares of common stock, or 0.4% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.06 per share, which equaled the volume weighted average trading price per share of the common stock on August 22, 23, 24, 25, 26, 29, 30, 31 and September 1 and 2, 2016.

On July 7, 2016, our board of directors declared a dividend of $0.43 per share, which was paid on August 9, 2016, to common stockholders of record as of July 29, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 58,167 newly issued shares of common stock, or 1.0% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $16.32 per share, which equaled the volume weighted average trading price per share of the common stock on July 27, 28, 29 and August 1, 2, 3, 4, 5, 8 and 9, 2016.

On March 31, 2016, our board of directors declared a dividend of $0.41 per share payable on April 27, 2016, to common stockholders of record on April 15, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 56,728 newly issued shares of common stock, or 1.0% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.43 per share, which equaled the volume weighted average trading price per share of the common stock on April 14, 15, 18, 19, 20, 21, 22, 25, 26 and 27, 2016.

On January 12, 2016, our board of directors declared a dividend of $0.40 per share payable on February 29, 2016, to common stockholders of record on February 1, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.4 million in cash and 66,764 newly issued shares of common stock, or 1.2% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.11 per share, which equaled the volume weighted average trading price per share of the common stock on February 16, 17, 18, 19, 22, 23, 24, 25, 26 and 29, 2016.

On October 7, 2015, our board of directors declared a dividend of $0.36 per share payable on November 30, 2015, to common stockholders of record on November 2, 2015. Shareholders had the option to receive payment

of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 61,029 newly issued shares of common stock, or 1.1% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $14.53 per share, which equaled the volume weighted average trading price per share of the common stock on November 16, 17, 18, 19, 20, 23, 24, 25, 27 and 30, 2015.

On July 8, 2015, our board of directors declared a dividend of $0.33 per share payable on August 31, 2015, to common stockholders of record on August 3, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 47,861 newly issued shares of common stock, or 0.9% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.28 per share, which equaled the volume weighted average trading price per share of the common stock on August 18, 19, 20, 21, 24, 25, 26, 27, 28 and 31, 2015.

On May 14, 2015, our board of directors declared a special dividend of $1.00 per share payable on June 5, 2015, to common stockholders of record on May 26, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $3.4 million in cash and 126,230 newly issued shares of common stock, or 2.3% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $16.47 per share, which equaled the volume weighted average trading price per share of the common stock on May 22, 26, 27, 28, 29 and June 1, 2, 3, 4, and 5, 2015.

On April 9, 2015, our board of directors declared a dividend of $0.27 per share payable on May 29, 2015, to common stockholders of record on May 4, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our dividend reinvestment plan (“DRIP”). Based on shareholder elections, the dividend consisted of approximately $0.9 million in cash and 33,766 newly issued shares of common stock, or 0.6% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $16.78 per share, which equaled the volume weighted average trading price per share of the common stock on May 15, 18, 19, 20, 21, 22, 26, 27, 28 and 29, 2015.

On September 24, 2014, the Company declared a dividend of $0.22 per share payable on February 27, 2015. Shareholders have the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.8 million in cash and 26,858 newly issued shares of common stock, or 0.5% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $14.97 per share, which equaled the volume weighted average trading price per share of the common stock on February 13, 17, 18, 19, 20, 23, 24, 25, 26 and 27, 2015.

Also on September 24, 2014, the Company declared a dividend of $0.18 per share payable on November 28, 2014. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock pursuant to our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.6 million in cash and 22,283 newly issued shares of common stock, or 0.4% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $14.37 per share, which equaled the volume weighted average trading price per share of the common stock on November 14, 17, 18, 19, 20, 21, 24, 25, 26 and 28, 2014.

On October 30, 2013, our board of directors declared a dividend of $2.65 per share payable on December 27, 2013, to common stockholders of record on November 13, 2013. Shareholders had the option to

receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.5 million or $0.53 per share. This dividend was declared in reliance on certain private letter rulings issued by the IRS concluding that a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20.0% of the aggregate declared distribution.

Based on shareholder elections, the dividend consisted of approximately $2.5 million in cash and 649,500 shares of common stock, or 13.7% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.439 per share, which equaled the volume weighted average trading price per share of the common stock on December 11, 13, and 16, 2013.

On November 9, 2012, our board of directors declared a dividend of $4.25 per share payable on December 31, 2012, to common stockholders of record on November 20, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $3.3 million or $0.85 per share.

Based on shareholder elections, the dividend consisted of $3.3 million in cash and 853,455 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.444 per share, which equaled the volume weighted average trading price per share of the common stock on December 14, 17 and 19, 2012.

On November 15, 2011, our board of directors declared a dividend of $3.00 per share payable on December 30, 2011, to common stockholders of record on November 25, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of $2.0 million in cash and 599,584 shares of common stock, or 18.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.117067 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011.

On November 12, 2010, our board of directors declared a dividend of $4.40 per share to shareholders payable in cash or shares of our common stock, in accordance with the provisions of the IRS Revenue Procedure 2010-12, which allows a publicly-traded regulated investment company to satisfy its distribution requirements with a distribution paid partly in common stock provided that at least 10.0% of the distribution is payable in cash. The dividend was paid on December 29, 2010 to common shareholders of record on November 19, 2010.

Based on shareholder elections, the dividend consisted of $1.2 million in cash and 596,235 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash

elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010.

On November 13, 2009, our board of directors declared a dividend of $18.25 per share payable on December 31, 2009, to common stockholders of record on November 25, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $0.25 per share.

Based on shareholder elections, the dividend consisted of $2.1 million in cash and 8,648,725 shares of common stock, or 104.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $1.5099 per share, which equaled the volume weighted average trading price per share of the common stock on December 24 and 28, 2009.

We cannot provide any assurance that these measures will provide sufficient sources of liquidity to support our operations and growth.

Contractual obligations

The following table shows our payment obligations for repayment of debt and other contractual obligations at November 30, 2016:

		Payment Due by Period			
	Total	Less Than 1 Year	1 -3 Years	3 -5 Years	More Than 5 Years
		($ in thousands)			
Long-Term Debt Obligations	$174,453	$ —	$ —	$61,793	$ 112,660

Off-balance sheet arrangements

The Company’s off-balance sheet arrangements consisted of $3.0 million, $2.0 million and $11.2 million of unfunded commitments to provide debt financing to its portfolio companies or to fund limited partnership interests as of November 30, 2016, February 29, 2016 and February 28, 2015, respectively. Such commitments are generally up to the Company’s discretion to approve, or the satisfaction of certain financial and nonfinancial covenants and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Company’s consolidated statement of assets and liabilities and are not reflected in the Company’s consolidated statements of assets and liabilities.

A summary of the composition of the unfunded commitments as of November 30, 2016, February 29, 2016 and February 28, 2015 is shown in the table below (dollars in thousands):

	As of		
	November 30, 2016	February 29, 2016	February 28, 2015
Avionte Holdings, LLC	$ 1,000	$ 1,000	$ 1,000
Identity Automation	—	1,000	—
Bristol Hospice, LLC	—	—	7,500
HMN Holdco, LLC	—	—	2,400
Knowland Technology Holdings, L.L.C.	—	—	300
GreyHeller LLC	2,000	—	—
Total	$ 3,000	$ 2,000	$ 11,200

On July 8, 2015, our board of directors, including a majority of the independent directors, approved the annual continuation of our Management Agreement with Saratoga Investment Advisors, LLC. Our board of directors also approved the renewal of the administration agreement with Saratoga Investment Advisors, LLC for an additional one-year term and determined to increase the cap on the payment or reimbursement of expenses by us thereunder to $1.3 million for the additional one-year term. On October 5, 2016, our board of directors approved the renewal of the Administration Agreement for an additional one-year term and determined to raise the cap on the payment or reimbursement of expenses by the Company thereunder to $1.5 million for the additional one-year term, effective November 1, 2016.

Recent Developments

On February 28, 2017, our board of directors declared a dividend of $0.46 per share, payable on March 28, 2017, to common stockholders of record as of March 15, 2017.

SENIOR SECURITIES

(dollar amounts in thousands, except per share data)

Information about our senior securities is shown in the following table as of February 28/29 for the fiscal years indicated in the table, unless otherwise noted. Ernst & Young LLP's report on the table, as of February 28, 2016, is attached as an exhibit to the registration statement of which this prospectus is a part. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial condition, liquidity and capital resources" for more detailed information regarding the senior securities.

Class and Year(1)(2)	Total Amount Outstanding Exclusive of Treasury Securities(3)	Asset Coverage per Unit(4)	Involuntary Liquidating Preference per Share(5)	Average Market Value per Share(6)
		(in thousands)		
Credit Facility with Madison Capital Funding				
Fiscal year 2017 (as of November 30, 2016, unaudited)(7)	$ —	$ 3,066	—	N/A
Fiscal year 2016 (as of February 29, 2016)	$ —	$ 3,025	—	N/A
Fiscal year 2015 (as of February 28, 2015)	$ 9,600	$ 3,117	—	N/A
Fiscal year 2014 (as of February 28, 2014)	$ —	$ 3,348	—	N/A
Fiscal year 2013 (as of February 28, 2013)	$ 24,300	$ 5,421	—	N/A
Fiscal year 2012 (as of February 29, 2012)	$ 20,000	$ 5,834	—	N/A
Fiscal year 2011 (as of February 28, 2011)	$ 4,500	$ 20,077	—	N/A
Fiscal year 2010 (as of February 28, 2010)	$ —	$ —	—	N/A
Fiscal year 2009 (as of February 28, 2009)	$ —	$ —	—	N/A
Fiscal year 2008 (as of February 29, 2008)	$ —	$ —	—	N/A
Fiscal year 2007 (as of February 28, 2007)	$ —	$ —	—	—
7.50% Notes due 2020(9)				
Fiscal year 2017 (as of November 30, 2016 unaudited)(7)	$ 61,793	$ 3,066	—	$ 25.35(8)
Fiscal year 2016 (as of February 29, 2016)	$ 61,793	$ 3,025		$ 25.24(8)
Fiscal year 2015 (as of February 28, 2015)	$ 48,300	$ 3,117	—	$ 25.46(8)
Fiscal year 2014 (as of February 28, 2014)	$ 48,300	$ 3,348	—	$ 25.18(8)
Fiscal year 2013 (as of February 28, 2013)	$ —	$ —	—	N/A
Fiscal year 2012 (as of February 29, 2012)	$ —	$ —	—	N/A
Fiscal year 2011 (as of February 28, 2011)	$ —	$ —	—	N/A
Fiscal year 2010 (as of February 28, 2010)	$ —	$ —	—	N/A
Fiscal year 2009 (as of February 28, 2009)	$ —	$ —	—	N/A
Fiscal year 2008 (as of February 29, 2008)	$ —	$ —	—	N/A
Fiscal year 2007 (as of February 28, 2007)	$ —	$ —	—	—

(1) We have excluded our SBA-guaranteed debentures from this table because the SEC has granted us exemptive relief that permits us to exclude such debentures from the definition of senior securities in the 200% asset coverage ratio we are required to maintain under the 1940 Act. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition, Liquidity and Capital Resources."

(2) This table does not include the senior securities of our predecessor entity, GSC Investment Corp., relating to a revolving securitized credit facility with Deutsche Bank, in light of the fact that the Company was under different management during the time that such credit facility was outstanding.

(3) Total amount of senior securities outstanding at the end of the period presented.

(4) Asset coverage per unit is the ratio of our total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness, calculated on a total basis.

(5) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The "—" indicates information which the Securities and Exchange Commission expressly does not require to be disclosed for certain types of senior securities.

(6) Not applicable for credit facility because not registered for public trading.

(7) (Unaudited) Total amount outstanding as of February 27, 2017, including our Credit Facility, 2020 Notes, 2023 Notes, and SBA-guaranteed debentures, was $187.1 million.

(8) Based on the average daily trading price of the 2020 Notes on the NYSE.

(9) On January 13, 2017, the Company redeemed in full its 2020 Notes. The Company used a portion of the net proceeds from the 2023 Notes offering, which was completed in December 2016, to redeem the 2020 Notes in full.

BUSINESS

General

We are a specialty finance company that invests primarily in leveraged loans and mezzanine debt issued by private U.S. middle-market companies, which we define as companies having annual EBITDA (earnings before interest, taxes, depreciation and amortization) of between $2 million and $50 million, both through direct lending and through participation in loan syndicates. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments. Our investment activities are externally managed and advised by Saratoga Investment Advisors, LLC, a New York-based investment firm affiliated with Saratoga Partners, a middle market private equity investment firm.

Our portfolio is comprised primarily of investments in leveraged loans (both first and second lien term loans) issued by middle market companies. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. Term loans are loans that do not allow the borrowers to repay all or a portion of the loans prior to maturity and then re-borrow such repaid amounts under the loan again. We also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company.

While our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may invest up to 30.0% of our portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, including securities of companies in bankruptcy, foreign debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds. Although we have no current intention to do so, to the extent we invest in private equity funds, we will limit our investments in entities that are excluded from the definition of “investment company” under Section 3(c)(1) or Section 3(c)(7) of Investment Company Act of 1940 (“1940 Act”), which includes private equity funds, to no more than 15% of its net assets.

As of November 30, 2016, we had total assets of $305.5 million and investments in 30 portfolio companies and an additional investment in the subordinated notes of one collateralized loan obligation fund, Saratoga Investment Corp. CLO 2013-1, Ltd. (“Saratoga CLO”), which had a fair value of $11.0 million as of November 30, 2016. The overall portfolio composition as of November 30, 2016 consisted of 3.5% of syndicated loans, 57.8% of first lien term loans, 28.9% of second lien term loans, 5.5% of subordinated notes of Saratoga CLO and Class F notes tranche of the Saratoga CLO and 4.3% of common equity. As of November 30, 2016 the weighted average yield on all of our debt investments, including our investment in the subordinated notes of Saratoga CLO and Class F notes tranche of the Saratoga CLO, was approximately 10.8%. As of November 30, 2016, approximately 100.0% of our first lien debt investments were fully collateralized in the sense that the portfolio companies in which we held such investments had an enterprise value or our investment had an asset coverage equal to or greater than the principal amount of the related debt investment. The Company uses enterprise value to assess the level of collateralization of its portfolio companies. The enterprise value of a portfolio company is determined by analyzing various factors, including EBITDA (earnings before interest, taxes, depreciation and amortization), cash flows from operations less capital expenditures and other pertinent factors, such as recent offers to purchase a portfolio company’s securities or other liquidation events. As a result, while we consider a portfolio company to be collateralized if its enterprise value exceeds the amount of our loan, we do not hold tangible assets as collateral in our portfolio companies that we would obtain in the event of a default. Our investment in the subordinated notes of Saratoga CLO represents a first loss position in a portfolio that, at November 30, 2016, was composed of $297.5 million in aggregate principal amount of predominantly senior secured first lien term loans. A first loss position means that we will suffer the first economic losses if losses are incurred on loans held by the Saratoga CLO. As a result, this investment is subject to unique risks. See Part I, Item 1A. “Risk Factors—Our investment in Saratoga CLO constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility.”

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 ("1940 Act"). As a BDC, we are required to comply with various regulatory requirements, including limitations on our use of debt. We finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200.0% after such borrowing. Pursuant to the 200.0% asset coverage ratio limitation, we are permitted to borrow one dollar to make investments for every dollar we have in assets less all liabilities and indebtedness not represented by preferred stock or debt securities issued by us or loans obtained by us so that for every one dollar of outstanding indebtedness we have two dollars of assets.

We have elected to be treated for U.S. federal income tax purposes as a regulated investment company ("RIC"), under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders if we meet certain source-of-income, distribution and asset diversification requirements.

In addition, we have a wholly-owned subsidiary that is licensed as a small business investment company ("SBIC") and regulated by the Small Business Administration ("SBA"). See "Item 1. Business—Small Business Investment Company Regulations." The SBIC license allows us, through our wholly-owned subsidiary, to issue SBA-guaranteed debentures. We received exemptive relief from the Securities and Exchange Commission ("SEC") to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the 200.0% asset coverage ratio we are required to maintain under the 1940 Act. This allows us increased flexibility under the 200.0% asset coverage test by permitting us to borrow up to $150.0 million more than we would otherwise be able to absent the receipt of this exemptive relief.

Corporate History and Information

We commenced operations, at the time known as GSC Investment Corp., on March 23, 2007 and completed an initial public offering of shares of common stock on March 28, 2007. Prior to July 30, 2010, we were externally managed and advised by GSCP (NJ), L.P., an entity affiliated with GSC Group, Inc. In connection with the consummation of a recapitalization transaction on July 30, 2010, we engaged Saratoga Investment Advisors ("SIA") to replace GSCP (NJ), L.P. as our investment adviser and changed our name to Saratoga Investment Corp.

The recapitalization transaction consisted of (i) the private sale of 986,842 shares of our common stock for $15.0 million in aggregate purchase price to Saratoga Investment Advisors and certain of its affiliates and (ii) the entry into a $40.0 million senior secured revolving credit facility with Madison Capital Funding LLC (the "Credit Facility"). We used the net proceeds from the private sale of shares of our common stock and a portion of the funds available to us under the Credit Facility to pay the full amount of principal and accrued interest, including default interest, outstanding under our revolving securitized credit facility with Deutsche Bank AG, New York Branch. Specifically, in July 2009, we had exceeded permissible borrowing limits under the revolving securitized credit facility with Deutsche Bank, which resulted in an event of default under the revolving securitized credit facility. As a result of the event of default, Deutsche Bank had the right to accelerate repayment of the outstanding indebtedness under the revolving securitized credit facility and to foreclose and liquidate the collateral pledged under the revolving securitized credit facility. The revolving securitized credit facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010. In January 2011, we registered for public resale by Saratoga Investment Advisors and certain of its affiliates the 986,842 shares of our common stock issued to them in the recapitalization.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP, received an SBIC license from the SBA.

Our corporate offices are located at 535 Madison Avenue, New York, New York 10022. Our telephone number is (212) 906-7800. We maintain a website on the Internet at www.saratogainvestmentcorp.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus.

Saratoga Investment Advisors

General

Our investment adviser was formed in 2010 as a Delaware limited liability company and became our investment adviser in July 2010. Our investment adviser is led by four principals, Christian L. Oberbeck, Michael J. Grisius, Thomas V. Inglesby, and Charles G. Phillips, with 28, 26, 29 and 19 years of experience in leveraged finance, respectively. Our investment adviser is affiliated with Saratoga Partners, a middle market private equity investment firm. Saratoga Partners was established in 1984 to be the middle market private investment arm of Dillon Read & Co. Inc. and has been independent of Dillon Read and its successor entity, SBC Warburg Dillon Read, since 1998. Saratoga Partners has a 29-year history of private investments in middle market companies and focuses on public and private equity, preferred stock, and senior and mezzanine debt investments.

Our Relationship with Saratoga Investment Advisors

We utilize the personnel, infrastructure, relationships and experience of Saratoga Investment Advisors to enhance the growth of our business. We currently have no employees and each of our executive officers is also an officer of Saratoga Investment Advisors.

We have entered into an investment advisory and management agreement (the “Management Agreement”) with Saratoga Investment Advisors. Pursuant to the 1940 Act, the initial term of the Management Agreement was for two years from its effective date of July 30, 2010, with automatic, one-year renewals, subject to approval by our board of directors, a majority of whom must be our independent directors. On October 5, 2016, our board of directors approved the renewal of the Management Agreement for an additional one-year term at an in-person meeting. Pursuant to the Management Agreement, Saratoga Investment Advisors implements our business strategy on a day-to-day basis and performs certain services for us under the direction of our board of directors. Saratoga Investment Advisors is responsible for, among other duties, performing all of our day-to-day functions, determining investment criteria, sourcing, analyzing and executing investments, asset sales, financings and performing asset management duties.

Saratoga Investment Advisors has formed an investment committee to advise and consult with its senior management team with respect to our investment policies, investment portfolio holdings, financing and leveraging strategies and investment guidelines. We believe that the collective experience of the investment committee members across a variety of fixed income asset classes will benefit us. The investment committee must unanimously approve all investments in excess of $1.0 million made by us. In addition, all sales of our investments must be approved by all four of our investment committee members. The current members of the investment committee are Messrs. Oberbeck, Grisius, Inglesby, and Phillips.

We pay Saratoga Investment Advisors a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% of our gross assets which includes assets purchased with borrowed funds but excludes cash and cash equivalents. As a result, Saratoga Investment Advisors will benefit as we incur debt or use leverage to purchase assets. Our board of directors will monitor the conflicts presented by this compensation structure by approving the amount of leverage that we may incur.

In addition to the base management fee, we pay Saratoga Investment Advisors an incentive fee which consists of two parts. First, we pay Saratoga Investment Advisors an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee income does not exceed a fixed "hurdle rate" of 1.875% per quarter; and
- 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter is payable to the investment adviser. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than or equal to 2.344%) as the "catch-up." The "catch-up" provision is intended to provide our investment adviser with an incentive fee of 20.0% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 2.344% in any fiscal quarter. Notwithstanding the foregoing, with respect to any period ending on or prior to December 31, 2010, our investment adviser was only entitled to 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeded 1.875% in any fiscal quarter without any catch-up provision; and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter is payable to the investment adviser (once the hurdle is reached and the catch-up is achieved, 20.0% of all pre-incentive fee net investment income thereafter is allocated to the investment adviser).

There is no accumulation of amounts from quarter to quarter on either the hurdle rate or the parameters set by the "catch-up" mechanism or any clawback of amounts previously paid to Saratoga Investment Advisers if subsequent quarters are below the quarterly hurdle or the "catch-up" parameters. Furthermore, there is no delay of payment to Saratoga Investment Advisers if prior quarters are below the quarterly hurdle or "catch-up."

Pre-incentive fee net investment income means interest income, dividend income and other income (including any other fees, such as commitment, origination, structuring, diligence, managerial and consulting fees or other fees that we receive from portfolio companies) earned during the calendar quarter, minus our operating expenses for the quarter.

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Management Agreement) and equals 20.0% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the fiscal year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Importantly, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and Saratoga Investment Advisors will be entitled to 20.0% of incentive fee capital gains that arise after May 31, 2010. In addition, for the purpose of the "incentive fee capital gains" calculations, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date.

We have also entered into a separate administration agreement with Saratoga Investment Advisors pursuant to which Saratoga Investment Advisors furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services. The administration agreement had an initial term of two years from its effective date of July 30, 2010, with automatic one-year renewals, subject to approval by our board of directors, a majority of whom must be our independent directors. From the date of its initial approval and for subsequent annual renewals, the amount payable by us under the administration agreement was capped at $1.0 million for each annual term of the agreement. On October 5, 2016, our board of directors approved the renewal of the Administration Agreement for an additional one-year term and determined to increase the cap on the payment or

reimbursement of expenses by us thereunder to $1.5 million for the additional one-year term, effective November 1, 2016. Under the administration agreement, Saratoga Investment Advisors also performs, or oversees the performance of our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain, preparing reports for our stockholders and reports required to be filed with the SEC. Payments under the administration agreement will be equal to an amount based upon the allocable portion of Saratoga Investment Advisors' overhead in performing its obligations under the administration agreement, including rent and the allocable portion of the cost of our officers and their respective staffs relating to the performance of services under the administration agreement.

Investments

Our portfolio is comprised primarily of investments in leveraged loans (both first and second lien term loans) issued by middle market companies. Investments in middle market companies are generally less liquid than equivalent investments in companies with larger capitalizations. These investments are sourced in both the primary and secondary markets through a network of relationships with commercial and investment banks, commercial finance companies and financial sponsors. The leveraged loans that we purchase are generally used to finance buyouts, acquisitions, growth, recapitalizations and other types of transactions. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. For a discussion of the risks pertaining to our secured investments, see Part I, Item 1A. "Risk Factors—Our investments may be risky, and you could lose all or part of your investment."

As part of our long-term strategy, we also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company. See Part I, Item 1A. "Risk Factors—If we make unsecured debt investments, we may lack adequate protection in the event our portfolio companies become distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event our portfolio companies defaults on their indebtedness."

Substantially all of the debt investments held in our portfolio hold a non-investment grade rating by one or more rating agencies or, if not rated, would be rated below investment grade if rated, which are often referred to as "junk." As of November 30, 2016, 24.7% of our debt portfolio at fair value consisted of debt securities for which issuers were not required to make principal payments until the maturity of such debt securities, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. In addition, 81.7% of our debt investments at November 30, 2016, had variable interest rates that reset periodically based on benchmarks such as LIBOR and the prime rate. As a result, significant increases in such benchmarks in the future may make it more difficult for these borrowers to service their obligations under the debt investments that we hold.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we have to invest at least 70.0% of our total assets in assets of the type listed in section 55(a) of the 1940 Act, including securities of U.S. operating companies whose securities are not listed on a national securities exchange (i.e., New York Stock Exchange, NYSE MKT and The NASDAQ Stock Market), U.S. operating companies with listed securities that have market capitalizations of less than $250.0 million, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less, which we refer to as "qualifying assets."

While our primary focus is to generate current income and capital appreciation from our debt and equity investments in middle market companies, we may invest up to 30.0% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds.

Leveraged loans

Our leveraged loan portfolio is comprised primarily of first lien and second lien term loans. First lien term loans are secured by a first priority perfected security interest on all or substantially all of the assets of the borrower and typically include a first priority pledge of the capital stock of the borrower. First lien term loans hold a first priority with regard to right of payment. Generally, first lien term loans offer floating rate interest payments, have a stated maturity of five to seven years, and have a fixed amortization schedule. First lien term loans generally have restrictive financial and negative covenants. Second lien term loans are secured by a second priority perfected security interest on all or substantially all of the assets of the borrower and typically include a second priority pledge of the capital stock of the borrower. Second lien term loans hold a second priority with regard to right of payment. Second lien term loans offer either floating rate or fixed rate interest payments, generally have a stated maturity of five to eight years, and may or may not have a fixed amortization schedule. Second lien term loans that do not have fixed amortization schedules require payment of the principal amount of the loan upon the maturity date of the loan. Second lien term loans have less restrictive financial and negative covenants than those that govern first lien term loans.

Mezzanine debt

Mezzanine debt usually ranks subordinate in priority of payment to senior debt and is often unsecured. However, mezzanine debt ranks senior to common and preferred equity in a borrowers' capital structure. Mezzanine debt typically has fixed rate interest payments and a stated maturity of six to eight years and does not have fixed amortization schedules.

In some cases, our debt investments may provide for a portion of the interest payable to be paid-in-kind interest ("PIK"). To the extent interest is paid-in-kind, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation.

Equity Investments

Equity investments may consist of preferred equity that is expected to pay dividends on a current basis or preferred equity that does not pay current dividends. Preferred equity generally has a preference over common equity as to distributions on liquidation and dividends. In some cases, we may acquire common equity. In general, our equity investments are not control-oriented investments and we expect that in many cases we will acquire equity securities as part of a group of private equity investors in which we are not the lead investor.

Opportunistic Investments

Opportunistic investments may include investments in distressed debt, which may include securities of companies in bankruptcy, debt and equity securities of public companies that are not thinly traded, emerging market debt, structured finance vehicles such as collateralized loan obligation funds and debt of middle market companies located outside the United States.

On January 22, 2008, GSC Group, Inc., as asset manager, with Lehman Brothers raising the financing, entered into a collateral management agreement with Saratoga CLO. Saratoga CLO was structured with five tranches of debt, plus residual notes. Saratoga CLO's five tranches of debt was purchased by a wide variety of CLO debt market participants. In addition, we purchased for $30.0 million all of the outstanding subordinated notes of Saratoga CLO.

Pursuant to its terms, the investment period for Saratoga CLO ended in January 2013, and certain restrictions in such terms prevented portfolio reinvestment. As a result, the Company determined that it was in its best interest to refinance Saratoga CLO given the fee income it receives for managing Saratoga CLO. The

Company did not originate any of the loan assets included in the formation of Saratoga CLO, nor has it done so since the subsequent refinancing transaction. Moreover, the Company does not expect to originate any of the loans in the Saratoga CLO portfolio prospectively. The Company has from time to time co-invested in loans with the Saratoga CLO. The Company currently has no co-investments between it and Saratoga CLO.

With respect to our advisory services to Saratoga CLO, and in particular the underwriting standards used when determining which investments qualify for inclusion in the Saratoga CLO, they are substantially similar to the process employed in selecting the Company's investments. All of the credit metrics for a Saratoga CLO investment are reviewed and documented in the same manner as they would be for an investment for the Company, with some minor differences. For example, the Saratoga CLO investment process also includes the Standard & Poors and Moody's review of the loan investment and the assigned corporate ratings, in addition to the Standard & Poors recovery rate analysis, which typically does not apply to a prospective investment of the Company. Lastly, a Saratoga CLO investment also considers the likely secondary liquidity of the loan in considering the investment, whereas the Company's investments are generally illiquid.

Saratoga CLO was initially refinanced in October 2013 and its reinvestment period ended in October 2016. On November 15, 2016, we completed the second refinancing of the Saratoga CLO. The Saratoga CLO refinancing, among other things, extended its reinvestment period to October 2018, and extended its legal maturity date to October 2025. Following the refinancing, the Saratoga CLO portfolio remained at the same size and with a similar capital structure of approximately $300 million in aggregate principal amount of predominantly senior secured first lien term loans. In addition to refinancing its liabilities, we also purchased $4.5 million in aggregate principal amount of the Class F notes tranche of the Saratoga CLO at par, with a coupon of 8.5%. The Class F tranche is the eighth tranche in the capital structure of Saratoga CLO and is subordinated to the other debt classes of Saratoga CLO. The Class F tranche is only senior to the subordinated notes, which is effectively the equity position in Saratoga CLO. As a result, the other tranches of debt in Saratoga CLO rank ahead of the $4.5 million Class F tranche and ahead of the aggregate principal amount of our position in the subordinated notes, which as of November 30, 2016 had a fair value of $4.3 million, with respect to priority of payments in the event of a default or a liquidation. After the reinvestment period ends in October 2018, the Company will consider refinancing the Saratoga CLO, subject to market conditions. A refinancing transaction entails finding existing and new investors that are willing to provide debt financing to Saratoga CLO on terms that are acceptable to it and in an amount sufficient to allow it to repay all of its existing debt holders. If Saratoga CLO is unable to refinance its indebtedness by October 2018, then Saratoga CLO will be required to use investment repayments by portfolio companies received thereafter to repay its outstanding indebtedness and ultimately liquidate Saratoga CLO.

The terms of the subordinated notes of Saratoga CLO entitles the Company to the residual net interest income in Saratoga CLO, which are paid on a quarterly basis after payment of all expenses, assuming that the Saratoga CLO remains in compliance with its various debt and rating agency compliance tests. The Company's investment in the subordinated notes of Saratoga CLO can be sold or transferred at any time. The Company has held 100% of the subordinated notes of Saratoga CLO since the inception of Saratoga CLO.

Generally, the interests of the holders of the various classes of securities issued by the Saratoga CLO are aligned with the interests of the Company as holder of the subordinated notes. The investors in the various debt tranches of the securities issued by the Saratoga CLO are interested in the regular payment of interest income from the Saratoga CLO and the overcollateralization of the underlying loan assets relative to the Saratoga CLO debt issued. On the other hand, the subordinated note holders might prefer purchasing higher yielding riskier assets that could increase returns while the returns of the holders of the debt securities remain unchanged.

With respect to the collateral management agreement that the Company has entered into with Saratoga CLO, while the agreement is similar to the investment advisory and management agreement between the Company and Saratoga Investment Advisors in that it is an asset management agreement, there are material differences between the two. For example, pursuant to Section 15 of the 1940 Act, the Management Agreement

with Saratoga Investment Advisors has an initial term of two years, with annual renewals to be approved by the Company's Board of Directors. The contract can be terminated by the Company's Board of Directors or stockholders with 60 days' notice, with no penalty for termination. The collateral management agreement that the Company has entered into with Saratoga CLO, on the other hand, has no renewal requirement, and can be terminated without cause with the approval of two-thirds of each of the class of CLO securities, excluding votes from interested noteholders. Furthermore, the Saratoga CLO collateral management agreement cannot be terminated with cause without the approval of a majority of all of the CLO security holders voting collectively, excluding votes from interested noteholders. If the Saratoga CLO collateral management agreement is terminated, the manager remains in place until a new manager is appointed by the issuer at the direction of a majority of the noteholders, and so long as such replacement is not rejected within 20 days by the most senior class of the Saratoga CLO securities. We receive a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of Saratoga CLO's assets, paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20.0% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return paid in cash equal to or greater than 12.0%.

The securities issued by the Saratoga CLO do not have any external credit enhancement features that would minimize the potential losses to the subordinated notes. Saratoga CLO recognized a loss of approximately $2.8 million in October 2013 upon the refinancing as a result of the legal and accounting costs associated with the refinancing and the divestiture of certain Saratoga CLO loans not eligible for the refinanced Saratoga CLO. The cost of the refinancing was effectively borne by the Company as the holder of the subordinated notes in Saratoga CLO. The indenture for the Saratoga CLO does not contemplate the issuance of additional securities while the existing Saratoga CLO securities remain outstanding. The indenture could be amended to allow the issuance of additional securities, which would require consents of the holders of the Saratoga CLO debt securities and the approval of the rating agencies. The Saratoga CLO could issue additional securities pursuant to a refinancing of the existing securities. The costs of any such future refinancing would effectively be borne by us as the holder of the subordinated notes in Saratoga CLO.

The Company does not believe that any representations or warranties made by the Company as manager of Saratoga CLO or investor in the subordinated notes could materially affect the Company. However, because the Company acts as the collateral manager to Saratoga CLO, it may be subject to claims by third-party investors in Saratoga CLO for alleged or actual negligent acts, errors or omissions or breach of fiduciary duties committed in the scope of performing its services as the collateral manager.

As of November 30, 2016, the Saratoga CLO portfolio consisted of $297.5 million in aggregate principal amount of primarily senior secured first lien term loans 98.4% of the Saratoga CLO portfolio consisted of such loans at November 30, 2016, to 181 borrowers with an average exposure to each borrower of $1.6 million. The weighted average maturity of the portfolio is 4.3 years. In addition, Saratoga CLO held $16.0 million in cash at November 30, 2016. Our investment in Saratoga CLO falls into our 30% "bucket" of non-qualifying assets under the 1940 Act and currently has a cost basis of approximately $10.9 million, which is net of all principal payments made by Saratoga CLO on the Company's initial $30 million investment in Saratoga CLO.

Prospective portfolio company characteristics

Our investment adviser generally selects portfolio companies with one or more of the following characteristics:

- a history of generating stable earnings and strong free cash flow;
- well-constructed balance sheets, supported by sustainable enterprise values;
- reasonable debt-to-cash flow multiples;
- industry leadership with competitive advantages and sustainable market shares and growth prospects in attractive and healthy sectors; and
- capital structures that provide appropriate terms and reasonable covenants.

Investment selection

In managing us, Saratoga Investment Advisors employs the same investment philosophy and portfolio management methodologies used by Saratoga Partners. Through this investment selection process, based on quantitative and qualitative analysis, Saratoga Investment Advisors seeks to identify portfolio companies with superior fundamental risk-reward profiles and strong, defensible business franchises with the goal of minimizing principal losses while maximizing risk-adjusted returns. Saratoga Investment Advisors' investment process emphasizes the following:

- bottoms-up, company-specific research and analysis;
- capital preservation, low volatility and minimization of downside risk; and
- investing with experienced management teams that hold meaningful equity ownership in their businesses.

Our investment adviser's investment process generally includes the following steps:

- Initial screening. A brief analysis identifies the investment opportunity and reviews the merits of the transaction. The initial screening memorandum provides a brief description of the company, its industry, competitive position, capital structure, financials, equity sponsor and deal economics. If the deal is determined to be attractive by the senior members of the deal team, the opportunity is fully analyzed.
- Full analysis. A full analysis includes:
    - Business and Industry analysis—a review of the company's business position, competitive dynamics within its industry, cost and growth drivers and technological and geographic factors. Business and industry research often includes meetings with industry experts, consultants, other investors, customers and competitors.
    - Company analysis—a review of the company's historical financial performance, future projections, cash flow characteristics, balance sheet strength, liquidation value, legal, financial and accounting risks, contingent liabilities, market share analysis and growth prospects.
    - Structural/security analysis—a thorough legal document analysis including but not limited to an assessment of financial and negative covenants, events of default, enforceability of liens and voting rights.
- Approval of the investment committee. The investment is then presented to the investment committee for approval. The investment committee must unanimously approve all investments in excess of $1 million made by us. In addition, all sales of our investments must be approved by all four of our investment committee members. The members of our investment committee are Christian L. Oberbeck, Michael J. Grisius, Thomas V. Inglesby, and Charles G. Phillips.

Investment structure

In general, our Investment Adviser intends to select investments with financial covenants and terms that reduce leverage over time, thereby enhancing credit quality. These methods include:

- maintenance leverage covenants requiring a decreasing ratio of debt to cash flow;
- maintenance cash flow covenants requiring an increasing ratio of cash flow to the sum of interest expense and capital expenditures; and
- debt incurrence prohibitions, limiting a company's ability to re-lever.

In addition, limitations on asset sales and capital expenditures should prevent a company from changing the nature of its business or capitalization without our consent.

Our investment adviser seeks, where appropriate, to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;
- requiring companies to use a portion of their excess cash flow to repay debt;
- selecting investments with covenants that incorporate call protection as part of the investment structure; and
- selecting investments with affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

Valuation process

We account for our investments at fair value in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), as approved in good faith using written policies and procedures adopted by our board of directors. Investments for which market quotations are readily available are recorded in our consolidated financial statements at such market quotations subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved in good faith by our board of directors based on input from Saratoga Investment Advisors, our audit committee and an independent valuation firm engaged by our board of directors. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, the markets in which the portfolio company does business, market yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors.

Our investment in the subordinated notes of Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar collateralized loan obligation fund subordinated notes or equity, when available. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for Saratoga CLO's valuation. The Intex cash flow models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated cash flows. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows from our investment in Saratoga CLO) to perform a discounted cash flow analysis on expected future cash flows from our investment in Saratoga CLO to determine a valuation for the subordinated notes of Saratoga CLO held by us.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- each investment is initially valued by the responsible investment professionals of Saratoga Investment Advisors and preliminary valuation conclusions are documented and discussed with our senior management; and
- an independent valuation firm engaged by our board of directors independently values at least one quarter of our investments each quarter so that the valuation of each investment for which market quotes are not readily available is independently valued by an independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- the audit committee of our board of directors reviews each preliminary valuation and our investment adviser and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- our board of directors discusses the valuations and approves the fair value of each investment in good faith based on the input of our investment adviser, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Ongoing relationships with and monitoring of portfolio companies

Saratoga Investment Advisors will closely monitor each investment we make and, when appropriate, will conduct a regular dialogue with both the management team and other debtholders and seek specifically tailored financial reporting. In addition, in certain circumstances, senior investment professionals of Saratoga Investment Advisors may take board seats or board observation seats.

Distributions

Our distributions, if any, will be determined by our board of directors and paid out of assets legally available for distribution. Any such distributions generally will be taxable to our stockholders, including to those stockholders who receive additional shares of our common stock pursuant to our dividend reinvestment plan. Prior to January 2009, we paid quarterly dividends to our stockholders. However, in January 2009, we suspended the practice of paying quarterly dividends to our stockholders and thereafter paid five annual dividend distributions (December 2013, 2012, 2011, 2010 and 2009) to our stockholders since such time, which distributions were made with a combination of cash and the issuance of shares of our common stock as discussed more fully below.

On September 24, 2014, we announced the recommencement of quarterly dividends to our stockholders, and have subsequently made distributions under this new policy. We have adopted a DRIP that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not “opted out” of the DRIP by the dividend record date will have their cash dividends automatically reinvested into additional shares of our common stock, rather than receiving the cash dividends. We have the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator.

In order to maintain our qualification as a RIC, we must for each fiscal year distribute an amount equal to at least 90.0% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses. In addition, we will be subject to federal excise taxes to the extent we do not distribute during the calendar year at least (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax. For the 2015 calendar year, we made distributions sufficient such that we did not incur any federal excise taxes. We may elect to withhold from distribution a portion of our ordinary income for the 2016 calendar year and/or portion of the capital gains in

excess of capital losses realized during the one year period ending October 31, 2016, if any, and, if we do so, we would expect to incur federal excise taxes as a result.

We maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders’ cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash dividends.

We may distribute taxable dividends that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service has issued private rulings indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20.0% of the total distribution. Under these rulings, if too many stockholders elect to receive their distributions in cash, each such stockholder would receive a pro rata share of the total cash to be distributed and would receive the remainder of their distribution in shares of stock. If we decide to make any distributions consistent with these rulings that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

Competition

Our primary competitors in providing financing to private middle market companies include public and private investment funds (including private equity funds, mezzanine funds, BDCs and SBICs), commercial and investment banks and commercial financing companies. Additionally, alternative investment vehicles, such as hedge funds, frequently invest in middle-market companies. As a result, competition for investment opportunities at middle-market companies can be intense. However, we continue to believe that there has been an overall reduction in the amount of debt capital available on average since the downturn in the credit markets, which began in mid-2007, and that this has resulted in a somewhat less competitive environment for making new investments. While many middle-market companies were previously able to raise senior debt financing through traditional large financial institutions, we believe this approach to financing is more difficult as implementation of U.S. and international financial reforms, such as Basel 3, limits the capacity of large financial institutions to hold non-investment grade leveraged loans on their balance sheets. We believe that many of these financial institutions have de-emphasized their service and product offerings to middle-market companies in particular.

Many of our competitors are substantially larger and have considerably greater financial and marketing resources than us. For example, some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which may allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. We use the industry information available to the investment professionals of Saratoga Investment Advisors to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we believe that the investment professionals of our investment adviser enable us to learn about, and compete effectively for, financing opportunities with attractive leveraged companies in the industries in which we seek to invest.

For additional information concerning the competitive risks we face, please see Part I, Item 1A, “Risk Factors—We operate in a highly competitive market for investment opportunities.”

Staffing

We do not currently have any employees and do not expect to have any employees in the future. Services necessary for our business are provided by individuals who are employees of Saratoga Investment Advisors, pursuant to the terms of the Management Agreement and the administration agreement. For a discussion of the Management Agreement, see “Business—Investment Advisory and Management Agreement” below. We reimburse Saratoga Investment Advisors for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our officers and their respective staffs, subject to certain limitations. For a discussion of the administration agreement, see “Business—Administration Agreement” below.

Derivatives

We may utilize hedging techniques such as interest rate swaps to mitigate potential interest rate risk on our indebtedness. Such interest rate swaps would principally be used to protect us against higher costs on our indebtedness resulting from increases in both short-term and long-term interest rates.

We also may use various hedging and other risk management strategies to seek to manage various risks, including changes in currency exchange rates and market interest rates. Such hedging strategies would be utilized to seek to protect the value of our portfolio investments, for example, against possible adverse changes in the market value of securities held in our portfolio.

OUR PORTFOLIO COMPANIES

The following table sets forth certain information as of November 30, 2016 for each portfolio company in which we had a debt or equity investment. Other than these investments, our only relationships with our portfolio companies are the managerial assistance we may separately provide to our portfolio companies, which services would be ancillary to our investments, and the board observer or participation rights we may receive.

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments - 205.4% (b)						
CAMP International Systems (d)	Aerospace and Defense	Second Lien Term Loan (L+7.25%), 8.25% Cash, 8/18/2024	$ 1,000,000	995,171	1,020,000	0.8%
		Total Aerospace and Defense		995,171	1,020,000	0.8%
Polar Holding Company, Ltd. (a), (d), (i)	Building Products	First Lien Term Loan (L+9.00%), 10.00% Cash, 9/30/2016	$ 2,000,000	2,000,000	2,000,000	1.6%
		Total Building Products		2,000,000	2,000,000	1.6%
Apex Holdings Software Technologies, LLC	Business Services	First Lien Term Loan (L+8.00%), 9.00% Cash, 9/21/2021	$18,000,000	17,848,031	17,842,500	14.0%
Avionte Holdings, LLC (g)	Business Services	Common Stock	100,000	100,000	251,000	0.2%
Avionte Holdings, LLC	Business Services	First Lien Term Loan (L+8.25%), 9.75% Cash, 1/8/2019	$ 2,279,278	2,257,229	2,279,278	1.8%
Avionte Holdings, LLC (j), (k)	Business Services	Delayed Draw Term Loan A (L+8.25%), 9.75% Cash, 1/8/2019	$ —	—	—	0.0%
BMC Software, Inc. (d)	Business Services	First Lien Term Loan (L+4.00%), 5.00% Cash, 9/10/2020	$ 5,626,667	5,594,987	5,493,315	4.3%
Courion Corporation	Business Services	Second Lien Term Loan (L+10.00%), 11.00% Cash, 6/1/2021	$15,000,000	14,872,231	13,932,000	10.9%
Dispensing Dynamics International (d)	Business Services	Senior Secured Note 12.50% Cash, 1/1/2018	$12,000,000	12,015,235	11,640,000	9.1%
Easy Ice, LLC (d)	Business Services	First Lien Term Loan (L+8.75%), 9.50% Cash, 1/15/2020	$16,000,000	15,876,901	16,080,000	12.6%
Emily Street Enterprises, L.L.C.	Business Services	Senior Secured Note (L+8.50%), 10.00% Cash, 1/23/2020	$ 3,300,000	3,277,195	3,318,810	2.6%
Emily Street Enterprises, L.L.C. (g)	Business Services	Warrant Membership Interests, Expires 12/28/2022	49,318	400,000	476,541	0.3%
Erwin, Inc.	Business Services	Second Lien Term Loan (L+11.50%), 13.50% (11.50% Cash/1.00% PIK), 8/28/2021	$13,077,419	12,957,650	13,077,419	10.2%
GreyHeller LLC	Business Services	First Lien Term Loan (L+11.00%), 12.00% Cash, 11/16/2021	$ 7,000,000	6,930,320	6,930,000	5.4%
GreyHeller LLC (j), (k)	Business Services	Delayed Draw Term Loan B (L+11.00%), 12.00% Cash, 11/16/2021	$ —	—	—	0.0%
GreyHeller LLC (g)	Business Services	Common Stock	850,000	850,000	850,000	0.7%
Help/Systems Holdings, Inc. (Help/Systems, LLC)	Business Services	First Lien Term Loan (L+5.25%), 6.25% Cash, 10/8/2021	$ 4,962,500	4,878,301	4,921,311	3.9%
Help/Systems Holdings, Inc. (Help/Systems, LLC)	Business Services	Second Lien Term Loan (L+9.50%), 10.50% Cash, 10/8/2022	$ 3,000,000	2,919,579	2,820,000	2.2%
Identity Automation Systems	Business Services	Convertible Promissory Note 13.50% (6.75% Cash/6.75% PIK), 8/18/2018	611,517	611,521	611,521	0.5%
Identity Automation Systems (g)	Business Services	Common Stock Class A Units	232,616	232,616	549,258	0.4%
Identity Automation Systems	Business Services	First Lien Term Loan (L+9.25%), 12.00% (9.25% Cash/1.75% PIK) 12/18/2020	$10,248,887	10,172,877	10,248,887	8.0%
Knowland Technology Holdings, L.L.C.	Business Services	First Lien Term Loan (L+8.75%), 9.75% Cash, 11/29/2017	$17,777,730	17,664,387	17,777,730	13.9%
Microsystems Company	Business Services	Second Lien Term Loan (L+10.00%), 11.00% Cash, 7/1/2022	$ 8,000,000	7,924,524	7,920,000	6.2%
Vector Controls Holding Co., LLC (d)	Business Services	First Lien Term Loan, 14.00% (12.00% Cash/2.00% PIK), 3/6/2018	$ 8,877,910	8,826,316	8,877,910	7.0%
Vector Controls Holding Co., LLC (d), (g)	Business Services	Warrants to Purchase Limited Liability Company Interests, Expires 5/31/2025	343	—	352,260	0.3%
		Total Business Services		146,209,900	146,249,740	114.5%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Targus Holdings, Inc. (d), (g)	Consumer Products	Common Stock	210,456	1,791,242	—	0.0%
Targus Holdings, Inc. (d)	Consumer Products	Second Lien Term Loan A-2 15.00% PIK, 12/31/2019	$ 228,909	228,909	228,909	0.2%
Targus Holdings, Inc. (d)	Consumer Products	Second Lien Term Loan B 15.00% PIK, 12/31/2019	$ 686,726	686,726	558,171	0.4%
		Total Consumer Products		2,706,877	787,080	0.6%
My Alarm Center, LLC	Consumer Services	Second Lien Term Loan (L+11.00%), 12.00% Cash, 7/9/2019	$ 9,375,000	9,357,973	9,345,938	7.3%
PrePaid Legal Services, Inc. (d)	Consumer Services	First Lien Term Loan (L+5.25%), 6.50% Cash, 7/1/2019	$ 1,488,754	1,483,515	1,487,266	1.1%
PrePaid Legal Services, Inc. (d)	Consumer Services	Second Lien Term Loan (L+9.25%), 10.25% Cash, 7/1/2020	$10,000,000	9,968,634	9,904,000	7.8%
		Total Consumer Services		20,810,122	20,737,204	16.2%
M/C Acquisition Corp., L.L.C. (d), (g)	Education	Class A Common Stock	544,761	30,241	—	0.0%
M/C Acquisition Corp., L.L.C. (d)	Education	First Lien Term Loan 1.00% Cash, 3/31/2018	$ 2,321,073	1,193,790	8,087	0.0%
Teachers of Tomorrow, LLC (g), (h)	Education	Common Stock	750	750,000	910,545	0.8%
Teachers of Tomorrow, LLC	Education	Second Lien Term Loan (L+9.75%), 10.75% Cash, 6/2/2021	$10,000,000	9,914,485	10,000,000	7.8%
		Total Education		11,888,516	10,918,632	8.6%
TM Restaurant Group L.L.C.	Food and Beverage	First Lien Term Loan (L+8.50%), 9.75% Cash, 7/16/2017	$ 9,358,694	9,313,879	8,422,825	6.6%
		Total Food and Beverage		9,313,879	8,422,825	6.6%
Censis Technologies, Inc.	Healthcare Services	First Lien Term Loan B (L+10.00%), 11.00% Cash, 7/24/2019	$11,250,000	11,114,850	10,871,661	8.4%
Censis Technologies, Inc. (g), (h)	Healthcare Services	Limited Partner Interests	999	999,000	725,936	0.6%
Roscoe Medical, Inc. (d), (g)	Healthcare Services	Common Stock	5,081	508,077	678,931	0.5%
Roscoe Medical, Inc.	Healthcare Services	Second Lien Term Loan 11.25% Cash, 9/26/2019	$ 4,200,000	4,151,963	4,154,220	3.3%
Ohio Medical, LLC (g)	Healthcare Services	Common Stock	5,000	500,000	329,096	0.3%
Ohio Medical, LLC	Healthcare Services	Senior Subordinated Note 12.00%, 7/15/2021	$ 7,300,000	7,235,173	7,234,300	5.7%
Zest Holdings, LLC (d)	Healthcare Services	First Lien Term Loan (L+4.75%), 5.75% Cash, 8/16/2020	$ 4,136,911	4,081,904	4,134,015	3.2%
		Total Healthcare Services		28,590,967	28,128,159	22.0%
HMN Holdco, LLC	Media	First Lien Term Loan 10.00% Cash, 5/16/2019	$ 8,581,357	8,485,902	8,581,357	6.7%
HMN Holdco, LLC	Media	Delayed Draw First Lien Term Loan 10.00% Cash, 5/16/2019	$ 4,800,000	4,748,026	4,800,000	3.7%
HMN Holdco, LLC (g)	Media	Class A Series, Expires 1/16/2025	4,264	61,647	282,106	0.2%
HMN Holdco, LLC (g)	Media	Class A Warrant, Expires 1/16/2025	30,320	438,353	1,616,966	1.3%
HMN Holdco, LLC (g)	Media	Warrants to Purchase Limited Liability Company Interests (Common), Expires 5/16/2024	57,872	—	2,791,745	2.2%
HMN Holdco, LLC (g)	Media	Warrants to Purchase Limited Liability Company Interests (Preferred), Expires 5/16/2024	8,139	—	449,761	0.4%
		Total Media		13,733,928	18,521,935	14.5%
Elyria Foundry Company, L.L.C. (d), (g)	Metals	Common Stock	35,000	9,217,564	357,350	0.3%
Elyria Foundry Company, L.L.C. (d)	Metals	Revolver (L+8.50%), 10.00% Cash, 3/31/2017	$ 8,500,000	8,500,000	8,500,000	6.6%
		Total Metals		17,717,564	8,857,350	6.9%
Mercury Network, LLC	Real Estate	First Lien Term Loan 10.5% Cash, 8/24/2021	$15,791,286	15,649,233	15,871,821	12.5%
Mercury Network, LLC (g)	Real Estate	Common Stock	413,043	413,043	789,031	0.6%
		Total Real Estate		16,062,276	16,660,852	13.1%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Sub Total Non-control/Non-affiliated investments				270,029,200	262,303,777	205.4%
Control investments - 12.0% (b)						
Saratoga Investment Corp. CLO 2013-1, Ltd. (a), (d), (e), (f)	Structured Finance Securities	Other/Structured Finance Securities 13.26%, 10/17/2025	$30,000,000	10,948,369	10,986,945	8.6%
Saratoga Investment Corp. Class F Note (a), (d), (f)	Structured Finance Securities	Other/Structured Finance Securities (L+8.50%), 9.22%, 10/20/2025	$ 4,500,000	4,500,000	4,279,050	3.4%
Sub Total Control investments				15,448,369	15,265,995	12.0%
TOTAL INVESTMENTS - 217.4% (b)				**$285,477,569**	**$277,569,772**	**217.4%**

	Principal	Cost	Fair Value	% of Net Assets
Cash and cash equivalents and cash and cash equivalents, reserve accounts - 18.2%				
U.S. Bank Money Market (l)	$23,291,512	$ 23,291,512	$ 23,291,512	18.2%
Total cash and cash equivalents and cash and cash equivalents, reserve accounts	**$23,291,512**	**$ 23,291,512**	**$ 23,291,512**	**18.2%**

(a) Represents a non-qualifying investment as defined under Section 55 (a) of the Investment Company Act of 1940, as amended. Non-qualifying assets represent 6.2% of the Company's portfolio at fair value. As a BDC, the Company can only invest 30% of its portfolio in non-qualifying assets.
(b) Percentages are based on net assets of $127,679,730 as of November 30, 2016.
(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors (see Note 3 to the consolidated financial statements).
(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).
(e) This investment does not have a stated interest rate that is payable thereon. As a result, the 13.26% interest rate in the table above represents the effective interest rate currently earned on the investment cost and is based on the current cash interest and other income generated by the investment.
(f) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (Cost)	Interest Income	Management Fee Income	Net Realized Gains/ (Losses)	Net Unrealized Appreciation (Depreciation)
Saratoga Investment Corp. CLO 2013-1, Ltd.	$ —	$ —	$ —	$1,569,492	$ 1,123,559	$ —	$ 241,347
Saratoga Investment Corp. Class F Note	$4,500,000	$ —	$ —	$ 18,433	$ —	$ —	$ (220,950)

(g) Non-income producing at November 30, 2016.
(h) Includes securities issued by an affiliate of the Company.
(i) Non-U.S. company. The principal place of business for Polar Holding Company, Ltd. is Canada.
(j) The investment has an unfunded commitment as of November 30, 2016 (see Note 7 to the consolidated financial statements).
(k) The entire commitment was unfunded at November 30, 2016. As such, no interest is being earned on this investment.
(l) Included within cash and cash equivalents and cash and cash equivalents, reserve accounts in the Company's Consolidated Statements of Assets and Liabilities as of November 30, 2016.

Set forth is a brief description of each portfolio company in which the fair value of our investment represents greater than 5% of our total assets as of November 30, 2016.

MN Acquisition, LLC

Mercury Network is a SaaS-based appraisal vendor management platform that helps lenders and appraisal management companies manage their entire appraisal workflow in compliance with appraisal independence standards.

Apex Holdings Software Technologies, LLC

Apex provides multi-tenant payroll and HR software to small- to medium-sized companies across a variety of industries, including manufacturing, healthcare, retail and restaurants.

Easy Ice, LLC

For a fixed monthly fee, Easy Ice “rents” an ice machine to its customers, services the machines as needed and provides bags of back-up ice during breakdowns or emergencies; this differs from a lease in that there is no specified term (the subscription is month-to-month) and the customers do not have an option to buy their machines. Easy Ice prices its monthly subscriptions to be competitive with a lease and differentiates itself with the added guarantee of ice delivery should the machine break down.

HMN Holdco, LLC

Health Media Network, LLC is a Connecticut-based point-of-care media company that delivers educational and health content for physicians, patients, and caregivers in physician waiting rooms at health facilities, hospitals, and other group practices. The Company also provides in-office brochure distribution, poster/wallboard display networks, mobile marketing, and custom publishing services for advertisers.

Knowland Technology Holdings, LLC

The Knowland Group is the leading advanced data and profiling company in the hospitality industry. The Company has created the industry’s most extensive database of events, organizations that hold these events, and the key contacts who book them. Using this data, Knowland has developed and continues to enhance a suite of sophisticated products that cater to its hotel clients. These products allow hotels to maximize revenue from their meeting and conference space.

MANAGEMENT AGREEMENTS

Saratoga Investment Advisors serves as our investment adviser. Our investment adviser was formed in 2010 as a Delaware limited liability company and became our investment adviser in July 2010. Subject to the overall supervision of our board of directors, Saratoga Investment Advisors manages our day-to-day operations and provides investment advisory and management services to us. Under the terms of the Management Agreement, Saratoga Investment Advisors:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- closes and monitors the investments we make; and
- determines the securities and other assets that we purchase, retain or sell.

Saratoga Investment Advisors services under the Management Agreement are not exclusive, and it is free to furnish similar services to other entities.

Management Fee and Incentive Fee

Pursuant to the Management Agreement with Saratoga Investment Advisors, we pay Saratoga Investment Advisors a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee.

The base management fee is paid quarterly in arrears, and equals 1.75% per annum of our gross assets (other than cash or cash equivalents but including assets purchased with borrowed funds) and calculated at the end of each fiscal quarter based on the average value of our gross assets (other than cash or cash equivalents, but including assets purchased with borrowed funds) as of the end of such fiscal quarter and the end of the immediate prior fiscal quarter.

The incentive fee has the following two parts:

The first part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding fiscal quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence, managerial and consulting fees or other fees that we receive from portfolio companies) accrued during the fiscal quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock or debt security, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as market discount, debt instruments with payment-in-kind interest, preferred stock with payment-in-kind dividends and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses, unrealized capital appreciation or depreciation, or realized gains or losses resulting from the extinguishment of our own debt. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less liabilities) at the end of the immediately preceding fiscal quarter, is compared to a “hurdle rate” of 1.875% per quarter, subject to a “catch up” provision. The base management fee is calculated prior to giving effect to the payment of any incentive fees.

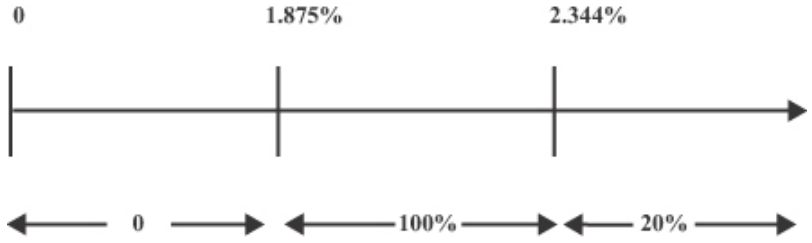
We pay Saratoga Investment Advisors an incentive fee with respect to our pre-incentive fee net investment income in each fiscal quarter as follows: (A) no incentive fee in any fiscal quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate; (B) 100% of our pre-incentive fee net investment

income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter is payable to Saratoga Investment Advisors; and (C) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter. We refer to the amount specified in clause (B) as the "catch-up." The "catch-up" provision is intended to provide Saratoga Investment Advisors with an incentive fee of 20% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 2.344% in any fiscal quarter. There is no accumulation of amounts from quarter to quarter on either the hurdle rate or the parameters set by the "catch-up" mechanism or any clawback of amounts previously paid to Saratoga Investment Advisers if subsequent quarters are below the quarterly hurdle or the "catch-up" parameters. Furthermore, there is no delay of payment to Saratoga Investment Advisers if prior quarters are below the quarterly hurdle or "catch-up." Notwithstanding the foregoing, with respect to any period ending on or prior to December 31, 2010, Saratoga Investment Advisors was only entitled to 20% of the amount of our pre-incentive fee net investment income, if any, that exceeded 1.875% in any fiscal quarter without any catch-up provision. These calculations are appropriately pro-rated when such calculations are applicable for any period of less than three months.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee subsequent to any period ending after December 31, 2010:

Quarterly Incentive Fee Based on "Pre-Incentive Fee Net Investment Income"

Pre-Incentive Fee Net Investment Income
(expressed as a percentage of the value of net assets)



Percentage of Pre-Incentive Fee Net Investment
Income allocated to income-related portion of incentive fee

The second part of the incentive fee, the capital gains fee, is determined and payable in arrears as of the end of each fiscal year (or, upon termination of the Management Agreement), and is calculated at the end of each applicable fiscal year by subtracting (1) the sum of our cumulative aggregate realized capital losses and aggregate unrealized capital depreciation on our investments from (2) our cumulative aggregate realized capital gains on our investments, in each case calculated from May 31, 2010. If such amount is positive at the end of such year, then the capital gains fee for such year is equal to 20% of such amount, less the cumulative aggregate amount of capital gains fees paid in all prior years. If such amount is negative, then there is no capital gains fee for such year. Realized gains or losses resulting from the extinguishment of our own debt do not impact the capital gains fee payable to Saratoga Investment Advisors under the Management Agreement.

Under the Management Agreement, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and Saratoga Investment Advisors will be entitled to 20% of net capital gains that arise after May 31, 2010. In addition, the cost basis for computing our realized gains and losses on investments held by us as of May 31, 2010 equals the fair value of such investments as of such date.

Examples of Quarterly Incentive Fee Calculation

Example 1: Income Related Portion of Incentive Fee(1):

Assumptions

- Hurdle rate(2) = 1.875%
- Management fee(3) = 0.4375%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(4) = 0.33%

Alternative 1

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 1.25%
- Pre-incentive fee net investment income (investment income – (management fee + other expenses)) = 0.4825%

Pre-incentive fee net investment income does not exceed hurdle rate, therefore there is no incentive fee.

Alternative 2

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 3.0%
- Pre-incentive fee net investment income (investment income – (management fee + other expenses)) = 2.2325%

Pre-incentive fee net investment income exceeds hurdle rate, but does not fully satisfy the "catch-up" provision, therefore the income related portion of the incentive fee is 0.3575%.

Incentive Fee	=	(100% × (pre-incentive fee net investment income – 1.875%)
	=	100%(2.2325% – 1.875%)
	=	100%(0.3575%)
	=	0.3575%

(1) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.
(2) Represents hurdle rate.
(3) Represents 1.75% annualized management fee. For the purposes of this example, we have assumed that we have not incurred any indebtedness and that we maintain no cash or cash equivalents.
(4) The "catch-up" provision is intended to provide our investment adviser with an incentive fee of 20% on all pre-incentive fee net investment income as if a hurdle rate did not apply when our net investment income exceeds 2.344% in any fiscal quarter.

Alternative 3

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 3.5%
- Pre-Incentive Fee Net Investment Income (investment income – (management fee + other expenses) = 2.7325%

Pre-incentive fee net investment income exceeds the hurdle rate, and fully satisfies the "catch-up" provision, therefore the income related portion of the incentive fee is 0.5467%.

Incentive fee	=	100% × pre-incentive fee net investment income (subject to "catch-up")(4)
Incentive fee	=	100% × "catch-up"+ (20% × (Pre-incentive fee net investment income – 2.344%))
Catch up	=	2.344% – 1.875%
	=	0.469%
Incentive fee	=	(100% × 0.469%)+(20% ×(2.7325% – 2.344%))
	=	0.469% + (20% × 0.3885%)
	=	0.469% + 0.0777%
	=	0.5467%

Example 2: Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions(1)

(1) The examples assume that Investment A and Investment B were acquired by us subsequent to May 31, 2010. If Investment A and B were acquired by us prior to May 31, 2010, then the cost basis for computing our realized gains and losses on such investments would equal the fair value of such investments as of May 31, 2010.

- Year 1: $20 million investment made in Company A ("Investment A"), and $30 million investment made in Company B ("Investment B")
- Year 2: Investment A is sold for $50 million and fair market value ("FMV") of Investment B determined to be $32 million
- Year 3: FMV of Investment B determined to be $25 million
- Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee, if any, calculated under the cumulative method would be:

- Year 1: None
- Year 2: $6 million (20% multiplied by $30 million realized capital gains on sale of Investment A)
- Year 3: None; $5 million (20% multiplied by ($30 million realized cumulative capital gains less $5 million cumulative capital depreciation)) less $6 million (capital gains incentive fee paid in Year 2)
- Year 4: $200,000; $6.2 million (20% multiplied by $31 million cumulative realized capital gains) less $6 million (capital gains incentive fee paid in Year 2)

Alternative 2

Assumptions(1)

- Year 1: $20 million investment made in Company A ("Investment A"), $30 million investment made in Company B ("Investment B") and $25 million investment made in Company C ("Investment C")
- Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million
- Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million
- Year 4: FMV of Investment B determined to be $35 million
- Year 5: Investment B sold for $20 million

The capital gains portion of the incentive fee, if any, calculated under the cumulative method would be:

- Year 1: None
- Year 2: $5 million (20% multiplied by $25 million ($30 million realized capital gains on Investment A less $5 million unrealized capital depreciation on Investment B))
- Year 3: $1.4 million ($6.4 million (20% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation)) less $5 million (capital gains incentive fee paid in Year 2))
- Year 4: None
- Year 5: None ($5 million (20% multiplied by $25 million (cumulative realized capital gains of $35 million less realized capital losses of $10 million)) less $6.4 million (cumulative capital gains incentive fee paid in Year 2 and Year 3))

Board Approval of the Investment Advisory and Management Agreement

The Management Agreement with Saratoga Investment Advisors was approved by our board of directors at an in-person meeting of the directors, including a majority of our independent directors, and was approved by our stockholders at the special meeting of stockholders held on July 30, 2010.

In approving this agreement, the directors considered, among other things, (i) the nature, extent and quality of the advisory and other services to be provided to us by Saratoga Investment Advisors; (ii) our investment performance and the investment performance of Saratoga Investment Advisors; (iii) the expected costs of the services to be provided by Saratoga Investment Advisors (including management fees, advisory fees and expense ratios) and the profits expected to be realized by Saratoga Investment Advisors; (iv) the limited potential for economies of scale in investment management associated with managing us; and (v) Saratoga Investment Advisors estimated pro forma profitability with respect to managing us. On July 7, 2016, our board of directors approved the renewal of the Management Agreement for an additional one-year term at an in-person meeting.

Payment of our expenses

The Management Agreement provides that all investment professionals of Saratoga Investment Advisors and its staff, when and to the extent engaged in providing investment advisory services required to be provided by Saratoga Investment Advisors, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by Saratoga Investment Advisors and not by us.

We bear all costs and expenses of our operations and transactions, including those relating to:

- organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- expenses incurred by Saratoga Investment Advisors payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- investment advisory and management fees;
- fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;

- transfer agent and custodial fees;
- federal and state registration fees;
- all costs of registration and listing our common stock on any securities exchange;
- federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by governmental bodies (including the SEC and the SBA);
- costs of any reports, proxy statements or other notices to common stockholders including printing costs;
- our fidelity bond, directors and officers errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- administration fees and all other expenses incurred by us or, if applicable, the administrator in connection with administering our business (including payments under the administration agreement based upon our allocable portion of the administrator's overhead in performing its obligations under the administration agreement, including rent and the allocable portion of the cost of our officers and their respective staffs (including travel expenses)).

Duration and Termination

The Management Agreement will remain in effect continuously, unless terminated under the termination provisions of the agreement. The Management Agreement provides that it may be terminated at any time, without the payment of any penalty, upon 60 days written notice, by the vote of stockholders holding a majority of our outstanding voting securities, or by the vote of our directors or by Saratoga Investment Advisors.

The Management Agreement will, unless terminated as described above, continue in effect from year to year so long as it is approved at least annually by (i) the vote of the board of directors, or by the vote of stockholders holding a majority of our outstanding voting securities and (ii) the vote of a majority of our directors who are not parties to the Management Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the 1940 Act) of any party to such agreement, in accordance with the requirements of the 1940 Act.

Indemnification

Under the Management Agreement, Saratoga Investment Advisors and certain of its affiliates are not liable to us for any action taken or omitted to be taken by Saratoga Investment Advisors in connection with the performance of any of its duties or obligations under the agreement or otherwise as an investment adviser to us, except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services and except to the extent such action or omission constitutes gross negligence, willful misfeasance, bad faith or reckless disregard of its duties and obligations under the agreement.

We also provide indemnification to Saratoga Investment Advisors and certain of its affiliates for damages, liabilities, costs and expenses incurred by them in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding arising out of or otherwise based upon the performance of any of its duties or obligations under the agreement or otherwise as an investment adviser to us. However, we would not provide indemnification against any liability to us or our security holders to which Saratoga Investment Advisors or such affiliates would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of any such person's duties or by reason of the reckless disregard of its duties and obligations under the agreement.

Organization of the Investment Adviser

Saratoga Investment Advisors is registered as an investment adviser under the Investment Advisers Act of 1940. The principal executive offices of Saratoga Investment Advisors are located at 535 Madison Avenue, New York, New York 10022.

Administration Agreement

Pursuant to a separate administration agreement, Saratoga Investment Advisors, who also serves as our administrator, furnishes us with office facilities, equipment and clerical, book-keeping and record keeping services. Under the administration agreement, our administrator also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain, preparing reports for our stockholders and reports required to be filed with the SEC. In addition, our administrator assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the administration agreement equal an amount based upon our allocable portion of our administrator's overhead in performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our officers and their respective staffs relating to the performance of services under this agreement (including travel expenses). Our allocable portion is based on the proportion that our total assets bears to the total assets administered or managed by our administrator. Under the administration agreement, our administrator also provides managerial assistance, on our behalf, to those portfolio companies who accept our offer of assistance. The administration agreement may be terminated by either party without penalty upon 60 days written notice to the other party. The amount payable by us under the administration agreement was initially capped at $1.0 million for each annual term of the agreement. On October 5, 2016, our board of directors approved the renewal of the Administration Agreement for an additional one-year term and determined to increase the cap on the payment or reimbursement of expenses by us thereunder to $1.5 million for the additional one-year term, effective November 1, 2016.

Indemnification

Under the administration agreement, Saratoga Investment Advisors and certain of its affiliates are not liable to us for any action taken or omitted to be taken by Saratoga Investment Advisors in connection with the performance of any of its duties or obligations under the agreement.

We also provide indemnification to Saratoga Investment Advisors and certain of its affiliates for damages, liabilities, costs and expenses incurred by them in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding arising out of or otherwise based upon the performance of any of its duties or obligations under the agreement or otherwise as an administrator to us. However, we do not provide indemnification against any liability to us or our security holders to which Saratoga Investment Advisors or such affiliates would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of any such person's duties or by reason of the reckless disregard of its duties and obligations under the agreement.

License Agreement

We entered into a trademark license agreement with Saratoga Investment Advisors, pursuant to which Saratoga Investment Advisors grants us a non-exclusive, royalty-free license to use the name "Saratoga." Under this agreement, we have a right to use the "Saratoga" name, for so long as Saratoga Investment Advisors or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we have no legal right to the "Saratoga" name. Saratoga Investment Advisors has the right to terminate the license agreement if it is no longer acting as our investment adviser. In the event the Management Agreement is terminated, we would be required to change our name to eliminate the use of the name "Saratoga."

MANAGEMENT

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors elects our officers who serve at its discretion. Our Board of Directors has five members, two of whom are "interested persons" as defined in Section 2(a)(19) of the 1940 Act and five of whom are not interested persons, whom we refer to as our independent directors.

Director and Executive Officer Information

As of February 28, 2017, our executive officers, directors and key employees and their positions are as set forth below. The address for each executive officer and director is c/o Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022.

Name	Age	Position	Director Since	Expiration of Term
Interested Directors				
Christian L. Oberbeck	56	Chairman of the Board and Chief Executive Officer	2010	2018
Michael J. Grisius	52	President and Director	2011	2017
Independent Directors				
Steven M. Looney	66	Director	2007	2019
Charles S. Whitman III	74	Director	2007	2019
G. Cabell Williams	62	Director	2007	2017

Name	Age	Position
Executive Officers		
Christian L. Oberbeck	56	Chief Executive Officer
Michael J. Grisius	52	President
Henri J. Steenkamp	40	Chief Financial Officer, Treasurer, Secretary and Chief Compliance Officer

Biographical information regarding our Board and our executive officers is set forth below. We have divided the directors into two groups—independent directors and interested directors. Interested directors are "interested persons" of Saratoga Investment Corp., as defined in Section 2(a)(19) of the 1940 Act. We do not currently have any other executive officers who are not also directors.

Biographical Information

Independent Directors

Steven M. Looney—Mr. Looney, as the Chairman of the Audit Committee of the Board of Directors of the Company, presides over the executive sessions of the non-employee and independent directors of the Company. Mr. Looney is a Managing Director of Peale Davies & Co. Inc., a consulting firm with particular expertise in financial process and IT outsourcing, and is a CPA and an attorney. Mr. Looney also serves as a consultant and director to numerous companies in the healthcare, manufacturing and technology services industries, including WH Industries Inc. Between 2000 and 2005, he served as Senior Vice President and Chief Financial Officer of PCCI, Inc., a private IT staffing and outsourcing firm. Between 1992 and 2000, Mr. Looney worked at WH Industries as Chief Financial and Administrative Officer. Mr. Looney also serves as a director of Excellent Education for Everyone, a nonprofit organization. Mr. Looney graduated summa cum laude from the University of Washington with a B.A. degree in Accounting and received a J.D. from the University of Washington School of Law where he was a member of the law review. Mr. Looney's qualifications as director include his experience as a Managing Director of Peale Davies & Co. Inc. and as Chief Financial and Administrative Officer of WH Industries, as well as his financial, accounting and legal expertise.

Charles S. Whitman III—Mr. Whitman is senior counsel (retired) at Davis Polk & Wardwell LLP. Mr. Whitman was a partner in Davis Polk's Corporate Department for 28 years, representing clients in a broad range of corporate finance matters, including shelf registrations, securities compliance for financial institutions, foreign asset privatizations, and mergers and acquisitions. From 1971 to 1973, Mr. Whitman served as Executive Assistant to three successive Chairmen of the SEC. Mr. Whitman graduated from Harvard College and graduated magna cum laude from Harvard Law School with a LL.B. Mr. Whitman also received an LL.M. from Cambridge University in England. Mr. Whitman's qualifications as director include his 28 years of experience representing clients, including AT&T, Exxon Mobil, General Motors and BP, in securities matters as a partner in Davis Polk's corporate department.

G. Cabell Williams—Mr. Williams has served as the Managing General Partner of Williams and Gallagher, a private equity partnership located in Chevy Chase, Maryland since 2004. Mr. Williams is also a Senior Manager, Director of Farragut Capital Partners which is a Chevy Chase, Maryland based Mezzanine Fund. Since 2011, Mr. Williams has also served as a partner of Farragut Capital Partners, an investment firm based in Fairfax, VA. In 2004, Mr. Williams concluded a 23 year career at Allied Capital Corporation, a business development company based in Washington, DC, which was acquired by Ares Capital Corporation in 2010. While at Allied, Mr. Williams held a variety of positions, including President, COO and finally Managing Director following Allied's merger with its affiliates in 1998. From 1991 to 2004, Mr. Williams either led or co-managed the firm's Private Equity Group. For the nine years prior to 1999, Mr. Williams led Allied's Mezzanine investment activities. For 15 years, Mr. Williams served on Allied's Investment Committee where he was responsible for reviewing and approving all of the firm's investments. Prior to 1991, Mr. Williams ran Allied's Minority Small Business Investment Company. He also founded Allied Capital Commercial Corporation, a real estate investment vehicle. Mr. Williams has served on the Board of various public and private companies. Mr. Williams attended The Landon School, and graduated from Mercersburg Academy and Rollins College, receiving a B.S. in Business Administration from the latter. Mr. Williams' qualifications as director include his over 25 years of experience managing investment activities at Allied Capital, where he served in a variety of positions, including President, COO and Managing Director.

Interested Directors

Christian L. Oberbeck—Mr. Oberbeck has over 28 years of experience in leveraged finance, from private equity to distressed debt and has been involved in originating, structuring, negotiating, consummating, managing and monitoring investments in these businesses. Mr. Oberbeck is the Managing Partner of Saratoga Partners, a middle market private equity investment firm, and has served on its investment committee since 1995. Mr. Oberbeck is also the Managing Member of Saratoga Investment Advisors, LLC, the Company's investment adviser, and the Chief Executive Officer of the Company. Mr. Oberbeck also served as our President until February 2014.

Prior to assuming management responsibility for Saratoga Partners in 2008, Mr. Oberbeck has co-managed Saratoga Partners since 1995, when he joined Dillon Read and Saratoga Partners from Castle Harlan, Inc., a corporate buyout firm, which he had joined at its founding in 1987 and was a Managing Director, leading successful investments in manufacturing and financial services companies. Prior to joining that, he worked in the Corporate Development Group of Arthur Young and in corporate finance at Blyth Eastman Paine Webber. Mr. Oberbeck has been a director of numerous middle market companies.

Mr. Oberbeck graduated from Brown University in 1982 with a BS in Physics and a BA in Mathematics. In 1985, he earned an MBA from Columbia University. Mr. Oberbeck's qualifications as a director include his extensive experience in the investment and finance industry, as well as his intimate knowledge of the Company's operations, gained through his service as an executive officer.

Michael J. Grisius—Mr. Grisius has over 25 years of experience in leveraged finance, investment management and financial services. He has originated, structured, negotiated, consummated, managed and monitored numerous successful investments in mezzanine debt, private equity, senior debt, structured products

and commercial real estate debt. Mr. Grisius is Chief Investment Officer and a Managing Director of Saratoga Investment Advisors, LLC, the Company's investment adviser and was appointed President of the Company in February 2013. Mr. Grisius joined Saratoga Investment Advisors, LLC in July 2011.

Prior to joining Saratoga Investment Advisors, Mr. Grisius served as Managing Director at Allied Capital Corporation, where he was an investment professional for 16 years. At Allied Capital Corporation, Mr. Grisius held several senior positions including co-head of Mezzanine Finance and member of its Management Committee and its Investment Committee. In 2008, Mr. Grisius was appointed co-chairman of the Allied Capital Corporation's Investment Committee. He also had responsibility for structuring and managing Unitranche Fund, LLC. During his tenure at Allied, Mr. Grisius built and led teams that made investments in subordinated debt, control equity and real estate mortgage debt. Mr. Grisius has served on the board of directors of numerous middle market companies. Prior to joining Allied Capital Corp., Mr. Grisius worked in leveraged finance at Chemical Bank from 1989 to 1992 and held senior accountant and consultant positions with KPMG LLP from 1985 to 1988.

Mr. Grisius graduated with a BS from Georgetown University in 1985 and earned an MBA from Cornell University's Johnson Graduate School of Management in 1990. Mr. Grisius' qualifications as a director include his broad experience in leverage finance, investment management, private equity and financial services.

Executive Officers

For information regarding Mr. Oberbeck, the Chairman of the Board and our Chief Executive Officer and Mr. Grisius, our President, see "—Interested directors" above.

Henri J. Steenkamp. Mr. Steenkamp, 40 years old, served as the Chief Financial Officer of MF Global Holdings Ltd., a broker in commodities and derivatives, from April 2011. Prior to that, Mr. Steenkamp held the position of Chief Accounting Officer and Global Controller at MF Global for four years. He joined MF Global, then Man Financial, in 2006 as Vice President of External Reporting and Accounting Policy. After MF Global filed for bankruptcy protection in October 2011, he continued to serve as Chief Financial Officer through January 2013. Before joining MF Global, Mr. Steenkamp spent eight years with PricewaterhouseCoopers ("PwC"), including four years in Transaction Services in its New York office, managing a variety of capital-raising transactions on a global basis. His focus was also on the SEC registration and public company filing process, including technical accounting. He spent four years with PwC in South Africa, where he served as an auditor primarily for SEC registrants and assisted South African companies as they went public in the U.S. Mr. Steenkamp is a chartered accountant and holds an honors degree in Finance.

Board Leadership and the Board's Role in the Oversight of Risk Management

Our board of directors monitors and performs an oversight role with respect to the business and affairs of the Company, including with respect to investment practices and performance, compliance with regulatory requirements and the services, expenses and performance of service providers to the Company. Among other things, our board of directors approves the appointment of our investment adviser, administrator and officers; reviews and monitors the services and activities performed by our investment adviser, administrator and officers; and approves the engagement, and reviews the performance of, our independent public accounting firm.

Under our bylaws, the Board may designate a chairman to preside over the meetings of the Board and meetings of the stockholders and to perform such other duties as may be assigned to him by the Board. The Company does not have a fixed policy as to whether the chairman of the Board should be an independent director and believes that its flexibility to select its chairman and reorganize its leadership structure from time to time is in the best interests of the Company and its stockholders.

Mr. Oberbeck, who is an "interested person" of the Company as defined in Section 2(a)(19) of the 1940 Act, serves as our chief executive officer and chairman of the Board. The Board believes that Mr. Oberbeck, as chief

executive officer of the Company and as a principal of Saratoga Investment Advisors, is the director with the most knowledge of our business strategy and is best situated to serve as chairman of the Board. The Company's Corporate Governance Guidelines provide that Mr. Steven M. Looney, as the Chairman of the Audit Committee of the Board of Directors of the Company, shall preside over the executive sessions of the non-employee and independent directors of the Company. A stockholder or interested party that desires to communicate directly with the Board of Directors or one or more of its members concerning the affairs of the Company may direct the communication in written correspondence by letter to: Saratoga Investment Corp., attention Mr. Steven M. Looney, Chairman of the Audit Committee, 535 Madison Avenue, New York, New York 10022. We believe that our board leadership structure must be evaluated on a case-by-case basis and that our existing board leadership structure is appropriate. However, we continually re-examine our corporate governance policies on an ongoing basis to ensure that they continue to meet our needs.

The Board, directly and through the audit committee and other committees of the Board, takes an active role in the oversight of the Company's policies with respect to the assessment and management of enterprise risk. Among other things, the Board has policies in place for identifying the senior executive responsible for key risks as well as the Board committees with oversight responsibility for particular key risks. In a number of cases, oversight is conducted by the full Board. Our Board also performs its risk oversight responsibilities with the assistance of the chief compliance officer. The chief compliance officer is designated to oversee compliance with the federal securities laws.

We believe that our Board and its committees' role in risk oversight complements our Board's leadership structure because it allows our independent directors, through three fully independent board committees, auditor and independent valuation providers, our chief compliance officer, and otherwise, to exercise oversight of risk without any conflict that might discourage critical review. We believe that our board leadership structure and the Board's approach to risk oversight must be evaluated on a case-by-case basis and that the Board's role in risk oversight is appropriate. However, we continually re-examine the manner in which the Board administers its oversight function on an ongoing basis to ensure that it continues to meet our needs.

Director Independence

In accordance with rules of the New York Stock Exchange (the "NYSE"), the Board annually determines the independence of each director. No director is considered independent unless the Board has determined that he or she has no material relationship with the Company. The Company monitors the status of its directors and officers through the activities of the Company's Nominating and Corporate Governance Committee and through a questionnaire to be completed by each director no less frequently than annually, with updates periodically if information provided in the most recent questionnaire has changed.

In order to evaluate the materiality of any such relationship, the Board uses the definition of director independence set forth in the NYSE Listed Company Manual. Section 303A.00 of the NYSE Listed Company Manual provides that business development companies, or BDCs, such as the Company, are required to comply with all of the provisions of Section 303A applicable to domestic issuers other than Sections 303A.02, the section that defines director independence. Section 303A.00 provides that a director of a BDC shall be considered to be independent if he or she is not an "interested person" of the Company, as defined in Section 2(a)(19) of the 1940 Act. Section 2(a)(19) of the 1940 Act defines an "interested person" to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with the Company.

The Board has determined that each of the directors is independent and has no relationship with the Company, except as a director and stockholder of the Company, with the exception of Messrs. Oberbeck and Grisius, who are interested persons of the Company due to their positions as officers of the Company and/or officers of Saratoga Investment Advisors, LLC, our external investment adviser.

Corporate Governance

We maintain a corporate governance webpage at the “Corporate Governance” link under the “Investor Relations” link at http://saratogainvestmentcorp.com.

Our Corporate Governance Procedures, Code of Business Conduct and Ethics, Code of Ethics and Board committee charters are available at our corporate governance webpage at http://saratogainvestmentcorp.com and are also available to any stockholder who requests them by writing to our Interim Secretary, Henri J. Steenkamp, at Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022.

Annual Evaluation

Our directors perform an evaluation, at least annually, of the effectiveness of the Board and its committees. This evaluation includes an annual questionnaire and Board and Board committee discussion.

Board Meetings and Committees

Our Board met six times during fiscal year 2016. Each director attended at least 75% of the total number of meetings of the Board and committees on which the director served that were held while the director was a member. The Board’s standing committees are set forth below. We require each director to make a diligent effort to attend all Board and committee meetings, as well as each Annual Meeting of Stockholders. All of the five directors attended the 2016 Annual Meeting of Stockholders in person.

Communications with Directors

Stockholders and other interested parties may contact any member (or all members) of the Board by mail. To communicate with the Board, any individual directors or any group or committee of directors, correspondence should be addressed to the Board or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent to Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022, Attention: Secretary. Any communication to report potential issues regarding accounting, internal controls and other auditing matters will be directed to the Audit Committee. Appropriate personnel of the Company will review and sort through communications before forwarding them to the addressee(s).

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own 10.0% or more of our voting stock, to file reports of ownership and changes in ownership of our equity securities with the SEC. Directors, executive officers and 10.0% or more holders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of those forms furnished to us, or written representations that no such forms were required, we believe that our directors, executive officers and 10.0% or more beneficial owners complied with all Section 16(a) filing requirements during the year ended August 31, 2016.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to which applies to, among others, our executive officers, including our principal executive officer and principal financial officer, as well as every officer, director and employee of the Company. Requests for copies should be sent in writing to Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022. The Company’s Code of Business Conduct and Ethics is also available on our website at http://saratogainvestmentcorp.com.

If we make any substantive amendment to, or grant a waiver from, a provision of our Code of Business Conduct and Ethics, we will promptly disclose the nature of the amendment or waiver on our website at http://saratogainvestmentcorp.com.

Committees of the Board of Directors

Audit Committee

The current members of the audit committee are Steven M. Looney (Chairman), Charles S. Whitman III and G. Cabell Williams. The Board has determined that Mr. Looney is an "audit committee financial expert" as defined under Item 407 of Regulation S-K of the Securities Exchange Act of 1934 and that each of Messrs. Whitman and Williams are "financially literate" as required by NYSE corporate governance standards. All of these members are independent directors. The audit committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. The audit committee is also responsible for aiding our board of directors in determining the fair value of debt and equity investments that are not publicly traded or for which current market values are not readily available; where appropriate, the board of directors and audit committee may utilize the services of an independent valuation firm to assist them in determining the fair value of these investments. Finally, the audit committee also reviews our financial statements and the disclosure thereof and the adequacy of our disclosure controls and procedures.

Authority

The audit committee is authorized (without seeking Board approval) to retain special legal, accounting or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the audit committee. The audit committee has available appropriate funding from the Company as determined by the audit committee for payment of: (i) compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) compensation to any advisers employed by the audit committee, and (iii) ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties. The audit committee may delegate its authority to subcommittees or the chairman of the audit committee when it deems appropriate and in the best interests of the Company.

Procedures

The audit committee meets as often as it determines is appropriate to carry out its responsibilities under its charter, but not less frequently than quarterly. The chairman of the audit committee, in consultation with the other committee members, determines the frequency and length of the committee meetings and sets meeting agendas consistent with its charter. The audit committee meets separately, periodically, with management, with internal auditors or other personnel responsible for the internal audit function and with the independent auditor. The audit committee met nine times during fiscal year 2016.

A charter of the audit committee is available in print to any stockholder who requests it and it is also available on the Company's website at www.saratogainvestmentcorp.com.

Nominating and Corporate Governance Committee

The current members of the nominating and corporate governance committee are Charles S. Whitman III (Chairman), G. Cabell Williams and Steven M. Looney. All of these members are independent directors. The nominating and corporate governance committee is responsible for identifying individuals qualified to become board members, and recommending to the Board director nominees for election at the next annual or special meeting of shareholders at which directors are to be elected or to fill any vacancies or newly created directorships that may occur between such meetings, recommending directors for appointment to Board committees, making recommendations to the Board as to determinations of director independence, overseeing the evaluation of the Board, overseeing and setting compensation for the Company's directors.

In making its recommendations for Board and committee membership, the nominating and corporate governance committee reviews candidates' qualifications for membership on the Board or a committee of the Board (including making a specific determination as to the independence of each candidate) based on the criteria approved by the Board (and taking into account the enhanced independence, financial literacy and financial expertise standards required under law or the New York Stock Exchange rules for audit committee membership purposes). In evaluating current directors for re-nomination to the Board or re-appointment to any Board committees, the nominating and corporate governance committee assesses the performance of such directors, periodically reviews the composition of the Board and its committees in light of the current challenges and needs of the Board, the Company and each committee, and determines whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience, considers rotation of committee members and committee chairmen and considers any other factors that are set forth in the Company's corporate governance procedures or are deemed appropriate by the nominating and corporate governance committee or the Board. The nominating and corporate governance committee considers issues of judgment, diversity, age, skills, background and experience in evaluating candidates for membership on the Board.

The nominating and corporate governance committee does not have a formal policy on the consideration of director candidates recommended by stockholders. The board of directors believes that it is more appropriate to give the nominating and corporate governance committee flexibility in evaluating stockholder recommendations. In the event that a director nominee is recommended by a stockholder, the nominating and corporate governance committee will give due consideration to the director nominee and will use the same criteria used for evaluating board director nominees, in addition to considering the information relating to the director nominee provided by the stockholder.

Authority

The nominating and corporate governance committee has the sole authority to retain and terminate any search firm assisting the nominating and corporate governance committee in identifying director candidates, including sole authority to approve all such search firm's fees and other retention terms. In addition, the nominating and corporate governance committee has the sole authority to retain and terminate any compensation consultant assisting the nominating and corporate governance committee in the evaluation of director compensation, including sole authority to approve all such compensation consultant's fees and other retention terms. The nominating and corporate governance committee may delegate its authority to subcommittees or the chair of the nominating and corporate governance committee when it deems appropriate and in the best interests of the Company.

Procedures

The nominating and corporate governance committee meets as often as it determines is appropriate to carry out its responsibilities under its charter. The chair of the committee, in consultation with the other committee members, determines the frequency and length of the committee meetings and shall set meeting agendas consistent with its charter. The nominating and corporate governance committee met once during fiscal year 2016.

A charter of the nominating and corporate governance committee is available in print to any stockholder who requests it, and it is also available on the Company's website at www.saratogainvestmentcorp.com.

Compensation Committee

The current members of the compensation committee are G. Cabell Williams (Chairman), Steven M. Looney and Charles S. Whitman III. All of these members are independent directors. The compensation committee is responsible for overseeing the Company's compensation policies generally and making recommendations to the Board with respect to incentive compensation and equity-based plans of the Company that are subject to Board approval, evaluating executive officer performance and reviewing the Company's

management succession plan, overseeing and setting compensation for the Company's directors and, as applicable, its executive officers and, as applicable, preparing the report on executive officer compensation that SEC rules require to be included in the Company's annual proxy statement. Currently, none of our executive officers are compensated by the Company and as such the compensation committee is not required to produce a report on executive officer compensation for inclusion in our annual proxy statement.

The compensation committee has the sole authority to retain and terminate any compensation consultant assisting the compensation committee, including sole authority to approve all such compensation consultant's fees and other retention terms. The compensation committee may delegate its authority to subcommittees or the chairman of the compensation committee when it deems appropriate and in the best interests of the Company.

Procedures

The compensation committee shall meet as often as it determines is appropriate to carry out its responsibilities under its charter. The chairman of the compensation committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with its charter. No executive officer should attend that portion of any meeting where such executive's performance (or, as applicable, compensation) is discussed, unless specifically invited by the compensation committee. The compensation committee met once during fiscal year 2016.

A charter of the compensation committee is available in print to any stockholder who requests it and is also available on the Company's website at www.saratogainvestmentcorp.com.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2016, none of the Company's executive officers served on the board of directors (or a compensation committee thereof or other board committee performing equivalent functions) of any entities that had one or more executive officers serve on the compensation committee or on the board of directors. No current or past executive officers or employees of the Company or its affiliates serve on the compensation committee.

Executive Compensation

Currently, none of our executive officers are compensated by us. We currently have no employees, and each of our executive officers is also an employee of Saratoga Investment Advisors. Services necessary for our business are provided by individuals who are employees of Saratoga Investment Advisors, pursuant to the terms of the Management Agreement and the administration agreement.

Director Compensation

Our independent directors receive an annual fee of $40,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the audit committee receives an annual fee of $5,000 and the chairman of each other committee receives an annual fee of $2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons."

The following table sets forth information concerning total compensation earned by or paid to each of our directors during the fiscal year ended February 29, 2016:

Name	Fees Earned or Paid in Cash	Total
Interested Directors		
Christian L. Oberbeck(1)	—	—
Michael J. Grisius(1)	—	—
Independent Directors	—	—
Steven M. Looney	$ 71,000	$71,000
Charles S. Whitman III	$ 68,000	$68,000
G. Cabell Williams	$ 68,000	$68,000

(1) No compensation was paid to directors who are interested persons of us as defined in the 1940 Act.

PORTFOLIO MANAGEMENT

The day-to-day management of our portfolio is the responsibility of Saratoga Investment Advisors and overseen by its investment committee.

Investment Committee

The members of Saratoga Investment Advisors' investment committee include Christian L. Oberbeck, Michael J. Grisius, Thomas V. Inglesby and Charles G. Phillips. See the section of the prospectus entitled "Management" for biographies of Messrs. Oberbeck and Grisius. For biographical information for Messrs. Inglesby and Phillips, see "Investment Professionals" below.

Investment Professionals

Our investment adviser's investment personnel, in addition to our investment adviser's investment committee, are primarily responsible for the day-to-day management of our portfolio.

The members of our investment adviser's investment committee and its investment personnel are not be employed by us, and receive no compensation from us in connection with their activities. However, they receive compensation from our investment adviser that includes an annual base salary, an annual individual performance bonus, contributions to 401(k) plans, and, in certain circumstances, a portion of the incentive fee or carried interest earned in connection with their services.

Below are the biographies for the members of our investment adviser's investment committee whose biographies are not included elsewhere in this prospectus and the other investment professionals of our investment adviser.

Thomas V. Inglesby—Mr. Inglesby has over 25 years of investment experience including private equity and leveraged finance. Mr. Inglesby is a managing director at Saratoga Investment Advisors and is responsible for originating, structuring, negotiating, consummating, managing and monitoring middle market investments.

Prior to joining Saratoga Investment Advisors, Mr. Inglesby was a senior managing director at GSC Group, Inc. From September 2008 through July 2010, Mr. Inglesby was a senior managing director in the Recovery Investment Group at GSC Group, serving on the investment committee as an internal advisor on matters relating to GSC Group's ongoing restructuring. From 2002 to 2008, Mr. Inglesby served as the Head of the U.S. Corporate Debt Group of GSC Group. During this period, GSC Group raised and managed $5.6 billion in capital across 12 corporate credit investment funds. From 1997 to 2002, he served as a managing director at GSC Group focused on middle market buyouts. Prior to joining GSC Group in 1997, Mr. Inglesby served as a managing director with Harbour Group from 1994 to 1997, where he focused on acquisitions of manufacturing companies in fragmented industries. From 1992 to 1994, Mr. Inglesby served as a managing director at the South Street Funds, a startup distressed debt investment fund founded by former partners at Goldman Sachs. From 1986 to 1990, Mr. Inglesby served as a vice president in the Merchant Banking Department at PaineWebber.

In September 2010, GSC Group filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code.

Mr. Inglesby received a J.D. from the University of Virginia School of Law, an M.B.A. from the Darden Graduate School of Business Administration, and a B.S. in Accounting with General Honors from the University of Maryland.

Charles G. Phillips IV—Mr. Phillips has over 13 years of investment experience including private equity and leveraged finance. Mr. Phillips is a managing director at Saratoga Investment Advisors and Saratoga Partners

and has been involved in originating, structuring, negotiating, consummating, managing and monitoring middle market investments. Mr. Phillips has extensive experience investing in middle-market manufacturing and service companies. He also has extensive experience in dealing with public financings and sales through his work with several portfolio companies of Saratoga Partners. Prior corporate finance experience includes mergers and acquisitions and capital markets experience in a variety of industries, including packaged foods, consumer products, cable television, energy and education. Mr. Phillips joined Saratoga Partners in 1997 after graduating from Harvard Business School. Prior to that, from 1993 to 1995, Mr. Phillips worked in Dillon Read's corporate finance department, where he was involved in mergers and acquisitions and advisory assignments in a variety of industries. Prior experience includes McCown De Leeuw & Co., a corporate buyout firm. Mr. Phillips has served as a director of a number of Saratoga Partners' portfolio companies.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Related Persons

We have entered into a Management Agreement with Saratoga Investment Advisors, LLC. We have also entered into a license agreement with Saratoga Investment Advisors, LLC, pursuant to which Saratoga Investment Advisors has agreed to grant us a non-exclusive, royalty-free license to use the name "Saratoga." In addition, pursuant to the terms of the administration agreement, Saratoga Investment Advisors, LLC provides us with the office facilities and administrative services necessary to conduct our day-to-day operations. Mr. Oberbeck, our chief executive officer, is the primary investor in and controls Saratoga Investment Advisors, LLC.

Review, Approval or Ratification of Transactions with Related Persons

The Audit Committee of our Board is required to review and approve any transactions with related persons (as such term is defined in Item 404 of Regulation S-K).

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

The following table sets forth, as of February 27, 2017, the beneficial ownership of each current director, the nominees for director, the Company's executive officers, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and the executive officers and directors as a group.

The percentage ownership is based on 5,794,599 shares of common stock outstanding as of February 27, 2017. Shares of common stock that are subject to warrants or other convertible securities currently exercisable or exercisable within 60 days thereof, are deemed outstanding for the purposes of computing the percentage ownership of the person holding these options or convertible securities, but are not deemed outstanding for computing the percentage ownership of any other person. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. To our knowledge, unless otherwise indicated in the footnotes to this table, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned. Unless otherwise indicated by footnote, the address for each listed individual is Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022.

Name of Beneficial Owners	Number of Shares of Common Stock Beneficially Owned	Percent of Class
Interested Directors		
Christian L. Oberbeck	1,712,599(1)	29.6%
Michael J. Grisius	143,709	2.5%
Executive Officer		
Henri J. Steenkamp	5,641	*
Independent Directors		
Steven M. Looney	2,508	*
Charles S. Whitman III	2,347	*
G. Cabell Williams	39,363	*
All Directors and Executive Officers as a Group	1,906,167	32.9%
Owners of 5% or more of our common stock		
Black Diamond Capital Management, L.L.C.(2)	642,922	11.1%
Elizabeth Oberbeck(3)	744,183	12.8%
Thomas V. Inglesby(4)	342,937	5.9%

* Less than 1%

Mr. Oberbeck and Mr. Inglesby are affiliates who make up 35.6% of the ownership of SAR.

(1) Includes 550,263 shares of common stock directly held by Mr. Oberbeck, 197,759 shares of common stock held by Saratoga Investment Advisors, which Mr. Oberbeck controls, and 220,394 shares of common stock held by CLO Partners LLC, an entity wholly owned by Mr. Oberbeck and 744,183 shares of common stock directly held by Elizabeth Oberbeck. See footnote 3 below.

(2) Based on information included in Amendment No. 6 to Schedule 13G filed by Black Diamond Capital Management, L.L.C. with the SEC on February 13, 2017. The address of Black Diamond Capital Management, L.L.C. is One Sound Shore Drive, Suite 200, Greenwich, CT 06830.

(3) Based on information included in Amendment No. 3 to Schedule 13D filed jointly by Christian L. Oberbeck, Elizabeth Oberbeck, Saratoga Investment Advisors and CLO Partners LLC on November 4, 2014. Pursuant to an Agreement Relating to Shares of Common Stock of Saratoga Investment Corp. (the “Transfer Agreement”), Christian L. Oberbeck transferred 744,183 shares of common stock beneficially owned by him to Elizabeth Oberbeck. Elizabeth Oberbeck has full ownership rights with respect to the shares, including without limitation, the right to (A) receive any cash and/or stock dividends and distributions paid on or with respect to the shares and (B) sell the shares in accordance with the provisions of the Transfer Agreement and receive all proceeds therefrom. However, pursuant to the terms of the Transfer Agreement, Christian L. Oberbeck has retained the right to vote the shares, except that Elizabeth Oberbeck has retained the right to vote the shares on all matters submitted to shareholders with respect to any matter that could give rise to dissenters or other rights of an objecting shareholder under Maryland General Corporation Law. The Transfer Agreement also contains a right of first refusal that requires Elizabeth Oberbeck to offer Christian L. Oberbeck the opportunity to purchase any shares of Common Stock owned by her prior to her intended sale of the shares. Any such purchases may be made either directly by Mr. Oberbeck or through entities affiliated with him.

(4) Based on information included in Schedule 13D filing Thomas V. Inglesby with the SEC on January 6, 2014.

Set forth below is the dollar range of equity securities beneficially owned by each of our directors as of February 27, 2017. We are not part of a "family of investment companies" as that term is defined in the 1940 Act.

Name of Director	Dollar Range of Equity Securities Beneficially Owned(1)(2)
Interested Directors	
Christian L. Oberbeck	Over $1,000,000
Michael J. Grisius	Over $1,000,000
Independent Directors	
Steven M. Looney	$500,001-$1,000,000
Charles S. Whitman	$500,001-$1,000,000
G. Cabell Williams	$500,001-$1,000,000

(1) The dollar ranges are as follows: None, $1-$10,000, $10,001-$50,000, $50,001-$100,000, $100,001-$500,000, $500,001-$1,000,000 or over $1,000,000.

(2) The dollar range of equity securities beneficially owned in us is based on the closing price for our common stock of $22.22 on February 27, 2017 on the New York Stock Exchange. Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.

REGULATION

Business Development Company Regulations

We have elected to be treated as a BDC under the 1940 Act. As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters, and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC, unless approved by a majority of our outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's stock present at a meeting if more than 50% of the outstanding stock of such company is present and represented by proxy or (ii) more than 50% of the outstanding stock of such company.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(c) satisfies either of the following:

(i) does not have any class of securities listed on a national securities exchange;

(ii) has a class of securities listed on a national securities exchange but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;

(iii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company;

(iv) is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million; or

(v) meets such other criteria as may established by the SEC.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own at least 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Managerial Assistance to Portfolio Companies

As a BDC we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Pursuant to a separate administration agreement, our investment adviser provides such managerial assistance on our behalf to portfolio companies that request this assistance, recognizing that our involvement with each investment will vary based on factors including the size of the company, the nature of our investment, the company's overall stage of development and our relative position in the capital structure. We may receive fees for these services.

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above under "—Qualifying assets." BDCs generally must offer to make available to the issuer of the securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Temporary investments

As a BDC, pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury Bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the asset diversification requirements in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our investment adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Indebtedness and senior securities

As a BDC, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of shares of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and senior securities

remain outstanding, we must generally make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or stock unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage.

Common stock

We are generally not able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act.

Code of ethics

As a BDC, we and Saratoga Investment Advisors have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements.

Proxy voting policies and procedures

SEC registered investment advisers that have the authority to vote (client) proxies (which authority may be implied from a general grant of investment discretion) are required to adopt policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interests of its clients. Registered investment advisers also must maintain certain records on proxy voting. In most cases, we will invest in securities that do not generally entitle us to voting rights in our portfolio companies. When we do have voting rights, we will delegate the exercise of such rights to our investment adviser.

Saratoga Investment Advisors has particular proxy voting policies and procedures in place. In determining how to vote, officers of Saratoga Investment Advisors will consult with each other, taking into account our interests and the interests of our investors, as well as any potential conflicts of interest. Saratoga Investment Advisors will consult with legal counsel to identify potential conflicts of interest. Where a potential conflict of interest exists, Saratoga Investment Advisors may, if it so elects, resolve it by following the recommendation of a disinterested third party, by seeking the direction of our independent directors or, in extreme cases, by abstaining from voting. While Saratoga Investment Advisors may retain an outside service to provide voting recommendations and to assist in analyzing votes, it will not delegate its voting authority to any third party.

An officer of Saratoga Investment Advisors will keep a written record of how all such proxies are voted. It will retain records of (1) proxy voting policies and procedures, (2) all proxy statements received (or it may rely on proxy statements filed on the SEC's EDGAR system in lieu thereof), (3) all votes cast, (4) investor requests for voting information, and (5) any specific documents prepared or received in connection with a decision on a proxy vote. If it uses an outside service, Saratoga Investment Advisors may rely on such service to maintain copies of proxy statements and records, so long as such service will provide a copy of such documents promptly upon request.

Saratoga Investment Advisors' proxy voting policies are not exhaustive and are designed to be responsive to the wide range of issues that may be subject to a proxy vote. In general, Saratoga Investment Advisors will vote

our proxies in accordance with these guidelines unless: (1) it has determined otherwise due to the specific and unusual facts and circumstances with respect to a particular vote, (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) it finds it necessary to vote contrary to its general guidelines to maximize stockholder value or our best interests.

In reviewing proxy issues, Saratoga Investment Advisors generally will use the following guidelines:

Elections of Directors: In general, Saratoga Investment Advisors will vote in favor of the management-proposed slate of directors. If there is a proxy fight for seats on a portfolio company's board of directors, or Saratoga Investment Advisors determines that there are other compelling reasons for withholding our vote, it will determine the appropriate vote on the matter. It may withhold votes for directors that fail to act on key issues, such as failure to: (1) implement proposals to declassify a board, (2) implement a majority vote requirement, (3) submit a rights plan to a stockholder vote or (4) act on tender offers where a majority of stockholders have tendered their shares. Finally, Saratoga Investment Advisors may withhold votes for directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement.

Appointment of Auditors: We believe that a portfolio company remains in the best position to choose its independent auditors and Saratoga Investment Advisors will generally support management's recommendation in this regard.

Changes in Capital Structure: Changes in a portfolio company's organizational documents may be required by state or federal regulation. In general, Saratoga Investment Advisors will cast our votes in accordance with the management on such proposals. However, Saratoga Investment Advisors will consider carefully any proposal regarding a change in corporate structure that is not required by state or federal regulation.

Corporate Restructurings, Mergers and Acquisitions: We believe proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, Saratoga Investment Advisors will analyze such proposals on a case-by-case basis and vote in accordance with its perception of our interests.

Proposals Affecting Stockholder Rights: We will generally vote in favor of proposals that give stockholders a greater voice in the affairs of a portfolio company and oppose any measure that seeks to limit such rights. However, when analyzing such proposals, Saratoga Investment Advisors will balance the financial impact of the proposal against any impairment of stockholder rights as well as of our investment in the portfolio company.

Corporate Governance: We recognize the importance of good corporate governance. Accordingly, Saratoga Investment Advisors will generally favor proposals that promote transparency and accountability within a portfolio company.

Anti-Takeover Measures: Saratoga Investment Advisors will evaluate, on a case-by-case basis, any proposals regarding anti-takeover measures to determine the likely effect on stockholder value dilution.

Share Splits: Saratoga Investment Advisors will generally vote with management on share split matters.

Limited Liability of Directors: Saratoga Investment Advisors will generally vote with management on matters that could adversely affect the limited liability of directors.

Social and Corporate Responsibility: Saratoga Investment Advisors will review proposals related to social, political and environmental issues to determine whether they may adversely affect stockholder value. It may abstain from voting on such proposals where they do not have a readily determinable financial impact on stockholder value.

Privacy principles

We are committed to protecting the privacy of our stockholders. The following explains the privacy policies of Saratoga Investment Corp., Saratoga Investment Advisors and their affiliated companies.

We will safeguard, according to strict standards of security and confidentiality, all information we receive about our stockholders. The only information we collect from stockholders is the holder's name, address, number of shares and social security number. This information is used only so that we can send annual reports and other information about us to the stockholder, and send the stockholder proxy statements or other information required by law.

We do not share this information with any non-affiliated third party except as described below.

- *Authorized Employees of Saratoga Investment Advisors.* It is our policy that only authorized employees of Saratoga Investment Advisors who need to know a stockholder's personal information will have access to it.
- *Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as recordkeeping, processing a stockholder's trades, and mailing a stockholder information. These companies are required to protect our stockholders' information and use it solely for the purpose for which they received it.
- *Courts and Government Officials.* If required by law, we may disclose a stockholder's personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

Compliance with applicable laws

As a BDC, we will be subject to periodic examination by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and Saratoga Investment Advisors are each required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

Co-investment

We may be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. Thus, based on current SEC interpretations, co-investment transactions involving a BDC like us and an entity that is advised by Saratoga Investment Advisors or an affiliated adviser generally could not be effected without SEC relief. The staff of the SEC has, however, granted no-action relief to third parties permitting for purchases of a single class of privately-placed securities provided that the adviser negotiates no term other than price and certain other conditions are met. As a result, currently we only expect to co-invest on a concurrent basis with affiliates of Saratoga Investment Advisors when each of us will own the same securities of the issuer and when no term is negotiated other than price. Any such investment would be made, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures.

We may in the future submit an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments because we believe that it will be advantageous for us to co-invest with affiliates of

Saratoga Investment Advisors where such investment is consistent with the investment objective, investment positions, investment policies, investment strategies, investment restrictions, regulatory requirements and other pertinent factors applicable to us. However, there is no assurance that any application for exemptive relief, if made, would be granted by the SEC.

Small Business Investment Company Regulations

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP, received an SBIC license from the SBA.

The SBIC license allows our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures, subject to the satisfaction of certain customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with 10-year maturities.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $18 million and have average annual fully taxed net income not exceeding $6 million for the two most recent fiscal years. In addition, an SBIC must devote 25% of its investment activity to “smaller” concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6 million and has average annual fully taxed net income not exceeding $2 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services.

SBA regulations currently limit the amount of SBA-guaranteed debentures that an SBIC may issue to $150 million when it has at least $75 million in regulatory capital. Affiliated SBICs are permitted to issue up to a combined maximum amount of $225 million in SBA-guaranteed debentures when they have at least $112.5 million in combined regulatory capital. As of June 4, 2014, our SBIC subsidiary had $32 million in regulatory capital and $64 million of SBA-guaranteed debentures outstanding. The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a “change of control” or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, our SBIC subsidiary may also be limited in its ability to make distributions to us if it does not have sufficient capital, in accordance with SBA regulations.

Our SBIC subsidiary is subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that our SBIC subsidiary will receive SBA guaranteed debenture funding, which is dependent upon our SBIC subsidiary continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to our SBIC subsidiary’s assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under the SBA-guaranteed debentures issued by our SBIC subsidiary upon an event of default.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain U.S. federal income tax considerations applicable to us and to an investment in shares of our common stock which is based on the provisions of the Code and the Treasury regulations in effect as they directly govern our U.S. federal income tax treatment and the U.S. federal income taxation of our stockholders. These provisions are subject to differing interpretations and change by legislative or administrative action, and any change may be retroactive. The discussion does not purport to deal with all of the U.S. federal income tax consequences applicable to us, or which may be important to particular stockholders in light of their individual investment circumstances or to some types of stockholders subject to special tax rules, such as financial institutions, broker-dealers, insurance companies, tax-exempt organizations, partnerships or other pass-through entities, persons holding our common shares in connection with a hedging, straddle, conversion or other integrated transaction, persons engaged in a trade or business in the United States or persons who have ceased to be U.S. citizens or to be taxed as resident aliens. This discussion assumes that the stockholders hold their common shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). No attempt is made to present a detailed explanation of all U.S. federal income tax aspects affecting us and our stockholders, and the discussion set forth herein does not constitute tax advice. This summary also does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets. No ruling has been or will be sought from the Internal Revenue Service, which we refer to as the IRS, regarding any matter discussed herein. Tax counsel has not rendered any legal opinion regarding any tax consequences relating to us or our stockholders. Stockholders are urged to consult their own tax advisors to determine the U.S. federal, state, local and foreign tax consequences to them of investing in our shares.

This summary does not discuss the consequences of an investment in shares of our preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock, debt or securities. The tax consequences of such an investment will be discussed in a relevant prospectus supplement.

For purposes of this discussion, a “U.S. stockholder” (or in this section, a “stockholder”) is a holder or a beneficial holder of shares which is for U.S. federal income tax purposes (1) an individual who is a citizen or resident of the U.S., (2) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (3) an estate whose income is subject to U.S. federal income tax regardless of its source, or (4) a trust if (a) a U.S. court is able to exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (b) the trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds the shares, the tax treatment of the partnership and each partner generally will depend on the activities of the partnership and the activities of the partner. Partnerships acquiring shares, and partners in such partnerships, should consult their own tax advisors. Prospective investors that are not U.S. stockholders should refer to “Non-U.S. Stockholders” below.

Tax matters are complicated and prospective investors in our shares are urged to consult their own tax advisors with respect to the U.S. federal income tax and state, local and foreign tax consequences of an investment in our shares, including the potential application of U.S. withholding taxes.

Taxation of the Company

Election to Be Taxed as a RIC

As a BDC, we elected and qualified to be treated as a RIC under subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition,

we must timely distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement"). Our SBIC subsidiary may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to maintain our status as a RIC. We may have to request a waiver of the SBA's restrictions for our SBIC subsidiary to make certain distributions to maintain our RIC status. We cannot assure you that the SBA will grant such a waiver.

Taxation as a RIC

As a RIC, if we satisfy the Annual Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain, defined as net long-term capital gains in excess of net short-term capital losses, we distribute to stockholders. We will be subject to U.S. federal income tax at regular corporate rates on any net income or net capital gain not distributed to our stockholders.

We will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its net ordinary income for any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calender year and any income realized, but not distributed, in preceding years and on which we did not pay federal income tax. Depending on the level of investment company taxable income ("ICTI") earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- qualify to be treated as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities, and net income derived from interests in "qualified publicly traded partnerships" (partnerships that are traded on an established securities market or tradable on a secondary market, other than partnerships that derive 90% of their income from interest, dividends and other permitted RIC income) (the "90% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year:
    - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
    - no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer or of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (the "Diversification Tests").

We may invest in partnerships, including qualified publicly traded partnerships, which may result in our being subject to state, local or foreign income and franchise or withholding liabilities.

Any underwriting fees paid by us are not deductible. We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation — Senior Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our qualification as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the excise tax requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Some of the income and fees that we may recognize will not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees indirectly through one or more entities treated as corporations for U.S. federal income tax purposes. Such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce our return on such income and fees.

Failure to Qualify as a RIC

If we were unable to continue to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. If we fail to qualify as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (*i.e.*, the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next ten years.

Company Investments

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (1) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the dividends received deduction, (2) convert lower taxed long-term capital gains and qualified dividend income into higher taxed short-term capital gains or ordinary income, (3) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (4) cause us to recognize income or gain without a corresponding receipt of cash, (5) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (6) adversely alter the characterization of certain complex financial transactions and (7) produce income that will not qualify as good income for purposes of the 90% annual gross income requirement described above. We will monitor our transactions and may make certain tax elections and may be required to borrow money or dispose of securities to mitigate the effect of these rules and prevent disqualification as a RIC.

Investments we make in securities issued at a discount or providing for deferred interest or payment of interest in kind are subject to special tax rules that will affect the amount, timing and character of distributions to stockholders. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we will generally be required to accrue daily as income a portion of the discount and to distribute such income each year to avoid U.S. federal income and excise taxes. Since in certain circumstances we may recognize income before or without receiving cash representing such income, we may have difficulty making distributions in the amounts necessary to satisfy the requirements for maintaining RIC status and for avoiding U.S. federal income and excise taxes. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify as a RIC and thereby be subject to corporate-level U.S. federal income tax.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long term or short term, depending on how long we held a particular warrant.

In the event we invest in foreign securities, we may be subject to withholding and other foreign taxes with respect to those securities. In that case, our yield on those securities would be decreased. We do not expect to satisfy the requirements necessary to pass through to our stockholders their share of the foreign taxes paid by us.

If we purchase shares in a “passive foreign investment company” (a “PFIC”), we may be subject to U.S. federal income tax on a portion of any “excess distribution” or gain from the disposition of such shares even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a “qualified electing fund” under the Code (a “QEF”), in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to us. Alternatively, we can elect to mark-to-market at the end of each taxable year our shares in a PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Under either election, we may be required to recognize in a year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4% excise tax. In addition, under recently proposed regulations, income required to be included as a result of a QEF election would not be qualifying income for purposes of 90% Income Test unless we receive a distribution of such income from the PFIC in the same taxable year to which the inclusion relates. See “— Taxation of the Company” above.

The remainder of this discussion assumes that we qualify as a RIC and have satisfied the Annual Distribution Requirement.

Taxation of U.S. Stockholders

Distributions we pay to you from our net ordinary income or from an excess of realized net short-term capital gains over realized net long-term capital losses (together referred to hereinafter as “ordinary income dividends”) are generally taxable to you as ordinary income to the extent of our earnings and profits. Due to our expected investments, in general, distributions will not be eligible for the dividends received deduction allowed to corporate stockholders and will not qualify for the reduced rates of tax for qualified dividend income allowed to individuals. Distributions made to you from an excess of realized net long-term capital gains over realized net short-term capital losses (“capital gain dividends”), including capital gain dividends credited to you but retained by us, are taxable to you as long-term capital gains if they have been properly designated by us, regardless of the length of time you have owned our shares. Distributions in excess of our earnings and profits will first reduce the

adjusted tax basis of your shares and, after the adjusted tax basis is reduced to zero, will constitute capital gains to you (assuming the shares are held as a capital asset). The current maximum U.S. federal tax rate on long-term capital gains of individuals is generally 20 percent. For non-corporate taxpayers, ordinary income dividends will currently be taxed at a maximum rate of 39.6 percent, while capital gain dividends generally will be currently taxed at a maximum U.S. federal income tax rate of 20 percent. For corporate taxpayers, both ordinary income dividends and capital gain dividends are currently taxed at a maximum U.S. federal income tax rate of 35 percent. In addition, individuals with income in excess of $200,000 ($250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their "net investment income," which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Present law also taxes both long-term and short-term capital gains of corporations at the rates applicable to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., net capital losses in excess of net capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of $3,000 generally may be carried forward and used in subsequent years, subject to certain limitations, as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

In the event that we retain any net capital gains, we may designate the retained amounts as undistributed capital gains in a notice to our stockholders. If a designation is made, stockholders would include in income, as long-term capital gains, their proportionate share of the undistributed amounts, but would be allowed a credit or refund, as the case may be, for their proportionate share of the corporate tax paid by us. In addition, the tax basis of shares owned by a stockholder would be increased by an amount equal to the difference between (i) the amount included in the stockholder's income as long-term capital gains and (ii) the stockholder's proportionate share of the corporate tax paid by us.

We may distribute taxable dividends that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service has issued private rulings indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under these rulings, if too many stockholders elect to receive their distributions in cash, each such stockholder would receive a pro rata share of the total cash to be distributed and would receive the remainder of their distribution in shares of stock. If we decide to make any distributions consistent with these rulings that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

We (or the applicable withholding agent) will send to each of our U.S. stockholders after the end of each calendar year, a notice reporting the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the IRS (including the amount of dividends, if any, eligible for the 20% maximum rate). Dividends paid by us generally will not be eligible for the dividends-received deduction or the preferential

tax rate applicable to Qualifying Dividends because our income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

As a RIC, we will be subject to alternative minimum tax, also referred to as "AMT," but any items that are treated differently for AMT purposes must be apportioned between us and our U.S. stockholders and this may affect the U.S. stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each U.S. stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for particular item is warranted under the circumstances.

Dividends and other taxable distributions are taxable to you even though they are reinvested in additional shares of our common stock. If we pay you a dividend in January which was declared in the previous October, November or December to stockholders of record on a specified date in one of these months, then the dividend will be treated for tax purposes as being paid by us and received by you on December 31 of the year in which the dividend was declared.

A stockholder will generally recognize gain or loss on the sale or exchange of our common shares in an amount equal to the difference between the stockholder's adjusted basis in the shares sold or exchanged and the amount realized on their disposition. Generally, gain recognized by a stockholder on the sale or other disposition of our common shares will result in capital gain or loss to you, and will be a long-term capital gain or loss if the shares have been held for more than one year at the time of sale. Any loss upon the sale or exchange of our shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you. A loss realized on a sale or exchange of our shares will be disallowed if other substantially identical shares are acquired (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In this case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

Stockholders should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our shares.

Backup Withholding. We are required in certain circumstances to backup withhold on taxable dividends or distributions and certain other payments paid to non-corporate stockholders who do not furnish us with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Reportable Transactions Reporting. If a U.S. stockholder recognizes a loss with respect to shares of our common stock of $2 million or more for an individual stockholder or $10 million or more for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, stockholders of a RIC are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. U.S. stockholders should consult their tax advisors to determine the applicability of these regulations in light of their specific circumstances.

Taxation of Non-U.S. Stockholders

The following discussion only applies to non-U.S. stockholders. A "non-U.S. stockholder" is a holder that is not a U.S. stockholder for U.S. federal income tax purposes. Whether an investment in the shares is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares by a non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisors before investing in our shares.

Distributions of ordinary income dividends to non-U.S. stockholders, subject to the discussion below, will generally be subject to withholding of federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits. However, properly reported dividends received by a non-U.S. stockholder are generally exempt from U.S. federal withholding tax when they (1) are paid in respect of our "qualified net interest income" (generally, our U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income), or (2) are paid in connection with our "qualified short-term capital gains" (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). Depending on the circumstances, we may report all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a non-U.S. stockholder must comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, W-8BEN-E, or an acceptable substitute or successor form). In the case of shares held through an intermediary, the intermediary could withhold even if we report the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. stockholders should contact their intermediaries with respect to the application of these rules to their accounts.

Different tax consequences may result if the non-U.S. stockholder is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

Actual or deemed distributions of our net capital gains to a non-U.S. stockholder, and gains recognized by a non-U.S. stockholder upon the sale of our common stock, generally will not be subject to federal withholding tax and will not be subject to U.S. federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder or, in the case of an individual, such individual is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions (which we may do in the future), a non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the non-U.S. stockholder is not otherwise required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable tax treaty). Accordingly, investment in the shares may not be appropriate for certain non-U.S. stockholders.

Backup Withholding. A non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of federal income tax on dividends unless the non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN, Form W-8BEN-E or an acceptable substitute form or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Non-U.S. persons should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our shares.

Foreign Account Tax Compliance Act

Legislation commonly referred to as the "Foreign Account Tax Compliance Act," or FATCA, generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners). The types of income subject to the tax include U.S. source interest and dividends, and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends received after December 31, 2016. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a Non-U.S. Holder and the status of the intermediaries through which they hold their shares, Non-U.S. Holders could be subject to this 30% withholding tax with respect to distributions on their shares and proceeds from the sale of their shares. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes.

DETERMINATION OF NET ASSET VALUE

The NAV per share of our outstanding shares of common stock is determined quarterly by dividing the value of total assets minus liabilities by the total number of shares of common stock outstanding at the date as of which the determination is made.

We carry our investments at fair value, as approved in good faith using written policies and procedures adopted by our board of directors. In calculating the value of our total assets, investments for which market quotations are readily available are recorded in our financial statements at such market quotations subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved in good faith by our board of directors based on input from Saratoga Investment Advisors, our audit committee and, on a selected basis, a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, the markets in which the portfolio company does business, market yield trend analysis, comparison to publicly traded companies, discounted cash flow and other relevant factors.

Our investment in the subordinated notes of Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for similar collateralized loan obligation fund subordinated notes or equity, when available. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for Saratoga CLO's valuation. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated cash flows. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows from our investment in Saratoga CLO) to perform a discounted cash flows analysis on expected future cash flows from our investment in Saratoga CLO to determine a valuation for the subordinated notes of Saratoga CLO held by us.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- each investment is initially valued by the responsible investment professionals of Saratoga Investment Advisors and preliminary valuation conclusions are documented and discussed with our senior management; and

- an independent valuation firm engaged by our board of directors independently values at least one quarter of our investments each quarter so that the valuation of each investment for which market quotes are not readily available is independently valued by an independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- the audit committee of our board of directors reviews each preliminary valuation and our investment adviser and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- our board of directors discusses the valuations and approves the fair value of each investment in good faith based on the input of our investment adviser, independent valuation firm (if applicable) and audit committee.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates.

The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

In September 2006, the Financial Accounting Standards Board, (the “FASB”), issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“FAS 157”). In conjunction with Accounting Standards Codification (“ASC”) 105 issued by the FASB in June 2009, FAS 157 has been codified in ASC 820, “Fair Value Measurement and Disclosures” (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles in the United Sates, or GAAP, and expands disclosures about fair value measurements.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1 : Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2 : Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3 : Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls will be determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

The changes to generally accepted accounting principles from the application of ASC 820 relate to the definition of fair value, framework for measuring fair value and the expanded disclosures about fair value measurements. ASC 820 applies to fair value measurements already required or permitted by other standards. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

Ongoing relationships with and monitoring of portfolio companies

Saratoga Investment Advisors closely monitors each investment we make and, when appropriate, conducts a regular dialogue with both the management team and other debtholders and seeks specifically tailored financial reporting. In addition, in certain circumstances, senior investment professionals of Saratoga Investment Advisors may take board seats or board observation seats.

Determinations in Connection with Offerings

In connection with any offering of shares of our common stock, our board of directors or one of its committees will be required to make the determination that we are not selling shares of our common stock at a price below the then current NAV of our common stock or, if our shareholders have granted us the authority to sell shares of our common stock at a price below the then current NAV per share, at a level consistent with such explicit authority, at the time at which the sale is made. Our board of directors or the applicable committee will consider the following factors, among others, in making such determination:

- the NAV of our common stock most recently disclosed by us in the most recent periodic report that we filed with the SEC;
- our management's assessment of whether any material change in the NAV of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed NAV of our common stock in our most recent periodic report that we filed with the SEC and ending two days prior to the date of the sale of our common stock; and
- the magnitude of the difference between the NAV of our common stock most recently disclosed by us in our most recent periodic report that we filed with the SEC and our management's assessment of any material change in the NAV of our common stock since that determination, and the offering price of the shares of our common stock in the proposed offering.

The processes and procedures set forth above are part of our compliance policies and procedures. In addition, we will make a record of any such determinations made and such documentation will be maintained in a manner consistent with the Company's other 1940 Act related materials.

SALES OF COMMON STOCK BELOW NET ASSET VALUE

We are not generally able to sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below net asset value per share (i) in connection with a rights offering to our existing stockholders, (ii) with the approval of our common stockholders, or (iii) under such other circumstances as the SEC may permit. For example, we may sell our common stock at a price below the then current net asset value of our common stock if our Board of Directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve our policy and practice of making such sales. We do not have stockholder approval and do not currently intend to seek stockholder approval to allow us to issue common stock at a price below net asset value per share.

Any offering of common stock below its net asset value per share will be designed to raise capital for investment in accordance with our investment objective. In making a determination that an offering of common stock below its net asset value per share is in our and our stockholders' best interests, our board of directors will consider a variety of factors including:

- the effect that an offering below net asset value per share would have on our stockholders, including the potential dilution to the net asset value per share of our common stock our stockholders would experience as a result of the offering;
- the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined net asset value per share;
- the relationship of recent market prices of par common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;
- whether the estimated offering price would closely approximate the market value of shares of our common stock;
- the potential market impact of being able to raise capital during the current financial market difficulties;
- the nature of any new investors anticipated to acquire shares of our common stock in the offering;
- the anticipated rate of return on and quality, type and availability of investments; and
- the leverage available to us.

Our board of directors will also consider the fact that sales of shares of common stock at a discount will benefit our investment adviser as the investment adviser will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other of our securities or from the offering of common stock at a premium to net asset value per share.

Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share would result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See "Risk Factors—Risks Relating to Our Common Stock—Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock."

The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than net asset value per share on three different types of investors:

- existing stockholders who do not purchase any shares in the offering;

- existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and
- new investors who become stockholders by purchasing shares in the offering.

Impact On Existing Stockholders Who Do Not Participate in the Offering

Our current stockholders who do not participate in an offering below net asset value per share or who do not buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the net asset value of the shares of common stock they hold and their net asset value per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and in their voting power than the increase we will experience in our assets, potential earning power and voting interests due to such offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. Further, if current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value, their voting power will be diluted.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from NAV per share, all within the ranges provided in the Stockholder Proposal, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below.

The examples assume that Company XYZ has 5,500,000 shares of common stock outstanding, $273,000,000 in total assets and $150,000,000 in total liabilities. The current NAV and NAV per share are thus $123,000,000 and $22.36. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) the issuance of 550,000 shares (10% of the outstanding shares) at an offering price of $20.12 per share to investors (a 10% discount from NAV); (2) the issuance of 1,100,000 shares (20% of the outstanding shares) at an offering price of $19.01 per share to investors (a 15% discount from NAV); (3) the issuance of 2,200,000 shares (40% of the outstanding shares) at an offering price of $19.01 per share to investors (a 15% discount from NAV); and (4) the issuance of 5,500,000 (100% of the outstanding shares) at an offering price of $19.01 per share to investors (a 15% discount from NAV).

		Example 1 10% Offering at 10% Discount		Example 2 20% Offering at 15% Discount		Example 3 40% Offering at 15% Discount		Example 4 100% Offering at 15% Discount	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price									
Price per Share to Public	—	$ 20.12	—	19.01	—	$ 19.01	—	$ 19.01	—
Net Proceeds per Share to Issuer(1)	—	$ 18.71	—	17.68	—	$ 17.68	—	$ 17.68	—
Decrease to NAV									
Total Shares Outstanding	5,500,000	6,050,000	10.00%	6,600,000	20.00%	7,700,000	40.00%	11,000,000	100%
NAV per Share	22.36	$ 22.03	-1.48%	$ 21.58	-3.49%	$ 21.03	-5.97%	20.02	-10.46%
Dilution to Stockholder									
Shares Held by Stockholder A	11,000	11,000	—	11,000	—	11,000	—	11,000	—
Percentage Held by Stockholder A	0.20%	0.18%	-9.09%	0.17%	-16.67%	0.14%	-28.57%	0.10%	-50.00%
Total Asset Values									

	Prior to Sale Below NAV	Example 1 10% Offering at 10% Discount		Example 2 20% Offering at 15% Discount		Example 3 40% Offering at 15% Discount		Example 4 100% Offering at 15% Discount	
		Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Total NAV Held by Stockholder A	$ 245,960	$ 242,320	-1.48%	237,376	-3.49%	$ 231,276	-5.97%	$ 220,233	-10.46%
Total Investment by Stockholder A (Assumed to be $22.36 per Share)	$ —	$ 245,960	—	$ 245,960	—	$ 245,960	—	$ 245,960	—
Total Dilution to Stockholder A (Total NAV Less Total Investment)	—	$ -3,640	—	-8,584	—	-14,684	—	$ -25,727	—
Per Share Amounts									
NAV per Share Held by Stockholder A	—	$ 22.03	—	21.58	—	$ 21.03	—	$ 20.02	—
Investment per Share Held by Stockholder A (Assumed to be $22.36 per Share on Shares Held Prior to Sale)	$ —	$ 22.36	—	22.36	—	$ 22.36	—	$ 22.36	—
Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share)	—	$ -0.33	—	$ -0.78	—	$ -1.33	—	$ -2.34	—
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)	—	—	-1.5%	—	-3.5%	—	-6.0%	—	-10.50%

(1) Assumes 7% issuance discount.

Impact on Existing Stockholders Who Do Participate in the Offering

Our existing stockholders who participate in an offering below net asset value per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of net asset value dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of net asset value dilution to such stockholders will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than their proportionate percentage will experience net asset value dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in net asset value per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares purchased by such stockholder increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience net asset value dilution as described above in any subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in net asset value per share. This decrease could be more pronounced as the size of the offering and the level of discount to net asset value increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% offering at a 15% discount from the prior chart (Example 3) for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,100) shares, which is 0.1% of an offering of 1,100,000 shares rather than its 0.2% proportionate share) and (2) 150% of such percentage (i.e., 3,300 shares, which is 0.3% of an offering of 1,100,000 shares rather than its 0.2% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

		50% Participation		150% Participation	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change
Offering Price					
Price per Share to Public	—	$ 19.01	— %	$ 19.01	— %
Net Proceeds per Share to Issuer(1)	—	$ 17.68	— %	$ 17.68	— %
Increase in Shares and Decrease to NAV					
Total Shares Outstanding	5,500,000	6,600,000	20%	6,600,000	20%
NAV per share	$ 22.36	$ 21.58	-3.49%	$ 21.58	-3.49%
Dilution/Accretion to Participating Stockholder A					
Share Dilution/Accretion					
Shares Held by Stockholder A	11,000	12,100	10%	14,300	30%
Percentage Outstanding Held by Stockholder A	0.2%	0.18%	-8.33%	0.21%	8.33%
NAV Dilution/Accretion					
Total NAV Held by Stockholder A	$ 245,960	$ 261,118	6.16%	$ 308,594	25.47%
Total Investment by Stockholder A (Assumed to be $22.36 per Share on Shares Held Prior to Sale)	—	$ 265,408	—	$ 304,304	—
Total Dilution/Accretion to Stockholder A (Total NAV Less Total Investment)	$ —	$ -4,290	-1.64%	$ 4,290	1.39%
NAV Dilution/Accretion per Share					
NAV per Share Held by Stockholder A	$ —	$ 21.58	-3.49%	$ 21.58	-3.49%
Investment per Share Held by Stockholder A (Assumed to be $22.36 per Share on Shares Held Prior to Sale)	$ —	$ 21.93	— %	$ 21.28	— %
NAV Dilution/Accretion per Share Experienced by Stockholder A (NAV per Share Less Investment per Share)	—	$ -0.35	— %	$ 0.30	— %
Percentage NAV Dilution/Accretion Experienced by Stockholder A (NAV Dilution/Accretion per Share Divided by Investment per Share)	—	—	-1.60%	—	1.41%

(1) Assumes 7% issuance discount.

Impact on New Investors

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share due to selling compensation and expenses paid by us will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares (Example 1 below). On the other hand, investors who are not currently stockholders, but who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares (Examples 2 and 3 below). These latter investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in any subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical discounted offerings as described in the first chart above. The

illustration is for a new investor who purchases the same percentage (0.20%) of the shares in the offering as Stockholder A in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share.

	Prior to Sale Below NAV	Example 1 10% Offering at 10% Discount		Example 2 20% Offering at 15% Discount		Example 3 40% Offering at 15% Discount		Example 4 100% Offering at 15% Discount	
		Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price									
Price per Share to Public	—	$ 20.12	—	$ 19.01	— %	$ 19.01	— %	$ 19.01	— %
Net Proceeds per Share to Issuer	—	$ 18.71	—	$ 17.68	— %	$ 17.68	— %	$ 17.68	— %
Increase in Shares and Decrease to NAV									
Total Shares Outstanding	5,500,000	6,050,000	10%	6,600,000	20%	7,700,000	40%	11,000,000	100%
NAV per Share	$ 22.36	$ 22.03	-1.48%	$ 21.58	-3.49%	$ 21.03	-5.99%	$ 20.02	-10.48%
Dilution/Accretion to New Investor A									
Share Dilution									
Shares held by Investor A	—	1,100	— %	2,200	— %	4,400	— %	11,000	— %
Percentage Outstanding Held by Investor A	— %	0.02%	— %	0.03%	— %	0.06	— %	0.10	— %
NAV Dilution									
Total NAV Held by Investor A	—	$ 22,030	— %	$ 47,476	— %	$ 92,532	— %	$ 220,220	— %
Total Investment by Investor A (At Price to Public)	—	$ 18,710	— %	$ 38,896	— %	$ 77,792	— %	$ 194,480	— %
Total Dilution/Accretion to Investor A (Total NAV Less Total Investment)	—	$ 3,720	17.74%	$ 8,580	22.06%	$ 14,740	18.95%	$ 25,740	13.24%
NAV Dilution per Share									
NAV per Share Held by Investor A	—	$ 22.03	— %	$ 21.58	— %	$ 21.03	— %	$ 20.02	— %
Investment per Share Held by Investor A	—	$ 18.71	— %	$ 17.68	— %	$ 17.68	— %	$ 17.68	— %
NAV Dilution/Accretion per Share Experienced by Investor A (NAV per Share Less Investment per Share)	—	$ 3.32	— %	$ 3.90	— %	$ 3.35	— %	$ 2.34	— %
Percentage NAV Dilution/Accretion Experienced by Investor A (NAV Dilution/ Accretion per Share Divided by Investment per Share)	—	—	17.74%	—	22.06%	—	18.95%	—	13.24%

DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the Maryland General Corporation Law and our charter and bylaws, which we collectively refer to as our "governing documents."

As of the date of this prospectus, our authorized stock consists of 100,000,000 shares of capital stock, $0.001 par value per share, all of which are designated as shares of common stock. Our common stock trades under the symbol "SAR" on the New York Stock Exchange. There are no outstanding options or warrants to purchase our common stock. No shares of common stock have been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our governing documents, our board of directors is authorized to create new classes or series of shares of stock and to authorize the issuance of shares of stock without obtaining stockholder approval. Our charter provides that the board of directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Common Stock

Each share of our common stock has equal rights as to earnings, assets, dividends and voting and all of our outstanding shares of common stock are duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights.

In the event of our liquidation, dissolution or winding up, each share of common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of shares of our preferred stock, if any are outstanding at such time. Each share of our common stock entitles its holder to cast one vote on all matters submitted to a vote of stockholders, including the election and removal of directors.

The following table sets forth information regarding our authorized shares of stock under our charter and shares of stock outstanding as of the date of this prospectus.

Title of Class	Shares Authorized	Amount Held by Us or for Our Account	Amount Outstanding Exclusive of Amount Held by Us or for Our Account
Common Stock	100,000,000	—	5,794,599

Preferred Stock

Our governing documents authorize our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to the issuance of shares of stock of each class or series, the board of directors is required by our governing documents to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of shares of stock. Thus, the board of directors could authorize the issuance of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. In addition, as a business development company, any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, the aggregate

dividend or distribution on, or purchase price of, such shares of preferred stock together with all other indebtedness and senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock is in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding shares of preferred stock. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

The Maryland General Corporation Law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our governing documents contain a provision which eliminates directors' and officers' liability to the maximum extent permitted by the Maryland General Corporation Law, subject to the requirements of the 1940 Act.

Maryland law requires a corporation (unless its charter provides otherwise, which, our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received unless, in either case, a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Our charter authorizes us to obligate ourselves, and our bylaws do obligate us, to the maximum extent permitted by Maryland law and subject to any applicable requirements of the 1940 Act, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (1) any present or former director or officer or (2) any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner, manager, member or trustee, from and against any claim or liability to which that person may become subject for which that person may incur by reason of his or her service in such capacity. Our charter and bylaws also permit indemnification and the advancement of expenses to any person who served a predecessor to Saratoga Investment Corp. in any of the capacities described above and any of our employees or agents or any employees or agents of such predecessor.

As a business development company, and in accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

In addition to the indemnification provided for in our bylaws, we have entered into indemnification agreements with each of our current directors and officers and we intend to enter into indemnification agreements with each of our future directors and officers. The indemnification agreements attempt to provide these directors and officers the maximum indemnification permitted under Maryland law and the 1940 Act. The agreements provide, among other things, for the advancement of expenses and indemnification for liabilities incurred which such person may incur by reason of his or her status as a present or former director or officer in any action or proceeding arising out of the performance of such person's services as a present or former director or officer.

Provisions of Our Governing Documents and the Maryland General Corporation Law

Our governing documents and the Maryland General Corporation Law contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms. Directors of each class are elected to serve for three-year terms and until their successors are duly elected and qualify, and each year one class of directors is elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors will help to ensure the continuity and stability of our management and policies.

Number of Directors; Vacancies; Removal

Our governing documents provide that the number of directors will be set only by our board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than three nor more than eleven. Our charter provides that, except as may be provided by the board of directors in setting the terms of any class or series of shares of stock, so long as we have a class of securities registered under the Exchange Act and at least three independent directors, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act. If there are no directors then in office, vacancies may be filled by stockholders at a special meeting called for such purpose. Our charter provides that a director may be removed only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors.

Election of Directors

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect each director. Pursuant to our charter and bylaws, our board of directors may amend the bylaws to alter the vote required to elect directors.

Action by Stockholders

All of our outstanding shares of common stock will generally be able to vote on any matter that is a proper subject for action by the stockholders of a Maryland corporation, including in respect of the election or removal of

directors as well as other extraordinary matters. Under the Maryland General Corporation Law, stockholder action can be taken only at an annual or special meeting of stockholders or by written or electronically-transmitted unanimous consent in lieu of a meeting. These provisions, combined with the requirements of our governing documents regarding the calling of a stockholder-requested special meeting of stockholder discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that, with respect to an annual meeting of our stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the board of directors, (3) by any stockholder who is a stockholder of record both at the time of giving notice by the stockholder and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the board of directors, (3) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is a stockholder of record both at the time of giving notice by the stockholder and at the time of the special meeting and who is entitled to vote at the meeting and who has complied with the advance notice provisions of our bylaws or (4) by a stockholder who is entitled to vote at the meeting in circumstances in which a special meeting of stockholders is called for the purpose of electing directors when no directors remain in office.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of our stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of our stockholders will be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting, except that, if no directors remain in office, a special meeting of our stockholders shall be called to elect directors by the secretary upon the written request of holders entitled to cast at least 10% of the votes entitled to be cast generally in the election of directors.

Amendment of Governing Documents

Under Maryland law, a Maryland corporation generally cannot dissolve or amend its charter unless the corporation’s board of directors declares the dissolution or amendment to be advisable and the dissolution or amendment is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. A Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter

generally provides for approval of amendments to our charter by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. However, our charter also provides that certain charter amendments and proposals for our liquidation, dissolution or conversion, whether by merger or otherwise, from a closed-end company to an open-end company require the approval of the stockholders entitled to cast at least two-thirds percent of the votes entitled to be cast on such matter. If such amendment or proposal is approved by at least two-thirds of our continuing directors (in addition to approval by our board of directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The "continuing directors" are, as defined in our charter, our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the board of directors.

Our governing documents provide that the board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Approval of Extraordinary Actions

Under Maryland law, a Maryland corporation generally cannot amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless the corporation's board of directors declares action or transaction to be advisable and the action or transaction is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. A Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter.

Except for a merger that would result in our conversion to an open-end company, which requires the approval described above, our charter provides that we may merge, sell all or substantially all of our assets, engage in a consolidation or share exchange or engage in similar transactions, if such transaction is declared advisable by our board of directors and approved by a majority of all of the votes entitled to be cast on the matter.

No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act discussed below, as permitted by the Maryland General Corporation Law, our governing documents provide that our stockholders will not be entitled to exercise appraisal rights unless a majority of our board of directors determines that such rights will apply with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise appraisal rights.

Control Share Acquisitions

The Control Share Acquisition Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholder meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the 1940 Act, which will prohibit any such repurchase other than in limited circumstances. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholder meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of our common stock. Such provision could also be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if the board of directors determines that it would be in our best interests and if the SEC does not object to our determination that our being subject to the Control Share Acquisition Act does not conflict with the 1940 Act.

Business Combinations

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation’s stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution exempting from the provisions of the Maryland Business Combination Act any business combination between us and any other person. If our board of directors adopts resolutions causing us to be subject to the provisions of the Business Combination Act, these provisions may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Acquisition Act or the Business Combination Act (if we amend our bylaws to be subject to such Acts), or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

DESCRIPTION OF OUR SUBSCRIPTION RIGHTS

We may issue subscription rights to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwriting or other arrangement with one or more underwriters or other persons pursuant to which such underwriters or other persons would purchase any offered securities remaining unsubscribed for after such subscription rights offering. We will not offer transferable subscription rights to our stockholders at a price equivalent to less than the then current net asset value per share of common stock, excluding underwriting commissions, unless we first file a post-effective amendment that is declared effective by the SEC with respect to such issuance and the common stock to be purchased in connection with the rights represents no more than one-third of our outstanding common stock at the time such rights are issued (i.e., the right to purchase one new share for a minimum of every three rights held). In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering. Our common stockholders will indirectly bear the expenses of such subscription rights offerings, regardless of whether our common stockholders exercise any subscription rights.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

- the title of such subscription rights;
- the exercise price or a formula for the determination of the exercise price for such subscription rights;

- the number or a formula for the determination of the number of such subscription rights issued to each stockholder;
- the extent to which such subscription rights are transferable;
- if applicable, a discussion of the material U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;
- the date on which the right to exercise such subscription rights would commence, and the date on which such rights shall expire (subject to any extension);
- the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities;
- if applicable, the material terms of any standby underwriting or other purchase arrangement that we may enter into in connection with the subscription rights offering; and
- any other terms of such subscription rights, including terms, procedures and limitations relating to the exchange and exercise of such subscription rights.

Exercise of Subscription Rights

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock or other securities at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby or another report filed with the SEC. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the applicable prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void. We have not previously completed such an offering of subscription rights.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement, we will forward, as soon as practicable, the shares of common stock or other securities purchasable upon such exercise. We may determine to offer any unsubscribed offered securities directly to stockholders, persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting or other arrangements, as set forth in the applicable prospectus supplement.

DESCRIPTION OF OUR DEBT SECURITIES

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an "indenture." An indenture is a contract between us and the financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under "—Events of Default—Remedies if an Event of Default Occurs." Second, the trustee performs certain administrative duties for us with respect to our debt securities.

All the material terms of the indenture and the supplemental indenture, as well as an explanation of your rights as a holder of debt securities, are described in this prospectus and in the prospectus supplement accompanying this prospectus. Because this section is a summary, however, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. We have filed a form of the indenture with the SEC. See "Available Information" for information on how to obtain a copy of the indenture. We will file a supplemental indenture with the SEC in connection with any debt offering, at which time the supplemental indenture would be publicly available.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered by including:

- the designation or title of the series of debt securities;
- the total principal amount of the series of debt securities;
- the percentage of the principal amount at which the series of debt securities will be offered;
- the date or dates on which principal will be payable;
- the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;
- the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;
- whether any interest may be paid by issuing additional securities of the same series in lieu of cash (and the terms upon which any such interest may be paid by issuing additional securities);
- the terms for redemption, extension or early repayment, if any;
- the currencies in which the series of debt securities are issued and payable;
- whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;
- the place or places, if any, other than or in addition to the Borough of Manhattan in the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;
- the denominations in which the offered debt securities will be issued (if other than $1,000 and any integral multiple thereof);

- the provision for any sinking fund;
- any restrictive covenants;
- any Events of Default (as defined in "Events of Default" below);
- whether the series of debt securities are issuable in certificated form;
- any provisions for defeasance or covenant defeasance;
- any special federal income tax implications, including, if applicable, federal income tax considerations relating to original issue discount;
- whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);
- any provisions for convertibility or exchangeability of the debt securities into or for any other securities;
- whether the debt securities are subject to subordination and the terms of such subordination;
- whether the debt securities are secured and the terms of any security interest;
- the listing, if any, on a securities exchange; and
- any other terms.

The debt securities may be secured or unsecured obligations. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

We are permitted, under specified conditions, to issue multiple classes of indebtedness if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance after giving effect to any exemptive relief granted to us by the SEC. In addition, while any indebtedness and senior securities remain outstanding, we must make provisions to prohibit the distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. For a discussion of the risks associated with leverage, see "Risk Factors—Risks Related to Our Business and Structure—Regulations governing our operation as a BDC will affect our ability to raise additional capital."

General

The indenture provides that any debt securities proposed to be sold under this prospectus and the accompanying prospectus supplement ("offered debt securities") and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities ("underlying debt securities") may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of, or premium or interest, if any, on, debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the "indenture securities." The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See "—Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the

powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk protection or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

Conversion and Exchange

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

Issuance of Securities in Registered Form

We may issue the debt securities in registered form, in which case we may issue them either in book-entry form only or in “certificated” form. Debt securities issued in book-entry form will be represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

Book-Entry Holders

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depositary that will hold them on behalf of financial institutions that participate in the depositary’s book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depositary or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depositary as the holder of the debt securities and we will make all payments on the debt securities to the depositary. The depositary will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

Street Name Holders

In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in "street name." Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities, and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

Legal Holders

Our obligations, as well as the obligations of the applicable trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you in this Description of Our Debt Securities, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

Special Considerations for Indirect Holders

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle a request for the holders' consent, if ever required;
- whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities;

- how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

Global Securities

As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depositary. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depositary for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "—Termination of a Global Security." As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that has an account with the depositary. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. The depositary that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

- an investor cannot cause the debt securities to be registered in his or her name and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below;
- an investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under "—Issuance of Securities in Registered Form" above;
- an investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;
- an investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;
- the depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way;

- if we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series;
- an investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee;
- DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds; your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security; and
- financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities; there may be more than one financial intermediary in the chain of ownership for an investor; we do not monitor and are not responsible for the actions of any of those intermediaries.

Termination of a Global Security

If a global security is terminated for any reason, interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under "—Issuance of Securities in Registered Form" above.

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depositary, and not we or the applicable trustee, is responsible for deciding the investors in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

Payment and Paying Agents

We will pay interest to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the "record date." Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest."

Payments on Global Securities

We will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under "—Special Considerations for Global Securities."

Payments on Certificated Securities

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date to the holder of debt securities as shown on the trustee's records as of the close of business

on the regular record date at our office and/or at other offices that may be specified in the prospectus supplement. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, at our option, we may pay any cash interest that becomes due on the debt security by mailing a check to the holder at his, her or its address shown on the trustee's records as of the close of business on the regular record date or by transfer to an account at a bank in the United States, in either case, on the due date.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

Events of Default

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the debt securities of your series means any of the following:

- we do not pay the principal of (or premium, if any, on) a debt security of the series when due;
- we do not pay interest on a debt security of the series when due, and such default is not cured within 30 days;
- we do not deposit any sinking fund payment in respect of debt securities of the series within two business days of its due date;
- we remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the outstanding debt securities of the series);
- we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days;
- the series of debt securities has an asset coverage, as such term is defined in the 1940 Act, of less than 100 per centum on the last business day of each of twenty-four consecutive calendar months, after giving effect to any exemptive relief granted to the Company by the SEC; or
- any other Event of Default in respect of debt securities of the series described in the prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium, interest, or sinking or purchase fund installment, if it in good faith considers the withholding of notice to be in the interest of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and is continuing, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of the affected series may (and the trustee shall at the request of such holders) declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the outstanding debt securities of the affected series if (1) we have deposited with the trustee all amounts due and owing with respect to the securities (other than principal that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection from expenses and liability reasonably satisfactory to it (called an "indemnity"). If indemnity reasonably satisfactory to it is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

- you must give the trustee written notice that an Event of Default with respect to the relevant series of debt securities has occurred and remains uncured;
- the holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer the trustee indemnity, security or both reasonably satisfactory to it against the costs, expenses and other liabilities of taking that action;
- the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity and/or security; and
- the holders of a majority in principal amount of the outstanding debt securities of that series must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities, or else specifying any default.

Waiver of Default

Holders of a majority in principal amount of the outstanding debt securities of the affected series may waive any past defaults other than

- the payment of principal, any premium or interest; or
- in respect of a covenant that cannot be modified or amended without the consent of each holder.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another corporation. We are also permitted to sell all or substantially all of our assets to another corporation. However, we may not take any of these actions unless all the following conditions are met:

- where we merge out of existence or sell substantially all our assets, the resulting corporation or transferee must agree to be legally responsible for our obligations under the debt securities;
- the merger or sale of assets must not cause a default on the debt securities and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under “Events of Default” above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or our default having to exist for a specific period of time were disregarded;
- we must deliver certain certificates and documents to the trustee; and
- we must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

Modification or Waiver

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

Changes Requiring Your Approval

First, there are changes that we cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

- change the stated maturity of the principal of or interest on a debt security or the terms of any sinking fund with respect to any security;
- reduce any amounts due on a debt security;
- reduce the amount of principal payable upon acceleration of the maturity of an original issue discount or indexed security following a default or upon the redemption thereof or the amount thereof provable in a bankruptcy proceeding;
- adversely affect any right of repayment at the holder’s option;
- change the place or currency of payment on a debt security (except as otherwise described in the prospectus or prospectus supplement);
- impair your right to sue for payment;
- adversely affect any right to convert or exchange a debt security in accordance with its terms;
- modify the subordination provisions in the indenture in a manner that is adverse to outstanding holders of the debt securities;
- reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;
- reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;
- modify any other aspect of the provisions of the indenture dealing with supplemental indentures with the consent of holders, waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and
- change any obligation we have to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications, establishment of the form or terms of new securities of any series as permitted by the indenture and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

Changes Requiring Majority Approval

Any other change to the indenture and the debt securities would require the following approval:

- if the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series; and
- if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of a series of debt securities issued under the indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants applicable to that series of debt securities. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under "—Changes Requiring Your Approval."

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

- for original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default;
- for debt securities whose principal amount is not known (for example, because it is based on an index), we will use the principal face amount at original issuance or a special rule for that debt security described in the prospectus supplement; and
- for debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we, any other obligor, or any affiliate of us or any obligor own such debt securities. Debt securities will also not be eligible to vote if they have been fully defeased as described later under "—Defeasance—Full Defeasance."

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. However, the record date may not be more than 30 days before the date of the first solicitation of holders to vote on or take such action. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Defeasance

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant Defeasance

Under current U.S. federal tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called "covenant defeasance." In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If we achieved covenant defeasance and your debt securities were subordinated as described under "—Indenture Provisions—Subordination" below, such subordination would not prevent the trustee under the indenture from applying the funds available to it from the deposit described in the first bullet below to the payment of amounts due in respect of such debt securities for the benefit of the subordinated debt holders. In order to achieve covenant defeasance, we must do the following:

- we must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments;
- we must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit;
- we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with;
- defeasance must not result in a breach or violation of, or result in a default under, of the indenture or any of our other material agreements or instruments;
- no default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days; and
- satisfy the conditions for covenant defeasance contained in any supplemental indentures.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be such a shortfall. However, there is no assurance that we would have sufficient funds to make payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal tax law or we obtain an IRS ruling, as described in the second bullet below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

- we must deposit in trust for the benefit of all holders of a series of debt securities a combination of cash (in such currency in which such securities are then specified as payable at stated maturity) or

government obligations applicable to such securities (determined on the basis of the currency in which such securities are then specified as payable at stated maturity) that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments;

- we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit;
- we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with;
- defeasance must not result in a breach or violation of, or constitute a default under, of the indenture or any of our other material agreements or instruments;
- no default or event of default with respect to such debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days; and
- satisfy the conditions for full defeasance contained in any supplemental indentures.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If your debt securities were subordinated as described later under "—Indenture Provisions—Subordination", such subordination would not prevent the trustee under the indenture from applying the funds available to it from the deposit referred to in the first bullet of the preceding paragraph to the payment of amounts due in respect of such debt securities for the benefit of the subordinated debt holders.

Form, Exchange and Transfer of Certificated Registered Securities

If registered debt securities cease to be issued in book-entry form, they will be issued:

- only in fully registered certificated form;
- without interest coupons; and
- unless we indicate otherwise in the prospectus supplement, in denominations of $1,000 and amounts that are multiples of $1,000.

Holders may exchange their certificated securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed and as long as the denomination is greater than the minimum denomination for such securities.

Holders may exchange or transfer their certificated securities at the office of the trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in the prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in book-entry form, only the depositary will be entitled to transfer and exchange the debt security as described in this subsection, since it will be the sole holder of the debt security.

Resignation of Trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series and has accepted such appointment. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions—Subordination

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities, upon our dissolution, winding up, liquidation or reorganization before all Senior Indebtedness is paid in full, the payment or distribution received by the trustee in respect of such subordinated debt securities or by the holders of any of such subordinated debt securities must be paid over to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities or the holders of any indenture securities that are not Senior Indebtedness. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

- our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed, that we have designated as "Senior Indebtedness" for purposes of the indenture and in accordance with the terms of the indenture (including any indenture securities designated as Senior Indebtedness), and
- renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Senior Indebtedness and of our other Indebtedness outstanding as of a recent date.

Secured Indebtedness and Ranking

Certain of our indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of our secured indebtedness as of a recent date. Any unsecured indenture securities will effectively rank junior to any secured indebtedness, including any secured indenture securities, that we incur in the future to the extent of the value of the assets securing such future secured indebtedness. The debt securities, whether secured or unsecured, of the Company will rank structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities (i.e., the holders of the debt securities will not have access to the assets of the Company's subsidiaries, financing vehicles or similar facilities until after all of these entities' creditors have been paid and the remaining assets have been distributed up to the Company as the equity holder of these entities). In this regard, any notes that we may issue will be strictly the obligation of the Company, and not of Saratoga CLO, or any subsidiary we may form in the future.

In the event of our bankruptcy, liquidation, reorganization or other winding up, any of our assets that secure secured debt will be available to pay obligations on unsecured debt securities only after all indebtedness under such secured debt has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all unsecured debt securities then outstanding after fulfillment of this obligation. As a result, the holders of unsecured indenture securities may recover less, ratably, than holders of any of our secured indebtedness.

The Trustee under the Indenture

U.S. Bank National Association serves as the trustee under the indenture.

Certain Considerations Relating to Foreign Currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

DESCRIPTION OF OUR WARRANTS

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants and will be subject to compliance with the 1940 Act.

As described further below, subject to receiving shareholder approval to issue warrants at a future annual meeting of stockholders, we may issue warrants to purchase shares of our common stock or debt securities. Such warrants may be issued independently or together with shares of common stock or debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

- the title and aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the currency or currencies, including composite currencies, in which the price of such warrants may be payable;
- if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;
- in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;
- in the case of warrants to purchase common stock, the number of shares of common stock purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;
- the date on which the right to exercise such warrants shall commence and the date on which such right will expire (subject to any extension);
- whether such warrants will be issued in registered form or bearer form;
- if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;
- if applicable, the date on and after which such warrants and the related securities will be separately transferable;
- the terms of any rights to redeem, or call such warrants;
- information with respect to book-entry procedures, if any;
- the terms of the securities issuable upon exercise of the warrants;
- if applicable, a discussion of certain U.S. federal income tax considerations; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Each warrant will entitle the holder to purchase for cash such common stock at the exercise price or such principal amount of debt securities as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the warrants offered thereby. Warrants may be exercised as set forth in the prospectus supplement beginning on the date specified therein and continuing until the close of business on the expiration date set forth in the prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Upon receipt of payment and a warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon such exercise. If less than all of the warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock, the right to receive dividends or other distributions, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (i) the warrants expire by their terms within ten years, (ii) the exercise or conversion price is not less than the current market value at the date of issuance, (iii) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in the best interests of us and our stockholders and (iv) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, as well as options and rights, at the time of issuance may not exceed 25% of our outstanding voting securities.

We may in the future seek the approval of our stockholders to approve a proposal to authorize us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. Such authorization will have no expiration. If we do not receive such stockholder approval, we will not issue any warrants.

PLAN OF DISTRIBUTION

We may offer, from time to time, in one or more offerings or series, up to $50,000,000 of our common stock, debt securities or warrants to purchase common stock or debt securities, in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts offerings or a combination of these methods. We may sell the securities through underwriters or dealers, directly to one or more purchasers through agents or through a combination of any such methods of sale. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

The distribution of our securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share of our common stock, less any underwriting commissions and discounts or agency fees paid by us, must generally equal or exceed the net asset value per share of our common stock. We may under certain circumstances consider selling our securities at prices below our net asset value per share consistent with the terms of our stockholder approval to sell our shares of common stock at a price below our net asset value per share. Any offering of shares of our common stock at a price below our then current net asset value per share that requires shareholder approval must occur, if at all, within one year after receiving such shareholder approval. We do not currently have stockholder approval of issuances below net asset value.

In connection with the sale of our securities, underwriters or agents may receive compensation from us or from purchasers of our securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Our common stockholders will bear, directly or indirectly, such expenses, as well as any other fees and the expenses incurred by us in connection with any offering of our securities, including debt securities.

Underwriters may sell our securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of our securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of our securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment).

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other

short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on the NYSE may engage in passive market making transactions in our common stock on the NYSE in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on the NYSE. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states, our securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

The maximum commission or discount to be received by any member of the Financial Industry Regulatory Authority, Inc. will not be greater than 10% for the sale of any securities being registered.

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we generally acquire and dispose of our investments in privately negotiated transactions, we infrequently use brokers in the normal course of our business. Subject to policies established by our Board of Directors, we generally do not execute transactions through any particular broker or dealer, but seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive trade execution costs, we do not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided, and our management and employees are authorized to pay such commission under these circumstances.

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our investment securities are held under a custody agreement with U.S. Bank National Association. The address of the custodian is U.S. Bank National Association, Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110. The transfer agent and registrar for our common stock, American Stock Transfer & Trust Company, acts as our transfer agent, dividend paying and reinvestment agent for our common stock. The principal business address of the transfer agent is 59 Maiden Lane, New York, New York 10038. U.S. Bank National Association, our trustee under an indenture and the second supplemental indenture thereto relating to the 2023 Notes, is the paying agent, registrar and transfer agent relating to the 2023 Notes. The principal business address of our trustee is 214 N. Tyron Street, 12th Floor, Charlotte, North Carolina 28202.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for us by Eversheds Sutherland (US) LLP, Washington, D.C.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, our independent registered public accounting firm, has audited our consolidated financial statements as of February 29, 2016, February 28, 2015 and February 28, 2014 and the three years ended February 29, 2016, February 28, 2015, and February 28, 2014 and the related senior securities table, as set forth in their reports. We have included our consolidated financial statements and our senior securities table in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing. Ernst & Young LLP's principal business address is 5 Times Square, New York, New York 10036.

AVAILABLE INFORMATION

As a public company, we file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus forms a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Copies of these reports, proxy and information

statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at *http://www.sec.gov*.

PRIVACY NOTICE

We are committed to protecting your privacy. This privacy notice explains the privacy policies of Saratoga Investment Corp. and its affiliated companies. This notice supersedes any other privacy notice you may have received from Saratoga Investment Corp.

We will safeguard, according to strict standards of security and confidentiality, all information we receive about you. The only information we collect from you is your name, address, number of shares you hold and your social security number. This information is used only so that we can send you annual reports and other information about us, and send you proxy statements or other information required by law.

We do not share this information with any non-affiliated third party except as described below:

- *Authorized Employees of Our Investment Adviser.* It is our policy that only authorized employees of our investment adviser who need to know your personal information will have access to it.
- *Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as recordkeeping, processing your trades, and mailing you information. These companies are required to protect your information and use it solely for the purpose for which they received it.
- *Courts and Government Officials.* If required by law, we may disclose your personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of November 30, 2016 (unaudited)	As of February 29, 2016
ASSETS		
Investments at fair value		
Non-control/Non-affiliate investments (amortized cost of $270,029,200 and $268,145,090, respectively)	$ 262,303,777	$ 271,168,186
Control investments (cost of $15,448,369 and $13,030,751, respectively)	15,265,995	12,827,980
Total investments at fair value (amortized cost of $285,477,569 and $281,175,841, respectively)	277,569,772	283,996,166
Cash and cash equivalents	5,770,230	2,440,277
Cash and cash equivalents, reserve accounts	17,521,282	4,594,506
Interest receivable (net of reserve of $0 and $728,519, respectively)	3,984,752	3,195,919
Due from affiliate	46,078	—
Management fee receivable	170,975	170,016
Other assets	184,761	350,368
Receivable from unsettled trades	284,903	300,000
Total assets	$ 305,532,753	$ 295,047,252
LIABILITIES		
Revolving credit facility	$ —	$ —
Deferred debt financing costs, revolving credit facility	(456,594)	(515,906)
SBA debentures payable	112,660,000	103,660,000
Deferred debt financing costs, SBA debentures payable	(2,622,206)	(2,493,303)
Notes payable	61,793,125	61,793,125
Deferred debt financing costs, notes payable	(1,553,545)	(1,694,586)
Dividend payable	—	875,599
Base management and incentive fees payable	5,932,447	5,593,956
Accounts payable and accrued expenses	672,791	855,873
Interest and debt fees payable	1,098,309	1,552,069
Payable for repurchases of common stock	—	20,957
Directors fees payable	51,000	31,500
Due to manager	277,696	218,093
Total liabilities	$ 177,853,023	$ 169,897,377
Commitments and contingencies (See Note 7)		
NET ASSETS		
Common stock, par value $.001, 100,000,000 common shares authorized, 5,748,247 and 5,672,227 common shares issued and outstanding, respectively	$ 5,748	$ 5,672
Capital in excess of par value	189,583,336	188,714,329
Distribution in excess of net investment income	(26,128,907)	(26,217,902)
Accumulated net realized loss from investments and derivatives	(27,872,650)	(40,172,549)
Accumulated net unrealized appreciation (depreciation) on investments and derivatives	(7,907,797)	2,820,325
Total net assets	127,679,730	125,149,875
Total liabilities and net assets	$ 305,532,753	$ 295,047,252
NET ASSET VALUE PER SHARE	$ 22.21	$ 22.06

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Operations
(unaudited)

	For the three months ended November 30		For the nine months ended November 30	
	2016	2015	2016	2015
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	$ 6,787,898	$ 5,435,083	$ 19,969,849	$ 16,961,744
Payment-in-kind interest income from Non-control/Non-affiliate investments	169,332	41,322	482,687	995,465
Control investments	498,599	750,605	1,587,925	2,020,301
Total interest income	7,455,829	6,227,010	22,040,461	19,977,510
Interest from cash and cash equivalents	6,239	1,307	16,426	2,774
Management fee income	375,218	369,388	1,123,559	1,121,286
Other income	605,009	338,219	1,618,238	1,153,838
Total investment income	8,442,295	6,935,924	24,798,684	22,255,408
EXPENSES				
Interest and debt financing expenses	2,369,108	2,129,105	7,106,869	6,240,946
Base management fees	1,219,916	1,091,405	3,649,867	3,366,739
Professional fees	330,197	347,639	991,723	1,030,616
Administrator expenses	341,667	325,000	991,667	850,000
Incentive management fees	394,509	404,218	2,331,241	2,160,772
Insurance	68,985	85,262	210,301	259,895
Directors fees and expenses	66,000	51,000	192,422	153,000
General & administrative	224,579	351,875	741,743	738,244
Excise tax expense (credit)	—	—	—	(123,338)
Other expense	8,460	—	21,647	—
Total expenses	5,023,421	4,785,504	16,237,480	14,676,874
NET INVESTMENT INCOME	3,418,874	2,150,420	8,561,204	7,578,534
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain from investments	260,244	447,813	12,299,899	4,231,006
Net unrealized appreciation (depreciation) on investments	(2,105,342)	823,093	(10,728,122)	239,354
Net gain (loss) on investments	(1,845,098)	1,270,906	1,571,777	4,470,360
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 1,573,776	$ 3,421,326	$ 10,132,981	$ 12,048,894
WEIGHTED AVERAGE—BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ 0.27	$ 0.61	$ 1.77	$ 2.18
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—BASIC AND DILUTED	5,727,933	5,632,011	5,735,443	5,533,094

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Schedule of Investments

November 30, 2016
(unaudited)

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—205.4% (b)						
CAMP International Systems(d)	Aerospace and Defense	Second Lien Term Loan (L+7.25%), 8.25% Cash, 8/18/2024	$ 1,000,000	$ 995,171	$ 1,020,000	0.8%
		Total Aerospace and Defense		995,171	1,020,000	0.8%
Polar Holding Company, Ltd.(a),(d),(i)	Building Products	First Lien Term Loan (L+9.00%), 10.00% Cash, 9/30/2016	$ 2,000,000	2,000,000	2,000,000	1.6%
		Total Building Products		2,000,000	2,000,000	1.6%
Apex Holdings Software Technologies, LLC	Business Services	First Lien Term Loan (L+8.00%), 9.00% Cash, 9/21/2021	$18,000,000	17,848,031	17,842,500	14.0%
Avionte Holdings, LLC(g)	Business Services	Common Stock	100,000	100,000	251,000	0.2%
Avionte Holdings, LLC	Business Services	First Lien Term Loan (L+8.25%), 9.75% Cash, 1/8/2019	$ 2,279,278	2,257,229	2,279,278	1.8%
Avionte Holdings, LLC(j),(k)	Business Services	Delayed Draw Term Loan A (L+8.25%), 9.75% Cash, 1/8/2019	$ —	—	—	0.0%
BMC Software, Inc.(d)	Business Services	First Lien Term Loan (L+4.00%), 5.00% Cash, 9/10/2020	$ 5,626,667	5,594,987	5,493,315	4.3%
Courion Corporation	Business Services	Second Lien Term Loan (L+10.00%), 11.00% Cash, 6/1/2021	$15,000,000	14,872,231	13,932,000	10.9%
Dispensing Dynamics International(d)	Business Services	Senior Secured Note 12.50% Cash, 1/1/2018	$12,000,000	12,015,235	11,640,000	9.1%
Easy Ice, LLC(d)	Business Services	First Lien Term Loan (L+8.75%), 9.50% Cash, 1/15/2020	$16,000,000	15,876,901	16,080,000	12.6%
Emily Street Enterprises, L.L.C.	Business Services	Senior Secured Note (L+8.50%), 10.00% Cash, 1/23/2020	$ 3,300,000	3,277,195	3,318,810	2.6%
Emily Street Enterprises, L.L.C.(g)	Business Services	Warrant Membership Interests, Expires 12/28/2022	49,318	400,000	476,541	0.3%
Erwin, Inc.	Business Services	Second Lien Term Loan (L+11.50%), 13.50% (11.50% Cash/1.00% PIK), 8/28/2021	$13,077,419	12,957,650	13,077,419	10.2%
GreyHeller LLC	Business Services	First Lien Term Loan (L+11.00%), 12.00% Cash, 11/16/2021	$ 7,000,000	6,930,320	6,930,000	5.4%
GreyHeller LLC(j),(k)	Business Services	Delayed Draw Term Loan B (L+11.00%), 12.00% Cash, 11/16/2021	$ —	—	—	0.0%
GreyHeller LLC(g)	Business Services	Common Stock	850,000	850,000	850,000	0.7%
Help/Systems Holdings, Inc.(Help/Systems, LLC)	Business Services	First Lien Term Loan (L+5.25%), 6.25% Cash, 10/8/2021	$ 4,962,500	4,878,301	4,921,311	3.9%
Help/Systems Holdings, Inc.(Help/Systems, LLC)	Business Services	Second Lien Term Loan (L+9.50%), 10.50% Cash, 10/8/2022	$ 3,000,000	2,919,579	2,820,000	2.2%
Identity Automation Systems	Business Services	Convertible Promissory Note 13.50% (6.75% Cash/6.75% PIK), 8/18/2018	611,517	611,521	611,521	0.5%
Identity Automation Systems(g)	Business Services	Common Stock Class A Units	232,616	232,616	549,258	0.4%
Identity Automation Systems	Business Services	First Lien Term Loan (L+9.25%), 12.00% (9.25% Cash/1.75% PIK) 12/18/2020	$10,248,887	10,172,877	10,248,887	8.0%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Knowland Technology Holdings, L.L.C.	Business Services	First Lien Term Loan (L+8.75%), 9.75% Cash, 11/29/2017	$17,777,730	17,664,387	17,777,730	13.9%
Microsystems Company	Business Services	Second Lien Term Loan (L+10.00%), 11.00% Cash, 7/1/2022	$ 8,000,000	7,924,524	7,920,000	6.2%
Vector Controls Holding Co., LLC(d)	Business Services	First Lien Term Loan, 14.00% (12.00% Cash/2.00% PIK), 3/6/2018	$ 8,877,910	8,826,316	8,877,910	7.0%
Vector Controls Holding Co., LLC(d),(g)	Business Services	Warrants to Purchase Limited Liability Company Interests, Expires 5/31/2025	343	—	352,260	0.3%
		Total Business Services		146,209,900	146,249,740	114.5%
Targus Holdings, Inc.(d),(g)	Consumer Products	Common Stock	210,456	1,791,242	—	0.0%
Targus Holdings, Inc.(d)	Consumer Products	Second Lien Term Loan A-2 15.00% PIK, 12/31/2019	$ 228,909	228,909	228,909	0.2%
Targus Holdings, Inc.(d)	Consumer Products	Second Lien Term Loan B 15.00% PIK, 12/31/2019	$ 686,726	686,726	558,171	0.4%
		Total Consumer Products		2,706,877	787,080	0.6%
My Alarm Center, LLC	Consumer Services	Second Lien Term Loan (L+11.00%), 12.00% Cash, 7/9/2019	$ 9,375,000	9,357,973	9,345,938	7.3%
PrePaid Legal Services, Inc.(d)	Consumer Services	First Lien Term Loan (L+5.25%), 6.50% Cash, 7/1/2019	$ 1,488,754	1,483,515	1,487,266	1.1%
PrePaid Legal Services, Inc.(d)	Consumer Services	Second Lien Term Loan (L+9.25%), 10.25% Cash, 7/1/2020	$10,000,000	9,968,634	9,904,000	7.8%
		Total Consumer Services		20,810,122	20,737,204	16.2%
M/C Acquisition Corp., L.L.C.(d),(g)	Education	Class A Common Stock	544,761	30,241	—	0.0%
M/C Acquisition Corp., L.L.C.(d)	Education	First Lien Term Loan 1.00% Cash, 3/31/2018	$ 2,321,073	1,193,790	8,087	0.0%
Teachers of Tomorrow, LLC(g),(h)	Education	Common Stock	750	750,000	910,545	0.8%
Teachers of Tomorrow, LLC	Education	Second Lien Term Loan (L+9.75%), 10.75% Cash, 6/2/2021	$10,000,000	9,914,485	10,000,000	7.8%
		Total Education		11,888,516	10,918,632	8.6%
TM Restaurant Group L.L.C.	Food and Beverage	First Lien Term Loan (L+8.50%), 9.75% Cash, 7/16/2017	$ 9,358,694	9,313,879	8,422,825	6.6%
		Total Food and Beverage		9,313,879	8,422,825	6.6%
Censis Technologies, Inc.	Healthcare Services	First Lien Term Loan B (L+10.00%), 11.00% Cash, 7/24/2019	$11,250,000	11,114,850	10,871,661	8.4%
Censis Technologies, Inc.(g),(h)	Healthcare Services	Limited Partner Interests	999	999,000	725,936	0.6%
Roscoe Medical, Inc.(d),(g)	Healthcare Services	Common Stock	5,081	508,077	678,931	0.5%
Roscoe Medical, Inc.	Healthcare Services	Second Lien Term Loan 11.25% Cash, 9/26/2019	$ 4,200,000	4,151,963	4,154,220	3.3%
Ohio Medical, LLC(g)	Healthcare Services	Common Stock	5,000	500,000	329,096	0.3%
Ohio Medical, LLC	Healthcare Services	Senior Subordinated Note 12.00%, 7/15/2021	$ 7,300,000	7,235,173	7,234,300	5.7%
Zest Holdings, LLC(d)	Healthcare Services	First Lien Term Loan (L+4.75%), 5.75% Cash, 8/16/2020	$ 4,136,911	4,081,904	4,134,015	3.2%
		Total Healthcare Services		28,590,967	28,128,159	22.0%
HMN Holdco, LLC	Media	First Lien Term Loan 10.00% Cash, 5/16/2019	$ 8,581,357	8,485,902	8,581,357	6.7%
HMN Holdco, LLC	Media	Delayed Draw First Lien Term Loan 10.00% Cash, 5/16/2019	$ 4,800,000	4,748,026	4,800,000	3.7%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
HMN Holdco, LLC	Media	Class A Series, Expires 1/16/2025	4,264	61,647	282,106	0.2%
HMN Holdco, LLC(g)	Media	Class A Warrant, Expires 1/16/2025	30,320	438,353	1,616,966	1.3%
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests (Common), Expires 5/16/2024	57,872	—	2,791,745	2.2%
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests (Preferred), Expires 5/16/2024	8,139	—	449,761	0.4%
		Total Media		13,733,928	18,521,935	14.5%
Elyria Foundry Company, L.L.C.(d),(g)	Metals	Common Stock	35,000	9,217,564	357,350	0.3%
Elyria Foundry Company, L.L.C.(d)	Metals	Revolver (L+8.50%), 10.00% Cash, 3/31/2017	$ 8,500,000	8,500,000	8,500,000	6.6%
		Total Metals		17,717,564	8,857,350	6.9%
Mercury Network, LLC	Real Estate	First Lien Term Loan 10.5% Cash, 8/24/2021	$15,791,286	15,649,233	15,871,821	12.5%
Mercury Network, LLC(g)	Real Estate	Common Stock	413,043	413,043	789,031	0.6%
		Total Real Estate		16,062,276	16,660,852	13.1%
Sub Total Non-control/Non-affiliated investments				270,029,200	262,303,777	205.4%
Control investments—12.0%(b)						
Saratoga Investment Corp. CLO 2013-1, Ltd.(a),(d),(e),(f)	Structured Finance Securities	Other/Structured Finance Securities 13.26%, 10/17/2025	$30,000,000	10,948,369	10,986,945	8.6%
Saratoga Investment Corp. Class F Note(a),(d),(f)	Structured Finance Securities	Other/Structured Finance Securities (L+8.50%), 9.22%, 10/20/2025	$ 4,500,000	4,500,000	4,279,050	3.4%
Sub Total Control investments				15,448,369	15,265,995	12.0%
TOTAL INVESTMENTS—217.4%(b)				**$285,477,569**	**$277,569,772**	**217.4%**

	Principal	Cost	Fair Value	% of Net Assets
Cash and cash equivalents and cash and cash equivalents, reserve accounts—18.2%				
U.S. Bank Money Market(l)	$23,291,512	$ 23,291,512	$ 23,291,512	18.2%
Total cash and cash equivalents and cash and cash equivalents, reserve accounts	**$23,291,512**	**$ 23,291,512**	**$ 23,291,512**	**18.2%**

(a) Represents a non-qualifying investment as defined under Section 55 (a) of the Investment Company Act of 1940, as amended. Non-qualifying assets represent 6.2% of the Company's portfolio at fair value. As a BDC, the Company can only invest 30% of its portfolio in non-qualifying assets.
(b) Percentages are based on net assets of $127,679,730 as of November 30, 2016.
(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors (see Note 3 to the consolidated financial statements).
(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).
(e) This investment does not have a stated interest rate that is payable thereon. As a result, the 13.26% interest rate in the table above represents the effective interest rate currently earned on the investment cost and is based on the current cash interest and other income generated by the investment.

(f) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (Cost)	Interest Income	Management Fee Income	Net Realized Gains/(Losses)	Net Unrealized Appreciation (Depreciation)
Saratoga Investment Corp. CLO 2013-1, Ltd.	$ —	$ —	$ —	$1,569,492	$ 1,123,559	$ —	$ 241,347
Saratoga Investment Corp. Class F Note	$4,500,000	$ —	$ —	$ 18,433	$ —	$ —	$ (220,950)

(g) Non-income producing at November 30, 2016.
(h) Includes securities issued by an affiliate of the Company.
(i) Non-U.S. company. The principal place of business for Polar Holding Company, Ltd. is Canada.
(j) The investment has an unfunded commitment as of November 30, 2016 (see Note 7).
(k) The entire commitment was unfunded at November 30, 2016. As such, no interest is being earned on this investment.
(l) Included within cash and cash equivalents and cash and cash equivalents, reserve accounts in the Company's Consolidated Statements of Assets and Liabilities as of November 30, 2016.

Saratoga Investment Corp.

Consolidated Schedule of Investments

February 29, 2016

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—216.6%(b)						
National Truck Protection Co., Inc.(d),(g)	Automotive Aftermarket	Common Stock	1,116	$ 1,000,000	$ 1,695,303	1.4%
National Truck Protection Co., Inc.(d)	Automotive Aftermarket	First Lien Term Loan 15.50% Cash, 9/13/2018	$ 6,776,770	6,776,770	6,776,770	5.4%
Take 5 Oil Change, L.L.C.(d),(g)	Automotive Aftermarket	Common Stock	7,128	480,535	6,235,209	5.0%
		Total Automotive Aftermarket		8,257,305	14,707,282	11.8%
Legacy Cabinets Holdings(d),(g)	Building Products	Common Stock Voting A-1	2,535	220,900	2,676,909	2.1%
Legacy Cabinets Holdings(d),(g)	Building Products	Common Stock Voting B-1	1,600	139,424	1,689,568	1.3%
Polar Holding Company, Ltd.(a),(d),(i)	Building Products	First Lien Term Loan (L+9.00%), 10.00% Cash, 9/30/2016	$ 2,000,000	2,000,000	2,000,000	1.6%
		Total Building Products		2,360,324	6,366,477	5.0%
Avionte Holdings, LLC(g)	Business Services	Common Stock	100,000	100,000	169,850	0.1%
Avionte Holdings, LLC	Business Services	First Lien Term Loan (L+8.25%), 9.75% Cash, 1/8/2019	$ 2,406,342	2,376,045	2,382,844	1.9%
Avionte Holdings, LLC(j),(k)	Business Services	Delayed Draw Term Loan A (L+8.25%), 9.75% Cash, 1/8/2019	$ —	—	—	0.0%
BMC Software, Inc.(d)	Business Services	Syndicated Loan (L+4.00%), 5.00% Cash, 9/10/2020	$ 5,671,667	5,633,920	4,520,318	3.6%
Courion Corporation	Business Services	Second Lien Term Loan (L+10.00%), 11.00% Cash, 6/1/2021	$15,000,000	14,856,720	14,850,000	11.9%
Dispensing Dynamics International(d)	Business Services	Senior Secured Note 12.50% Cash, 1/1/2018	$12,000,000	12,025,101	10,950,000	8.8%
Easy Ice, LLC(d)	Business Services	First Lien Term Loan (L+8.75%), 9.50% Cash, 1/15/2020	$14,000,000	13,873,485	13,806,098	11.0%
Emily Street Enterprises, L.L.C.	Business Services	Senior Secured Note (L+8.50%), 10.00% Cash, 1/23/2020	$ 8,400,000	8,305,033	8,568,000	6.8%
Emily Street Enterprises, L.L.C.(g)	Business Services	Warrant Membership Interests, Expires 12/28/2022	49,318	400,000	577,020	0.5%
Erwin, Inc.	Business Services	Second Lien Term Loan (L+11.50%), 13.50% (12.50% Cash/1.00% PIK), 8/28/2021	$13,000,000	12,870,023	12,870,000	10.3%
Finalsite Holdings, Inc.	Business Services	Second Lien Term Loan (L+9.00%), 10.25% Cash, 5/21/2020	$ 7,500,000	7,440,729	7,500,000	6.0%
Help/Systems Holdings, Inc.(Help/Systems, LLC)	Business Services	First Lien Term Loan (L+5.25%), 6.25% Cash, 10/8/2021	$ 5,000,000	4,904,573	4,895,000	3.9%
Help/Systems Holdings, Inc.(Help/Systems, LLC)	Business Services	Second Lien Term Loan (L+9.50%), 10.50% Cash, 10/8/2022	$ 3,000,000	2,912,784	2,910,000	2.3%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Identity Automation Systems(g)	Business Services	Common Stock Class A Units	232,616	232,616	427,409	0.3%
Identity Automation Systems	Business Services	First Lien Term Loan (L+9.25%), 10.25% Cash, 12/18/2020	$ 6,900,000	6,842,573	6,900,000	5.5%
Identity Automation Systems(j),(k)	Business Services	Delayed Draw Term Loan 10.25% Cash, 12/18/2020	$ —	—	—	0.0%
Knowland Technology Holdings, L.L.C.	Business Services	First Lien Term Loan 8.00% Cash, 11/29/2017	$ 5,259,171	5,224,422	5,259,171	4.2%
Vector Controls Holding Co., LLC(d)	Business Services	First Lien Term Loan, 14.00% (12.00% Cash/2.00% PIK), 3/6/2018	$ 9,035,515	8,952,442	9,035,515	7.2%
Vector Controls Holding Co., LLC(d),(g)	Business Services	Warrants to Purchase Limited Liability Company Interests, Expires 5/31/2025	343	—	354,819	0.3%
		Total Business Services		106,950,466	105,976,044	84.6%
Advanced Air & Heat of Florida, LLC	Consumer Products	First Lien Term Loan 9.50% Cash, 7/17/2020	$ 6,800,000	6,733,661	6,800,000	5.4%
Targus Holdings, Inc.(d),(g)	Consumer Products	Common Stock	210,456	1,791,242	—	0.0%
Targus Holdings, Inc.(d)	Consumer Products	Second Lien Term Loan A-2 15.00% PIK, 12/31/2019	$ 210,456	210,456	210,456	0.2%
Targus Holdings, Inc.(d)	Consumer Products	Second Lien Term Loan B 15.00% PIK, 12/31/2019	$ 631,369	631,369	631,369	0.5%
		Total Consumer Products		9,366,728	7,641,825	6.1%
Expedited Travel L.L.C.(g)	Consumer Services	Common Stock	1,000,000	1,000,000	1,647,767	1.3%
Expedited Travel L.L.C.	Consumer Services	First Lien Term Loan 10.00% Cash, 10/10/2019	$11,475,490	11,401,380	11,647,623	9.3%
My Alarm Center, LLC	Consumer Services	Second Lien Term Loan (L+11.00%), 12.00% Cash, 7/9/2019	$ 7,500,000	7,500,000	7,450,500	6.0%
PrePaid Legal Services, Inc.(d)	Consumer Services	First Lien Term Loan (L+5.25%), 6.50% Cash, 7/1/2019	$ 1,572,921	1,562,787	1,556,248	1.2%
PrePaid Legal Services, Inc.(d)	Consumer Services	Second Lien Term Loan (L+9.00%), 10.25% Cash, 7/1/2020	$10,000,000	9,962,104	9,827,000	7.9%
Prime Security Services, LLC	Consumer Services	Second Lien Term Loan (L+8.75%), 9.75% Cash, 7/1/2022	$12,000,000	11,829,030	10,980,000	8.8%
		Total Consumer Services		43,255,301	43,109,138	34.5%
M/C Acquisition Corp., L.L.C.(d),(g)	Education	Class A Common Stock	544,761	30,241	—	0.0%
M/C Acquisition Corp., L.L.C.(d)	Education	First Lien Term Loan 1.00% Cash, 3/31/2016	$ 2,321,073	1,193,790	8,087	0.0%
Teachers of Tomorrow, LLC(g),(h)	Education	Common Stock	750	750,000	785,475	0.6%
Teachers of Tomorrow, LLC	Education	Second Lien Term Loan (L+9.75%), 10.75% Cash, 6/2/2021	$10,000,000	9,902,816	9,900,000	7.9%
		Total Education		11,876,847	10,693,562	8.5%
TM Restaurant Group L.L.C.	Food and Beverage	First Lien Term Loan (L+8.50%), 9.75% Cash, 7/16/2017	$ 9,622,319	9,527,041	9,131,048	7.3%
		Total Food and Beverage		9,527,041	9,131,048	7.3%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Bristol Hospice, LLC	Healthcare Services	Senior Secured Note 11.00% (10.00% Cash/1.00% PIK), 11/29/2018	$ 5,404,747	5,339,820	5,404,747	4.3%
Censis Technologies, Inc.	Healthcare Services	First Lien Term Loan B (L+10.00%), 11.00% Cash, 7/24/2019	$11,550,000	11,377,810	11,459,418	9.2%
Censis Technologies, Inc.(g),(h)	Healthcare Services	Limited Partner Interests	999	999,000	810,642	0.7%
Roscoe Medical, Inc.(d),(g)	Healthcare Services	Common Stock	5,000	500,000	334,000	0.3%
Roscoe Medical, Inc.	Healthcare Services	Second Lien Term Loan 11.25% Cash, 9/26/2019	$ 4,200,000	4,141,519	3,822,000	3.0%
Ohio Medical, LLC(g)	Healthcare Services	Common Stock	5,000	500,000	500,000	0.4%
Ohio Medical, LLC	Healthcare Services	Senior Subordinated Note 12.00%, 7/15/2021	$ 7,300,000	7,228,452	7,227,000	5.8%
Smile Brands Group Inc.(d)	Healthcare Services	Syndicated Loan (L+7.75%), 10.50% (9.00% Cash/1.50% PIK), 8/16/2019	$ 4,420,900	4,362,266	3,216,647	2.6%
Zest Holdings, LLC(d)	Healthcare Services	Syndicated Loan (L+4.25%), 5.25% Cash, 8/16/2020	$ 4,207,821	4,142,093	4,130,692	3.3%
		Total Healthcare Services		38,590,960	36,905,146	29.6%
HMN Holdco, LLC	Media	First Lien Term Loan 10.00% Cash, 5/16/2019	$ 8,937,982	8,812,479	8,937,983	7.1%
HMN Holdco, LLC	Media	First Lien Term Loan 10.00% Cash, 5/16/2019	$ 1,600,000	1,572,821	1,600,000	1.3%
HMN Holdco, LLC	Media	Class A Series, Expires 1/16/2025	4,264	61,647	314,683	0.3%
HMN Holdco, LLC(g)	Media	Class A Warrant, Expires 1/16/2025	30,320	438,353	1,889,542	1.5%
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests (Common), Expires 5/16/2024	57,872	—	3,309,121	2.6%
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests, Expires 5/16/2024	8,139	—	523,012	0.4%
		Total Media		10,885,300	16,574,341	13.2%
Elyria Foundry Company, L.L.C.(d),(g)	Metals	Common Stock	35,000	9,217,564	2,026,150	1.6%
Elyria Foundry Company, L.L.C.(d)	Metals	Revolver 10.00% Cash, 3/31/2017	$ 8,500,000	8,500,000	8,500,000	6.8%
		Total Metals		17,717,564	10,526,150	8.4%
Mercury Network, LLC	Real Estate	First Lien Term Loan (L+9.25%), 10.25% Cash, 4/24/2020	$ 9,025,000	8,944,211	9,025,000	7.2%
Mercury Network, LLC(g)	Real Estate	Common Stock	413,043	413,043	512,173	0.4%
		Total Real Estate		9,357,254	9,537,173	7.6%
Sub Total Non-control/Non—affiliated investments				268,145,090	271,168,186	216.6%
Control investments—10.3%(b)						
Saratoga Investment Corp. CLO 2013-1, Ltd.(a),(d),(e),(f)	Structured Finance Securities	Other/Structured Finance Securities 16.14%, 10/17/2023	$30,000,000	13,030,751	12,827,980	10.3%
Sub Total Control investments				13,030,751	12,827,980	10.3%
TOTAL INVESTMENTS—226.9%(b)				**$281,175,841**	**$283,996,166**	**226.9%**

	Principal	Cost	Fair Value	% of Net Assets
Cash and cash equivalents and cash and cash equivalents, reserve accounts—5.6%				
U.S. Bank Money Market(l)	$7,034,783	$7,034,783	$7,034,783	5.6%
Total cash and cash equivalents and cash and cash equivalents, reserve accounts	**$7,034,783**	**$7,034,783**	**$7,034,783**	**5.6%**

(a) Represents a non-qualifying investment as defined under Section 55 (a) of the Investment Company Act of 1940, as amended. Non-qualifying assets represent 5.2% of the Company's portfolio at fair value. As a BDC, the Company can only invest 30% of its portfolio in non-qualifying assets.
(b) Percentages are based on net assets of $125,149,875 as of February 29, 2016.
(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors (see Note 3 to the consolidated financial statements).
(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).
(e) This investment does not have a stated interest rate that is payable thereon. As a result, the 16.14% interest rate in the table above represents the effective interest rate currently earned on the investment cost and is based on the current cash interest and other income generated by the investment.
(f) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (Cost)	Interest Income	Management Fee Income	Net Realized Gains/(Losses)	Net Unrealized Depreciation
Saratoga Investment Corp. CLO 2013-1, Ltd.	$ —	$ —	$ —	$2,665,648	$ 1,494,779	$ —	$ (1,280,916)

(g) Non-income producing at February 29, 2016.
(h) Includes securities issued by an affiliate of the Company.
(i) Non-U.S. company. The principal place of business for Polar Holding Company, Ltd. is Canada.
(j) The investment has an unfunded commitment as of February 29, 2016 (see Note 7).
(k) The entire commitment was unfunded at February 29, 2016. As such, no interest is being earned on this investment.
(l) Included within cash and cash equivalents and cash and cash equivalents, reserve accounts in the Company's Consolidated Statements of Assets and Liabilities as of February 29, 2016.

Saratoga Investment Corp.

Consolidated Statements of Changes in Net Assets
(unaudited)

	For the nine months ended November 30, 2016	For the nine months ended November 30, 2015
INCREASE FROM OPERATIONS:		
Net investment income	$ 8,561,204	$ 7,578,534
Net realized gain from investments	12,299,899	4,231,006
Net unrealized appreciation (depreciation) on investments	(10,728,122)	239,354
Net increase in net assets from operations	10,132,981	12,048,894
DECREASE FROM SHAREHOLDER DISTRIBUTIONS:		
Distributions declared	(8,472,209)	(10,767,093)
Net decrease in net assets from shareholder distributions	(8,472,209)	(10,767,093)
CAPITAL SHARE TRANSACTIONS:		
Stock dividend distribution	4,125,696	3,778,630
Repurchases of common stock	(3,256,613)	(38,981)
Offering costs	—	(346,826)
Net increase in net assets from capital share transactions	869,083	3,392,823
Total increase in net assets	2,529,855	4,674,624
Net assets at beginning of period	125,149,875	122,598,742
Net assets at end of period	$ 127,679,730	$ 127,273,366
Net asset value per common share	$ 22.21	$ 22.59
Common shares outstanding at end of period	5,748,247	5,634,115
Distribution in excess of net investment income	$ (26,128,907)	$ (27,094,304)

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Cash Flows
(unaudited)

	For the nine months ended November 30, 2016	For the nine months ended November 30, 2015
Operating activities		
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ 10,132,981	$ 12,048,894
ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Payment-in-kind interest income	(433,609)	(900,398)
Net accretion of discount on investments	(408,557)	(377,279)
Amortization of deferred debt financing costs	775,707	669,831
Net realized gain from investments	(12,299,899)	(4,231,006)
Net unrealized (appreciation) depreciation on investments	10,728,122	(239,354)
Proceeds from sales and repayments of investments	94,691,232	62,676,779
Purchase of investments	(85,850,895)	(57,428,806)
(Increase) decrease in operating assets:		
Interest receivable	(788,833)	(504,339)
Due from affiliate	(46,078)	—
Management fee receivable	(959)	1,657
Other assets	106,195	(163,557)
Receivable from unsettled trades	15,097	—
Increase (decrease) in operating liabilities:		
Base management and incentive fees payable	338,491	(178,074)
Accounts payable and accrued expenses	(183,082)	(176,414)
Interest and debt fees payable	(453,760)	(555,104)
Payable for repurchases of common stock	(20,957)	—
Directors fees payable	19,500	(10,500)
Due to manager	59,603	(3,958)
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,380,299	10,628,372
Financing activities		
Borrowings on debt	9,000,000	10,600,000
Paydowns on debt	—	(20,200,000)
Issuance of notes	—	13,074,525
Payments of deferred debt financing costs	(644,845)	(458,753)
Repurchases of common stock	(3,256,613)	(38,981)
Payments of cash dividends	(5,222,112)	(6,503,846)
NET CASH USED IN FINANCING ACTIVITIES	(123,570)	(3,527,055)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS, RESERVE ACCOUNTS	16,256,729	7,101,317
CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS, RESERVE ACCOUNTS, BEGINNING OF PERIOD	7,034,783	20,063,372
CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS, RESERVE ACCOUNTS, END OF PERIOD	$ 23,291,512	$ 27,164,689
Supplemental information:		
Interest paid during the period	$ 6,784,922	$ 6,126,220
Supplemental non-cash information:		
Payment-in-kind interest income	$ 433,609	$ 900,398
Net accretion of discount on investments	$ 408,557	$ 377,279
Amortization of deferred debt financing costs	$ 775,707	$ 669,831
Stock dividend distribution	$ 4,125,696	$ 3,778,630

See accompanying notes to consolidated financial statements.

SARATOGA INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2016
(unaudited)

Note 1. Organization

Saratoga Investment Corp. (the "Company", "we", "our" and "us") is a non-diversified closed-end management investment company incorporated in Maryland that has elected to be treated and is regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). The Company commenced operations on March 23, 2007 as GSC Investment Corp. and completed the initial public offering ("IPO") on March 28, 2007. The Company has elected to be treated as a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code (the "Code"). The Company expects to continue to qualify and to elect to be treated, for tax purposes, as a RIC. The Company's investment objective is to generate current income and, to a lesser extent, capital appreciation from its investments.

GSC Investment, LLC (the "LLC") was organized in May 2006 as a Maryland limited liability company. As of February 28, 2007, the LLC had not yet commenced its operations and investment activities.

On March 21, 2007, the Company was incorporated and concurrently therewith the LLC was merged with and into the Company, with the Company as the surviving entity, in accordance with the procedure for such merger in the LLC's limited liability company agreement and Maryland law. In connection with such merger, each outstanding limited liability company interest of the LLC was converted into a share of common stock of the Company.

On July 30, 2010, the Company changed its name from "GSC Investment Corp." to "Saratoga Investment Corp." in connection with the consummation of a recapitalization transaction.

The Company is externally managed and advised by the investment adviser, Saratoga Investment Advisors, LLC (the "Manager"), pursuant to a management agreement (the "Management Agreement"). Prior to July 30, 2010, the Company was managed and advised by GSCP (NJ), L.P.

The Company has established wholly-owned subsidiaries, SIA Avionte, Inc., SIA GH, Inc., SIA Mercury, Inc., SIA TT, Inc., and SIA Vector, Inc., which are structured as Delaware entities, or tax blockers, to hold equity or equity-like investments in portfolio companies organized as limited liability companies, or LLCs (or other forms of pass through entities). Tax blockers are consolidated for accounting purposes, but are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of portfolio companies.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP ("SBIC LP"), received a Small Business Investment Company ("SBIC") license from the Small Business Administration ("SBA").

On April 2, 2015, the SBA issued a "green light" letter inviting the Company to continue the application process to obtain a license to form and operate its second SBIC subsidiary. On September 27, 2016, the SBA informed us that as part of their continued review of our application for a second license, and in order to ensure that they were reviewing the most current information available, we would need to update all previously submitted materials and invited us to reapply. As a result of this request, with which we are in the process of complying, the existing "green light" letter that the SBA issued to us will expire. If approved in the future, a second SBIC license would provide us an incremental source of long-term capital by permitting us to issue up to $150.0 million of additional SBA-guaranteed debentures in addition to the $150.0 million already approved under the first license.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), are stated in U.S. Dollars and include the accounts of the Company and its special purpose financing subsidiary, Saratoga Investment Funding, LLC (previously known as GSC Investment Funding LLC). All intercompany accounts and transactions have been eliminated in consolidation. All references made to the "Company," "we," and "us" herein include Saratoga Investment Corp. and its consolidated subsidiaries, except as stated otherwise.

The Company and SBIC LP are both considered to be investment companies for financial reporting purposes and have applied the guidance in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *"Financial Services—Investment Companies"* ("ASC Topic 946"). There have been no changes to the Company or SBIC LP's status as investment companies during the nine months ended November 30, 2016.

Use of Estimates in the Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and income, gains (losses) and expenses during the period reported. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value. Per section 12(d)(1)(A) of the 1940 Act, the Company may not invest in another registered investment company such as a money market fund if such investment would cause the Company to exceed any of the following limitations:

- we were to own more than 3.0% of the total outstanding voting stock of the money market fund;
- we were to hold securities in the money market fund having an aggregate value in excess of 5.0% of the value of our total assets; or
- we were to hold securities in money market funds and other registered investment companies and BDCs having an aggregate value in excess of 10.0% of the value of our total assets.

As of November 30, 2016, the Company did not exceed any of these limitations.

Cash and Cash Equivalents, Reserve Accounts

Cash and cash equivalents, reserve accounts include amounts held in designated bank accounts, in the form of cash and short-term liquid investments in money market funds, representing payments received on secured investments or other reserved amounts associated with our $45.0 million senior secured revolving credit facility with Madison Capital Funding LLC. The Company is required to use these amounts to pay interest expense, reduce borrowings, or pay other amounts in accordance with the terms of the senior secured revolving credit facility.

In addition, cash and cash equivalents, reserve accounts also include amounts held in designated bank accounts, in the form of cash and short-term liquid investments in money market funds, within our wholly-owned subsidiary, SBIC LP.

In November 2016, the FASB issued Accounting Standards Update ("ASU") 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted and is to be applied on a retrospective basis. The Company has adopted the provisions of ASU 2016-18 as of November 30, 2016. The adoption of the provisions of ASU 2016-18 did not materially impact the Company's consolidated financial position or results of operations. Prior period amounts were reclassified to conform to the current period presentation.

The following table provides a reconciliation of cash and cash equivalents and cash and cash equivalents, reserve accounts reported within the consolidated statements of assets and liabilities that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	November 30, 2016	November 30, 2015
Cash and cash equivalents	$ 5,770,230	$ 6,019,448
Cash and cash equivalents, reserve accounts	17,521,282	21,145,241
Total cash and cash equivalents, and cash and cash equivalents, reserve accounts	$ 23,291,512	$ 27,164,689

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in companies in which we own more than 25.0% of the voting securities or maintain greater than 50.0% of the board representation. Under the 1940 Act, "Affiliated Investments" are defined as those non-control investments in companies in which we own between 5.0% and 25.0% of the voting securities. Under the 1940 Act, "Non-affiliated Investments" are defined as investments that are neither Control Investments nor Affiliated Investments.

Investment Valuation

The Company accounts for its investments at fair value in accordance with the FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Company to assume that its investments are to be sold at the balance sheet date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved, in good faith, by our board of directors based on input from our Manager, the audit committee of our board of directors and a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make

payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals of our Manager and preliminary valuation conclusions are documented and discussed with the senior management of our Manager; and
- An independent valuation firm, engaged by our board of directors, reviews a selection of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least once each fiscal year.

In addition, all our investments are subject to the following valuation process:

- The audit committee of our board of directors reviews and approves each preliminary valuation and our Manager and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- Our board of directors discusses the valuations and approves the fair value of each investment, in good faith, based on the input of our Manager, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

Our investment in Saratoga Investment Corp. CLO 2013-1, Ltd. (“Saratoga CLO”) is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rates and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flow analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Derivative Financial Instruments

We account for derivative financial instruments in accordance with ASC Topic 815, *Derivatives and Hedging* (“ASC 815”). ASC 815 requires recognizing all derivative instruments as either assets or liabilities on the consolidated statements of assets and liabilities at fair value. The Company values derivative contracts at the closing fair value provided by the counterparty. Changes in the values of derivative contracts are included in the consolidated statements of operations.

Investment Transactions and Income Recognition

Purchases and sales of investments and the related realized gains or losses are recorded on a trade-date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its

investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in Saratoga CLO is recorded using the effective interest method in accordance with the provisions of ASC Topic 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, ("ASC 325-40"), based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Other Income

Other income includes dividends received, origination fees, structuring fees and advisory fees, and is recorded in the consolidated statements of operations when earned.

Payment-in-Kind Interest

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Deferred Debt Financing Costs

Financing costs incurred in connection with our credit facility and notes are deferred and amortized using the straight line method over the life of the respective facility and debt securities. Financing costs incurred in connection with our SBA debentures are deferred and amortized using the effective yield method over the life of the debentures.

ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03") requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company has adopted the provisions of ASU 2015-03 as of February 28, 2015, by reclassifying deferred debt financing costs from within total assets to within total liabilities as a contra-liability. Prior period amounts were reclassified to conform to the current period presentation.

Contingencies

In the ordinary course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management feels that the likelihood of such an event is remote. Therefore, the Company has not accrued any liabilities in connection with such indemnifications.

In the ordinary course of business, the Company may directly or indirectly be a defendant or plaintiff in legal actions with respect to bankruptcy, insolvency or other types of proceedings. Such lawsuits may involve claims that could adversely affect the value of certain financial instruments owned by the Company.

Income Taxes

The Company has filed an election to be treated, for tax purposes, as a RIC under the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from federal income taxes. Therefore, no provision has been recorded for federal income taxes.

In order to qualify as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90.0% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4.0% on undistributed income if it does not distribute at least 98.0% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4.0% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

In accordance with certain applicable U.S. Treasury regulations and private letter rulings issued by the Internal Revenue Service (“IRS”), a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20.0% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash will receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20.0% of his or her entire distribution in cash. If these and certain other requirements are met, for U.S federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock.

ASC 740, *Income Taxes*, (“ASC 740”), provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions deemed to meet a “more-likely-than-not” threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense on the consolidated statements of operations. During the fiscal year ended February 29, 2016, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal. The 2013, 2014, 2015 and 2016 federal tax years for the Company remain subject to examination by the IRS. As of November 30, 2016 and February 29, 2016, there were no uncertain tax positions. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change significantly in the next 12 months.

Dividends

Dividends to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the board of directors. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

We have adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare a cash dividend, then our stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividends automatically reinvested into additional shares of our common stock, rather than receiving the cash dividends. We have the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator.

Capital Gains Incentive Fee

The Company records an expense accrual on the consolidated statements of operations, relating to the capital gains incentive fee payable on the consolidated statements of assets and liabilities, by the Company to its investment adviser when the net realized and unrealized gain on its investments exceed all net realized and unrealized capital losses on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains, net of realized and unrealized losses for the period.

New Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which is intended to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods therein. Early adoption is permitted. Management is currently evaluating the impact ASU 2016-15 will have on the Company's consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Amendments to the Leases* ("ASC Topic 842"), which will require for all operating leases the recognition of a right-of-use asset and a lease liability, in the statement of financial position. The lease cost will be allocated over the lease term on a straight-line basis. This guidance is effective for annual and interim periods beginning after December 15, 2018. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 retains many current requirements for the classification and measurement of financial instruments; however, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted for public business entities. Management is currently evaluating the impact the adoption of this standard has on the Company's consolidated financial statements and disclosures.

In August 2014, the FASB issued new accounting guidance that requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The amendments provide a definition of the term "substantial doubt" and include principles for considering the mitigating effect of management's plans. The amendments also require an evaluation every reporting period, including interim periods for a period of one year after the date that the financial statements are issued (or available to be issued), and certain disclosures when substantial doubt is alleviated or not alleviated. The amendments in this update are effective for reporting periods ending after December 15, 2016. Management does not believe these changes will have a material impact on the Company's consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605). Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In May 2016, ASU 2016-12 amended ASU 2014-09 and deferred the effective period to December 15, 2017. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

Risk Management

In the ordinary course of its business, the Company manages a variety of risks, including market risk and credit risk. Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions such as interest rate movements and volatility in investment prices.

Credit risk is the risk of default or non-performance by portfolio companies, equivalent to the investment's carrying amount.

The Company is also exposed to credit risk related to maintaining all of its cash and cash equivalents, including those in reserve accounts, at a major financial institution and credit risk related to any of its derivative counterparties.

The Company has investments in lower rated and comparable quality unrated high yield bonds and bank loans. Investments in high yield investments are accompanied by a greater degree of credit risk. The risk of loss due to default by the issuer is significantly greater for holders of high yield securities, because such investments are generally unsecured and are often subordinated to other creditors of the issuer.

Note 3. Investments

As noted above, the Company values all investments in accordance with ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs used in the determination of fair value may require significant management

judgment or estimation. Such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by a disclaimer would result in classification as a Level 3 asset, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Company continues to employ the valuation policy approved by the board of directors that is consistent with ASC 820 and the 1940 Act (see Note 2). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

The following table presents fair value measurements of investments, by major class, as of November 30, 2016 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Syndicated loans	$ —	$ —	$ 9,627	$ 9,627
First lien term loans	—	—	160,460	160,460
Second lien term loans	—	—	80,195	80,195
Structured finance securities	—	—	15,266	15,266
Equity interests	—	—	12,022	12,022
Total	$ —	$ —	$277,570	$277,570

The following table presents fair value measurements of investments, by major class, as of February 29, 2016 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Syndicated loans	$ —	$ —	$ 11,868	$ 11,868
First lien term loans	—	—	144,643	144,643
Second lien term loans	—	—	88,178	88,178
Structured finance securities	—	—	12,828	12,828
Equity interests	—	—	26,479	26,479
Total	$ —	$ —	$283,996	$283,996

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended November 30, 2016 (dollars in thousands):

	Syndicated loans	First lien term loans	Second lien term loans	Structured finance securities	Common stock/ equities	Total
Balance as of February 29, 2016	$ 11,868	$ 144,643	$ 88,178	$ 12,828	$ 26,479	$ 283,996
Net unrealized appreciation/(depreciation) on investments	2,221	(174)	290	20	(13,085)	(10,728)
Purchases and other adjustments to cost	56	69,671	10,996	4,500	1,470	86,693
Sales and repayments	(4,571)	(54,033)	(19,500)	(2,082)	(14,505)	(94,691)
Net realized gain from investments	53	353	231	—	11,663	12,300
Balance as of November 30, 2016	$ 9,627	$ 160,460	$ 80,195	$ 15,266	$ 12,022	$ 277,570

	Syndicated loans	First lien term loans	Second lien term loans	Structured finance securities	Common stock/ equities	Total
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:						
Net change in unrealized gains (losses):	$ 1,075	$ 204	$ (500)	$ 20	$ (1,981)	$ (1,182)

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and repayments represent net proceeds received from investments sold, and principal paydowns received, during the period.

Transfers and restructurings, if any, are recognized at the beginning of the period in which they occur.

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended November 30, 2015 (dollars in thousands):

	Syndicated loans	First lien term loans	Second lien term loans	Unsecured notes	Structured finance securities	Common stock/ equities	Total
Balance as of February 28, 2015	$ 18,302	$ 145,207	$ 35,603	$ 4,230	$ 17,031	$ 20,165	$ 240,538
Net unrealized appreciation/(depreciation) on investments	(1,442)	(1,271)	(67)	656	1,030	1,333	239
Purchases and other adjustments to cost	30	30,254	27,341	669	—	413	58,707
Sales and repayments	(2,370)	(28,657)	(19,502)	(5,917)	(2,285)	(3,946)	(62,677)
Net realized gain from investments	18	106	186	261	—	3,660	4,231
Restructures in	—	—	—	101	—	—	101
Restructures out	—	—	—	—	—	(101)	(101)
Balance as of November 30, 2015	$ 14,538	$ 145,639	$ 43,561	$ —	$ 15,776	$ 21,524	$ 241,038
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:							
Net change in unrealized gains (losses):	$ (1,458)	$ (1,270)	$ (187)	$ 92	$ 1,030	$ 1,577	$ (216)

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and repayments represent net proceeds received from investments sold, and principal paydowns received, during the period.

Transfers and restructurings, if any, are recognized at the beginning of the period in which they occur.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of November 30, 2016 were as follows (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range
Syndicated loans	$ 9,627	Market Comparables	Third-Party Bid (%)	97.6% - 99.9%
First lien term loans	160,460	Market Comparables	Market Yield (%)	6.4% - 16.4%
			EBITDA Multiples (x)	1.0x - 6.8x
			Third-Party Bid (%)	96.0% - 99.9%
Second lien term loans	80,195	Market Comparables	Market Yield (%)	8.3% - 15.0%
			Third-Party Bid (%)	94.0% - 102.0%
Structured finance securities	15,266	Discounted Cash Flow	Discount Rate (%)	10.5% - 15.0%
Equity interests	12,022	Market Comparables	EBITDA Multiples (x)	2.9x - 11.9x

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of February 29, 2016 were as follows (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range
Syndicated loans	$ 11,868	Market Comparables	Third-Party Bid (%)	72.5% - 98.2%
First lien term loans	144,643	Market Comparables	Market Yield (%)	6.8% - 15.5%
			EBITDA Multiples (x)	1.0x
			Revenue Multiples (x)	
			Third-Party Bid (%)	91.3% - 98.9%
Second lien term loans	88,178	Market Comparables	Market Yield (%)	0.0% - 15.0%
			Third-Party Bid (%)	91.5% - 98.6%
Structured finance securities	12,828	Discounted Cash Flow	Discount Rate (%)	20.0%
Equity interests	26,479	Market Comparables	EBITDA Multiples (x)	
			Revenue Multiples (x)	6.8x - 16.4x

For investments utilizing a market comparables valuation technique, a significant increase (decrease) in the market yield, in isolation, would result in a significantly lower (higher) fair value measurement, and a significant increase (decrease) in any of the EBITDA or revenue valuation multiples, in isolation, would result in a significantly higher (lower) fair value measurement. For investments utilizing a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, in isolation, would result in a significantly lower (higher) fair value measurement. For investments utilizing a market quote in deriving a value, a significant increase (decrease) in the market quote, in isolation, would result in a significantly higher (lower) fair value measurement.

The composition of our investments as of November 30, 2016, at amortized cost and fair value was as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Syndicated loans	$ 9,677	3.4%	$ 9,627	3.5%
First lien term loans	162,236	56.8	160,460	57.8
Second lien term loans	81,213	28.5	80,195	28.9
Structured finance securities	15,448	5.4	15,266	5.5
Equity interests	16,904	5.9	12,022	4.3
Total	$ 285,478	100.0%	$ 277,570	100.0%

The composition of our investments as of February 29, 2016, at amortized cost and fair value was as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Syndicated loans	$ 14,138	5.0%	$ 11,868	4.2%
First lien term loans	146,246	52.0	144,643	50.9
Second lien term loans	89,486	31.9	88,178	31.1
Structured finance securities	13,031	4.6	12,828	4.5
Equity interests	18,275	6.5	26,479	9.3
Total	$ 281,176	100.0%	$ 283,996	100.0%

For loans and debt securities for which market quotations are not available, we determine their fair value based on third party indicative broker quotes, where available, or the assumptions that a hypothetical market participant would use to value the security in a current hypothetical sale using a market yield valuation methodology. In applying the market yield valuation methodology, we determine the fair value based on such factors as market participant assumptions including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. If, in our judgment, the market yield methodology is not sufficient or appropriate, we may use additional methodologies such as an asset liquidation or expected recovery model.

For equity securities of portfolio companies and partnership interests, we determine the fair value based on the market approach with value then attributed to equity or equity like securities using the enterprise value waterfall valuation methodology. Under the enterprise value waterfall valuation methodology, we determine the enterprise fair value of the portfolio company and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. To estimate the enterprise value of the portfolio company, we weigh some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value. The methodologies for performing investments may be based on, among other things: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, third party valuations of the portfolio company, considering offers from third parties to buy the company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company. For non-performing investments, we may estimate the liquidation or collateral value of the portfolio company's assets and liabilities. We also take into account historical and anticipated financial results.

Our investment in Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected

performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. For the quarter ended November 30, 2013, in connection with the refinancing of the Saratoga CLO liabilities, we ran Intex models based on assumptions about the refinanced Saratoga CLO's structure, including capital structure, cost of liabilities and reinvestment period. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flow analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO at November 30, 2016. The significant inputs for the valuation model include:

- Default rates: 2.0%
- Recovery rates: 35-70%
- Prepayment rate: 20.0%
- Reinvestment rate / price: L+375bps / $99.50

Note 4. Investment in Saratoga Investment Corp. CLO 2013-1, Ltd. ("Saratoga CLO")

On January 22, 2008, we invested $30.0 million in all of the outstanding subordinated notes of GSC Investment Corp. CLO 2007, Ltd., a collateralized loan obligation fund managed by us that invests primarily in senior secured loans. Additionally, we entered into a collateral management agreement with GSC Investment Corp. CLO 2007, Ltd. pursuant to which we act as collateral manager to it. The Saratoga CLO was initially refinanced in October 2013 and its reinvestment period ended in October 2016. On November 15, 2016, we completed the second refinancing of the Saratoga CLO. The Saratoga CLO refinancing, among other things, extended its reinvestment period to October 2018, and extended its legal maturity date to October 2025. Following the refinancing, the Saratoga CLO portfolio remained at the same size and with a similar capital structure of approximately $300.0 million in aggregate principal amount of predominantly senior secured first lien term loans. In addition to refinancing its liabilities, we also purchased $4.5 million in aggregate principal amount of the Class F notes tranche of the Saratoga CLO at par, with a coupon of LIBOR plus 8.5%.

The Saratoga CLO remains 100% owned and managed by Saratoga Investment Corp. Following the refinancing, we receive a base management fee of 0.10% and a subordinated management fee of 0.40% of the fee basis amount at the beginning of the collection period, paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20.0% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return paid in cash equal to or greater than 12.0%. For the three months ended November 30, 2016 and November 30, 2015, we accrued $0.4 million and $0.4 million in management fee income, respectively, and $0.5 million and $0.8 million in interest income, respectively, from Saratoga CLO. For the nine months ended November 30, 2016 and November 30, 2015, we accrued $1.1 million and $1.1 million in management fee income, respectively, and $1.6 million and $2.0 million in interest income, respectively, from Saratoga CLO. We did not accrue any amounts related to the incentive management fee from Saratoga CLO as the 12.0% hurdle rate has not yet been achieved.

At November 30, 2016, the Company determined that the fair value of its investment in the subordinated notes of Saratoga CLO was $11.0 million. The Company determines the fair value of its investment in the subordinated notes of Saratoga CLO based on the present value of the projected future cash flows of the subordinated notes over the life of Saratoga CLO. At November 30, 2016, Saratoga CLO had investments with a principal balance of $297.5 million and a weighted average spread over LIBOR of 4.31%, and had debt with a principal balance of $282.4 million with a weighted average spread over LIBOR of 2.35%. As a result, Saratoga CLO earns a "spread" between the interest income it receives on its investments and the interest expense it pays

on its debt and other operating expenses, which is distributed quarterly to the Company as the holder of its subordinated notes. At November 30, 2016, the present value of the projected future cash flows of the subordinated notes was approximately $11.0 million, using an 15.0% discount rate. Saratoga Investment Corp. invested $32.8 million into the CLO since January 2008, and to date has since received distributions of $48.5 million and management fees of $16.1 million.

Below is certain financial information from the separate financial statements of Saratoga CLO as of November 30, 2016 (unaudited) and February 29, 2016 and for the three and nine months ended November 30, 2016 and November 30, 2015 (unaudited).

Saratoga Investment Corp. CLO 2013-1, Ltd.

Statements of Assets and Liabilities

	As of	
	November 30, 2016 (unaudited)	February 29, 2016
ASSETS		
Investments		
Fair Value Loans (amortized cost of $294,551,697 and $300,112,538, respectively)	$ 289,961,397	$ 284,652,926
Fair Value Other/Structured finance securities (amortized cost of $3,531,218 and $3,531,218, respectively)	37,455	191,863
Total investments at fair value (amortized cost of $298,082,915 and $303,643,756, respectively)	289,998,852	284,844,789
Cash and cash equivalents	16,002,200	2,349,633
Receivable from open trades	2,500	2,691,831
Interest receivable	1,734,794	1,698,562
Total assets	$ 307,738,346	$ 291,584,815
LIABILITIES		
Interest payable	$ 883,263	$ 626,040
Payable from open trades	11,925,775	7,123,854
Due to affiliate	46,078	—
Accrued base management fee	65,471	85,008
Accrued subordinated management fee	105,504	85,008
Class A-1 Notes—SIC CLO 2013-1, Ltd.	170,000,000	170,000,000
Discount on Class A-1 Notes - SIC CLO 2013-1, Ltd.	—	(1,319,258)
Class A-2 Notes—SIC CLO 2013-1, Ltd.	20,000,000	20,000,000
Discount on Class A-2 Notes—SIC CLO 2013-1, Ltd.	—	(136,750)
Class B Notes—SIC CLO 2013-1, Ltd.	44,800,000	44,800,000
Discount on Class B Notes—SIC CLO 2013-1, Ltd.	—	(888,328)
Class C Notes—SIC CLO 2013-1, Ltd.	16,000,000	16,000,000
Discount on Class C Notes—SIC CLO 2013-1, Ltd.	(79,605)	(553,078)
Class D Notes—SIC CLO 2013-1, Ltd.	14,000,000	14,000,000
Discount on Class D Notes—SIC CLO 2013-1, Ltd.	(369,566)	(717,938)
Class E Notes—SIC CLO 2013-1, Ltd.	13,100,000	13,100,000
Discount on Class E Notes—SIC CLO 2013-1, Ltd.	—	(1,353,521)
Class F Notes—SIC CLO 2013-1, Ltd.	4,500,000	4,500,000
Discount on Class F Notes—SIC CLO 2013-1, Ltd.	—	(492,300)
Deferred debt financing costs, SIC CLO 2013-1, Ltd. Notes	(973,665)	(1,716,554)
Subordinated Notes	30,000,000	30,000,000
Total liabilities	$ 324,003,255	$ 313,142,183
Commitments and contingencies		
NET ASSETS		
Ordinary equity, par value $1.00, 250 ordinary shares authorized, 250 and 250 issued and outstanding, respectively	$ 250	$ 250
Accumulated loss	(21,557,623)	(5,803,406)
Net gain (loss)	5,292,464	(15,754,212)
Total net assets	(16,264,909)	(21,557,368)
Total liabilities and net assets	$ 307,738,346	$ 291,584,815

Saratoga Investment Corp. CLO 2013-1, Ltd.

Statements of Operations
(unaudited)

	For the three months ended November 30		For the nine months ended November 30	
	2016	2015	2016	2015
INVESTMENT INCOME				
Interest from investments	$ 4,006,052	$ 3,559,889	$ 11,823,053	$ 10,711,063
Interest from cash and cash equivalents	3,095	158	5,804	663
Other income	82,239	14,064	515,376	248,057
Total investment income	4,091,386	3,574,111	12,344,233	10,959,783
EXPENSES				
Interest expense	2,457,705	2,912,974	9,347,508	8,772,617
Professional fees	39,694	66,203	79,120	178,602
Miscellaneous fee expense	25,974	9,758	48,365	20,446
Base management fee	167,592	184,694	541,763	560,643
Subordinated management fee	207,625	184,694	581,796	560,643
Trustee expenses	30,871	26,528	95,398	94,549
Amortization expense	302,635	237,966	782,561	717,892
Loss on extinguishment of debt	6,641,915	—	6,641,915	—
Total expenses	9,874,011	3,622,817	18,118,426	10,905,392
NET INVESTMENT INCOME (LOSS)	(5,782,625)	(48,706)	(5,774,193)	54,391
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain on investments	130,337	217,472	351,753	349,117
Net unrealized appreciation (depreciation) on investments	926,507	(6,609,496)	10,714,904	(10,319,542)
Net gain (loss) on investments	1,056,844	(6,392,024)	11,066,657	(9,970,425)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ (4,725,781)	$ (6,440,730)	$ 5,292,464	$ (9,916,034)

Saratoga Investment Corp. CLO 2013-1 Ltd.

Schedule of Investments

November 30, 2016
(unaudited)

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Education Management II, LLC	Leisure Goods/Activities/Movies	A-1 Preferred Shares	Equity	0.00%	0.00%	0.00%	0.00%		6,692	$ 669,214	$ 13,384
Education Management II, LLC	Leisure Goods/Activities/Movies	A-2 Preferred Shares	Equity	0.00%	0.00%	0.00%	0.00%		18,975	1,897,538	—
New Millennium Holdco, Inc.	Healthcare & Pharmaceuticals	Common Stock	Equity	0.00%	0.00%	0.00%	0.00%		14,813	964,466	24,071
24 Hour Holdings III, LLC	Leisure Goods/Activities/Movies	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	5/28/2021	$ 488,750	485,341	473,477
ABB Con-Cise Optical Group, LLC	Healthcare & Pharmaceuticals	Term Loan B	Loan	5.00%	1.00%	0.00%	6.00%	5/28/2021	$2,000,000	1,998,314	2,012,500
Acosta Holdco, Inc.	Media	Term Loan B1	Loan	3.25%	1.00%	0.00%	4.25%	9/26/2021	$1,960,150	1,948,749	1,853,577
Aspen Dental Management, Inc.	Healthcare & Pharmaceuticals	Term Loan Initial	Loan	4.25%	1.00%	0.00%	5.25%	4/29/2022	$1,488,710	1,484,608	1,497,092
Advantage Sales & Marketing, Inc.	Services: Business	Delayed Draw Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	7/25/2021	$2,452,462	2,449,784	2,432,033
Aegis Toxicology Science Corporation	Healthcare & Pharmaceuticals	Term B Loan	Loan	4.50%	1.00%	0.00%	5.50%	2/24/2021	$2,469,866	2,336,816	2,290,801
Agrofresh, Inc.	Food Services	Term Loan	Loan	4.75%	1.00%	0.00%	5.75%	7/30/2021	$1,975,000	1,966,724	1,866,375
Akorn, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.25%	1.00%	0.00%	5.25%	4/16/2021	$ 398,056	396,882	401,042
Albertson's LLC	Retailers (Except Food and Drugs)	Term Loan B-4	Loan	3.50%	1.00%	0.00%	4.50%	8/25/2021	$2,896,193	2,886,672	2,897,641
Alere Inc. (fka IM US Holdings, LLC)	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	6/20/2022	$ 920,276	918,381	909,923
Alion Science and Technology Corporation	High Tech Industries	Term Loan B (First Lien)	Loan	4.50%	1.00%	0.00%	5.50%	8/19/2021	$2,962,500	2,950,476	2,899,547
Alliance Healthcare Services, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	6/3/2019	$ 987,141	983,080	962,462
Anchor Glass T/L (11/16)	Containers/Glass Products	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	11/22/2023	$ 500,000	497,511	502,190
APCO Holdings, Inc.	Automotive	Term Loan	Loan	6.00%	1.00%	0.00%	7.00%	1/31/2022	$1,966,351	1,916,134	1,917,192
American Beacon Advisors, Inc.	Financial Intermediaries	Term Loan (First Lien)	Loan	4.25%	1.00%	0.00%	5.25%	4/30/2022	$ 241,440	240,465	240,762
Aramark Corporation	Food Products	U.S. Term F Loan	Loan	2.50%	0.75%	0.00%	3.25%	2/24/2021	$3,126,374	3,126,374	3,149,822
Astoria Energy T/L B	Utilities	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	12/24/2021	$1,500,000	1,493,873	1,473,750
Asurion, LLC (fka Asurion Corporation)	Insurance	Incremental Tranche B-1 Term Loan	Loan	3.75%	1.25%	0.00%	5.00%	5/24/2019	$ 531,422	527,619	533,915
Asurion, LLC (fka Asurion Corporation)	Insurance	Term Loan B4 (First Lien)	Loan	4.00%	1.00%	0.00%	5.00%	8/4/2022	$2,440,625	2,430,001	2,454,048
Auction.com, LLC	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	5/13/2019	$2,725,552	2,725,288	2,725,552
Avantor Performance Materials Holdings, Inc.	Chemicals/Plastics	Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	6/21/2022	$2,791,407	2,767,475	2,807,681
Bass Pro Group, LLC	Retailers (Except Food and Drugs)	Term Loan	Loan	3.25%	0.75%	0.00%	4.00%	6/5/2020	$1,477,500	1,477,457	1,465,104
Belmond Interfin Ltd.	Lodging & Casinos	Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	3/19/2021	$2,487,500	2,490,779	2,478,172

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal / Number of Shares	Cost	Fair Value
BJ's Wholesale Club, Inc.	Food/Drug Retailers	New 2013 (November) Replacement Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	9/26/2019	$2,432,199	2,434,086	2,434,996
Blackboard T/L B4	High Tech Industries	Term Loan B4	Loan	5.00%	1.00%	0.00%	6.00%	6/30/2021	$3,000,000	2,975,510	2,975,640
BMC Software	Technology	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	9/10/2020	$1,964,646	1,919,231	1,917,495
BMC Software T/L US	Technology	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	9/10/2020	$ 678,000	666,468	661,335
Brickman Group Holdings, Inc.	Brokers/Dealers/Investment Houses	Initial Term Loan (First Lien)	Loan	3.00%	1.00%	0.00%	4.00%	12/18/2020	$1,464,943	1,454,843	1,464,254
BWAY Holding Company	Leisure Goods/Activities/Movies	Term Loan B	Loan	4.50%	1.00%	0.00%	5.50%	8/14/2020	$ 942,307	935,335	944,267
Camp International Holding Company	Aerospace and Defense	2013 Replacement Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	5/31/2019	$1,930,150	1,930,627	1,928,954
Candy Intermediate Holdings, Inc.	Beverage, Food & Tobacco	Term Loan	Loan	4.50%	1.00%	0.00%	5.50%	6/15/2023	$ 498,750	496,429	498,750
Capital Automotive L.P.	Conglomerate	Tranche B-1 Term Loan Facility	Loan	3.00%	1.00%	0.00%	4.00%	4/10/2019	$1,491,216	1,493,090	1,501,282
Catalent Pharma Solutions, Inc	Drugs	Initial Term B Loan	Loan	3.25%	1.00%	0.00%	4.25%	5/20/2021	$ 488,752	487,090	489,885
Cengage Learning Acquisitions, Inc.	Publishing	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	6/7/2023	$1,496,250	1,495,685	1,433,033
Charter Communications Operating, LLC	Cable and Satellite Television	Term F Loan	Loan	2.25%	0.75%	0.00%	3.00%	12/31/2020	$1,613,703	1,609,776	1,616,624
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	Term G Loan	Loan	2.75%	1.00%	0.00%	3.75%	12/31/2019	$1,014,862	992,398	959,683
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	Term H Loan	Loan	3.00%	1.00%	0.00%	4.00%	1/27/2021	$1,867,318	1,822,085	1,763,458
CITGO Petroleum Corporation	Oil & Gas	Term Loan B	Loan	3.50%	1.00%	0.00%	4.50%	7/29/2021	$1,969,899	1,950,189	1,964,974
Communications Sales & Leasing, Inc.	Telecommunications	Term Loan B (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	10/24/2022	$1,975,000	1,964,807	1,984,381
Consolidated Aerospace Manufacturing, LLC	Aerospace and Defense	Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	8/11/2022	$1,437,500	1,431,231	1,322,500
Concordia Healthcare Corporation	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.25%	1.00%	0.00%	5.25%	10/21/2021	$1,985,000	1,892,204	1,660,175
CPI Acquisition Inc.	Technology	Term Loan B (First Lien)	Loan	4.50%	1.00%	0.00%	5.50%	8/17/2022	$1,436,782	1,418,072	1,303,879
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Electronics/Electric	Term B Loan	Loan	3.25%	1.00%	0.00%	4.25%	11/17/2017	$2,552,242	2,551,083	2,533,100
Crosby US Acquisition Corporation	Industrial Equipment	Initial Term Loan (First Lien)	Loan	3.00%	1.00%	0.00%	4.00%	11/23/2020	$ 729,375	728,747	616,322
CT Technologies Intermediate Hldgs, Inc	Healthcare & Pharmaceuticals	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	12/1/2021	$1,473,844	1,462,088	1,414,890
Culligan International Company-T/L	Conglomerate	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	11/17/2023	$2,005,000	2,004,975	2,006,263
Culligan International Company	Conglomerate	Dollar Loan (First Lien)	Loan	4.75%	1.50%	0.00%	6.25%	12/19/2017	$3,757,779	3,716,494	3,738,990
Culligan International Company	Conglomerate	Dollar Loan (Second Lien)	Loan	8.00%	1.50%	0.00%	9.50%	6/19/2018	$ 783,162	762,650	780,225
Cumulus Media Holdings Inc.	Broadcast Radio and Television	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	12/23/2020	$ 470,093	467,173	283,231
DAE Aviation (StandardAero)	Aerospace and Defense	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	7/7/2022	$1,980,000	1,971,835	1,980,495
DCS Business Services, Inc.	Financial Intermediaries	Term B Loan	Loan	7.25%	1.50%	0.00%	8.75%	3/19/2018	$2,109,675	2,102,627	2,109,675
Delta 2 (Lux) S.a.r.l.	Lodging & Casinos	Term Loan B-3	Loan	3.75%	1.00%	0.00%	4.75%	7/30/2021	$1,000,000	996,370	1,005,000
Deluxe Entertainment Service Group, Inc.	Leisure Goods/Activities/Movies	Term Loan (Incremental)	Loan	6.00%	1.00%	0.00%	7.00%	2/28/2020	$1,000,000	970,592	971,250
Deluxe Entertainment Service Group, Inc.	Leisure Goods/Activities/Movies	Term Loan (First Lien)	Loan	5.50%	1.00%	0.00%	6.50%	2/28/2020	$1,880,622	1,881,696	1,837,518
Diebold, Inc.	High Tech Industries	Term Loan B	Loan	4.50%	0.75%	0.00%	5.25%	11/6/2023	$ 400,000	396,246	403,668

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal / Number of Shares	Cost	Fair Value
DJO Finance, LLC	Healthcare & Pharmaceuticals	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	6/8/2020	$ 493,750	492,061	472,766
DPX Holdings B.V.	Healthcare & Pharmaceuticals	Term Loan 2015 Incr Dollar	Loan	3.25%	1.00%	0.00%	4.25%	3/11/2021	$2,932,500	2,927,036	2,936,166
Drew Marine Group, Inc.	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.25%	1.00%	0.00%	4.25%	11/19/2020	$2,956,135	2,927,349	2,882,232
DTZ U.S. Borrower, LLC	Construction & Building	Term Loan B Add-on	Loan	3.25%	1.00%	0.00%	4.25%	11/4/2021	$1,967,538	1,959,096	1,957,700
Edelman Financial Group, Inc.	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	5.50%	1.00%	0.00%	6.50%	12/19/2022	$1,488,750	1,462,163	1,489,986
Education Management II, LLC	Leisure Goods/Activities/Movies	Term Loan A	Loan	4.50%	1.00%	0.00%	5.50%	7/2/2020	$ 501,970	487,866	115,453
Education Management II, LLC	Leisure Goods/Activities/Movies	Term Loan B (2.00% Cash/6.50% PIK)	Loan	1.00%	1.00%	6.50%	8.50%	7/2/2020	$ 938,381	916,819	35,968
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	8/1/2021	$ 480,909	479,214	482,712
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (Second Lien)	Loan	6.75%	1.00%	0.00%	7.75%	8/1/2022	$ 500,000	498,071	497,710
Emerald 2 Limited	Chemicals/Plastics	Term Loan B1A	Loan	4.00%	1.00%	0.00%	5.00%	5/14/2021	$1,000,000	993,485	925,000
Endo International plc	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.00%	0.75%	0.00%	3.75%	9/26/2022	$ 992,500	990,394	984,749
EnergySolutions, LLC	Environmental Industries	Term Loan B	Loan	5.75%	1.00%	0.00%	6.75%	5/29/2020	$ 795,000	784,985	800,963
Engility Corporation	Aerospace and Defense	Term Loan B-1	Loan	4.25%	0.70%	0.00%	4.95%	8/12/2020	$ 250,000	248,811	251,770
Evergreen Acqco 1 LP	Retailers (Except Food and Drugs)	New Term Loan	Loan	3.75%	1.25%	0.00%	5.00%	7/9/2019	$ 957,600	956,486	886,383
EWT Holdings III Corp. (fka WTG Holdings III Corp.)	Industrial Equipment	Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	1/15/2021	$1,952,349	1,948,532	1,954,789
EWT Holdings III Corp.	Capital Equipment	Term Loan	Loan	4.50%	1.00%	0.00%	5.50%	1/15/2021	$ 995,000	986,153	996,662
Extreme Reach, Inc.	Media	Term Loan B	Loan	6.25%	1.00%	0.00%	7.25%	2/7/2020	$2,943,750	2,914,312	2,969,508
Federal-Mogul Corporation	Automotive	Tranche C Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	4/15/2021	$2,932,500	2,922,802	2,841,270
First Data Corporation	Financial Intermediaries	First Data T/L Ext (2021)	Loan	3.00%	0.70%	0.00%	3.70%	3/24/2021	$1,909,673	1,821,389	1,917,140
First Eagle Investment Management	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	4.00%	0.75%	0.00%	4.75%	12/1/2022	$1,488,750	1,462,691	1,493,871
Fitness International, LLC	Leisure Goods/Activities/Movies	Term Loan B	Loan	5.00%	1.00%	0.00%	6.00%	7/1/2020	$1,934,146	1,908,664	1,934,146
FMG Resources (August 2006) Pty LTD (FMG America Finance, Inc.)	Nonferrous Metals/Minerals	Loan	Loan	2.75%	1.00%	0.00%	3.75%	6/28/2019	$1,207,069	1,208,510	1,207,371
Garda World Security Corporation	Services: Business	Term B Delayed Draw Loan	Loan	3.00%	1.00%	0.00%	4.00%	11/6/2020	$ 197,592	196,978	194,012
Garda World Security Corporation	Services: Business	Term B Loan	Loan	3.00%	1.00%	0.00%	4.00%	11/6/2020	$ 772,408	770,060	758,411
Gardner Denver, Inc.	High Tech Industries	Initial Dollar Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	7/30/2020	$2,432,330	2,427,218	2,363,009
Gates Global LLC	Leisure Goods/Activities/Movies	Term Loan (First Lien)	Loan	3.25%	1.00%	0.00%	4.25%	7/5/2021	$ 482,906	478,077	480,139
General Nutrition Centers, Inc.	Retailers (Except Food and Drugs)	Amended Tranche B Term Loan	Loan	2.50%	0.75%	0.00%	3.25%	3/4/2019	$2,123,160	2,119,206	2,025,856
Global Tel*Link Corporation	Services: Business	Term Loan (First Lien)	Loan	3.75%	1.25%	0.00%	5.00%	5/26/2020	$2,675,183	2,668,213	2,635,884
Goodyear Tire & Rubber Company, The	Chemicals/Plastics	Loan (Second Lien)	Loan	3.00%	0.75%	0.00%	3.75%	4/30/2019	$2,000,000	1,978,530	2,013,500
Grosvenor Capital Management Holdings, LP	Brokers/Dealers/Investment Houses	Initial Term Loan	Loan	2.75%	1.00%	0.00%	3.75%	1/4/2021	$1,014,560	1,011,388	1,006,109
GTCR Valor Companies, Inc.	Services: Business	Term Loan B	Loan	6.00%	1.00%	0.00%	7.00%	5/17/2023	$1,496,250	1,438,257	1,442,954
Harland Clarke Holdings Corp. (fka Clarke American Corp.)	Publishing	Tranche B-4 Term Loan	Loan	5.99%	1.00%	0.00%	6.99%	8/2/2019	$2,452,292	2,359,268	2,439,000
Headwaters Incorporated	Building & Development	Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	3/24/2022	$ 246,875	245,872	247,904
Help/Systems Holdings, Inc.	High Tech Industries	Term Loan	Loan	5.25%	1.00%	0.00%	6.25%	10/8/2021	$1,488,750	1,435,008	1,476,349

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Hemisphere Media Holdings, LLC	Media	Term Loan B	Loan	4.00%	1.00%	0.00%	5.00%	7/30/2020	$2,500,000	2,511,306	2,493,750
Hercules Achievement Holdings, Inc.	Retailers (Except Food and Drugs)	Term Loan B	Loan	4.00%	1.00%	0.00%	5.00%	12/10/2021	$ 247,481	245,345	249,585
Hoffmaster Group, Inc.	Containers/Glass Products	Term Loan	Loan	4.50%	1.00%	0.00%	5.50%	11/10/2023	$1,000,000	1,003,750	999,380
Hostess Brand, LLC	Beverage, Food & Tobacco	Term Loan B (First Lien)	Loan	3.00%	1.00%	0.00%	4.00%	8/3/2022	$1,490,000	1,486,283	1,497,823
Huntsman International LLC	Chemicals/Plastics	Term Loan B (First Lien)	Loan	3.00%	0.70%	0.00%	3.70%	4/19/2019	$2,809,046	2,793,042	2,813,260
Husky Injection Molding Systems Ltd.	Services: Business	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	6/30/2021	$ 487,465	485,699	486,490
Hyperion Refinance T/L	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	4.50%	1.00%	0.00%	5.50%	4/29/2022	$2,000,000	1,982,160	1,982,500
Imagine! Print Solutions, Inc.	Media	Term Loan B	Loan	6.00%	1.00%	0.00%	7.00%	3/30/2022	$ 497,500	490,794	500,923
Infor (US), Inc. (fka Lawson Software Inc.)	Services: Business	Tranche B-5 Term Loan	Loan	2.75%	1.00%	0.00%	3.75%	6/3/2020	$2,134,125	2,122,744	2,129,686
Insight Global	Services: Business	Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	10/29/2021	$ 3,459,111	3,442,956	3,473,536
Informatica Corporation	High Tech Industries	Term Loan B	Loan	3.50%	1.00%	0.00%	4.50%	8/5/2022	$ 495,000	493,929	483,556
J. Crew Group, Inc.	Retailers (Except Food and Drugs)	Term B-1 Loan Retired 03/05/2014	Loan	3.00%	1.00%	0.00%	4.00%	3/5/2021	$ 948,188	948,188	606,840
Jazz Acquisition, Inc	Aerospace and Defense	First Lien 6/14	Loan	3.50%	1.00%	0.00%	4.50%	6/19/2021	$ 489,091	488,214	453,940
J.Jill Group, Inc.	Retailers (Except Food and Drugs)	Term Loan (First Lien)	Loan	5.00%	1.00%	0.00%	6.00%	5/9/2022	$ 987,505	983,403	965,286
Kinetic Concepts, Inc.	Healthcare & Pharmaceuticals	Term Loan F-1	Loan	4.00%	1.00%	0.00%	5.00%	11/4/2020	$2,434,098	2,409,562	2,390,284
Koosharem, LLC	Services: Business	Term Loan	Loan	6.50%	1.00%	0.00%	7.50%	5/15/2020	$2,942,588	2,923,892	2,648,329
Kraton Polymers, LLC	Chemicals/Plastics	Term Loan (Initial)	Loan	5.00%	1.00%	0.00%	6.00%	1/6/2022	$2,500,000	2,277,562	2,513,675
Lannett Company, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	5.38%	1.00%	0.00%	6.38%	11/25/2022	$1,925,000	1,865,075	1,872,063
Learfield Communications Initial T/L (A-L Parent)	Healthcare & Pharmaceuticals	Initial Term Loan (A-L Parent)	Loan	3.25%	1.00%	0.00%	4.25%	11/17/2023	$ 500,000	497,500	501,250
LPL Holdings	Banking, Finance, Insurance & Real Estate	Term Loan B (2022)	Loan	4.00%	0.75%	0.00%	4.75%	11/21/2022	$1,985,000	1,967,639	1,999,054
McGraw-Hill Global Education Holdings, LLC	Publishing	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	5/4/2022	$ 997,500	993,085	987,884
Mauser Holdings, Inc.	Containers/Glass Products	Term Loan	Loan	3.50%	1.00%	0.00%	4.50%	7/31/2021	$ 490,000	488,278	491,838
Michaels Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B1	Loan	2.75%	1.00%	0.00%	3.75%	1/30/2023	$1,684,412	1,678,497	1,696,000
Micro Holding Corporation	High Tech Industries	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	7/8/2021	$ 985,413	981,373	988,803
Microsemi Corporation	Electronics/Electric	Term Loan B	Loan	3.00%	0.75%	0.00%	3.75%	1/17/2023	$ 892,985	868,970	897,950
Midas Intermediate Holdco II, LLC	Automotive	Term Loan (Initial)	Loan	3.50%	1.00%	0.00%	4.50%	8/18/2021	$ 245,000	244,071	245,919
Milk Specialties Company	Beverage, Food & Tobacco	Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	8/16/2023	$1,000,000	990,342	1,008,750
MSC Software Corporation	Services: Business	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	5/29/2020	$1,974,949	1,934,256	1,970,012
MWI Holdings, Inc.	Capital Equipment	Term Loan (First Lien)	Loan	5.50%	1.00%	0.00%	6.50%	6/29/2020	$2,992,500	2,986,899	2,992,500
National Veterinary Associates, Inc	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.75%	1.00%	0.00%	4.75%	8/14/2021	$ 980,038	977,191	981,675
National Vision, Inc.	Retailers (Except Food and Drugs)	Term Loan (Second Lien)	Loan	5.75%	1.00%	0.00%	6.75%	3/11/2022	$ 250,000	249,780	238,437
New Media Holdings II T/L (NEW)	Retailers (Except Food and Drugs)	Term Loan	Loan	6.25%	1.00%	0.00%	7.25%	6/4/2020	$2,674,923	2,662,001	2,644,830
New Millennium Holdco, Inc.	Healthcare & Pharmaceuticals	Term Loan	Loan	6.50%	1.00%	0.00%	7.50%	12/21/2020	$1,935,123	1,771,899	1,154,630
NorthStar Asset Management Group, Inc.	Banking, Finance, Insurance & Real Estate	Term Loan B	Loan	3.88%	0.75%	0.00%	4.63%	1/30/2023	$1,990,000	1,926,727	1,988,348

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Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Novelis, Inc.	Conglomerate	Term Loan B	Loan	3.25%	0.75%	0.00%	4.00%	6/2/2022	$4,735,095	4,715,782	4,740,256
Novetta Solutions	Aerospace and Defense	Term Loan (200MM)	Loan	5.00%	1.00%	0.00%	6.00%	10/16/2022	$1,985,000	1,967,682	1,890,712
Novetta Solutions	Aerospace and Defense	Term Loan (2nd Lien)	Loan	8.50%	1.00%	0.00%	9.50%	9/29/2023	$1,000,000	990,986	930,000
NPC International, Inc.	Food Services	Term Loan (2013)	Loan	3.75%	1.00%	0.00%	4.75%	12/28/2018	$ 477,298	477,298	477,598
NVA Holdings, Inc.	Services: Consumer	Term Loan B1	Loan	4.50%	1.00%	0.00%	5.50%	8/14/2021	$ 157,841	157,485	158,236
NXT Capital T/L (11/16)	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	4.50%	1.00%	0.00%	5.50%	11/23/2022	$1,000,000	995,000	1,000,000
Om Group	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	6.00%	1.00%	0.00%	7.00%	10/28/2021	$ 994,987	903,045	991,883
ON Semiconductor Corporation	High Tech Industries	Term Loan B	Loan	3.25%	0.70%	0.00%	3.95%	3/31/2023	$ 500,000	499,320	502,500
Onex Carestream Finance LP	Healthcare & Pharmaceuticals	Term Loan (First Lien 2013)	Loan	4.00%	1.00%	0.00%	5.00%	6/7/2019	$3,668,306	3,659,647	3,232,695
OnexYork Acquisition Co	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.75%	1.00%	0.00%	4.75%	10/1/2021	$ 490,000	487,264	452,637
OpenLink International, LLC	Services: Business	Term B Loan	Loan	6.50%	1.25%	0.00%	7.75%	7/29/2019	$2,921,492	2,920,807	2,947,055
P.F. Chang's China Bistro, Inc. (Wok Acquisition Corp.)	Food/Drug Retailers	Term Borrowing	Loan	3.25%	1.00%	0.00%	4.25%	6/24/2019	$1,421,386	1,417,039	1,400,065
P2 Upstream Acquisition Co. (P2 Upstream Canada BC ULC)	Services: Business	Term Loan (First Lien)	Loan	4.00%	1.00%	0.00%	5.00%	10/30/2020	$ 972,500	969,216	914,150
Petsmart, Inc. (Argos Merger Sub, Inc.)	Retailers (Except Food and Drugs)	Term Loan B1	Loan	3.00%	1.00%	0.00%	4.00%	3/11/2022	$ 985,000	980,220	987,728
PGX Holdings, Inc.	Financial Intermediaries	Term Loan	Loan	4.75%	1.00%	0.00%	5.75%	9/29/2020	$ 911,429	905,316	911,046
Planet Fitness Holdings LLC	Leisure Goods/Activities/Movies	Term Loan	Loan	3.50%	0.75%	0.00%	4.25%	3/31/2021	$2,398,337	2,390,948	2,392,341
Polycom Term Loan (9/16)	Telecommunications	Term Loan	Loan	6.50%	1.00%	0.00%	7.50%	9/27/2023	$2,000,000	1,972,500	1,966,260
PrePaid Legal Services, Inc.	Services: Business	Term Loan B	Loan	5.25%	1.25%	0.00%	6.50%	7/1/2019	$3,392,467	3,396,014	3,389,651
Presidio, Inc.	Services: Business	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	2/2/2022	$2,385,390	2,331,907	2,398,319
Prime Security Services (Protection One)	Services: Business	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	7/1/2021	$1,985,025	1,977,124	1,996,876
Ranpak Holdings, Inc.	Services: Business	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	10/1/2021	$ 931,264	928,935	923,115
Ranpak Holdings, Inc.	Services: Business	Term Loan (Second Lien)	Loan	7.25%	1.00%	0.00%	8.25%	10/3/2022	$ 500,000	498,073	470,000
Redtop Acquisitions Limited	Electronics/Electric	Initial Dollar Term Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	12/3/2020	$ 486,259	484,109	485,044
Regal Cinemas Corporation	Services: Consumer	Term Loan	Loan	2.75%	0.75%	0.00%	3.50%	4/1/2022	$ 495,009	493,772	496,868
Research Now Group, Inc	Media	Term Loan B	Loan	4.50%	1.00%	0.00%	5.50%	3/18/2021	$2,042,890	2,034,414	1,981,603
Rexnord LLC/RBS Global, Inc.	Industrial Equipment	Term B Loan	Loan	3.00%	1.00%	0.00%	4.00%	8/21/2020	$1,540,540	1,541,627	1,544,607
Reynolds Group Holdings Inc.	Industrial Equipment	Incremental U.S. Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	2/6/2023	$1,765,548	1,765,548	1,773,458
Rovi Solutions Corporation / Rovi Guides, Inc.	Electronics/Electric	Tranche B-3 Term Loan	Loan	3.00%	0.75%	0.00%	3.75%	7/2/2021	$1,466,250	1,461,232	1,469,549
Royal Adhesives and Sealants	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	6/20/2022	$ 493,750	491,669	496,219
Royal Adhesives and Sealants	Chemicals/Plastics	Term Loan (Second Lien)	Loan	7.50%	1.00%	0.00%	8.50%	6/19/2023	$ 500,000	496,621	493,750
RPI Finance Trust	Financial Intermediaries	Term B-4 Term Loan	Loan	2.50%	0.70%	0.00%	3.20%	10/14/2022	$2,561,167	2,561,167	2,581,758
Russell Investment Management T/L B	Banking, Finance, Insurance & Real Estate	Term Loan B	Loan	5.75%	1.00%	0.00%	6.75%	6/1/2023	$1,995,000	1,879,384	2,006,232
Sable International Finance Ltd	Telecommunications	Term Loan B1	Loan	4.75%	0.75%	0.00%	5.50%	12/2/2022	$ 825,000	809,615	831,922
Sable International Finance Ltd	Telecommunications	Term Loan B2	Loan	4.75%	0.75%	0.00%	5.50%	12/2/2022	$ 675,000	662,412	680,663
SBP Holdings LP	Industrial Equipment	Term Loan (First Lien)	Loan	4.00%	1.00%	0.00%	5.00%	3/27/2021	$ 975,000	971,747	819,000
Scientific Games International, Inc.	Electronics/Electric	Term Loan B2	Loan	5.00%	1.00%	0.00%	6.00%	10/1/2021	$ 982,500	973,672	990,684
SCS Holdings (Sirius Computer)	High Tech Industries	Term Loan (First Lien)	Loan	4.25%	1.00%	0.00%	5.25%	10/31/2022	$1,977,528	1,942,888	1,987,416
Seadrill Operating LP	Oil & Gas	Term Loan B	Loan	3.00%	1.00%	0.00%	4.00%	2/21/2021	$ 979,849	921,734	554,428

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Shearers Foods LLC	Food Services	Term Loan (First Lien)	Loan	3.94%	1.00%	0.00%	4.94%	6/30/2021	$ 980,000	978,146	980,000
Sitel Worldwide	Telecommunications	Term Loan	Loan	5.50%	1.00%	0.00%	6.50%	9/18/2021	$1,980,000	1,963,403	1,968,239
Sonneborn, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	12/10/2020	$ 208,512	208,136	208,860
Sonneborn, LLC	Chemicals/Plastics	Initial US Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	12/10/2020	$1,181,569	1,179,439	1,183,542
Sophia, L.P.	Electronics/Electric	Term Loan (Closing Date)	Loan	3.75%	1.00%	0.00%	4.75%	9/30/2022	$1,965,897	1,957,501	1,967,136
SourceHOV LLC	Services: Business	Term Loan B (First Lien)	Loan	6.75%	1.00%	0.00%	7.75%	10/31/2019	$1,862,500	1,826,426	1,642,259
SRAM, LLC	Industrial Equipment	Term Loan (First Lien)	Loan	3.00%	1.00%	0.00%	4.00%	4/10/2020	$2,772,070	2,765,804	2,723,559
Steak ‘n Shake Operations, Inc.	Food Services	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	3/19/2021	$ 925,673	919,596	918,730
SuperMedia Inc. (fka Idearc Inc.)	Publishing	Loan	Loan	8.60%	3.00%	0.00%	11.60%	12/30/2016	$ 200,478	200,472	77,685
Survey Sampling International	Services: Business	Term Loan B	Loan	5.00%	1.00%	0.00%	6.00%	12/16/2020	$2,728,677	2,713,545	2,715,033
Sybil Finance BV	High Tech Industries	Term Loan B	Loan	4.00%	1.00%	0.00%	5.00%	8/3/2022	$1,000,000	995,154	1,008,500
Syniverse Holdings, Inc.	Telecommunications	Initial Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	4/23/2019	$ 468,977	466,744	416,386
TaxACT, Inc.	Services: Business	Term Loan B	Loan	6.00%	1.00%	0.00%	7.00%	1/3/2023	$1,350,000	1,313,620	1,353,375
Tectum Holdings, Inc.	Transportation	Delayed Draw Term Loan (Initial)	Loan	4.75%	1.00%	0.00%	5.75%	8/24/2023	$1,000,000	990,340	1,005,000
TGI Friday’s, Inc.	Food Services	Term Loan B	Loan	4.25%	1.00%	0.00%	5.25%	7/15/2020	$1,651,816	1,648,636	1,629,104
Townsquare Media, Inc.	Media	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	4/1/2022	$ 932,522	928,849	932,522
TPF II Power LLC and TPF II Covert Midco LLC	Utilities	Term Loan B	Loan	4.00%	1.00%	0.00%	5.00%	10/2/2021	$1,413,873	1,362,183	1,420,235
TransDigm, Inc.	Aerospace and Defense	Tranche C Term Loan	Loan	3.00%	0.75%	0.00%	3.75%	2/28/2020	$4,244,222	4,249,544	4,249,952
Travel Leaders Group, LLC	Hotel, Gaming and Leisure	Term Loan B	Loan	6.00%	1.00%	0.00%	7.00%	12/7/2020	$2,629,084	2,615,196	2,603,898
Trugreen Limited Partnership	Services: Business	Term Loan B	Loan	5.50%	1.00%	0.00%	6.50%	4/13/2023	$ 498,750	491,925	502,491
Twin River Management Group, Inc.	Lodging & Casinos	Term Loan B	Loan	4.25%	1.00%	0.00%	5.25%	7/10/2020	$ 864,021	865,348	868,886
Univar Inc.	Chemicals/Plastics	Term B Loan	Loan	3.25%	1.00%	0.00%	4.25%	7/1/2022	$2,970,000	2,957,757	2,979,296
Univision Communications Inc.	Telecommunications	Replacement First-Lien Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	3/1/2020	$2,893,389	2,883,224	2,892,347
Valeant Pharmaceuticals International, Inc.	Drugs	Series D2 Term Loan B	Loan	4.25%	0.75%	0.00%	5.00%	2/13/2019	$2,468,721	2,460,512	2,445,588
Verint Systems Inc.	Services: Business	Term Loan	Loan	2.75%	0.75%	0.00%	3.50%	9/6/2019	$1,008,871	1,006,624	1,014,551
Vistra Operations (Tex Operations) Exit T/L B	Services: Business	Exit Term Loan B	Loan	4.00%	1.00%	0.00%	5.00%	8/4/2023	$ 814,286	814,286	821,069
Vistra Operations (Tex Operations) Exit T/L C	Services: Business	Exit Term Loan C	Loan	4.00%	1.00%	0.00%	5.00%	8/4/2023	$ 185,714	185,714	187,261
Vizient Inc.	Healthcare & Pharmaceuticals	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	2/13/2023	$ 879,853	856,015	887,552
Vouvray US Finance	Industrial Equipment	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	6/27/2021	$ 488,750	487,038	489,566
Washington Inventory Service	Services: Business	U.S. Term Loan (First Lien)	Loan	4.50%	1.25%	0.00%	5.75%	12/20/2018	$1,731,518	1,741,101	1,294,309
Western Digital Corporation	High Tech Industries	Term Loan B (USD)	Loan	3.75%	0.75%	0.00%	4.50%	5/1/2023	$1,596,000	1,585,323	1,613,955
Windstream Services, LLC	Telecommunications	Term Loan B6	Loan	4.00%	0.75%	0.00%	4.75%	3/29/2021	$1,000,000	990,071	1,001,000
Xerox Business Services T/L B (Conduent)	Services: Business	Term Loan	Loan	5.50%	0.75%	0.00%	6.25%	11/22/2023	$ 500,000	487,536	500,000
ZEP, Inc.	Chemicals/Plastics	Term Loan B	Loan	4.00%	1.00%	0.00%	5.00%	6/27/2022	$2,962,500	2,950,232	2,973,609
Zest Holdings 1st Lien T/L (2014 Replacement)	Healthcare & Pharmaceuticals	Term Loan	Loan	4.75%	1.00%	0.00%	5.75%	8/17/2020	$1,000,000	995,127	1,002,500
										$298,082,915	**$289,998,852**

	Principal	Cost	Fair Value
Cash and cash equivalents			
U.S. Bank Money Market(a)	$ 16,002,200	$ 16,002,200	$ 16,002,200
Total cash and cash equivalents	**$ 16,002,200**	**$ 16,002,200**	**$ 16,002,200**

(a) Included within cash and cash equivalents in Saratoga CLO's Statements of Assets and Liabilities as of November 30, 2016.

Saratoga Investment Corp. CLO 2013-1 Ltd.

Schedule of Investments

February 29, 2016

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Education Management II, LLC	Leisure Goods/Activities/Movies	A-1 Preferred Shares	Equity	0.00%	0.00%	0.00%	0.00%		6,692	$ 669,214	$ 1,673
Education Management II, LLC	Leisure Goods/Activities/Movies	A-2 Preferred Shares	Equity	0.00%	0.00%	0.00%	0.00%		18,975	1,897,538	95
New Millennium Holdco, Inc.	Healthcare & Pharmaceuticals	Common Stock	Equity	0.00%	0.00%	0.00%	0.00%		14,813	964,466	190,095
24 Hour Holdings III, LLC	Leisure Goods/Activities/Movies	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	5/28/2021	$ 492,500	488,586	455,154
Acosta Holdco, Inc.	Media	Term Loan B1	Loan	3.25%	1.00%	0.00%	4.25%	9/26/2021	$1,972,936	1,959,834	1,855,389
Aspen Dental Management, Inc.	Healthcare & Pharmaceuticals	Term Loan Initial	Loan	4.50%	1.00%	0.00%	5.50%	4/29/2022	$ 497,500	495,228	495,221
Advantage Sales & Marketing, Inc.	Services: Business	Delayed Draw Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	7/25/2021	$2,471,231	2,468,039	2,342,826
Agrofresh, Inc.	Food Services	Term Loan	Loan	4.75%	1.00%	0.00%	5.75%	7/30/2021	$1,990,000	1,980,704	1,935,275
Aegis Toxicology Science Corporation	Healthcare & Pharmaceuticals	Term B Loan	Loan	4.50%	1.00%	0.00%	5.50%	2/24/2021	$ 985,000	985,000	797,850
Akorn, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	5.00%	1.00%	0.00%	6.00%	4/16/2021	$ 398,056	396,681	396,066
Albertson's LLC	Retailers (Except Food and Drugs)	Term Loan B-4	Loan	4.50%	1.00%	0.00%	5.50%	8/25/2021	$3,384,425	3,367,410	3,302,623
Alere Inc. (fka IM US Holdings, LLC)	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	6/20/2022	$ 927,265	925,091	925,365
Alion Science and Technology Corporation	High Tech Industries	Term Loan B (First Lien)	Loan	4.50%	1.00%	0.00%	5.50%	8/19/2021	$2,985,000	2,971,074	2,824,555
Alliance Healthcare Services, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	6/3/2019	$ 994,856	990,161	906,981
Alliant Holdings I, LLC	Banking, Finance, Insurance & Real Estate	Term Loan B (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	8/12/2022	$ 995,000	992,679	960,921
Alvogen Pharma US, Inc	Healthcare & Pharmaceuticals	Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	4/4/2022	$ 480,447	478,240	456,425
American Beacon Advisors, Inc.	Financial Intermediaries	Term Loan (First Lien)	Loan	4.50%	1.00%	0.00%	5.50%	4/30/2022	$ 248,749	247,612	244,190
Aramark Corporation	Food Products	LC-2 Facility	Loan	3.50%	0.62%	0.00%	4.12%	7/26/2016	$ 9,447	9,445	9,305
Aramark Corporation	Food Products	LC-3 Facility	Loan	3.50%	0.62%	0.00%	4.12%	7/26/2016	$ 5,244	5,244	5,166
Aramark Corporation	Food Products	U.S. Term F Loan	Loan	2.50%	0.75%	0.00%	3.25%	2/24/2021	$3,150,423	3,150,423	3,126,133
Asurion, LLC (fka Asurion Corporation)	Insurance	Incremental Tranche B-1 Term Loan	Loan	3.75%	1.25%	0.00%	5.00%	5/24/2019	$2,596,480	2,573,245	2,441,237
Asurion, LLC (fka Asurion Corporation)	Insurance	Term Loan B4 (First Lien)	Loan	4.00%	1.00%	0.00%	5.00%	8/4/2022	$2,478,125	2,466,303	2,270,582
Auction.com, LLC	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	5/13/2019	$2,522,992	2,522,722	2,491,455
Avantor Performance Materials Holdings, Inc.	Chemicals/Plastics	Term Loan	Loan	4.00%	1.25%	0.00%	5.25%	6/24/2017	$2,156,953	2,153,896	2,135,384
Bass Pro Group, LLC	Retailers (Except Food and Drugs)	Term Loan	Loan	3.25%	0.75%	0.00%	4.00%	6/5/2020	$1,488,750	1,485,895	1,397,564

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Belmond Interfin Ltd.	Lodging & Casinos	Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	3/19/2021	$ 491,249	489,361	477,127
Berry Plastics Corporation	Chemicals/Plastics	Term E Loan	Loan	2.75%	1.00%	0.00%	3.75%	1/6/2021	$1,314,499	1,305,069	1,291,903
BJ's Wholesale Club, Inc.	Food/Drug Retailers	New 2013 (November) Replacement Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	9/26/2019	$1,476,196	1,475,409	1,401,161
Blue Coat Systems	Technology	Term Loan B	Loan	3.50%	1.00%	0.00%	4.50%	5/20/2022	$ 997,500	995,159	945,131
BMC Software	Technology	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	9/10/2020	$1,979,798	1,926,080	1,571,821
Brickman Group Holdings, Inc.	Brokers/Dealers/Investment Houses	Initial Term Loan (First Lien)	Loan	3.00%	1.00%	0.00%	4.00%	12/18/2020	$1,476,212	1,464,327	1,426,390
Brock Holdings III, Inc.	Industrial Equipment	Term Loan (First Lien)	Loan	4.50%	1.50%	0.00%	6.00%	3/16/2017	$1,917,168	1,924,101	1,802,138
Burlington Coat Factory Warehouse Corporation	Retailers (Except Food and Drugs)	Term B-2 Loan	Loan	3.25%	1.00%	0.00%	4.25%	8/13/2021	$1,861,667	1,853,426	1,845,843
BWAY Holding Company	Leisure Goods/Activities/Movies	Term Loan B	Loan	4.50%	1.00%	0.00%	5.50%	8/14/2020	$ 985,000	976,335	930,826
Caesars Entertainment Corp.	Lodging & Casinos	Term B-7 Loan	Loan	8.75%	1.00%	3.50%	13.25%	3/1/2017	$ 995,000	991,037	814,656
Camp International Holding Company	Aerospace and Defense	2013 Replacement Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	5/31/2019	$1,940,113	1,940,984	1,806,730
Capital Automotive L.P.	Conglomerate	Tranche B-1 Term Loan Facility	Loan	3.00%	1.00%	0.00%	4.00%	4/10/2019	$2,051,828	2,055,060	2,044,564
Catalent Pharma Solutions, Inc	Drugs	Initial Term B Loan	Loan	3.25%	1.00%	0.00%	4.25%	5/20/2021	$ 492,501	490,549	487,271
Cengage Learning Acquisitions, Inc.	Publishing	Term Loan	Loan	6.00%	1.00%	0.00%	7.00%	3/31/2020	$2,647,871	2,670,807	2,539,758
Charter Communications Operating, LLC	Cable and Satellite Television	Term F Loan	Loan	2.25%	0.75%	0.00%	3.00%	12/31/2020	$2,628,783	2,621,343	2,566,823
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	Term G Loan	Loan	2.75%	1.00%	0.00%	3.75%	12/31/2019	$1,022,569	994,876	974,212
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	Term H Loan	Loan	3.00%	1.00%	0.00%	4.00%	1/27/2021	$1,881,500	1,828,566	1,785,920
Cinedigm Digital Funding I, LLC	Services: Business	Term Loan	Loan	2.75%	1.00%	0.00%	3.75%	2/28/2018	$ 298,828	297,362	295,840
CITGO Petroleum Corporation	Oil & Gas	Term Loan B	Loan	3.50%	1.00%	0.00%	4.50%	7/29/2021	$1,984,975	1,962,423	1,865,876
Communications Sales & Leasing, Inc.	Telecommunications	Term Loan B (First Lien)	Loan	4.00%	1.00%	0.00%	5.00%	10/24/2022	$1,990,000	1,978,594	1,847,596
CommScope, Inc.	Telecommunications	Term Loan B	Loan	3.00%	0.75%	0.00%	3.75%	12/29/2022	$ 498,750	497,568	494,176
Consolidated Aerospace Manufacturing, LLC	Aerospace and Defense	Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	8/11/2022	$1,437,500	1,430,556	1,329,688
Concordia Healthcare Corp	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.25%	1.00%	0.00%	5.25%	10/21/2021	$2,000,000	1,894,483	1,920,000
CPI Acquisition Inc.	Technology	Term Loan B (First Lien)	Loan	4.50%	1.00%	0.00%	5.50%	8/17/2022	$1,436,782	1,415,977	1,396,667
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Electronics/Electric	Term B Loan	Loan	3.25%	1.00%	0.00%	4.25%	11/17/2017	$1,564,182	1,564,182	1,501,615
Crosby US Acquisition Corp.	Industrial Equipment	Initial Term Loan (First Lien)	Loan	3.00%	1.00%	0.00%	4.00%	11/23/2020	$ 735,000	734,245	536,550
CT Technologies Intermediate Hldgs, Inc	Healthcare & Pharmaceuticals	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	12/1/2021	$1,485,038	1,471,665	1,433,061
Culligan International Company	Conglomerate	Dollar Loan (First Lien)	Loan	4.75%	1.50%	0.00%	6.25%	12/19/2017	$ 771,625	742,910	721,469
Culligan International Company	Conglomerate	Dollar Loan (Second Lien)	Loan	8.00%	1.50%	0.00%	9.50%	6/19/2018	$ 783,162	754,065	734,214
Cumulus Media Holdings Inc.	Broadcast Radio and Television	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	12/23/2020	$ 470,093	466,690	304,973
DAE Aviation (StandardAero)	Aerospace and Defense	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	7/7/2022	$1,995,000	1,985,759	1,970,063
DCS Business Services, Inc.	Financial Intermediaries	Term B Loan	Loan	7.25%	1.50%	0.00%	8.75%	3/19/2018	$2,409,739	2,397,948	2,409,739

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Dell International LLC	Technology	Term Loan B2	Loan	3.25%	0.75%	0.00%	4.00%	4/29/2020	$2,904,989	2,892,348	2,889,854
Delta 2 (Lux) S.a.r.l.	Lodging & Casinos	Term Loan B-3	Loan	3.75%	1.00%	0.00%	4.75%	7/30/2021	$1,000,000	995,870	925,000
Deluxe Entertainment Service Group, Inc.	Leisure Goods/Activities/Movies	Term Loan (First Lien)	Loan	5.50%	1.00%	0.00%	6.50%	2/28/2020	$1,882,983	1,884,279	1,751,174
Diamond Resorts International	Lodging & Casinos	Term Loan	Loan	4.50%	1.00%	0.00%	5.50%	5/7/2021	$ 926,971	923,222	897,614
Diamond Resorts International	Lodging & Casinos	Term Loan (Add-On)	Loan	4.50%	1.00%	0.00%	5.50%	5/7/2021	$1,000,000	980,687	968,330
DJO Finance, LLC	Healthcare & Pharmaceuticals	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	6/8/2020	$ 497,500	495,435	478,222
DPX Holdings B.V.	Healthcare & Pharmaceuticals	Term Loan 2015 Incr Dollar	Loan	3.25%	1.00%	0.00%	4.25%	3/11/2021	$2,955,000	2,948,456	2,799,863
Drew Marine Group, Inc.	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.25%	1.00%	0.00%	4.25%	11/19/2020	$2,472,161	2,445,601	2,299,110
DTZ U.S. Borrower, LLC	Construction & Building	Term Loan B Add-on	Loan	3.25%	1.00%	0.00%	4.25%	11/4/2021	$2,985,000	2,970,317	2,869,331
Edelman Financial Group, Inc.	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	5.50%	1.00%	0.00%	6.50%	12/19/2022	$1,500,000	1,470,617	1,459,695
Education Management II, LLC	Leisure Goods/Activities/Movies	Term Loan A	Loan	4.50%	1.00%	0.00%	5.50%	7/2/2020	$ 501,970	485,313	160,630
Education Management II, LLC	Leisure Goods/Activities/Movies	Term Loan B (2.00% Cash/6.50% PIK)	Loan	1.00%	1.00%	6.50%	8.50%	7/2/2020	$ 893,447	867,647	56,582
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	8/1/2021	$ 484,659	482,690	473,148
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (Second Lien)	Loan	6.75%	1.00%	0.00%	7.75%	8/1/2022	$ 500,000	497,844	468,750
Emerald 2 Limited	Chemicals/Plastics	Term Loan B1A	Loan	4.00%	1.00%	0.00%	5.00%	5/14/2021	$1,000,000	991,762	866,670
Endo International plc	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.00%	0.75%	0.00%	3.75%	9/26/2022	$1,000,000	997,602	987,780
EnergySolutions, LLC	Environmental Industries	Term Loan B	Loan	5.75%	1.00%	0.00%	6.75%	5/29/2020	$ 937,857	923,660	731,528
Evergreen Acqco 1 LP	Retailers (Except Food and Drugs)	New Term Loan	Loan	3.75%	1.25%	0.00%	5.00%	7/9/2019	$ 965,081	963,406	719,951
EWT Holdings III Corp. (fka WTG Holdings III Corp.)	Industrial Equipment	Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	1/15/2021	$1,967,406	1,962,950	1,908,383
Federal-Mogul Corporation	Automotive	Tranche C Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	4/15/2021	$2,955,000	2,943,580	2,345,530
First Data Corporation	Financial Intermediaries	First Data Corp T/L (2018 New Dollar)	Loan	3.50%	0.62%	0.00%	4.12%	3/23/2018	$2,790,451	2,748,229	2,752,780
First Data Corporation	Financial Intermediaries	First Data T/L Ext (2021)	Loan	4.00%	0.62%	0.00%	4.62%	3/24/2021	$2,111,028	2,034,284	2,077,779
First Eagle Investment Management	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	4.00%	0.75%	0.00%	4.75%	12/1/2022	$1,500,000	1,470,946	1,412,504
Fitness International, LLC	Leisure Goods/Activities/Movies	Term Loan B	Loan	4.50%	1.00%	0.00%	5.50%	7/1/2020	$1,976,234	1,945,935	1,850,249
FMG Resources (August 2006) Pty LTD (FMG America Finance, Inc.)	Nonferrous Metals/Minerals	Loan	Loan	3.25%	1.00%	0.00%	4.25%	6/28/2019	$1,962,387	1,962,515	1,504,738
Garda World Security Corporation	Services: Business	Term B Delayed Draw Loan	Loan	3.00%	1.00%	0.00%	4.00%	11/6/2020	$ 199,120	198,391	187,344
Garda World Security Corporation	Services: Business	Term B Loan	Loan	3.00%	1.00%	0.00%	4.00%	11/6/2020	$ 778,380	775,586	732,346
Gardner Denver, Inc.	High Tech Industries	Initial Dollar Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	7/30/2020	$2,451,137	2,445,005	2,016,452
Gates Global LLC	Leisure Goods/Activities/Movies	Term Loan (First Lien)	Loan	3.25%	1.00%	0.00%	4.25%	7/5/2021	$ 493,750	488,813	433,883
Generac Power Systems, Inc.	Industrial Equipment	Term Loan B	Loan	2.75%	0.75%	0.00%	3.50%	5/31/2020	$ 693,858	684,537	676,511

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
General Nutrition Centers, Inc.	Retailers (Except Food and Drugs)	Amended Tranche B Term Loan	Loan	2.50%	0.75%	0.00%	3.25%	3/4/2019	$4,131,271	4,121,165	4,012,497
Global Tel*Link Corporation	Services: Business	Term Loan (First Lien)	Loan	3.75%	1.25%	0.00%	5.00%	5/26/2020	$2,725,318	2,717,647	2,237,023
Goodyear Tire & Rubber Company, The	Chemicals/Plastics	Loan (Second Lien)	Loan	3.00%	0.75%	0.00%	3.75%	4/30/2019	$2,000,000	1,974,077	2,005,000
Grosvenor Capital Management Holdings, LP	Brokers/Dealers/Investment Houses	Initial Term Loan	Loan	2.75%	1.00%	0.00%	3.75%	1/4/2021	$1,264,036	1,259,418	1,191,354
GTCR Valor Companies, Inc.	Services: Business	Term Loan (First Lien)	Loan	5.00%	1.00%	0.00%	6.00%	6/1/2021	$1,974,982	1,941,456	1,959,340
Harland Clarke Holdings Corp. (fka Clarke American Corp.)	Publishing	Tranche B-4 Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	8/2/2019	$ 475,000	473,378	421,561
HCA Inc.	Healthcare & Pharmaceuticals	Tranche B-4 Term Loan	Loan	2.75%	0.62%	0.00%	3.37%	5/1/2018	$2,119,664	2,053,127	2,116,294
Headwaters Incorporated	Building & Development	Term Loan	Loan	3.50%	1.00%	0.00%	4.50%	3/24/2022	$ 248,750	247,628	248,285
Hercules Achievement Holdings, Inc.	Retailers (Except Food and Drugs)	Term Loan B	Loan	4.00%	1.00%	0.00%	5.00%	12/10/2021	$ 249,370	246,940	244,929
Hertz Corporation, The	Automotive	Tranche B-1 Term Loan	Loan	2.75%	1.00%	0.00%	3.75%	3/12/2018	$2,910,000	2,933,230	2,879,998
Hoffmaster Group, Inc.	Containers/Glass Products	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	5/8/2020	$1,970,000	1,955,325	1,915,825
Hostess Brand, LLC	Beverage, Food & Tobacco	Term Loan B (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	8/3/2022	$ 997,500	995,241	983,784
Huntsman International LLC	Chemicals/Plastics	Term Loan B (First Lien)	Loan	3.00%	0.62%	0.00%	3.62%	4/19/2019	$3,840,541	3,814,577	3,727,245
Husky Injection Molding Systems Ltd.	Services: Business	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	6/30/2021	$ 491,196	489,277	465,757
Infor (US), Inc. (fka Lawson Software Inc.)	Services: Business	Tranche B-5 Term Loan	Loan	2.75%	1.00%	0.00%	3.75%	6/3/2020	$2,188,296	2,174,333	2,015,049
Insight Global	Services: Business	Term Loan	Loan	5.00%	1.00%	0.00%	6.00%	10/29/2021	$1,979,592	1,971,967	1,961,439
Informatica Corporation	High Tech Industries	Term Loan B	Loan	3.50%	1.00%	0.00%	4.50%	8/5/2022	$ 498,750	497,554	468,411
J. Crew Group, Inc.	Retailers (Except Food and Drugs)	Term B-1 Loan Retired 03/05/2014	Loan	3.00%	1.00%	0.00%	4.00%	3/5/2021	$ 955,481	955,481	639,379
Jazz Acquisition, Inc	Aerospace and Defense	First Lien 6/14	Loan	3.50%	1.00%	0.00%	4.50%	6/19/2021	$ 492,727	491,745	434,832
J.Jill Group, Inc.	Retailers (Except Food and Drugs)	Term Loan (First Lien)	Loan	5.00%	1.00%	0.00%	6.00%	5/9/2022	$ 995,000	990,362	925,350
Kinetic Concepts, Inc.	Healthcare & Pharmaceuticals	Dollar Term D-1 Loan	Loan	3.50%	1.00%	0.00%	4.50%	5/4/2018	$2,452,586	2,436,004	2,392,645
Koosharem, LLC	Services: Business	Term Loan	Loan	6.50%	1.00%	0.00%	7.50%	5/15/2020	$2,965,050	2,942,458	2,683,370
Kraton Polymers, LLC	Chemicals/Plastics	Term Loan (Initial)	Loan	5.00%	1.00%	0.00%	6.00%	1/6/2022	$2,500,000	2,252,500	2,250,000
LPL Holdings	Banking, Finance, Insurance & Real Estate	Term Loan B (2022)	Loan	4.00%	0.75%	0.00%	4.75%	11/21/2022	$2,000,000	1,980,543	1,900,000
Mauser Holdings, Inc.	Containers/Glass Products	Term Loan	Loan	3.50%	1.00%	0.00%	4.50%	7/31/2021	$ 493,750	491,750	475,234
Michaels Stores, Inc.	Retailers (Except Food and Drugs)	Term B Loan	Loan	2.75%	1.00%	0.00%	3.75%	1/28/2020	$ 486,250	486,250	479,792
Michaels Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B-2	Loan	3.00%	1.00%	0.00%	4.00%	1/28/2020	$1,212,794	1,208,220	1,201,042
Micro Holding Corp.	High Tech Industries	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	7/8/2021	$ 992,447	987,851	950,268
Microsemi Corporation	Electronics/Electric	Term Loan B	Loan	4.50%	0.75%	0.00%	5.25%	1/15/2023	$2,183,824	2,119,162	2,180,177
Midas Intermediate Holdco II, LLC	Automotive	Term Loan (Initial)	Loan	3.50%	1.00%	0.00%	4.50%	8/18/2021	$ 246,875	245,802	244,098
MPH Acquisition Holdings, LLC	Healthcare & Pharmaceuticals	Term Loan	Loan	2.75%	1.00%	0.00%	3.75%	3/31/2021	$ 376,136	375,400	366,500
MSC Software Corporation	Services: Business	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	5/29/2020	$ 985,000	977,601	886,500
National Veterinary Associates, Inc	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.75%	1.00%	0.00%	4.75%	8/14/2021	$ 987,526	984,296	959,549

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
National Vision, Inc.	Retailers (Except Food and Drugs)	Term Loan (Second Lien)	Loan	5.75%	1.00%	0.00%	6.75%	3/11/2022	$ 250,000	249,729	218,750
Neptune Finco (CSC Holdings)	Cable and Satellite Television	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	10/7/2022	$1,000,000	985,784	989,750
New Millennium Holdco	Healthcare & Pharmaceuticals	Term Loan	Loan	6.50%	1.00%	0.00%	7.50%	12/21/2020	$2,007,042	1,811,375	1,822,655
Nortek, Inc.	Electronics/Electric	Term Loan B	Loan	2.75%	0.75%	0.00%	3.50%	10/30/2020	$ 985,022	974,747	939,464
NorthStar Asset Management Group Inc.	Banking, Finance, Insurance & Real Estate	Term Loan B	Loan	3.88%	0.75%	0.00%	4.63%	1/30/2023	$2,000,000	1,930,000	1,950,000
Novelis, Inc.	Conglomerate	Term Loan B	Loan	3.25%	0.75%	0.00%	4.00%	6/2/2022	$4,771,058	4,749,389	4,440,090
Novetta Solutions	Aerospace and Defense	Term Loan (200MM)	Loan	5.00%	1.00%	0.00%	6.00%	10/16/2022	$2,000,000	1,980,636	1,940,000
Novetta Solutions	Aerospace and Defense	Term Loan (2nd Lien)	Loan	8.50%	1.00%	0.00%	9.50%	9/29/2023	$1,000,000	990,269	950,000
NPC International, Inc.	Food Services	Term Loan (2013)	Loan	3.75%	1.00%	0.00%	4.75%	12/28/2018	$ 481,250	481,250	472,829
NRG Energy, Inc.	Utilities	Term Loan (2013)	Loan	2.00%	0.75%	0.00%	2.75%	7/2/2018	$3,821,925	3,808,282	3,751,449
Numericable	Broadcast Radio and Television	Term Loan B-5	Loan	3.81%	0.75%	0.00%	4.56%	7/31/2022	$ 997,500	995,164	953,171
NuSil Technology LLC.	Chemicals/Plastics	Term Loan	Loan	4.00%	1.25%	0.00%	5.25%	4/7/2017	$ 789,045	789,045	774,645
Onex Carestream Finance LP	Healthcare & Pharmaceuticals	Term Loan (First Lien 2013)	Loan	4.00%	1.00%	0.00%	5.00%	6/7/2019	$3,832,558	3,821,232	3,244,912
OnexYork Acquisition Co	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.75%	1.00%	0.00%	4.75%	10/1/2021	$ 493,749	490,644	459,435
OpenLink International, LLC	Services: Business	Term B Loan	Loan	5.00%	1.25%	0.00%	6.25%	10/30/2017	$2,944,496	2,943,282	2,811,994
P.F. Chang's China Bistro, Inc. (Wok Acquisition Corp.)	Food/Drug Retailers	Term Borrowing	Loan	3.25%	1.00%	0.00%	4.25%	6/24/2019	$1,432,750	1,427,110	1,336,039
P2 Upstream Acquisition Co. (P2 Upstream Canada BC ULC)	Services: Business	Term Loan (First Lien)	Loan	4.00%	1.00%	0.00%	5.00%	10/30/2020	$ 980,000	976,133	774,200
Penn Products Terminal, LLC	Chemicals/Plastics	Term Loan B	Loan	3.75%	1.00%	0.00%	4.75%	4/13/2022	$ 248,125	246,994	218,350
PetCo Animal Supplies Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B-1	Loan	4.75%	1.00%	0.00%	5.75%	1/15/2023	$1,000,000	980,217	978,590
PetCo Animal Supplies Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B-2	Loan	5.00%	0.62%	0.00%	5.62%	1/15/2023	$1,000,000	980,216	978,960
Petsmart, Inc. (Argos Merger Sub, Inc.)	Retailers (Except Food and Drugs)	Term Loan B1	Loan	3.25%	1.00%	0.00%	4.25%	3/11/2022	$ 992,500	987,862	961,176
PGX Holdings, Inc.	Financial Intermediaries	Term Loan	Loan	4.75%	1.00%	0.00%	5.75%	9/29/2020	$ 954,643	947,123	941,917
Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)	Conglomerate	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	8/18/2022	$1,920,848	1,911,850	1,872,346
Phillips-Medisize Corporation	Healthcare & Pharmaceuticals	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	6/16/2021	$ 492,500	490,535	458,025
Physio-Control International, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.50%	1.00%	0.00%	5.50%	6/6/2022	$ 498,750	496,371	498,127
Pinnacle Foods Finance LLC	Food Products	New Term Loan G	Loan	2.25%	0.75%	0.00%	3.00%	4/29/2020	$2,581,332	2,577,286	2,553,737
Planet Fitness Holdings LLC	Leisure Goods/Activities/Movies	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	3/31/2021	$2,417,118	2,410,079	2,368,776
PrePaid Legal Services, Inc.	Services: Business	Term Loan B	Loan	5.25%	1.25%	0.00%	6.50%	7/1/2019	$ 724,167	721,080	716,020
Presidio, Inc.	Services: Business	Term Loan	Loan	4.25%	1.00%	0.00%	5.25%	2/2/2022	$1,902,292	1,846,615	1,816,688
Prime Security Services (Protection One)	Services: Business	Term Loan	Loan	4.00%	1.00%	0.00%	5.00%	7/1/2021	$1,995,000	1,985,640	1,924,178
Ranpak Holdings, Inc.	Services: Business	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	10/1/2021	$ 938,354	936,008	886,745
Ranpak Holdings, Inc.	Services: Business	Term Loan (Second Lien)	Loan	7.25%	1.00%	0.00%	8.25%	10/3/2022	$ 500,000	497,866	400,000
Redtop Acquisitions Limited	Electronics/Electric	Initial Dollar Term Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	12/3/2020	$ 490,000	487,461	482,444
Regal Cinemas Corporation	Services: Consumer	Term Loan	Loan	3.00%	0.75%	0.00%	3.75%	4/1/2022	$ 497,500	496,320	496,256

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Research Now Group, Inc	Media	Term Loan B	Loan	4.50%	1.00%	0.00%	5.50%	3/18/2021	$2,058,445	2,048,627	1,996,692
Rexnord LLC/RBS Global, Inc.	Industrial Equipment	Term B Loan	Loan	3.00%	1.00%	0.00%	4.00%	8/21/2020	$1,630,123	1,631,387	1,557,647
Reynolds Group Holdings Inc.	Industrial Equipment	Incremental U.S. Term Loan	Loan	3.50%	1.00%	0.00%	4.50%	12/1/2018	$1,910,551	1,910,551	1,902,946
Riverbed Technology, Inc.	Technology	Term Loan B	Loan	5.00%	1.00%	0.00%	6.00%	2/25/2022	$ 992,500	988,224	970,873
Rocket Software, Inc.	Services: Business	Term Loan (First Lien)	Loan	4.50%	1.25%	0.00%	5.75%	2/8/2018	$1,901,835	1,889,759	1,889,150
Rovi Solutions Corporation / Rovi Guides, Inc.	Electronics/Electric	Tranche B-3 Term Loan	Loan	3.00%	0.75%	0.00%	3.75%	7/2/2021	$1,477,500	1,471,640	1,422,094
Royal Adhesives and Sealants	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.50%	1.00%	0.00%	4.50%	6/20/2022	$ 497,500	495,187	479,675
Royal Adhesives and Sealants	Chemicals/Plastics	Term Loan (Second Lien)	Loan	7.50%	1.00%	0.00%	8.50%	6/19/2023	$ 500,000	496,388	478,335
RPI Finance Trust	Financial Intermediaries	Term B-4 Term Loan	Loan	2.75%	0.75%	0.00%	3.50%	11/9/2020	$5,155,193	5,155,193	5,132,665
Sable International Finance Ltd	Telecommunications	Term Loan B1	Loan	4.75%	0.75%	0.00%	5.50%	12/2/2022	$ 825,000	808,500	800,770
Sable International Finance Ltd	Telecommunications	Term Loan B2	Loan	4.75%	0.75%	0.00%	5.50%	12/2/2022	$ 675,000	661,500	655,175
SBP Holdings LP	Industrial Equipment	Term Loan (First Lien)	Loan	4.00%	1.00%	0.00%	5.00%	3/27/2021	$ 982,500	978,645	707,400
Scientific Games International, Inc.	Electronics/Electric	Term Loan B2	Loan	5.00%	1.00%	0.00%	6.00%	10/1/2021	$ 990,000	981,872	904,613
SCS Holdings (Sirius Computer)	High Tech Industries	Term Loan (First Lien)	Loan	5.00%	1.00%	0.00%	6.00%	10/30/2022	$1,977,528	1,939,305	1,937,978
Seadrill Operating LP	Oil & Gas	Term Loan B	Loan	3.00%	1.00%	0.00%	4.00%	2/21/2021	$ 987,406	919,799	407,305
Sensus USA Inc. (fka Sensus Metering Systems)	Utilities	Term Loan (First Lien)	Loan	3.25%	1.25%	0.00%	4.50%	5/9/2017	$1,905,121	1,902,477	1,826,534
ServiceMaster Company, The	Conglomerate	Tranche B Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	7/1/2021	$1,975,000	1,959,254	1,956,889
Shearers Foods LLC	Food Services	Term Loan (First Lien)	Loan	3.94%	1.00%	0.00%	4.94%	6/30/2021	$ 987,500	985,421	952,938
Sitel Worldwide	Telecommunications	Term Loan	Loan	5.50%	1.00%	0.00%	6.50%	9/18/2021	$1,995,000	1,976,131	1,931,160
Sonneborn, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	3.75%	1.00%	0.00%	4.75%	12/10/2020	$ 222,750	222,282	220,801
Sonneborn, LLC	Chemicals/Plastics	Initial US Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	12/10/2020	$1,262,250	1,259,600	1,251,205
Sophia, L.P.	Electronics/Electric	Term Loan (Closing Date)	Loan	3.75%	1.00%	0.00%	4.75%	9/30/2022	$1,995,000	1,985,507	1,911,469
SourceHOV LLC	Services: Business	Term Loan B (First Lien)	Loan	6.75%	1.00%	0.00%	7.75%	10/31/2019	$1,937,500	1,891,680	1,541,281
SRAM, LLC	Industrial Equipment	Term Loan (First Lien)	Loan	3.00%	1.00%	0.00%	4.00%	4/10/2020	$2,904,577	2,896,630	2,207,479
Staples, Inc.	Retailers (Except Food and Drugs)	Term Loan 1/16	Loan	4.00%	0.75%	0.00%	4.75%	4/23/2021	$1,000,000	990,308	992,130
Steak ‘n Shake Operations, Inc.	Food Services	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	3/19/2021	$ 965,341	957,952	946,034
SuperMedia Inc. (fka Idearc Inc.)	Publishing	Loan	Loan	8.60%	3.00%	0.00%	11.60%	12/30/2016	$ 222,900	220,105	67,520
Survey Sampling International	Services: Business	Term Loan B	Loan	5.00%	1.00%	0.00%	6.00%	12/16/2020	$ 992,500	990,554	970,169
Sybil Finance BV	High Tech Industries	Term Loan	Loan	3.25%	1.00%	0.00%	4.25%	3/20/2020	$1,272,143	1,270,803	1,253,061
Syniverse Holdings, Inc.	Telecommunications	Initial Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	4/23/2019	$ 479,913	476,927	311,944
TaxACT, Inc.	Services: Business	Term Loan B	Loan	6.00%	1.00%	0.00%	7.00%	1/3/2023	$1,860,000	1,805,035	1,804,200
TGI Friday’s, Inc.	Food Services	Term Loan B	Loan	4.25%	1.00%	0.00%	5.25%	7/15/2020	$1,651,816	1,647,936	1,636,669
Townsquare Media, Inc.	Media	Term Loan B	Loan	3.25%	1.00%	0.00%	4.25%	4/1/2022	$ 932,522	928,333	915,624
TPF II Power LLC and TPF II Covert Midco LLC	Utilities	Term Loan B	Loan	4.50%	1.00%	0.00%	5.50%	10/2/2021	$1,491,826	1,433,943	1,396,722
TransDigm, Inc.	Aerospace and Defense	Tranche C Term Loan	Loan	3.00%	0.75%	0.00%	3.75%	2/28/2020	$4,277,294	4,283,815	4,148,975
Travel Leaders Group, LLC	Hotel, Gaming and Leisure	Term Loan B	Loan	6.00%	1.00%	0.00%	7.00%	12/7/2020	$1,946,300	1,939,729	1,917,107
Tricorbraun, Inc. (fka Kranson Industries, Inc.)	Containers/Glass Products	Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	5/3/2018	$1,836,625	1,831,636	1,776,935
Truven Health Analytics Inc. (fka Thomson Reuters (Healthcare) Inc.)	Healthcare & Pharmaceuticals	New Tranche B Term Loan	Loan	3.25%	1.25%	0.00%	4.50%	6/6/2019	$ 482,603	476,598	480,494

Issuer Name	Industry	Asset Name	Asset Type	Spread	LIBOR Floor	PIK	Current Rate (All In)	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Twin River Management Group, Inc.	Lodging & Casinos	Term Loan B	Loan	4.25%	1.00%	0.00%	5.25%	7/10/2020	$ 886,192	887,853	875,673
U.S. Security Associates Holdings, Inc.	Services: Business	Delayed Draw Loan	Loan	5.00%	1.25%	0.00%	6.25%	7/28/2017	$ 156,888	156,328	155,973
U.S. Security Associates Holdings, Inc.	Services: Business	Term B Loan	Loan	5.00%	1.25%	0.00%	6.25%	7/28/2017	$ 921,426	918,393	916,054
Univar Inc.	Chemicals/Plastics	Term B Loan	Loan	3.25%	1.00%	0.00%	4.25%	7/1/2022	$2,992,500	2,978,573	2,840,810
Univision Communications Inc.	Telecommunications	Replacement First-Lien Term Loan	Loan	3.00%	1.00%	0.00%	4.00%	3/1/2020	$2,916,556	2,903,859	2,832,705
Valeant Pharmaceuticals International, Inc.	Drugs	Series D2 Term Loan B	Loan	2.75%	0.75%	0.00%	3.50%	2/13/2019	$2,545,588	2,539,315	2,385,700
Verint Systems Inc.	Services: Business	Term Loan	Loan	2.75%	0.75%	0.00%	3.50%	9/6/2019	$1,014,058	1,011,203	1,005,692
Vertafore, Inc.	Services: Business	Term Loan (2013)	Loan	3.25%	1.00%	0.00%	4.25%	10/3/2019	$2,484,603	2,484,603	2,452,775
Vizient Inc.	Healthcare & Pharmaceuticals	Term Loan	Loan	5.25%	1.00%	0.00%	6.25%	2/13/2023	$1,000,000	970,144	993,750
Vouvray US Finance	Industrial Equipment	Term Loan	Loan	3.75%	1.00%	0.00%	4.75%	6/27/2021	$ 492,500	490,508	478,134
Washington Inventory Service	Services: Business	U.S. Term Loan (First Lien)	Loan	4.50%	1.25%	0.00%	5.75%	12/20/2018	$1,736,392	1,749,291	1,475,934
West Corporation	Telecommunications	Term B-10 Loan	Loan	2.50%	0.75%	0.00%	3.25%	6/30/2018	$2,534,892	2,558,782	2,490,861
ZEP Inc.	Chemicals/Plastics	Term Loan B	Loan	4.75%	1.00%	0.00%	5.75%	6/27/2022	$2,985,000	2,971,139	2,932,763
										$303,643,756	**$284,844,789**

	Principal	Cost	Fair Value
Cash and cash equivalents			
U.S. Bank Money Market(a)	$2,349,633	$ 2,349,633	$ 2,349,633
Total cash and cash equivalents	**$2,349,633**	**$ 2,349,633**	**$ 2,349,633**

(a) Included within cash and cash equivalents in Saratoga CLO's Statements of Assets and Liabilities as of February 29, 2016.

Note 5. Agreements and Related Party Transactions

On July 30, 2010, the Company entered into the Management Agreement with our Manager. The initial term of the Management Agreement was two years, with automatic, one-year renewals at the end of each year, subject to certain approvals by our board of directors and/or the Company's stockholders. On July 7, 2016, our board of directors approved the renewal of the Management Agreement for an additional one-year term. Pursuant to the Management Agreement, our Manager implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. Our Manager is responsible for, among other duties, determining investment criteria, sourcing, analyzing and executing investments transactions, asset sales, financings and performing asset management duties. Under the Management Agreement, we have agreed to pay our Manager a management fee for investment advisory and management services consisting of a base management fee and an incentive fee.

The base management fee of 1.75% is calculated based on the average value of our gross assets (other than cash or cash equivalents, but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters.

The incentive fee consists of the following two parts:

The first, payable quarterly in arrears, equals 20.0% of our pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding quarter, that exceeds a 1.875% quarterly hurdle rate measured as of the end of each fiscal quarter, subject to a "catch-up" provision. Under this provision, in any fiscal quarter, our Manager receives no incentive fee unless our pre-incentive fee net investment income exceeds the hurdle rate of 1.875%. Our Manager will receive 100.0% of pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter; and 20.0% of the amount of the our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter. There is no accumulation of amounts on the hurdle rate from quarter to quarter, and accordingly there is no claw back of amounts previously paid if subsequent quarters are below the quarterly hurdle rate, and there is no delay of payment if prior quarters are below the quarterly hurdle rate.

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Management Agreement) and equals 20.0% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Importantly, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and our Manager will be entitled to 20.0% of incentive fee capital gains that arise after May 31, 2010. In addition, for the purpose of the "incentive fee capital gains" calculations, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date.

For the three months ended November 30, 2016 and November 30, 2015, the Company incurred $1.2 million and $1.1 million in base management fees, respectively. For the three months ended November 30, 2016 and November 30, 2015, the Company incurred $0.8 million and $0.2 million in incentive fees related to pre-incentive fee net investment income, respectively. For the three months ended November 30, 2016, there was a reduction of $0.4 million in incentive fees related to capital gains. For the three months ended November 30, 2015, we accrued $0.2 million in incentive fees related to capital gains. For the nine months ended November 30, 2016 and November 30, 2015, the Company incurred $3.6 million and $3.4 million in base management fees, respectively. For the nine months ended November 30, 2016 and November 30, 2015, the Company incurred $2.2 million and $1.7 million in incentive fees related to pre-incentive fee net investment income, respectively. For the nine months ended November 30, 2016 and November 30, 2015, we accrued $0.1 million and $0.5 million in incentive fees related to capital gains, respectively. The accrual is calculated using both realized and

unrealized capital gains for the period. The actual incentive fee related to capital gains will be determined and payable in arrears at the end of the fiscal year and will include only realized capital gains for the period. As of November 30, 2016, the base management fees accrual was $1.2 million and the incentive fees accrual was $4.7 million and is included in base management and incentive fees payable in the accompanying consolidated statements of assets and liabilities. As of February 29, 2016, the base management fees accrual was $1.2 million and the incentive fees accrual was $4.4 million and is included in base management and incentive fees payable in the accompanying consolidated statements of assets and liabilities.

On July 30, 2010, the Company entered into a separate administration agreement (the "Administration Agreement") with our Manager, pursuant to which our Manager, as our administrator, has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide managerial assistance on our behalf to those portfolio companies to which we are required to provide such assistance. The initial term of the Administration Agreement was two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. The amount of expenses payable or reimbursable thereunder by the Company was capped at $1.0 million for the initial two year term of the Administration Agreement and subsequent renewals. On July 8, 2015, our board of directors approved the renewal of the Administration Agreement for an additional one-year term and determined to increase the cap on the payment or reimbursement of expenses by the Company thereunder, which had not been increased since the inception of the agreement, to $1.3 million. On July 7, 2016, our board of directors approved the renewal of the Administration Agreement for an additional one-year term. On October 5, 2016, our board of directors determined to increase the cap on the payment or reimbursement of expenses by the Company under the Administration Agreement, from $1.3 million to $1.5 million, effective November 1, 2016.

For the three months ended November 30, 2016 and November 30, 2015, we recognized $0.3 million and $0.3 million, in administrator expenses for the periods, respectively, pertaining to bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. For the nine months ended November 30, 2016 and November 30, 2015, we recognized $1.0 million and $0.9 million, in administrator expenses for the periods, respectively, pertaining to bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. As of November 30, 2016, $0.3 million of administrator expenses and other expenses payable to the Manager were accrued and included in due to manager in the accompanying consolidated statements of assets and liabilities. As of February 29, 2016, $0.2 million of administrator expenses and other expenses payable to the Manager were accrued and included in due to manager in the accompanying consolidated statements of assets and liabilities. For the nine months ended November 30, 2016 and November 30, 2015, the Company neither bought nor sold any investments from the Saratoga CLO.

Note 6. Borrowings

Credit Facility

As a BDC, we are only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200.0% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

On April 11, 2007, we entered into a $100.0 million revolving securitized credit facility (the "Revolving Facility"). On May 1, 2007, we entered into a $25.7 million term securitized credit facility (the "Term Facility" and, together with the Revolving Facility, the "Facilities"), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility. In response to the market wide decline in financial asset prices, which negatively affected the value of our portfolio, we terminated the revolving period of the Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral were used to repay outstanding borrowings. A significant percentage of our total assets had been pledged under the Revolving Facility to secure our obligations thereunder. Under the Revolving Facility, funds were borrowed from or through certain lenders and interest was

payable monthly at the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market was unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%.

In March 2009, we amended the Revolving Facility to increase the portion of the portfolio that could be invested in "CCC" rated investments in return for an increased interest rate and expedited amortization. As a result of these transactions, we expected to have additional cushion under our borrowing base under the Revolving Facility that would allow us to better manage our capital in times of declining asset prices and market dislocation.

On July 30, 2009, we exceeded the permissible borrowing limit under the Revolving Facility for 30 consecutive days, resulting in an event of default under the Revolving Facility. As a result of this event of default, our lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral could have had a material adverse effect on our liquidity, financial condition and operations.

On July 30, 2010, we used the net proceeds from (i) the stock purchase transaction and (ii) a portion of the funds available to us under the $45.0 million senior secured revolving credit facility (the "Credit Facility") with Madison Capital Funding LLC, in each case, to pay the full amount of principal and accrued interest, including default interest, outstanding under the Revolving Facility. As a result, the Revolving Facility was terminated in connection therewith. Substantially all of our total assets, other than those held by SBIC LP, have been pledged under the Credit Facility to secure our obligations thereunder.

On February 24, 2012, we amended our senior secured revolving credit facility with Madison Capital Funding LLC to, among other things:

- expand the borrowing capacity under the Credit Facility from $40.0 million to $45.0 million;
- extend the period during which we may make and repay borrowings under the Credit Facility from July 30, 2013 to February 24, 2015 (the "Revolving Period"). The Revolving Period may, upon the occurrence of an event of default, by action of the lenders or automatically, be terminated. All borrowings and other amounts payable under the Credit Facility are due and payable five years after the end of the Revolving Period; and
- remove the condition that we may not acquire additional loan assets without the prior written consent of Madison Capital Funding LLC.

On September 17, 2014, we entered into a second amendment to the Credit Facility with Madison Capital Funding LLC to, among other things:

- extend the commitment termination date from February 24, 2015 to September 17, 2017;
- extend the maturity date of the Credit Facility from February 24, 2020 to September 17, 2022 (unless terminated sooner upon certain events);
- reduce the applicable margin rate on base rate borrowings from 4.50% to 3.75%, and on LIBOR borrowings from 5.50% to 4.75%; and
- reduce the floor on base rate borrowings from 3.00% to 2.25%; and on LIBOR borrowings from 2.00% to 1.25%.

As of November 30, 2016 and February 29, 2016, there were no outstanding borrowings under the Credit Facility and the Company was in compliance with all of the limitations and requirements of the Credit Facility. Financing costs of $2.7 million related to the Credit Facility have been capitalized and are being amortized over

the term of the facility. For the three months ended November 30, 2016 and November 30, 2015, we recorded $0.1 million and $0.1 million of interest expense, respectively. For the nine months ended November 30, 2016 and November 30, 2015, we recorded $0.3 million and $0.6 million of interest expense, respectively. For the three months ended November 30, 2016 and November 30, 2015, we recorded $0.02 million and $0.02 million of amortization of deferred financing costs related to the Credit Facility and Revolving Facility, respectively. For the nine months ended November 30, 2016 and November 30, 2015, we recorded $0.1 million and $0.1 million of amortization of deferred financing costs related to the Credit Facility and Revolving Facility, respectively. During the three and nine months ended November 30, 2016, there were no outstanding borrowings under the Credit Facility. The interest rates during the three and nine months ended November 30, 2015 on the outstanding borrowings under the Credit Facility were 6.00%. During the three and nine months ended November 30, 2015, the average dollar amount of outstanding borrowings under the Credit Facility was $0.9 million and $5.8 million, respectively.

The Credit Facility contains limitations as to how borrowed funds may be used, such as restrictions on industry concentrations, asset size, weighted average life, currency denomination and collateral interests. The Credit Facility also includes certain requirements relating to portfolio performance, the violation of which could result in the limit of further advances and, in some cases, result in an event of default, allowing the lenders to accelerate repayment of amounts owed thereunder. The Credit Facility has an eight year term, consisting of a three year period (the “Revolving Period”), under which the Company may make and repay borrowings, and a final maturity five years from the end of the Revolving Period. Availability on the Credit Facility will be subject to a borrowing base calculation, based on, among other things, applicable advance rates (which vary from 50.0% to 75.0% of par or fair value depending on the type of loan asset) and the value of certain “eligible” loan assets included as part of the Borrowing Base. Funds may be borrowed at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At the Company’s option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, the Company will pay the lenders a commitment fee of 0.75% per year on the unused amount of the Credit Facility for the duration of the Revolving Period.

Our borrowing base under the Credit Facility was $24.1 million subject to the Credit Facility cap of $45.0 million at November 30, 2016. For purposes of determining the borrowing base, most assets are assigned the values set forth in our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (“SEC”). Accordingly, the November 30, 2016 borrowing base relies upon the valuations set forth in the Quarterly Report on Form 10-Q for the period ended August 31, 2016, as filed with the SEC on October 12, 2016. The valuations presented in this Quarterly Report on Form 10-Q will not be incorporated into the borrowing base until after this Quarterly Report on Form 10-Q is filed with the SEC.

SBA Debentures

SBIC LP is able to borrow funds from the SBA against regulatory capital (which approximates equity capital) that is paid in and is subject to customary regulatory requirements including but not limited to an examination by the SBA. As of November 30, 2016, we have funded SBIC LP with $75.0 million of equity capital, and have $112.7 million of SBA-guaranteed debentures outstanding. SBA debentures are non-recourse to us, have a 10-year maturity, and may be prepaid at any time without penalty. The interest rate of SBA debentures is fixed at the time of issuance, often referred to as pooling, at a market-driven spread over 10-year U.S. Treasury Notes. SBA current regulations limit the amount that SBIC LP may borrow to a maximum of $150.0 million, which is up to twice its potential regulatory capital.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $19.5 million and have average annual fully taxed net income not exceeding $6.5 million for the two most recent fiscal years. In addition, an SBIC must devote 25.0% of its investment activity to “smaller”

concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6.0 million and has average annual fully taxed net income not exceeding $2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services.

SBIC LP is subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that SBIC LP will receive SBA-guaranteed debenture funding, which is dependent upon SBIC LP continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to SBIC LP's assets over our stockholders and debtholders in the event we liquidate SBIC LP or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC LP upon an event of default.

The Company received exemptive relief from the SEC to permit it to exclude the debt of SBIC LP guaranteed by the SBA from the definition of senior securities in the 200.0% asset coverage test under the 1940 Act. This allows the Company increased flexibility under the 200.0% asset coverage test by permitting it to borrow up to $150.0 million more than it would otherwise be able to absent the receipt of this exemptive relief.

As of November 30, 2016 and February 29, 2016, there was $112.7 million and $103.7 million outstanding of SBA debentures, respectively. The carrying amount of the amount outstanding of SBA debentures approximates its fair value, which is based on a waterfall analysis showing adequate collateral coverage. $4.1 million of financing costs related to the SBA debentures have been capitalized and are being amortized over the term of the commitment and drawdown.

For the three months ended November 30, 2016 and November 30, 2015, we recorded $0.9 million and $0.6 million of interest expense related to the SBA debentures, respectively. For the three months ended November 30, 2016 and November 30, 2015, we recorded $0.1 million and $0.1 million of amortization of deferred financing costs related to the SBA debentures, respectively. The weighted average interest rate during the three months ended November 30, 2016 and November 30, 2015 on the outstanding borrowings of the SBA debentures was 3.08% and 3.25%, respectively.

For the nine months ended November 30, 2016 and November 30, 2015, we recorded $2.5 million and $1.9 million of interest expense related to the SBA debentures, respectively. For the nine months ended November 30, 2016 and November 30, 2015, we recorded $0.4 million and $0.3 million of amortization of deferred financing costs related to the SBA debentures, respectively. The weighted average interest rate during the nine months ended November 30, 2016 and November 30, 2015 on the outstanding borrowings of the SBA debentures was 3.12% and 3.21%, respectively. During the three and nine months ended November 30, 2016, the average dollar amount of SBA debentures outstanding was $110.7 million and $106.0 million, respectively. During the three and nine months ended November 30, 2015, the average dollar amount of SBA debentures outstanding was $79.0 million.

In December 2015, the 2016 omnibus spending bill approved by Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from $225.0 million to $350.0 million, subject to SBA approval. SBA regulations currently limit the amount of SBA-guaranteed debentures that an SBIC may issue to $150.0 million when it has at least $75.0 million in regulatory capital. Affiliated SBICs are permitted to issue up to a combined maximum amount of $350.0 million in SBA-guaranteed debentures when they have at least $175.0 million in combined regulatory capital.

On April 2, 2015, the SBA issued a "green light" letter inviting the Company to continue the application process to obtain a license to form and operate its second SBIC subsidiary. On September 27, 2016, the SBA informed us that as part of their continued review of our application for a second license, and in order to ensure

that they were reviewing the most current information available, we would need to update all previously submitted materials and invited us to reapply. As a result of this request, with which we are in the process of complying, the existing "green light" letter that the SBA issued to us will expire. If approved in the future, a second SBIC license would provide us an incremental source of long-term capital by permitting us to issue up to $150.0 million of additional SBA-guaranteed debentures in addition to the $150.0 million already approved under the first license.

Notes

On May 10, 2013, the Company issued $42.0 million in aggregate principal amount of 7.50% fixed-rate notes due 2020 (the "2020 Notes"). The 2020 Notes will mature on May 31, 2020, and since May 31, 2016, may be redeemed in whole or in part at any time or from time to time at the Company's option. Interest will be payable quarterly beginning August 15, 2013.

On May 17, 2013, the Company closed an additional $6.3 million in aggregate principal amount of the 2020 Notes, pursuant to the full exercise of the underwriters' option to purchase additional 2020 Notes. On May 29, 2015, the Company entered into a Debt Distribution Agreement with Ladenburg Thalmann & Co. through which the Company may offer for sale, from time to time, up to $20.0 million in aggregate principal amount of the 2020 Notes through an At-the-Market ("ATM") offering. As of November 30, 2016, the Company sold 539,725 bonds with a principal of $13,493,125 at an average price of $25.31 for aggregate net proceeds of $13,385,766 (net of transaction costs).

As of November 30, 2016, the carrying amount and fair value of the 2020 Notes was $61.8 million and $62.3 million, respectively. The fair value of the 2020 Notes, which are publicly traded, is based upon closing market quotes as of the measurement date and would be classified as a Level 1 liability within the fair value hierarchy. As of November 30, 2016, $2.7 million of financing costs related to the 2020 Notes (including underwriting commissions and net of issuance premiums) have been capitalized and are being amortized over the term of the 2020 Notes. For the three and nine months ended November 30, 2016, we recorded $1.2 million and $3.5 million, respectively, of interest expense and $0.1 million and $0.3 million, respectively, of amortization of deferred financing costs related to the 2020 Notes. For the three and nine months ended November 30, 2015, we recorded $1.1 million and $3.1 million, respectively, of interest expense and $0.1 million and $0.3 million, respectively, of amortization of deferred financing costs related to the 2020 Notes. During the three and nine months ended November 30, 2016, the average dollar amount of 2020 Notes outstanding was $61.8 million. During the three and nine months ended November 30, 2015, the average dollar amount of 2020 Notes outstanding was $59.1 million and $53.9 million, respectively.

Note 7. Commitments and contingencies

Contractual obligations

The following table shows our payment obligations for repayment of debt and other contractual obligations at November 30, 2016:

		Payment Due by Period			
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
		($ in thousands)			
Long-Term Debt Obligations	$174,453	$ —	$—	$61,793	$ 112,660

Off-balance sheet arrangements

The Company's off-balance sheet arrangements consisted of $3.0 million and $2.0 million of unfunded commitments to provide debt financing to its portfolio companies or to fund limited partnership interests as of

November 30, 2016 and February 29, 2016, respectively. Such commitments are generally up to the Company's discretion to approve, or the satisfaction of certain financial and nonfinancial covenants and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Company's consolidated statements of assets and liabilities and are not reflected in the Company's consolidated statements of assets and liabilities.

A summary of the composition of the unfunded commitments as of November 30, 2016 and February 29, 2016 is shown in the table below (dollars in thousands):

	As of	
	November 30, 2016	February 29, 2016
Avionte Holdings, LLC	$ 1,000	$ 1,000
GreyHeller LLC.	2,000	—
Identity Automation Systems	—	1,000
Total	$ 3,000	$ 2,000

Note 8. Directors Fees

The independent directors receive an annual fee of $40,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the Audit Committee receives an annual fee of $5,000 and the chairman of each other committee receives an annual fee of $2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three months ended November 30, 2016 and November 30, 2015, we incurred $0.07 million and $0.05 million for directors' fees and expenses, respectively. For the nine months ended November 30, 2016 and November 30, 2015, we incurred $0.2 million and $0.2 million for directors' fees and expenses, respectively. As of November 30, 2016 and February 29, 2016, $0.05 million and $0.03 million in directors' fees and expenses were accrued and unpaid, respectively. As of November 30, 2016, we had not issued any common stock to our directors as compensation for their services.

Note 9. Stockholders' Equity

On May 16, 2006, GSC Group, Inc. capitalized the LLC, by contributing $1,000 in exchange for 67 shares, constituting all of the issued and outstanding shares of the LLC.

On March 20, 2007, the Company issued 95,995.5 and 8,136.2 shares of common stock, priced at $150.00 per share, to GSC Group and certain individual employees of GSC Group, respectively, in exchange for the general partnership interest and a limited partnership interest in GSC Partners CDO III GP, LP, collectively valued at $15.6 million. At this time, the 6.7 shares owned by GSC Group in the LLC were exchanged for 6.7 shares of the Company.

On March 28, 2007, the Company completed its IPO of 725,000 shares of common stock, priced at $150.00 per share, before underwriting discounts and commissions. Total proceeds received from the IPO, net of $7.1 million in underwriter's discount and commissions, and $1.0 million in offering costs, were $100.7 million.

On November 13, 2009, we declared a dividend of $18.25 per share payable on December 31, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a

combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $2.50 per share. Based on shareholder elections, the dividend consisted of $2.1 million in cash and 864,872.5 of newly issued shares of common stock.

On July 30, 2010, our Manager and its affiliates purchased 986,842 shares of common stock at $15.20 per share. Total proceeds received from this sale were $15.0 million.

On August 12, 2010, we effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Any fractional shares received as a result of the reverse stock split were redeemed for cash. The total cash payment in lieu of shares was $230. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

On November 12, 2010, we declared a dividend of $4.40 per share payable on December 29, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share. Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock.

On November 15, 2011, we declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share. Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock.

On November 9, 2012, the Company declared a dividend of $4.25 per share payable on December 31, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $3.3 million or $0.85 per share. Based on shareholder elections, the dividend consisted of approximately $3.3 million in cash and 853,455 shares of common stock.

On October 30, 2013, the Company declared a dividend of $2.65 per share payable on December 27, 2013. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.5 million or $0.53 per share. Based on shareholder elections, the dividend consisted of approximately $2.5 million in cash and 649,500 shares of common stock.

On September 24, 2014, the Company declared a dividend of $0.18 per share payable on November 28, 2014. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock pursuant to the Company’s DRIP. Based on shareholder elections, the dividend consisted of approximately $0.6 million in cash and 22,283 newly issued shares of common stock.

On September 24, 2014, the Company declared a dividend of $0.22 per share payable on February 27, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.8 million in cash and 26,858 newly issued shares of common stock.

On April 9, 2015, the Company declared a dividend of $0.27 per share payable on May 29, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.9 million in cash and 33,766 newly issued shares of common stock.

On May 14, 2015, the Company declared a special dividend of $1.00 per share payable on June 5, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $3.4 million in cash and 126,230 newly issued shares of common stock.

On July 8, 2015, the Company declared a dividend of $0.33 per share payable on August 31, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 47,861 newly issued shares of common stock.

On October 7, 2015, the Company declared a dividend of $0.36 per share payable on November 30, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 61,029 newly issued shares of common stock.

On January 12, 2016, the Company declared a dividend of $0.40 per share payable on February 29, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.4 million in cash and 66,765 newly issued shares of common stock.

On March 31, 2016, the Company declared a dividend of $0.41 per share payable on April 27, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 56,728 newly issued shares of common stock.

On July 7, 2016, the Company declared a dividend of $0.43 per share payable on August 9, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 58,167 newly issued shares of common stock.

On August 8, 2016, the Company declared a special dividend of $0.20 per share payable on September 5, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.7 million in cash and 24,786 newly issued shares of common stock.

On October 5, 2016, the Company declared a dividend of $0.44 per share payable on November 9, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 58,548 newly issued shares of common stock.

On September 24, 2014, the Company announced the approval of an open market share repurchase plan that allowed it to repurchase up to 200,000 shares of its common stock at prices below its NAV as reported in its then most recently published consolidated financial statements. On October 7, 2015, the Company’s board of directors extended the open market share repurchase plan for another year and increased the number of shares the Company is permitted to repurchase at prices below its NAV, as reported in its then most recently published consolidated financial statements, to 400,000 shares of its common stock. On October 5, 2016, the Company’s board of directors extended the open market share repurchase plan for another year to October 15, 2017 and increased the number of shares the Company is permitted to repurchase at prices below its NAV, as reported in its then most recently published consolidated financial statements, to 600,000 shares of its common stock. As of November 30, 2016, the Company purchased 214,391 shares of common stock, at the average price of $16.84 for approximately $3.6 million pursuant to this repurchase plan.

Note 10. Earnings Per Share

In accordance with the provisions of FASB ASC 260, *Earnings per Share* ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following information sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations for the three and nine months ended November 30, 2016 and November 30, 2015 (dollars in thousands except share and per share amounts):

	For the three months ended		For the nine months ended	
Basic and diluted	**November 30, 2016**	**November 30, 2015**	**November 30, 2016**	**November 30, 2015**
Net increase in net assets from operations	$ 1,574	$ 3,421	$ 10,133	$ 12,049
Weighted average common shares outstanding	5,727,933	5,632,011	5,735,443	5,533,094
Weighted average earnings per common share-basic and diluted	$ 0.27	$ 0.61	$ 1.77	$ 2.18

Note 11. Dividend

On October 5, 2016, the Company declared a dividend of $0.44 per share, which was paid on November 9, 2016, to common stockholders of record as of October 31, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant to our DRIP.

Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 58,548 newly issued shares of common stock, or 1.0% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.12 per share, which equaled the volume weighted average trading price per share of the common stock on October 27, 28, 31 and November 1, 2, 3, 4, 7, 8 and 9, 2016.

On August 8, 2016, the Company declared a special dividend of $0.20 per share, which was paid on September 5, 2016, to common stockholders of record as of August 24, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant to our DRIP.

Based on shareholder elections, the dividend consisted of approximately $0.7 million in cash and 24,786 newly issued shares of common stock, or 0.4% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.06 per share, which equaled the volume weighted average trading price per share of the common stock on August 22, 23, 24, 25, 26, 29, 30, 31 and September 1 and 2, 2016.

On July 7, 2016, the Company declared a dividend of $0.43 per share, which was paid on August 9, 2016, to common stockholders of record as of July 29, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant to our DRIP.

Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 58,167 newly issued shares of common stock, or 1.0% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $16.32 per share, which equaled the volume weighted average trading price per share of the common stock on July 27, 28, 29 and August 1, 2, 3, 4, 5, 8 and 9, 2016.

On March 31, 2016, the Company declared a dividend of $0.41 per share, which was paid on April 27, 2016, to common stockholders of record as of April 15, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant to our DRIP.

Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 56,728 newly issued shares of common stock, or 1.0% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.43 per share, which equaled the volume weighted average trading price per share of the common stock on April 14, 15, 18, 19, 20, 21, 22, 25, 26 and 27, 2016.

The following table summarizes dividends declared during the nine months ended November 30, 2016 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
October 5, 2016	October 31, 2016	November 9, 2016	$ 0.44	$ 2,509
August 8, 2016	August 24, 2016	September 5, 2016	$ 0.20	$ 1,151
July 7, 2016	July 29, 2016	August 9, 2016	$ 0.43	$ 2,466
March 31, 2016	April 15, 2016	April 27, 2016	$ 0.41	$ 2,346
Total dividends declared			$ 1.48	$ 8,472

* Amount per share is calculated based on the number of shares outstanding at the date of declaration.

The following table summarizes dividends declared during the nine months ended November 30, 2015 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
October 7, 2015	November 2, 2015	November 30, 2015	$ 0.36	$ 2,028
July 8, 2015	August 3, 2015	August 31, 2015	$ 0.33	$ 1,844
May 14, 2015	May 26, 2015	June 5, 2015	$ 1.00	$ 5,429
April 9, 2015	May 4, 2015	May 29, 2015	$ 0.27	$ 1,466
Total dividends declared			$ 1.96	$ 10,767

* Amount per share is calculated based on the number of shares outstanding at the date of declaration.

Note 12. Financial Highlights

The following is a schedule of financial highlights for the nine months ended November 30, 2016 and November 30, 2015:

	November 30, 2016	November 30, 2015
Per share data:		
Net asset value at beginning of period	$ 22.06	$ 22.70
Net investment income(1)	1.49	1.37
Net realized and unrealized gains and losses on investments	0.28	0.81
Net increase in net assets from operations	1.77	2.18
Distributions declared from net investment income	(1.48)	(1.96)
Total distributions to stockholders	(1.48)	(1.96)
Dilution(4)	(0.14)	(0.33)
Net asset value at end of period	$ 22.21	$ 22.59
Net assets at end of period	$127,679,730	$127,273,366
Shares outstanding at end of period	5,748,247	5,634,115
Per share market value at end of period	$ 20.18	$ 15.63
Total return based on market value(2)	56.98%	11.29%
Total return based on net asset value(3)	11.37%	11.67%
Ratio/Supplemental data:		
Ratio of net investment income to average net assets(8)	9.54%	8.64%
Ratio of operating expenses to average net assets(7)	7.10%	6.68%
Ratio of incentive management fees to average net assets(6)	1.83%	1.73%
Ratio of interest and debt financing expenses to average net assets(7)	7.42%	6.65%
Ratio of total expenses to average net assets(8)	16.35%	15.06%
Portfolio turnover rate(5)	31.25%	23.05%

(1) Net investment income per share is calculated using the weighted average shares outstanding during the period.

(2) Total investment return is calculated assuming a purchase of common shares at the current market value on the first day and a sale at the current market value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's DRIP. Total investment return does not reflect brokerage commissions. Total investment returns covering less than a full period are not annualized.

(3) Total investment return is calculated assuming a purchase of common shares at the current net asset value on the first day and a sale at the current net asset value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's DRIP. Total investment return does not reflect brokerage commissions.

(4) Represents the dilutive effect of issuing common stock below net asset value per share during the period in connection with the satisfaction of the Company's annual RIC distribution requirement. See Note 11, Dividend.

(5) Portfolio turnover rate is calculated using the lesser of year-to-date sales or year-to-date purchases over the average of the invested assets at fair value.

(6) Ratios are not annualized.

(7) Ratios are annualized.

(8) Ratios are annualized. Incentive management fees included within the ratio are not annualized.

Note 13. Subsequent Events

The Company has evaluated subsequent events through the filing of this Form 10-Q and determined that there have been no events that have occurred that would require adjustments to the Company's disclosures in the consolidated financial statements except for the following:

On January 12, 2017, the Company declared a dividend of $0.45 per share payable for the fiscal quarter ended November 30, 2016 to all stockholders of record at the close of business on January 31, 2017, with a payment date on February 9, 2017. Shareholders will have the option to receive payment of the dividend in cash, or receive shares of common stock pursuant to the Company's DRIP.

On December 21, 2016, the Company issued $74.5 million in aggregate principal amount of 6.75% fixed-rate notes due 2023 (the "2023 Notes") for net proceeds of $72.1 million after deducting underwriting commissions of approximately $2.0 million and offering costs of approximately $0.5 million. The issuance included the exercise of substantially all of the underwriters' option to purchase an additional $9.8 million aggregate principal amount of 2023 Notes within 30 days. Interest on the 2023 Notes is paid quarterly in arrears on March 15, June 15, September 15 and December 15, at a rate of 6.75% per year, beginning March 30, 2017. The 2023 Notes mature on December 20, 2023, and commencing December 21, 2019, may be redeemed in whole or in part at any time or from time to time at our option. The proceeds from the offering will be used to repay all of the outstanding indebtedness under the 2020 Notes, which amounts to $61.8 million.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Saratoga Investment Corp.

We have audited the accompanying consolidated statements of assets and liabilities of Saratoga Investment Corp. (the "Company"), including the consolidated schedules of investments, as of February 29, 2016 and February 28, 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for the years ended February 29, 2016, February 28, 2015 and February 28, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the entity's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of February 29, 2016, by correspondence with the custodian, debt agents and lenders. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Saratoga Investment Corp. at February 29, 2016 and February 28, 2015, and the consolidated results of its operations, changes in its net assets and its cash flows for the years ended February 29, 2016, February 28, 2015 and February 28, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young

New York, New York
May 17, 2016

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of	
	February 29, 2016	February 28, 2015
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of $268,145,090 and $222,505,383, respectively)	$ 271,168,186	$ 223,506,589
Control investments (cost of $13,030,751 and $15,953,001, respectively)	12,827,980	17,031,146
Total investments at fair value (amortized cost of $281,175,841 and $238,458,384, respectively)	283,996,166	240,537,735
Cash and cash equivalents	2,440,277	1,888,158
Cash and cash equivalents, reserve accounts	4,594,506	18,175,214
Interest receivable, (net of reserve of $728,519 and $309,498, respectively)	3,195,919	2,469,398
Management fee receivable	170,016	171,913
Other assets	350,368	317,637
Receivable from unsettled trades	300,000	—
Total assets	$ 295,047,252	$ 263,560,055
LIABILITIES		
Revolving credit facility	$ —	$ 9,600,000
Deferred debt financing costs, revolving credit facility	(515,906)	(594,845)
SBA debentures payable	103,660,000	79,000,000
Deferred debt financing costs, SBA debentures payable	(2,493,303)	(2,340,894)
Notes payable	61,793,125	48,300,000
Deferred debt financing costs, notes payable	(1,694,586)	(1,847,564)
Dividend payable	875,599	402,200
Base management and incentive fees payable	5,593,956	5,835,941
Accounts payable and accrued expenses	908,330	835,189
Interest and debt fees payable	1,552,069	1,405,466
Due to manager	218,093	365,820
Total liabilities	$ 169,897,377	$ 140,961,313
Commitments and contingencies (See Note 8)		
NET ASSETS		
Common stock, par value $.001, 100,000,000 common shares authorized, 5,672,227 and 5,401,899 common shares issued and outstanding, respectively	$ 5,672	$ 5,402
Capital in excess of par value	188,714,329	184,877,680
Distribution in excess of net investment income	(26,217,902)	(23,905,603)
Accumulated net realized loss from investments and derivatives	(40,172,549)	(40,458,088)
Accumulated net unrealized appreciation on investments and derivatives	2,820,325	2,079,351
Total net assets	125,149,875	122,598,742
Total liabilities and net assets	$ 295,047,252	$ 263,560,055
NET ASSET VALUE PER SHARE	$ 22.06	$ 22.70

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Operations

	For the year ended February 29, 2016	For the year ended February 28, 2015	For the year ended February 28, 2014
INVESTMENT INCOME			
Interest from investments			
Non-control/Non-affiliate investments	$ 23,165,823	$ 20,790,324	$ 15,832,083
Payment-in-kind interest income from Non-control/Non-affiliate investments	1,039,398	1,186,657	936,208
Control investments	2,665,648	2,707,230	3,410,868
Total interest income	26,870,869	24,684,211	20,179,159
Interest from cash and cash equivalents	5,420	3,801	7,932
Management fee income	1,494,779	1,520,205	1,775,141
Other income	1,679,602	1,167,144	931,513
Total investment income	30,050,670	27,375,361	22,893,745
EXPENSES			
Interest and debt financing expenses	8,456,467	7,375,022	6,083,891
Base management fees	4,528,589	4,156,955	3,326,879
Professional fees	1,336,214	1,301,713	1,211,836
Administrator expenses	1,175,000	1,000,000	1,000,000
Incentive management fees	2,232,188	2,547,773	938,694
Insurance	330,867	337,335	442,977
Directors fees and expenses	204,000	210,761	204,607
General & administrative	995,205	478,299	789,208
Excise tax expense	113,808	293,653	—
Other expense	—	—	21,207
Total expenses	19,372,338	17,701,511	14,019,299
NET INVESTMENT INCOME	10,678,332	9,673,850	8,874,446
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain from investments	226,252	3,276,450	1,270,765
Net unrealized appreciation (depreciation) on investments	740,974	(1,942,936)	(1,648,046)
Net gain (loss) on investments	967,226	1,333,514	(377,281)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 11,645,558	$ 11,007,364	$ 8,497,165
WEIGHTED AVERAGE—BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ 2.09	$ 2.04	$ 1.73
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—BASIC AND DILUTED	5,582,453	5,385,049	4,920,517

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Schedule of Investments

February 29, 2016

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—216.6%(b)						
National Truck Protection Co., Inc.(d),(g)	Automotive Aftermarket	Common Stock	1,116	$ 1,000,000	$ 1,695,303	1.4%
National Truck Protection Co., Inc.(d)	Automotive Aftermarket	First Lien Term Loan 15.50% Cash, 9/13/2018	$ 6,776,770	6,776,770	6,776,770	5.4%
Take 5 Oil Change, L.L.C.(d),(g)	Automotive Aftermarket	Common Stock	7,128	480,535	6,235,209	5.0%
		Total Automotive Aftermarket		8,257,305	14,707,282	11.8%
Legacy Cabinets Holdings(d),(g)	Building Products	Common Stock Voting A-1	2,535	220,900	2,676,909	2.1%
Legacy Cabinets Holdings(d),(g)	Building Products	Common Stock Voting B-1	1,600	139,424	1,689,568	1.3%
Polar Holding Company, Ltd.(a),(i)	Building Products	First Lien Term Loan 10.00% Cash, 9/30/2016	$ 2,000,000	2,000,000	2,000,000	1.6%
		Total Building Products		2,360,324	6,366,477	5.0%
BMC Software, Inc.(d)	Business Services	First Lien Term Loan 5.00% Cash, 9/10/2020	$ 5,671,667	5,633,920	4,520,318	3.6%
Courion Corporation	Business Services	Second Lien Term Loan 11.00% Cash, 6/1/2021	$15,000,000	14,856,720	14,850,000	11.9%
Dispensing Dynamics International(d)	Business Services	Senior Secured Note 12.50% Cash, 1/1/2018	$12,000,000	12,025,101	10,950,000	8.8%
Easy Ice, LLC(d)	Business Services	First Lien Term Loan 9.50% Cash, 1/15/2020	$14,000,000	13,873,485	13,806,098	11.0%
Emily Street Enterprises, L.L.C.	Business Services	Senior Secured Note 10.00% Cash, 1/23/2020	$ 8,400,000	8,305,033	8,568,000	6.8%
Emily Street Enterprises, L.L.C.(g)	Business Services	Warrant Membership Interests	49,318	400,000	577,020	0.5%
Help/Systems Holdings, Inc.(Help/Systems, LLC)(d)	Business Services	First Lien Term Loan 6.25% Cash, 10/8/2021	$ 5,000,000	4,904,573	4,895,000	3.9%
Help/Systems Holdings, Inc.(Help/Systems, LLC)(d)	Business Services	Second Lien Term Loan 10.50% Cash, 10/8/2022	$ 3,000,000	2,912,784	2,910,000	2.3%
Knowland Technology Holdings, L.L.C.	Business Services	First Lien Term Loan 8.00% Cash, 11/29/2017	$ 5,259,171	5,224,422	5,259,171	4.2%
PCF Number 4, Inc.	Business Services	Second Lien Term Loan 13.50% (12.50% Cash/1.00% PIK), 8/28/2021	$13,000,000	12,870,023	12,870,000	10.3%
Vector Controls Holding Co., LLC(d)	Business Services	First Lien Term Loan, 14.00% (12.00% Cash/2.00% PIK), 3/6/2018	$ 9,035,515	8,952,442	9,035,515	7.2%
Vector Controls Holding Co., LLC(d),(g)	Business Services	Warrants to Purchase Limited Liability Company Interests	343	—	354,819	0.3%
		Total Business Services		89,958,503	88,595,941	70.8%
Advanced Air & Heat of Florida, LLC	Consumer Products	First Lien Term Loan 9.50% Cash, 7/17/2020	$ 6,800,000	6,733,661	6,800,000	5.4%
Targus Holdings, Inc.(d),(g)	Consumer Products	Common Stock	210,456	1,791,242	—	0.0%
Targus Holdings, Inc.(d)	Consumer Products	Second Lien Term Loan A-2 15.00% Cash, 12/31/2019	$ 210,456	210,456	210,456	0.2%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Targus Holdings, Inc.(d)	Consumer Products	Second Lien Term Loan B 15.00% Cash, 12/31/2019	$ 631,369	631,369	631,369	0.5%
		Total Consumer Products		9,366,728	7,641,825	6.1%
Expedited Travel L.L.C.(g)	Consumer Services	Common Stock	1,000,000	1,000,000	1,647,767	1.3%
Expedited Travel L.L.C.	Consumer Services	First Lien Term Loan 10.00% Cash, 10/10/2019	$11,475,490	11,401,380	11,647,623	9.3%
My Alarm Center, LLC	Consumer Services	Second Lien Term Loan 12.00% Cash, 7/9/2019	$ 7,500,000	7,500,000	7,450,500	6.0%
PrePaid Legal Services, Inc.(d)	Consumer Services	First Lien Term Loan 6.50% Cash, 7/1/2019	$ 1,572,921	1,562,787	1,556,248	1.2%
PrePaid Legal Services, Inc.(d)	Consumer Services	Second Lien Term Loan 10.25% Cash, 7/1/2020	$10,000,000	9,962,104	9,827,000	7.9%
Prime Security Services, LLC	Consumer Services	Second Lien Term Loan 9.75% Cash, 7/1/2022	$12,000,000	11,829,030	10,980,000	8.8%
		Total Consumer Services		43,255,301	43,109,138	34.5%
M/C Acquisition Corp., L.L.C.(d),(g)	Education	Class A Common Stock	544,761	30,241	—	0.0%
M/C Acquisition Corp., L.L.C.(d)	Education	First Lien Term Loan 1.00% Cash, 3/31/2016	$ 2,321,073	1,193,790	8,087	0.0%
Texas Teachers of Tomorrow, LLC(g),(h)	Education	Common Stock	750	750,000	785,475	0.6%
Texas Teachers of Tomorrow, LLC	Education	Second Lien Term Loan 10.75% Cash, 6/2/2021	$10,000,000	9,902,816	9,900,000	7.9%
		Total Education		11,876,847	10,693,562	8.5%
TM Restaurant Group L.L.C.	Food and Beverage	First Lien Term Loan 9.75% Cash, 7/16/2017	$ 9,622,319	9,527,041	9,131,048	7.3%
		Total Food and Beverage		9,527,041	9,131,048	7.3%
Bristol Hospice, LLC	Healthcare Services	Senior Secured Note 11.00% (10.00% Cash/1.00% PIK), 11/29/2018	$ 5,404,747	5,339,820	5,404,747	4.3%
Roscoe Medical, Inc.(d),(g)	Healthcare Services	Common Stock	5,000	500,000	334,000	0.3%
Roscoe Medical, Inc.	Healthcare Services	Second Lien Term Loan 11.25% Cash, 9/26/2019	$ 4,200,000	4,141,519	3,822,000	3.0%
Ohio Medical, LLC(g)	Healthcare Services	Common Stock	5,000	500,000	500,000	0.4%
Ohio Medical, LLC	Healthcare Services	Senior Subordinated Note 12.00% , 7/15/2021	$ 7,300,000	7,228,452	7,227,000	5.8%
Smile Brands Group Inc.(d)	Healthcare Services	First Lien Term Loan 10.50% (9.00% Cash/1.50% PIK), 8/16/2019	$ 4,420,900	4,362,266	3,216,647	2.6%
Zest Holdings, LLC(d)	Healthcare Services	First Lien Term Loan 5.25% Cash, 8/16/2020	$ 4,207,821	4,142,093	4,130,692	3.3%
		Total Healthcare Services		26,214,150	24,635,086	19.7%
HMN Holdco, LLC	Media	First Lien Term Loan 10.00% Cash, 5/16/2019	$ 8,937,982	8,812,479	8,937,983	7.1%
HMN Holdco, LLC	Media	First Lien Term Loan 10.00% Cash, 5/16/2019	$ 1,600,000	1,572,821	1,600,000	1.3%
HMN Holdco, LLC	Media	Class A Series	4,264	61,647	314,683	0.3%
HMN Holdco, LLC	Media	Class A Warrant	30,320	438,353	1,889,542	1.5%
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests (Common)	57,872	—	3,309,121	2.6%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests	8,139	—	523,012	0.4%
		Total Media		10,885,300	16,574,341	13.2%
Elyria Foundry Company, L.L.C.	Metals	Common Stock	35,000	9,217,564	2,026,150	1.6%
Elyria Foundry Company, L.L.C.	Metals	Revolver 10.00% Cash, 3/31/2017	$ 8,500,000	8,500,000	8,500,000	6.8%
		Total Metals		17,717,564	10,526,150	8.4%
Avionte Holdings, LLC(g)	Software as a Service	Common Stock	100,000	100,000	169,850	0.1%
Avionte Holdings, LLC	Software as a Service	First Lien Term Loan 9.75% Cash, 1/8/2019	$ 2,406,342	2,376,045	2,382,844	1.9%
Avionte Holdings, LLC(j),(k)	Software as a Service	Delayed Draw Term Loan A 9.75% Cash, 1/8/2019	$ —	—	—	0.0%
Censis Technologies, Inc.	Software as a Service	First Lien Term Loan B 11.00% Cash, 7/24/2019	$11,550,000	11,377,810	11,459,418	9.2%
Censis Technologies, Inc.(g),(h)	Software as a Service	Limited Partner Interests	999	999,000	810,642	0.7%
Finalsite Holdings, Inc.	Software as a Service	Second Lien Term Loan 10.25% Cash, 5/21/2020	$ 7,500,000	7,440,729	7,500,000	6.0%
Identity Automation Systems(g)	Software as a Service	Common Stock Class A Units	232,616	232,616	427,409	0.3%
Identity Automation Systems	Software as a Service	First Lien Term Loan 10.25% Cash, 12/18/2020	$ 6,900,000	6,842,573	6,900,000	5.5%
Identity Automation Systems(j),(k)	Software as a Service	Delayed Draw Term Loan 10.25% Cash, 12/18/2020	$ —	—	—	0.0%
Mercury Network, LLC	Software as a Service	First Lien Term Loan 9.75% Cash, 4/24/2020	$ 9,025,000	8,944,211	9,025,000	7.2%
Mercury Network, LLC(g)	Software as a Service	Common Stock	413,043	413,043	512,173	0.4%
		Total Software as a Service		38,726,027	39,187,336	31.3%
Sub Total Non-control/Non-affiliated investments				268,145,090	271,168,186	216.6%
Control investments—10.3%(b)						
Saratoga Investment Corp. CLO 2013-1, Ltd.(a),(d),(e),(f)	Structured Finance Securities	Other/Structured Finance Securities 16.14%, 10/17/2023	$30,000,000	13,030,751	12,827,980	10.3%
Sub Total Control investments				13,030,751	12,827,980	10.3%
TOTAL INVESTMENTS—226.9%(b)				**$281,175,841**	**$283,996,166**	**226.9%**

	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Cash and cash equivalents and cash and cash equivalents, reserve accounts—5.6%				
U.S. Bank Money Market(l)	$7,034,783	$7,034,783	$7,034,783	5.6%
Total cash and cash equivalents and cash and cash equivalents, reserve accounts	**$7,034,783**	**$7,034,783**	**$7,034,783**	**5.6%**

(a) Represents a non-qualifying investment as defined under Section 55 (a) of the Investment Company Act of 1940, as amended. Non-qualifying assets represent 5.2% of the Company's portfolio at fair value. As a BDC, the Company can only invest 30% of its portfolio in non-qualifying assets.

(b) Percentages are based on net assets of $125,149,875 as of February 29, 2016.
(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors (see Note 3 to the consolidated financial statements).
(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 7 to the consolidated financial statements).
(e) This investment does not have a stated interest rate that is payable thereon. As a result, the 16.14% interest rate in the table above represents the effective interest rate currently earned on the investment cost and is based on the current cash interest and other income generated by the investment.
(f) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (Cost)	Interest Income	Management Fee Income	Net Realized Gains/(Losses)	Net Unrealized Depreciation
Saratoga Investment Corp. CLO 2013-1, Ltd.	$ —	$ —	$ —	$2,665,648	$ 1,494,779	$ —	$ (202,771)

(g) Non-income producing at February 29, 2016.
(h) Includes securities issued by an affiliate of the company.
(i) Non-U.S. company. The principal place of business for Polar Holding Company, Ltd. is Canada.
(j) The investment has an unfunded commitment as of February 29, 2016 (see Note 8).
(k) The entire commitment was unfunded at February 29, 2016. As such, no interest is being earned on this investment.
(l) Included within cash and cash equivalents and cash and cash equivalents, reserve accounts in the Company's Consolidated Statements of Assets and Liabilities as of February 29, 2016.

Saratoga Investment Corp.

Consolidated Schedule of Investments

February 28, 2015

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Non-control/Non-affiliated investments—182.3%(b)						
National Truck Protection Co., Inc.(d),(g)	Automotive Aftermarket	Common Stock	1,116	$ 1,000,000	$ 1,769,432	1.4%
National Truck Protection Co., Inc.(d)	Automotive Aftermarket	First Lien Term Loan 15.50% Cash, 9/13/2018	$ 7,737,848	7,737,848	7,737,848	6.3%
Take 5 Oil Change, L.L.C.(d),(g)	Automotive Aftermarket	Common Stock	7,128	480,535	1,472,502	1.2%
		Total Automotive Aftermarket		9,218,383	10,979,782	8.9%
Legacy Cabinets Holdings(d),(g)	Building Products	Common Stock Voting A-1	2,535	220,900	1,493,470	1.2%
Legacy Cabinets Holdings(d),(g)	Building Products	Common Stock Voting B-1	1,600	139,424	942,624	0.8%
Polar Holding Company, Ltd.(a),(i)	Building Products	First Lien Term Loan 10.00% Cash, 8/13/2016	$ 1,000,000	1,000,000	1,000,000	0.8%
		Total Building Products		1,360,324	3,436,094	2.8%
BMC Software, Inc.(d)	Business Services	First Lien Term Loan 5.00% Cash, 9/10/2020	$ 5,731,667	5,686,622	5,478,327	4.5%
Dispensing Dynamics International(d)	Business Services	Senior Secured Note 12.50% Cash, 1/1/2018	$ 7,000,000	6,910,112	7,350,000	6.0%
Easy Ice, LLC(d)	Business Services	First Lien Term Loan 9.50% Cash, 1/15/2020	$12,000,000	11,872,639	12,000,000	9.6%
Emily Street Enterprises, L.L.C.	Business Services	Senior Secured Note 10.00% Cash, 1/23/2020	$ 8,400,000	8,260,787	8,400,000	6.9%
Emily Street Enterprises, L.L.C.(g)	Business Services	Warrant Membership Interests	49,318	400,000	391,584	0.3%
Help/Systems Holdings, Inc.(Help/Systems, LLC)(d)	Business Services	First Lien Term Loan 5.50% Cash, 6/28/2019	$ 1,955,051	1,941,417	1,925,725	1.6%
Help/Systems Holdings, Inc.(Help/Systems, LLC)(d)	Business Services	Second Lien Term Loan 9.50% Cash, 6/28/2020	$ 2,000,000	1,975,767	1,965,000	1.6%
Knowland Technology Holdings, L.L.C.	Business Services	First Lien Term Loan 11.00% Cash, 11/29/2017	$ 5,259,171	5,205,142	5,259,171	4.3%
Knowland Technology Holdings, L.L.C.(j),(k),(l)	Business Services	Delayed Draw Term Loan 11.00% Cash, 11/29/2017	$ —	—	—	0.0%
Vector Controls Holding Co., LLC(d)	Business Services	First Lien Term Loan, 14.00% (12.00% Cash/2.00% PIK), 3/6/2018	$ 9,436,991	9,312,095	9,295,437	7.6%
Vector Controls Holding Co., LLC(d),(g)	Business Services	Warrants to Purchase Limited Liability Company Interests	101	—	62,341	0.1%
		Total Business Services		51,564,581	52,127,585	42.5%
Advanced Air & Heat of Florida, LLC	Consumer Products	First Lien Term Loan 10.00% Cash, 1/31/2019	$ 5,955,441	5,881,694	5,955,441	5.0%
Targus Group International, Inc.(d)	Consumer Products	First Lien Term Loan, 12.00% (11.00% Cash/1.00 PIK), 5/24/2016	$ 3,569,127	3,537,732	3,283,597	2.7%
Targus Holdings, Inc.(d),(g)	Consumer Products	Common Stock	62,413	566,765	—	0.0%
Targus Holdings, Inc.(d),(g)	Consumer Products	Unsecured Note 10.00% PIK, 6/14/2019	$ 2,054,158	2,054,158	—	0.0%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Targus Holdings, Inc.(d),(g)	Consumer Products	Unsecured Note 16.00% PIK, 10/26/2018	$ 429,797	425,227	—	0.0%
		Total Consumer Products		12,465,576	9,239,038	7.7%
CFF Acquisition L.L.C.(d)	Consumer Services	First Lien Term Loan 7.50% Cash, 7/31/2015	$ 716,179	714,270	716,179	0.6%
Expedited Travel L.L.C.(g)	Consumer Services	Common Stock	1,000,000	1,000,000	1,069,157	0.9%
Expedited Travel L.L.C.	Consumer Services	First Lien Term Loan 10.00% Cash, 10/10/2019	$13,750,000	13,609,579	13,750,000	11.2%
PrePaid Legal Services, Inc.(d)	Consumer Services	First Lien Term Loan 6.25% Cash, 7/1/2019	$ 3,709,677	3,680,863	3,652,919	3.0%
PrePaid Legal Services, Inc.(d)	Consumer Services	Second Lien Term Loan 9.75% Cash, 7/1/2020	$ 5,000,000	4,937,212	4,981,000	4.1%
		Total Consumer Services		23,941,924	24,169,255	22.3%
M/C Acquisition Corp., L.L.C.(d),(g)	Education	Class A Common Stock	544,761	30,241	—	0.0%
M/C Acquisition Corp., L.L.C.(d)	Education	First Lien Term Loan 1.00% Cash, 3/31/2015	$ 2,362,978	1,235,695	100,951	0.1%
		Total Education		1,265,936	100,951	0.1%
Group Dekko, Inc.(d)	Electronics	Second Lien Term Loan 11.00% (10.00% Cash/1.00% PIK), 5/1/2016	$ 6,950,048	6,950,048	6,667,181	5.4%
		Total Electronics		6,950,048	6,667,181	5.4%
TB Corp.(d)	Food and Beverage	First Lien Term Loan 5.76% Cash, 6/19/2018	$ 5,050,436	5,038,131	5,037,810	4.0%
TB Corp.(d)	Food and Beverage	Unsecured Note 13.50% (12.00% Cash/1.50% PIK), 12/20/2018	$ 2,546,121	2,512,732	2,546,121	2.1%
TM Restaurant Group L.L.C.	Food and Beverage	First Lien Term Loan 7.75% Cash, 7/16/2017	$ 2,791,595	2,791,595	2,763,679	2.3%
		Total Food and Beverage		10,342,458	10,347,610	8.4%
Bristol Hospice, LLC	Healthcare Services	Senior Secured Note 11.00% (10.00% Cash/1.00% PIK), 11/29/2018	$ 5,459,134	5,374,249	5,459,134	4.4%
Bristol Hospice, LLC(j),(l)	Healthcare Services	Delayed Draw Term Loan 11.00% (10.00% Cash/1.00% PIK), 11/29/2018	$ —	—	—	0.0%
Roscoe Medical, Inc.(d),(g)	Healthcare Services	Common Stock	5,000	500,000	294,500	0.2%
Roscoe Medical, Inc.	Healthcare Services	Second Lien Term Loan 11.25% Cash, 9/26/2019	$ 4,200,000	4,129,704	3,990,000	3.3%
Smile Brands Group Inc.(d)	Healthcare Services	First Lien Term Loan 7.50% Cash, 8/16/2019	$ 4,443,750	4,373,369	4,159,350	3.4%
Surgical Specialties Corporation (US), Inc.(d)	Healthcare Services	First Lien Term Loan 7.25% Cash, 8/22/2018	$ 2,312,500	2,295,234	2,277,813	1.9%
Zest Holdings, LLC(d)	Healthcare Services	First Lien Term Loan 5.25% Cash, 8/16/2020	$ 4,443,919	4,361,438	4,460,806	3.6%
		Total Healthcare Services		21,033,994	20,641,603	16.8%
HMN Holdco, LLC	Media	First Lien Term Loan 14.00% (12.00% Cash/2.00% PIK), 5/16/2019	$ 9,368,327	9,206,438	9,579,115	7.9%
HMN Holdco, LLC	Media	First Lien Term Loan 12.00% Cash, 5/16/2020	$ 1,600,000	1,569,149	1,576,000	1.3%
HMN Holdco, LLC(j),(k)	Media	Deferred Draw Term Loan 12.00% Cash, 5/16/2020	$ —	—	(36,000)	0.0%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
HMN Holdco, LLC(g)	Media	Class A Series	4,264	61,647	223,604	0.2%
HMN Holdco, LLC(g)	Media	Class A Warrant	30,320	438,353	1,247,365	1.0%
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests (Common)	57,872	—	2,085,128	1.7%
HMN Holdco, LLC(g)	Media	Warrants to Purchase Limited Liability Company Interests	8,139	—	350,464	0.3%
		Total Media		11,275,587	15,025,676	12.4%
Elyria Foundry Company, L.L.C.(d),(g)	Metals	Common Stock	35,000	9,217,563	6,762,000	5.5%
Elyria Foundry Company, L.L.C.(d)	Metals	Revolver 9.00% Cash, 12/31/2020	$ 8,500,000	8,500,000	8,500,000	6.8%
		Total Metals		17,717,563	15,262,000	12.3%
Network Communications, Inc.(d),(g)	Publishing	Common Stock	380,572	—	300,652	0.2%
Network Communications, Inc.(d)	Publishing	Unsecured Notes 8.60% PIK, 1/14/2020	$ 2,732,976	2,374,260	1,684,118	1.4%
		Total Publishing		2,374,260	1,984,770	1.6%
Avionte Holdings, LLC(g)	Software as a Service	Common Stock	100,000	100,000	163,000	0.1%
Avionte Holdings, LLC	Software as a Service	First Lien Term Loan 9.75% Cash, 1/8/2019	$ 3,000,000	2,951,759	3,000,000	2.4%
Avionte Holdings, LLC(j),(l)	Software as a Service	Delayed Draw Term Loan A 9.75% Cash, 1/8/2019	$ —	—	—	0.0%
Censis Technologies, Inc.	Software as a Service	First Lien Term Loan B 11.00% Cash, 7/24/2019	$11,850,000	11,634,939	11,850,000	9.7%
Censis Technologies, Inc.(g),(h)	Software as a Service	Limited Partner Interests	999	999,000	981,627	0.8%
Community Investors, Inc.(g)	Software as a Service	Common Stock	1,282	1,282	1,769	0.0%
Community Investors, Inc.	Software as a Service	First Lien, Last Out Term Loan 11.78% Cash, 9/30/2019	$12,000,000	12,000,000	12,000,000	9.7%
Community Investors, Inc.	Software as a Service	First Lien Term Loan B 12.25% Cash, 12/31/2020	$ 2,500,000	2,500,000	2,500,000	2.0%
Community Investors, Inc.(g)	Software as a Service	Preferred Stock 10%	63,463	149,138	87,579	0.1%
Community Investors, Inc.	Software as a Service	Preferred Stock - A2 10%	38,641	100,853	53,325	0.0%
Community Investors, Inc.(g)	Software as a Service	Preferred Stock - A Shares 10%	135,584	135,584	187,106	0.2%
Finalsite Holdings, Inc.	Software as a Service	Second Lien Term Loan 10.25% Cash, 11/21/2019	$ 7,500,000	7,429,305	7,500,000	6.1%
Identity Automation Systems(g)	Software as a Service	Common Stock Class A Units	232,616	232,616	225,638	0.2%
Identity Automation Systems	Software as a Service	First Lien Term Loan 10.25% Cash, 8/25/2019	$ 4,475,000	4,433,897	4,475,000	3.7%
Pen-Link, Ltd.(d)	Software as a Service	Second Lien Term Loan 12.50% Cash, 5/26/2019	$10,500,000	10,326,376	10,500,000	8.6%
		Total Software as a Service		52,994,749	53,525,044	43.6%

Company	Industry	Investment Interest Rate / Maturity	Principal/ Number of Shares	Cost	Fair Value(c)	% of Net Assets
Sub Total Non-control/Non-affiliated investments				222,505,383	223,506,589	182.3%
Control investments—13.9%(b)						
Saratoga Investment Corp. CLO 2013-1, Ltd.(a),(d),(e), (f)	Structured Finance Securities	Other/Structured Finance Securities 14.32%, 10/17/2023	$30,000,000	15,953,001	17,031,146	13.9%
Sub Total Control investments				15,953,001	17,031,146	13.9%
TOTAL INVESTMENTS—196.2%(b)				**$238,458,384**	**$240,537,735**	**196.2%**

	Principal/ Number of Shares	Cost	Fair Value (c)	% of Net Assets
Cash and cash equivalents and cash and cash equivalents, reserve accounts—16.4%				
U.S. Bank Money Market(m)	$20,063,372	$20,063,372	$ 20,063,372	16.4%
Total cash and cash equivalents and cash and cash equivalents, reserve accounts	**$20,063,372**	**$20,063,372**	**$ 20,063,372**	**16.4%**

(a) Represents a non-qualifyng investment as defined under Section 55 (a) of the Investment Company Act of 1940, as amended. Non-qualifying assets represent 7.5% of the Company's portfolio at fair value. As a BDC, the Company can only invest 30% of its portfolio in non-qualifying assets.
(b) Percentages are based on net assets of $122,598,742, as of February 28, 2015.
(c) Because there is no readily available market value for these investments, the fair value of these investments is approved in good faith by our board of directors. (see Note 3 to the consolidated financial statements).
(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 7 to the consolidated financial statements).
(e) This investment does not have a stated interest rate that is payable thereon. As a result, the 14.32% interest rate in the table above represents the effective interest rate currently earned on the investment cost and is based on the current cash interest and other income generated by the investment.
(f) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (Cost)	Interest Income	Management Fee Income	Net Realized Gains/ (Losses)	Net Unrealized Appreciation
Saratoga Investment Corp. CLO 2013-1, Ltd.	$ —	$ —	$ —	$2,707,230	$ 1,520,205	$ —	$ 1,078,145

(g) Non-income producing at February 28, 2015.
(h) Includes securities issued by an affiliate of the company.
(i) Non-U.S. company. The principal place of business for Polar Holding Company, Ltd. is Canada.
(j) The investment has an unfunded commitment as of February 28, 2015 (See Note 8).
(k) Includes an analysis of the value of any unfunded loan commitments.
(l) The entire commitment was unfunded at February 28, 2015. As such, no interest is being earned on this investment.
(m) Included within cash and cash equivalents and cash and cash equivalents, reserve accounts in the Company's Consolidated Statements of Assets and Liabilities as of February 28, 2015.

Saratoga Investment Corp.

Consolidated Statements of Changes in Net Assets

	For the year ended February 29, 2016	For the year ended February 28, 2015	For the year ended February 28, 2014
INCREASE FROM OPERATIONS:			
Net investment income	$ 10,678,332	$ 9,673,850	$ 8,874,446
Net realized gain from investments	226,252	3,276,450	1,270,765
Net unrealized appreciation (depreciation) on investments	740,974	(1,942,936)	(1,648,046)
Net increase in net assets from operations	11,645,558	11,007,364	8,497,165
DECREASE FROM SHAREHOLDER DISTRIBUTIONS:			
Distributions declared	(13,045,149)	(2,156,740)	(12,534,807)
Net decrease in net assets from shareholder distributions	(13,045,149)	(2,156,740)	(12,534,807)
CAPITAL SHARE TRANSACTIONS:			
Stock dividend distribution	4,665,447	320,189	10,027,697
Repurchases of common stock	(356,792)	—	—
Offering costs	(357,931)	—	—
Net increase in net assets from capital share transactions	3,950,724	320,189	10,027,697
Total increase in net assets	2,551,133	9,170,813	5,990,055
Net assets at beginning of period	122,598,742	113,427,929	107,437,874
Net assets at end of period	$ 125,149,875	$ 122,598,742	$ 113,427,929
Net asset value per common share	$ 22.06	$ 22.70	$ 21.08
Common shares outstanding at end of period	5,672,227	5,401,899	5,379,616
Distribution in excess of net investment income	$ (26,217,902)	$ (23,905,603)	$ (31,123,667)

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Cash Flows

	For the year ended February 29, 2016	For the year ended February 28, 2015	For the year ended February 28, 2014
Operating activities			
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ 11,645,558	$ 11,007,364	$ 8,497,165
ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:			
Paid-in-kind interest income	(966,906)	(1,204,458)	(1,007,494)
Net accretion of discount on investments	(507,180)	(540,069)	(666,849)
Amortization of deferred debt financing costs	913,773	929,773	903,289
Net realized gain from investments	(226,252)	(3,276,450)	(1,270,765)
Net unrealized (appreciation) depreciation on investments	(740,974)	1,942,936	1,648,046
Proceeds from sale and redemption of investments	68,174,143	73,257,332	71,606,736
Purchase of investments	(109,191,262)	(104,872,326)	(121,073,990)
(Increase) decrease in operating assets:			
Cash and cash equivalents, reserve accounts	13,580,708	(14,882,101)	8,793,029
Interest receivable	(726,521)	102,455	317,505
Management fee receivable	1,897	(21,807)	65,747
Other assets	(128,370)	(34,930)	68,946
Receivable from unsettled trades	(300,000)	—	1,817,074
Increase (decrease) in operating liabilities:			
Management and incentive fees payable	(241,985)	482,890	(405,158)
Accounts payable and accrued expenses	73,141	10,621	389,530
Interest and debt fees payable	146,603	532,331	615,339
Due to manager	(147,727)	(32,334)	175,641
NET CASH USED BY OPERATING ACTIVITIES	(18,641,354)	(36,598,773)	(29,526,209)
Financing activities			
Borrowings on debt	35,260,000	52,300,000	18,000,000
Paydowns on debt	(20,200,000)	(13,700,000)	(28,300,000)
Issuance of notes	13,493,125	—	48,300,000
Debt financing cost	(1,096,556)	(1,972,618)	(2,821,806)
Repurchases of common stock	(356,792)	—	—
Payments of cash dividends	(7,906,304)	(1,434,349)	(2,507,112)
NET CASH PROVIDED BY FINANCING ACTIVITIES	19,193,473	35,193,033	32,671,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	552,119	(1,405,740)	3,144,873
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,888,158	3,293,898	149,025
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,440,277	$ 1,888,158	$ 3,293,898
Supplemental Information:			
Interest paid during the period	$ 7,396,091	$ 5,912,862	$ 4,565,262
Supplemental non-cash information:			
Paid-in-kind interest income	$ 966,906	$ 1,204,458	$ 1,007,494
Net accretion of discount on investments	$ 507,180	$ 540,069	$ 666,849
Amortization of deferred debt financing costs	$ 913,773	$ 929,773	$ 903,289
Stock dividend distribution	$ 4,665,447	$ 320,189	$ 10,027,697

See accompanying notes to consolidated financial statements.

SARATOGA INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

February 29, 2016

Note 1. Organization

Saratoga Investment Corp. (the "Company", "we", "our" and "us") is a non-diversified closed end management investment company incorporated in Maryland that has elected to be treated and is regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). The Company commenced operations on March 23, 2007 as GSC Investment Corp. and completed the initial public offering ("IPO") on March 28, 2007. The Company has elected to be treated as a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code (the "Code"). The Company expects to continue to qualify and to elect to be treated for tax purposes as a RIC. The Company's investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments.

GSC Investment, LLC (the "LLC") was organized in May 2006 as a Maryland limited liability company. As of February 28, 2007, the LLC had not yet commenced its operations and investment activities.

On March 21, 2007, the Company was incorporated and concurrently therewith the LLC was merged with and into the Company, with the Company as the surviving entity, in accordance with the procedure for such merger in the LLC's limited liability company agreement and Maryland law. In connection with such merger, each outstanding limited liability company interest of the LLC was converted into a share of common stock of the Company.

On July 30, 2010, the Company changed its name from "GSC Investment Corp." to "Saratoga Investment Corp.".

The Company is externally managed and advised by the investment adviser, Saratoga Investment Advisors, LLC (the "Manager"), pursuant to the Management Agreement. Prior to July 30, 2010, the Company was managed and advised by GSCP (NJ), L.P.

The Company has established wholly owned subsidiaries, SIA Avionte, Inc, SIA Mercury, Inc., SIA TT Inc., and SIA Vector Inc., which are structured as Delaware entities, or tax blockers, to hold equity or equity-like investments in portfolio companies organized as limited liability companies, or LLCs (or other forms of pass through entities). Tax blockers are consolidated for accounting purposes, but are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of portfolio companies.

On March 28, 2012, our wholly-owned subsidiary, Saratoga Investment Corp. SBIC, LP ("SBIC LP"), received a Small Business Investment Company ("SBIC") license from the Small Business Administration ("SBA").

On April 2, 2015, the SBA issued a "green light" or "go forth" letter inviting the Company to continue the application process to obtain a license to form and operate its second SBIC subsidiary. If approved, a second SBIC license would provide us an incremental source of long-term capital by permitting us to issue up to $150.0 million of additional SBA-guaranteed debentures in addition to the $150.0 million already approved under the first license. Receipt of a green light letter from the SBA does not assure an applicant that the SBA will ultimately issue an SBIC license and the Company has received no assurance or indication from the SBA that it will receive an SBIC license, or of the timeframe in which it would receive a license, should one be granted.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), are stated in U.S. dollars and include the accounts of the Company and its special purpose financing subsidiary, Saratoga Investment Funding, LLC (previously known as GSC Investment Funding LLC). All intercompany accounts and transactions have been eliminated in consolidation. All references made to the "Company," "we," and "us" herein include Saratoga Investment Corp. and its consolidated subsidiary, except as stated otherwise.

The Company and SBIC LP are both considered to be investment companies for financial reporting purposes and have applied the guidance in Topic 946, "Financial Services—Investment Companies". There have been no changes to the Company or SBIC LP's status as investment companies during the year ended February 29, 2016.

Use of Estimates in the Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and income, gains (losses) and expenses during the period reported. Actual results could differ materially from those estimates.

Correction of Immaterial Errors Related to Prior Period

During the year ended February 28, 2015, the Company identified errors related to the accounting for the capital gains portion of the incentive fee for the years ended February 28, 2014, February 28, 2013 and February 29, 2012, as well as the cumulative impact of these errors as of February 28, 2014.

The Company assessed the materiality of these errors and concluded they were not material to any prior annual periods, but the cumulative impact of correcting them in the year ended February 28, 2015 would be quantitatively material to the results of operations of the Company for the year then ended February 28, 2015, if the entire adjustment was recorded in that period. Therefore, the consolidated financial statements as of and for the years ended February 28, 2014 have been corrected.

The effects of these prior period errors on the consolidated financial statements are as follows (in thousands, except per share amounts):

Revised Consolidated Statement of Operations

	Year Ended February 28, 2014		
	As Previously Reported	Adjustments	As Revised
EXPENSES			
Incentive management fees	$ 692	$ 247	$ 939
Total expenses	13,772	247	14,019
NET INVESTMENT INCOME	9,121	(247)	8,874
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 8,744	$ (247)	$ 8,497
WEIGHTED AVERAGE—BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ 1.78	$ (0.05)	$ 1.73

Revised Consolidated Statement of Changes in Net Assets

	Year Ended February 28, 2014		
	As Previously Reported	Adjustments	As Revised
INCREASE FROM OPERATIONS			
Net investment income	$ 9,121	$ (247)	$ 8,874
Net increase in net assets from operations	8,744	(247)	8,497
Total increase in net assets	6,237	(247)	5,990
Net assets at beginning of period	108,687	(1,249)	107,438
Net assets at end of period	$ 114,924	$ (1,496)	$ 113,428
Net asset value per common share	$ 21.36	$ (0.28)	$ 21.08
Distribution in excess of net investment income	$ (29,628)	$ (1,496)	$ (31,124)

Revised Consolidated Statement of Cash Flows

	Year Ended February 28, 2014		
	As Previously Reported	Adjustments	As Revised
Operating activities			
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ 8,744	$ (247)	$8,497
Increase (decrease) in operating liabilities:			
Management and incentive fees payable	(652)	247	(405)

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value. Per section 12(d)(1)(A) of the 1940 Act, the Company may not invest in another registered investment company such as, a money market fund if such investment would cause the Company to exceed any of the following limitations:

- we were to own more than 3.0% of the total outstanding voting stock of the money market fund;
- we were to hold securities in the money market fund having an aggregate value in excess of 5.0% of the value of our total assets; or
- we were to hold securities in money market funds and other registered investment companies and BDCs having an aggregate value in excess of 10.0% of the value of our total assets.

As of February 29, 2016, the Company did not exceed any of these limitations.

Cash and Cash Equivalents, Reserve Accounts

Cash and cash equivalents, reserve accounts include amounts held in designated bank accounts in the form of cash and short-term liquid investments in money market funds representing payments received on secured investments or other reserved amounts associated with our $45.0 million senior secured revolving credit facility with Madison Capital Funding LLC. The Company is required to use these amounts to pay interest expense, reduce borrowings, or pay other amounts in accordance with the terms of the senior secured revolving credit facility.

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in companies in which we own more than 25.0% of the voting securities or maintain greater than 50.0% of the board representation. Under the 1940 Act, "Affiliated Investments" are defined as those non-control investments in companies in which we own between 5.0% and 25.0% of the voting securities. Under the 1940 Act, "Non-affiliated Investments" are defined as investments that are neither Control Investments nor Affiliated Investments.

Investment Valuation

The Company accounts for its investments at fair value in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Company to assume that its investments are to be sold at the statement of assets and liabilities date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to approve a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as approved, in good faith, by our board of directors based on input from our Manager, the audit committee of our board of directors and a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals of our Manager and preliminary valuation conclusions are documented and discussed with the senior management of our Manager; and
- An independent valuation firm engaged by our board of directors reviews approximately one quarter of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process:

- The audit committee of our board of directors reviews each preliminary valuation and our Manager and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and
- Our board of directors discusses the valuations and approves the fair value of each investment, in good faith, based on the input of our Manager, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

Our investment in Saratoga Investment Corp. CLO 2013-1, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flow analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Derivative Financial Instruments

We account for derivative financial instruments in accordance with ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires recognizing all derivative instruments as either assets or liabilities on the consolidated statements of assets and liabilities at fair value. The Company values derivative contracts at the closing fair value provided by the counterparty. Changes in the values of derivative contracts are included in the consolidated statements of operations.

Investment Transactions and Income Recognition

Purchases and sales of investments and the related realized gains or losses are recorded on a trade-date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortizations of premium on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in Saratoga CLO is recorded using the effective interest method in accordance with the provisions of ASC Topic 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, ("ASC 325-40"), based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Other Income

Other income includes dividends received, origination fees, structuring fees and advisory fees, and is recorded in the consolidated statement of operations when earned.

Paid-in-Kind Interest

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Deferred Debt Financing Costs

Financing costs incurred in connection with our credit facility are deferred and amortized using the straight line method over the life of their respective facilities. Financing costs incurred in connection with our SBA debentures are deferred and amortized using the effective yield method over the life of the debentures.

In April 2015, the FASB has issued Accounting Standards Update ("ASU") No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, and early adoption is allowed, and is to be applied on a retrospective basis. The Company has adopted the provisions of ASU 2015-03 as of February 28, 2015, by reclassifying deferred debt financing costs from within total assets to within total liabilities as a contra-liability. The adoption of the provisions of ASU 2015-03 did not materially impact the Company's consolidated financial position or results of operations. Prior period amounts were reclassified to conform to the current period presentation.

Contingencies

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management feels that the likelihood of such an event is remote. Therefore, the Company has not accrued any liabilities in connection with such indemnifications.

In the ordinary course of business, the Company may directly or indirectly be a defendant or plaintiff in legal actions with respect to bankruptcy, insolvency or other types of proceedings. Such lawsuits may involve claims that could adversely affect the value of certain financial instruments owned by the Company.

Income Taxes

The Company has filed an election to be treated for tax purposes as a RIC under Subchapter M of the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from federal income taxes. Therefore, no provision has been recorded for federal income taxes.

In order to qualify as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90.0% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4.0% on undistributed income if it does not distribute at least 98.0% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4.0% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

In accordance with certain applicable Treasury regulations and private letter rulings issued by the Internal Revenue Service, a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20.0% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash will receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20.0% of his or her entire distribution in cash. If these and certain other requirements are met, for U.S federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock.

ASC 740, *Income Taxes*, ("ASC 740"), provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statements of operations. During the fiscal year ended February 29, 2016, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal. The 2013, 2014 and 2015 federal tax years for the Company remain subject to examination by the IRS. As of February 29, 2016 and February 28, 2015, there were no uncertain tax positions. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change significantly in the next 12 months.

Dividends

Dividends to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the board of directors. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

We have adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividends automatically reinvested into additional shares of our common stock, rather than receiving the cash dividends. We have the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator.

Capital Gains Incentive Fee

The Company records an expense accrual on the consolidated statements of operations, relating to the capital gains incentive fee payable on the consolidated statements of assets and liabilities, by the Company to its investment adviser when the net realized and unrealized gain on its investments exceed all net realized and unrealized capital losses on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains net of realized and unrealized losses for the period.

New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 retains many current requirements for the classification and measurement of financial instruments; however, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted for public business entities. Management is currently evaluating the impact the adoption of this standard has on the Company's consolidated financial statements and disclosures.

In August 2015, the FASB issued ASU 2015-15, *Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"). ASU 2015-15 updates the accounting guidance included in ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The updated accounting guidance provided by ASU 2015-15 was the result of the Emerging Issues Task Force meeting, held on June 18, 2015, at which the SEC staff stated that the SEC would not object to an entity deferring and presenting costs related to revolving debt arrangements as an asset. As the Company previously adopted the provisions of ASU 2015-03 and reclassified all deferred debt financing costs from within total assets to within total liabilities as a contra-liability effective as of February 28, 2015, it has chosen not to avail itself of the updated accounting treatment provided by ASU 2015-15 and continues to include all deferred financing costs as a contra-liability within total liabilities.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 significantly changes the consolidation analysis required under GAAP and ends the deferral granted to investment companies from applying the variable interest entity guidance. ASU 2015-02 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015 and early adoption is permitted. Management does not believe these changes will have a material impact on the Company's consolidated financial statements and disclosures.

In August 2014, the FASB issued new accounting guidance that requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The amendments provide a definition of the term "substantial doubt" and include principles for considering the mitigating effect of management's plans. The amendments also require an evaluation every reporting period, including interim periods for a period of one year after the date that the financial statements are issued (or available to be issued), and certain disclosures when substantial doubt is alleviated or not alleviated. The amendments in this update are effective for reporting periods ending after December 15, 2016. Management does not believe these changes will have a material impact on the Company's consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU *2014-09, Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605). Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016, and early application is not permitted. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

Risk Management

In the ordinary course of its business, the Company manages a variety of risks, including market risk and credit risk. Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions such as interest rate movements and volatility in investment prices.

Credit risk is the risk of default or non-performance by portfolio companies, equivalent to the investment's carrying amount.

The Company is also exposed to credit risk related to maintaining all of its cash and cash equivalents, including those in reserve accounts, at a major financial institution and credit risk related to any of its derivative counterparties.

The Company has investments in lower rated and comparable quality unrated high yield bonds and bank loans. Investments in high yield investments are accompanied by a greater degree of credit risk. The risk of loss due to default by the issuer is significantly greater for holders of high yield securities, because such investments are generally unsecured and are often subordinated to other creditors of the issuer.

Note 3. Investments

As noted above, the Company values all investments in accordance with ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs used in the determination of fair value may require significant management judgment or estimation. Such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 asset, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Company continues to employ the valuation policy approved by the board of directors that is consistent with ASC 820 and the 1940 Act (see Note 2). Consistent with our Company's valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

The following table presents fair value measurements of investments, by major class, as of February 29, 2016 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Syndicated loans	$ —	$ —	$ 11,868	$ 11,868
First lien term loans	—	—	144,643	144,643
Second lien term loans	—	—	88,178	88,178
Structured finance securities	—	—	12,828	12,828
Equity interest	—	—	26,479	26,479
Total	$ —	$ —	$283,996	$283,996

The following table presents fair value measurements of investments, by major class, as of February 28, 2015 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Syndicated loans	$ —	$ —	$ 18,302	$ 18,302
First lien term loans	—	—	145,207	145,207
Second lien term loans	—	—	35,603	35,603
Unsecured notes	—	—	4,230	4,230
Structured finance securities	—	—	17,031	17,031
Equity interest	—	—	20,165	20,165
Total	$ —	$ —	$240,538	$240,538

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended February 29, 2016 (dollars in thousands):

	Syndicated loans	First lien term loans	Second lien term loans	Unsecured notes	Structured finance securities	Common stock/ equities	Total
Balance as of February 28, 2015	$ 18,302	$145,207	$ 35,603	$ 4,230	$ 17,031	$20,165	$240,538
Net unrealized appreciation (depreciation) on investments	(1,914)	(1,850)	(1,163)	3,136	(1,281)	3,813	741
Purchases and other adjustments to cost	56	35,854	72,422	670	—	1,663	110,665
Sales and redemptions	(4,607)	(31,280)	(19,502)	(5,917)	(2,922)	(3,946)	(68,174)
Net realized gain (loss) from investments	31	(865)	187	(2,220)	—	3,093	226
Transfers In	—	—	631	101	—	1,691	2,423
Transfers Out	—	(2,423)	—	—	—	—	(2,423)
Balance as of February 29, 2016	$ 11,868	$144,643	$ 88,178	$ —	$ 12,828	$26,479	$283,996

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received from investments sold, and principal paydowns received, during the period.

Transfers between levels, if any, are recognized at the beginning of the period in which transfers occur.

The net change in unrealized appreciation (depreciation) for the year ended February 29, 2016 on investments still held as of February 29, 2016 is ($2,798,986) and is included in net unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended February 28, 2015 (dollars in thousands):

	Syndicated loans	First lien term loans	Second lien term loans	Unsecured notes	Structured finance securities	Common stock/ equities	Total
Balance as of February 28, 2014	$ 32,390	$110,278	$ 27,804	$ 5,471	$ 19,570	$10,332	$205,845
Net unrealized appreciation (depreciation) on investments	(763)	(206)	(409)	(1,458)	(1,936)	2,829	(1,943)
Purchases and other adjustments to cost	56	83,456	18,667	217	—	4,221	106,617
Sales and redemptions	(13,461)	(42,445)	(10,522)	—	(603)	(6,226)	(73,257)
Net realized gain from investments	80	387	63	—	—	2,746	3,276
Transfers In	—	—	—	—	—	6,263	6,263
Transfers Out	—	(6,263)	—	—	—	—	(6,263)
Balance as of February 28, 2015	$ 18,302	$145,207	$ 35,603	$ 4,230	$ 17,031	$20,165	$240,538

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received from investments sold, and principal paydowns received, during the period.

Transfers between levels, if any, are recognized at the beginning of the period in which transfers occur.

The net change in unrealized gain/(loss) for the year ended February 28, 2015 on investments still held as of February 28, 2015 is ($1,456,791) and is included in net unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of February 29, 2016 were as follows (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range
Syndicated loans	11,868	Market Comparables	Third-Party Bid	72.5% - 98.2%
First lien term loans	144,643	Market Comparables	Market Yield (%)	6.8% - 15.5%
			EBITDA Multiples (x)	1.0x
			Revenue Multiples Third-Party Bid	91.3 - 98.9
Second lien term loans	88,178	Market Comparables	Market Yield (%)	0.0% - 15.0%
			Third-Party Bid	91.5% - 98.6%
Structured finance securities	12,828	Discounted Cash Flow	Discount Rate (%)	20.0%
Equity interests	26,479	Market Comparables	EBITDA Multiples (x) Revenue Multiples	6.8x - 16.4x

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of February 28, 2015 were as follows (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range
Syndicated loans	18,302	Market Comparables	Third-Party Bid	93.6% - 100.4%
First lien term loans	145,207	Market Comparables	Market Yield (%)	5.8% - 17.7%
			EBITDA Multiples (x)	3.0x
			Third-Party Bid	79.3 - 105.0
Second lien term loans	35,603	Market Comparables	Market Yield (%)	8.5% - 15.0%
			Third-Party Bid	98.3% - 98.3%
Unsecured notes	4,230	Market Comparables	Market Yield (%)	13.2% - 20.3%
Structured finance securities	17,031	Discounted Cash Flow	Discount Rate (%)	12.0%
Equity interests	20,165	Market Comparables	EBITDA Multiples (x)	5.0x - 12.1x

For investments utilizing a market comparables valuation technique, a significant increase (decrease) in the market yield, in isolation, would result in a significantly lower (higher) fair value measurement, and a significant increase (decrease) in any of the EBITDA valuation multiples, in isolation, would result in a significantly higher (lower) fair value measurement. For investments utilizing a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, in isolation, would result in a significantly lower (higher) fair value measurement. For investments utilizing a market quote in deriving a value, a significant increase (decrease) in the market quote, in isolation, would result in a significantly lower (higher) fair value measurement.

The composition of our investments as of February 29, 2016, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Syndicated loans	$ 14,138	5.0%	$ 11,868	4.2%
First lien term loans	146,246	52.0	144,643	50.9
Second lien term loans	89,486	31.9	88,178	31.1
Structured finance securities	13,031	4.6	12,828	4.5
Equity interest	18,275	6.5	26,479	9.3
Total	$ 281,176	100.0%	$ 283,996	100.0%

The composition of our investments as of February 28, 2015, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
Syndicated loans	$ 18,658	7.8%	$ 18,302	7.6%
First lien term loans	144,959	60.8	145,207	60.3
Second lien term loans	35,748	15.0	35,603	14.8
Unsecured notes	7,366	3.1	4,230	1.8
Structured finance securities	15,953	6.7	17,031	7.1
Equity interest	15,774	6.6	20,165	8.4
Total	$ 238,458	100.0%	$ 240,538	100.0%

For loans and debt securities for which market quotations are not available, we determine their fair value based on third party indicative broker quotes, where available, or the assumptions that a hypothetical market

participant would use to value the security in a current hypothetical sale using a market yield valuation methodology. In applying the market yield valuation methodology, we determine the fair value based on such factors as market participant assumptions including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. If, in our judgment, the market yield methodology is not sufficient or appropriate, we may use additional methodologies such as an asset liquidation or expected recovery model.

For equity securities of portfolio companies and partnership interests, we determine the fair value based on the market approach with value then attributed to equity or equity like securities using the enterprise value waterfall valuation methodology. Under the enterprise value waterfall valuation methodology, we determine the enterprise fair value of the portfolio company and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. To estimate the enterprise value of the portfolio company, we weigh some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value. The methodologies for performing investments may be based on, among other things: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, third party valuations of the portfolio company, considering offers from third parties to buy the company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company. For non-performing investments, we may estimate the liquidation or collateral value of the portfolio company's assets and liabilities. We also take into account historical and anticipated financial results.

Our investment in Saratoga Investment Corp. CLO 2013-1, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. For the quarter ended November 30, 2013, in connection with the refinancing of the Saratoga CLO liabilities, we ran Intex models based on assumptions about the refinanced Saratoga CLO's structure, including capital structure, cost of liabilities and reinvestment period. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO at February 29, 2016. The significant inputs for the valuation model include:

- Default rates: 2.0%
- Recovery rates: 35-70%
- Prepayment rate: 20.0%
- Reinvestment rate / price: L+375bps / $97.00 Year 1, $99.00 thereafter.

Note 4. Investment in Saratoga Investment Corp. CLO 2013-1, Ltd. ("Saratoga CLO")

On January 22, 2008, we invested $30 million in all of the outstanding subordinated notes of GSC Investment Corp. CLO 2007, Ltd., a collateralized loan obligation fund managed by us that invests primarily in senior secured loans. Additionally, we entered into a collateral management agreement with GSC Investment Corp. CLO 2007, Ltd. pursuant to which we act as collateral manager to it. The Saratoga CLO was refinanced in October 2013 and its reinvestment period ends in October 2016. The Saratoga CLO remains 100% owned and managed by Saratoga Investment Corp. We receive a base management fee of 0.25% and a subordinated management fee of 0.25% of the fee basis amount at the beginning of the collection period, paid quarterly to the

extent of available proceeds. We are also entitled to an incentive management fee equal to 20.0% of the remaining interest proceeds and principal proceeds, if any, after the subordinated notes have realized the incentive management fee target return of 12.0%, in accordance with the Priority of Payments after making the prior distributions on the relevant payment date. For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, we accrued $1.5 million, $1.5 million, and $1.8 million in management fee income, respectively, and $2.7 million, $2.7 million, and $3.4 million in interest income, respectively, from Saratoga CLO. We did not accrue any amounts related to the incentive management fee as the 12.0% hurdle rate has not yet been achieved.

At February 29, 2016, the Company determined that the fair value of its investment in the subordinated notes of Saratoga CLO was $12.8 million. The Company determines the fair value of its investment in the subordinated notes of Saratoga CLO based on the present value of the projected future cash flows of the subordinated notes over the life of Saratoga CLO. At February 29, 2016, Saratoga CLO had investments with a principal balance of $302.7 million and a weighted average spread over LIBOR of 4.3%, and had debt with a principal balance of $282.4 million with a weighted average spread over LIBOR of 1.8%. As a result, Saratoga CLO earns a “spread” between the interest income it receives on its investments and the interest expense it pays on its debt and other operating expenses, which is distributed quarterly to the Company as the holder of its subordinated notes. At February 29, 2016, the total “spread”, or projected future cash flows of the subordinated notes, over the life of Saratoga CLO was $13.1 million, which had a present value of approximately $12.8 million, using a 20.0% discount rate.

At February 28, 2015, the Company determined that the fair value of its investment in the subordinated notes of Saratoga CLO was $17.0 million. The Company determines the fair value of its investment in the subordinated notes of Saratoga CLO based on the present value of the projected future cash flows of the subordinated notes over the life of Saratoga CLO. At February 28, 2015, Saratoga CLO had investments with a principal balance of $296.9 million and a weighted average spread over LIBOR of 4.3%, and had debt with a principal balance of $282.4 million with a weighted average spread over LIBOR of 1.8%. As a result, Saratoga CLO earns a “spread” between the interest income it receives on its investments and the interest expense it pays on its debt and other operating expenses, which is distributed quarterly to the Company as the holder of its subordinated notes. At February 28, 2015, the total “spread”, or projected future cash flows of the subordinated notes, over the life of Saratoga CLO was $17.3 million, which had a present value of approximately $17.0 million, using a 12.0% discount rate.

The separate audited financial statements of Saratoga CLO as of February 29, 2016 and February 28, 2015, pursuant to Rule 3-09 of SEC rules Regulation S-X, and for the twelve months ended February 29, 2016, February 28, 2015 and 2014, are presented on page S-1.

Note 5. Income Taxes

The Company intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, will not be subject to federal income tax on the portion of taxable income and gains distributed to stockholders.

The Company owns 100.0% of Saratoga CLO, an exempted company incorporated in the Cayman Islands. For financial reporting purposes, the Saratoga CLO is not included as part of the consolidated financial statements. For federal income tax purposes, the Company has requested and received approval from the Internal Revenue Service to treat the Saratoga CLO as a disregarded entity. As such, for federal income tax purposes and for purposes of meeting the RIC qualification and diversification tests, the results of operations of the Saratoga CLO are included with those of the Company.

To qualify as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of its investment company taxable income, as defined by the Code.

Because federal income tax regulations differ from U.S. GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. As of February 29, 2016 and February 28, 2015, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to nondeductible excise tax, meals & entertainment, market discount, interest income with respect to the Saratoga CLO which is consolidated for tax purposes, and the tax character of distributions as follows (dollars in thousands):

	February 29, 2016	February 28, 2015
Accumulated net investment income/(loss)	$ 55	$ (299)
Accumulated net realized gains on investments	59	593
Additional paid-in-capital	(114)	(294)

For income tax purposes, distributions paid to shareholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid for the years ended February 29, 2016, February 28, 2015 and February 28, 2014 was as follows (dollars in thousands):

	February 29, 2016	February 28, 2015	February 28, 2014
Ordinary Income	$ 13,045	$ 2,157	$ 12,535
Capital gains	—	—	—
Return of capital	—	—	—
Total	$ 13,045	$ 2,157	$ 12,535

For federal income tax purposes, as of February 29, 2016, the aggregate net unrealized depreciation for all securities is $15.4 million. The aggregate cost of securities for federal income tax purposes is $571.4 million.

For federal income tax purposes, as of February 28, 2015, the aggregate net unrealized depreciation for all securities is $3.6 million. The aggregate cost of securities for federal income tax purposes is $522.4 million.

At February 29, 2016 and February 28, 2015, the components of accumulated losses on a tax basis as detailed below differ from the amounts reflected per the Company's consolidated statements of assets and liabilities by temporary book/tax differences primarily arising from the consolidation of the Saratoga CLO for tax purposes, market discount and original issue discount income, interest income accrual on defaulted bonds, write-off of investments, and amortization of organizational expenditures (dollars in thousands).

	February 29, 2016	February 28, 2015
Post October loss deferred	$ —	$ (27,303)
Accumulated capital losses	(58,929)	(32,308)
Other temporary differences	(1,941)	(2,684)
Undistributed ordinary income	8,103	10,578
Unrealized depreciation	(15,428)	(3,662)
Total components of accumulated losses	$ (68,195)	$ (55,379)

The Company has incurred capital losses of $19.3 million and $13.0 million, respectively, for the years ended February 28, 2011 and 2010. Such capital losses will be available to offset future capital gains if any and if unused, will expire on February 28, 2019 and 2018.

At February 29, 2016 and February 28, 2015, the Company had a short term capital loss of $11.2 million and $0 million, respectively, and a long-term capital loss of $15.4 million and $0 million, respectively, available to offset future capital gains. Post RIC-modernization act losses are deemed to arise on the first day of the fund's following fiscal year and there is no expiration for these losses.

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year. Depending on the level of Investment Company Taxable Income ("ICTI") earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI. For the calendar year ended December 31, 2015, the Company did not distribute at least 98% of its ordinary income and 98.2% of its capital gains and subsequently paid $113,808 in federal excise taxes.

Management has analyzed the Company's tax positions taken on federal income tax returns for all open years (fiscal years 2013-2016), and has concluded that no provision for uncertain income tax positions is required in the Company's consolidated financial statements.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Modernization Act") was enacted, and the provisions with the Modernization Act are effective for the Company for the year ended February 29, 2012. The Modernization Act is the first major piece of legislation affecting RICs since 1986 and it modernizes several of the federal income and excise tax provisions related to RICs. Some highlights of the enacted provisions are as follows:

New capital losses may now be carried forward indefinitely, and retain the character of the original loss. Under pre-enactment law, capital losses could be carried forward for eight years, and carried forward as short-term capital, irrespective of the character of the original loss.

The Modernization Act contains simplification provisions, which are aimed at preventing disqualification of a RIC for "inadvertent" failures of the asset diversification and/or qualifying income tests. Additionally, the Modernization Act exempts RICs from the preferential dividend rule, and repealed the 60-day designation requirement for certain types of pay-through income and gains.

Finally, the Modernization Act contains several provisions aimed at preserving the character of distributions made by a fiscal year RIC during the portion of its taxable year ending after October 31 or December 31, reducing the circumstances under which a RIC might be required to file amended Forms 1099 to restate previously reported distributions.

SIA-Avionte, Inc., SIA-Mercury, Inc., SIA-TT, Inc., and SIA-Vector, Inc., 100% owned by the Company, are each filing standalone C Corporate tax returns for federal and state purposes. As separately regarded entities for tax purposes, these entities are taxed at normal corporate rates. For tax purposes, any distributions by the entities to the parent company would generally need to be distributed to the Company's shareholders. Generally, such distributions of the entities' income to the Company's shareholders will be considered as qualified dividends for tax purposes. The entities taxable net income will differ from U.S. GAAP net income because of deferred tax temporary differences adjustments. Deferred tax temporary differences may include differences for state taxes and joint venture interests.

Note 6. Agreements and Related Party Transactions

On July 30, 2010, the Company entered into the Management Agreement with our Manager. The initial term of the Management Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. On July 8, 2015, our board of directors approved the renewal of the Management Agreement for an additional one-year term. Pursuant to the Management Agreement, our Manager implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. Our Manager is responsible for, among other duties, determining investment criteria, sourcing, analyzing and executing investments transactions, asset sales, financings and performing asset management duties. Under the Management Agreement, we have agreed to pay our Manager a management fee for investment advisory and management services consisting of a base management fee and an incentive fee.

The base management fee of 1.75% is calculated based on the average value of our gross assets (other than cash or cash equivalents, but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters.

The incentive fee consists of the following two parts:

The first, payable quarterly in arrears, equals 20.0% of our pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding quarter, that exceeds a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter, subject to a “catch-up” provision. Under this provision, in any fiscal quarter, our Manager receives no incentive fee unless our pre-incentive fee net investment income exceeds the hurdle rate of 1.875%. Our Manager will receive 100.0% of pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter (9.376% annualized); and 20.0% of the amount of the our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter (9.376% annualized).

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Management Agreement) and equals 20.0% of our “incentive fee capital gains,” which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee. Importantly, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and our Manager will be entitled to 20.0% of incentive fee capital gains that arise after May 31, 2010. In addition, for the purpose of the “incentive fee capital gains” calculations, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date.

For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, the Company incurred $4.5 million, $4.2 million and $3.3 million in base management fees, respectively. For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, the Company incurred $2.3 million, $2.2 million and $1.0 million in incentive fees related to pre-incentive fee net investment income. For the year ended February 29, 2016, there was a reduction of $0.05 million in incentive fees related to capital gains. For the year ended February 28, 2015, we accrued of $0.3 million in incentive fees related to capital gains. For the year ended February 28, 2014, there was a reduction of $0.1 million in incentive fees related to capital gains. The accrual is calculated using both realized and unrealized capital gains for the period. The actual incentive fee related to capital gains will be determined and payable in arrears at the end of the fiscal year and will include only realized capital gains for the period. As of February 29, 2016, the base management fees accrual was $1.2 million and the incentive fees accrual was $4.4 million and is included in base management and incentive fees payable in the accompanying consolidated statements of assets and liabilities. As of February 28, 2015, the base management

fees accrual was $1.0 million and the incentive fees accrual was $4.8 million and is included in base management and incentive fees payable in the accompanying consolidated statements of assets and liabilities.

On July 30, 2010, the Company entered into a separate administration agreement (the "Administration Agreement") with our Manager, pursuant to which our Manager, as our administrator, has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide managerial assistance on our behalf to those portfolio companies to which we are required to provide such assistance. The initial term of the Administration Agreement was two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. The amount of expenses payable or reimbursable thereunder by the Company was capped at $1.0 million for the initial two year term of the administration agreement and subsequent renewals. On July 8, 2015, our board of directors approved the renewal of the Administration Agreement for an additional one-year term and determined to increase the cap on the payment or reimbursement of expenses by the Company thereunder, which had not been increased since the inception of the agreement, to $1.3 million. In addition, our board of directors intends to review the new cap in the next three to six months to determine whether it should be further adjusted in light of differences between our projected and actual expenses and other similar factors.

For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, we recognized $1.2 million, $1.0 million and $1.0 million, in administrator expenses for the periods, respectively, pertaining to bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. As of February 29, 2016, $0.2 million of administrator expenses were accrued and included in due to manager in the accompanying consolidated statements of assets and liabilities. As of February 28, 2015, $0.4 million of administrator expenses were accrued and included in due to manager in the accompanying consolidated statements of assets and liabilities. For the years ended February 29, 2016, February 28, 2015 and 2014, the Company bought investments fair valued at $0.0 million, $0.0 million, and $0.3 million, respectively, from the Saratoga CLO and sold no investments to related parties.

Note 7. Borrowings

Credit Facility

As a BDC, we are only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200.0% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

On April 11, 2007, we entered into a $100.0 million revolving securitized credit facility (the "Revolving Facility"). On May 1, 2007, we entered into a $25.7 million term securitized credit facility (the "Term Facility" and, together with the Revolving Facility, the "Facilities"), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility. In response to the market wide decline in financial asset prices, which negatively affected the value of our portfolio, we terminated the revolving period of the Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral was used to repay outstanding borrowings. A significant percentage of our total assets had been pledged under the Revolving Facility to secure our obligations thereunder. Under the Revolving Facility, funds were borrowed from or through certain lenders and interest was payable monthly at the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market was unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%.

In March 2009, we amended the Revolving Facility to increase the portion of the portfolio that could be invested in "CCC" rated investments in return for an increased interest rate and expedited amortization. As a result of these transactions, we expected to have additional cushion under our borrowing base under the Revolving Facility that would allow us to better manage our capital in times of declining asset prices and market dislocation.

On July 30, 2009, we exceeded the permissible borrowing limit under the Revolving Facility for 30 consecutive days, resulting in an event of default under the Revolving Facility. As a result of this event of default, our lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral could have had a material adverse effect on our liquidity, financial condition and operations.

On July 30, 2010, we used the net proceeds from (i) the stock purchase transaction and (ii) a portion of the funds available to us under the $45.0 million senior secured revolving credit facility (the "Credit Facility") with Madison Capital Funding LLC, in each case, to pay the full amount of principal and accrued interest, including default interest, outstanding under the Revolving Facility. As a result, the Revolving Facility was terminated in connection therewith. Substantially all of our total assets, other than those held by SBIC LP, have been pledged under the Credit Facility to secure our obligations thereunder.

On February 24, 2012, we amended our senior secured revolving credit facility with Madison Capital Funding LLC to, among other things:

- expand the borrowing capacity under the credit facility from $40.0 million to $45.0 million;
- extend the period during which we may make and repay borrowings under the credit facility from July 30, 2013 to February 24, 2015 (the "Revolving Period"). The Revolving Period may upon the occurrence of an event of default, by action of the lenders or automatically. All borrowings and other amounts payable under the credit facility are due and payable five years after the end of the Revolving Period; and
- remove the condition that we may not acquire additional loan assets without the prior written consent of Madison Capital Funding LLC.

On September 17, 2014, we entered into a second amendment to the Revolving Facility with Madison Capital Funding LLC to, among other things:

- extend the commitment termination date from February 24, 2015 to September 17, 2017;
- extend the maturity date of the Revolving Facility from February 24, 2020 to September 17, 2022 (unless terminated sooner upon certain events);
- reduce the applicable margin rate on base rate borrowings from 4.50% to 3.75%, and on LIBOR borrowings from 5.50% to 4.75%; and
- reduce the floor on base rate borrowings from 3.00% to 2.25%; and on LIBOR borrowings from 2.00% to 1.25%.

As of February 29, 2016, there was no outstanding borrowings under the Credit Facility and the Company was in compliance with all of the limitations and requirements of the Credit Facility. As of February 28, 2015, there was $9.6 million outstanding under the Credit Facility and the Company was in compliance with all of the limitations and requirements of the Credit Facility. Financing costs of $2.7 million related to the Credit Facility have been capitalized and are being amortized over the term of the facility. For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, we recorded $0.7 million, $0.9 million and $1.0 million of interest expense, respectively. For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, we recorded $0.1 million, $0.3 million and $0.4 million of amortization of deferred financing costs related to the Credit Facility and Revolving Facility, respectively. The interest rates during the years ended February 29, 2016, February 28, 2015 and February 28, 2014 on the outstanding borrowings under the Credit Facility were 6.00%, 6.75% and 7.50%, respectively. During the years ended February 29, 2016 and February 28, 2015, the average dollar amount of outstanding borrowings under the Credit Facility was $4.4 million and $6.0 million, respectively.

The Credit Facility contains limitations as to how borrowed funds may be used, such as restrictions on industry concentrations, asset size, weighted average life, currency denomination and collateral interests. The Credit Facility also includes certain requirements relating to portfolio performance, the violation of which could result in the limit of further advances and, in some cases, result in an event of default, allowing the lenders to accelerate repayment of amounts owed thereunder. The Credit Facility has an eight year term, consisting of a three year period (the "Revolving Period"), under which the Company may make and repay borrowings, and a final maturity five years from the end of the Revolving Period. Availability on the Credit Facility will be subject to a borrowing base calculation, based on, among other things, applicable advance rates (which vary from 50.0% to 75.0% of par or fair value depending on the type of loan asset) and the value of certain "eligible" loan assets included as part of the Borrowing Base. Funds may be borrowed at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At the Company's option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, the Company will pay the lenders a commitment fee of 0.75% per year on the unused amount of the Credit Facility for the duration of the Revolving Period.

Our borrowing base under the Credit Facility was $21.8 million subject to the Credit Facility cap of $45.0 million at February 29, 2016. For purposes of determining the borrowing base, most assets are assigned the values set forth in our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed with the SEC. Accordingly, the February 29, 2016 borrowing base relies upon the valuations set forth in the Quarterly Report on Form 10-Q for the quarter ended November 30, 2015. The valuations presented in this Annual Report on Form 10-K will not be incorporated into the borrowing base until after this Annual Report on Form 10-K is filed with the SEC.

SBA Debentures

SBIC LP is able to borrow funds from the SBA against regulatory capital (which approximates equity capital) that is paid in and is subject to customary regulatory requirements including but not limited to an examination by the SBA. As of February 29, 2016, we have funded SBIC LP with $75.0 million of equity capital, and have $103.7 million of SBA-guaranteed debentures outstanding. SBA debentures are non-recourse to us, have a 10-year maturity, and may be prepaid at any time without penalty. The interest rate of SBA debentures is fixed at the time of issuance, often referred to as pooling, at a market-driven spread over 10-year U.S. Treasury Notes. SBA current regulations limit the amount that SBIC LP may borrow to a maximum of $150.0 million, which is up to twice its potential regulatory capital.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses. Under present SBA regulations, eligible small businesses include businesses that have a tangible net worth not exceeding $19.5 million and have average annual fully taxed net income not exceeding $6.5 million for the two most recent fiscal years. In addition, an SBIC must devote 25.0% of its investment activity to ''smaller'' concerns as defined by the SBA. A smaller concern is one that has a tangible net worth not exceeding $6.0 million and has average annual fully taxed net income not exceeding $2.0 million for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility, which depend on the industry in which the business is engaged and are based on such factors as the number of employees and gross sales. According to SBA regulations, SBICs may make long-term loans to small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services.

SBIC LP is subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that SBIC LP will receive SBA guaranteed debenture funding, which is dependent upon SBIC LP continuing to be in compliance with SBA regulations and policies. The SBA, as a creditor, will have a superior claim to SBIC LP's assets over our stockholders and debtholders in the event we liquidate SBIC LP or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC LP upon an event of default.

The Company received exemptive relief from the Securities and Exchange Commission to permit it to exclude the debt of SBIC LP guaranteed by the SBA from the definition of senior securities in the 200.0% asset coverage test under the 1940 Act. This allows the Company increased flexibility under the 200.0% asset coverage test by permitting it to borrow up to $150.0 million more than it would otherwise be able to absent the receipt of this exemptive relief.

As of February 29, 2016 and February 28, 2015, there was $103.7 million and $79.0 million outstanding of SBA debentures, respectively. The carrying amount of the amount outstanding of SBA debentures approximates its fair value, which is based on a waterfall analysis showing adequate collateral coverage, $3.6 million, of financing costs related to the SBA debentures, have been capitalized and are being amortized over the term of the commitment and drawdown. For the years ended February 29, 2016, February 28, 2015 and February 28, 2014 we recorded $2.6 million, $2.0 million and $1.3 million of interest expense related to the SBA debentures, respectively. For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, we recorded $0.4 million, $0.3 million and $0.2 million of amortization of deferred financing costs related to the SBA debentures, respectively. The weighted average interest rate during the years ended February 29, 2016 and February 28, 2015 on the outstanding borrowings of the SBA debentures was 3.12% and 2.93%, respectively. During the years ended February 29, 2016 and February 28, 2015, the average dollar amount of SBA debentures outstanding was $83.0 million and $67.9 million, respectively.

In December 2015, the 2016 omnibus spending bill approved by Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from $225.0 million to $350.0 million, subject to SBA approval. SBA regulations currently limit the amount of SBA-guaranteed debentures that an SBIC may issue to $150.0 million when it has at least $75.0 million in regulatory capital. Affiliated SBICs are permitted to issue up to a combined maximum amount of $350.0 million in SBA-guaranteed debentures when they have at least $175.0 million in combined regulatory capital.

On April 2, 2015, the SBA issued a “green light” or “go forth” letter inviting us to continue our application process to obtain a license to form and operate its second SBIC subsidiary. If approved, a second SBIC license would provide us an incremental source of long-term capital by permitting us to issue up to $150 million of additional SBA-guaranteed debentures in addition to the $150 million already approved under the first license. Receipt of a green light letter from the SBA does not assure an applicant that the SBA will ultimately issue an SBIC license and we have received no assurance or indication from the SBA that it will receive an SBIC license, or of the timeframe in which it would receive a license, should one be granted.

Notes

On May 10, 2013, the Company issued $42.0 million in aggregate principal amount of 7.50% fixed-rate notes due 2020 (the “Notes”). The Notes will mature on May 31, 2020, and may be redeemed in whole or in part at any time or from time to time at the Company’s option on or after May 31, 2016. Interest will be payable quarterly beginning August 15, 2013.

On May 17, 2013, the Company closed an additional $6.3 million in aggregate principal amount of the Notes, pursuant to the full exercise of the underwriters’ option to purchase additional Notes. On May 29, 2015, the Company entered into a Debt Distribution Agreement with Landenburg Thalmann & Co. through which the Company may offer for sale, from time to time, up to $20.0 million in aggregate principal amount of the Notes through an At-the-Market (“ATM”) offering. As of February 29, 2016, the Company sold 539,725 bonds with a principal of $13,493,125 at an average price of $25.31 for aggregate net proceeds of $13,385,766 (net of transaction costs).

As of February 29, 2016, the carrying amount and fair value of the Notes was $61.8 million and $60.2 million, respectively. The fair value of the Notes, which are publicly traded, is based upon closing market quotes as of the measurement date and would be classified as a level 1 liability within the fair value hierarchy. As

of February 29, 2016, $2.7 million of financing costs related to the Notes (including underwriting commissions and net of issuance premiums) have been capitalized and are being amortized over the term of the Notes. For the year ended February 29, 2016, we recorded $4.3 million of interest expense and $0.4 million of amortization of deferred financing costs related to the Notes. As of February 28, 2015, the carrying amount and fair value of the Notes was $48.3 million and $49.8 million, respectively. As of February 28, 2015, $2.5 million of financing costs related to the Notes have been capitalized and are being amortized over the term of the Notes. For the years ended February 28, 2015 and February 28, 2014, we recorded $3.6 million and $2.9 million of interest expense, respectively, and $0.3 million and $0.3 million, respectively, of amortization of deferred financing costs related to the Notes. During the years ended February 29, 2016 and February 28, 2015, the average dollar amount of Notes outstanding was $55.7 million and $48.3 million, respectively.

Note 8. Commitments and contingencies

Contractual obligations

The following table shows our payment obligations for repayment of debt and other contractual obligations at February 29, 2016:

		Payment Due by Period			
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
		($ in thousands)			
Long-Term Debt Obligations	$165,453	$ —	$—	$61,793	$103,660

Off-balance sheet arrangements

The Company's off-balance sheet arrangements consisted of $2.0 million and $11.2 million of unfunded commitments to provide debt financing to its portfolio companies or to fund limited partnership interests as of February 29, 2016 and February 28, 2015, respectively. Such commitments are generally up to the Company's discretion to approve, or the satisfaction of certain financial and nonfinancial covenants and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Company's consolidated statements of assets and liabilities and are not reflected in the Company's Consolidated Statements of Assets and Liabilities.

A summary of the composition of the unfunded commitments as of February 29, 2016 and February 28, 2015 is shown in the table below (dollars in thousands):

	As of	
	February 29, 2016	February 28, 2015
Avionte Holdings, LLC	$ 1,000	$ 1,000
Identity Automation	1,000	—
Bristol Hospice, LLC	—	7,500
HMN Holdco, LLC	—	2,400
Knowland Technology Holdings, L.L.C.	—	300
Total	$ 2,000	$ 11,200

Note 9. Directors Fees

The independent directors receive an annual fee of $40,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the Audit Committee receives an annual fee of $5,000 and the

chairman of each other committee receives an annual fee of $2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the years ended February 29, 2016, February 28, 2015 and February 28, 2014, we accrued $0.2 million, $0.2 million, and $0.2 million for directors' fees expense, respectively. As of February 29, 2016 and February 28, 2015, $0.03 million and $0.03 million in directors' fees expense were unpaid and included in accounts payable and accrued expenses in the consolidated statements of assets and liabilities. As of February 29, 2016, we had not issued any common stock to our directors as compensation for their services.

Note 10. Stockholders' Equity

On May 16, 2006, GSC Group, Inc. capitalized the LLC, by contributing $1,000 in exchange for 67 shares, constituting all of the issued and outstanding shares of the LLC.

On March 20, 2007, the Company issued 95,995.5 and 8,136.2 shares of common stock, priced at $150.00 per share, to GSC Group and certain individual employees of GSC Group, respectively, in exchange for the general partnership interest and a limited partnership interest in GSC Partners CDO III GP, LP, collectively valued at $15.6 million. At this time, the 6.7 shares owned by GSC Group in the LLC were exchanged for 6.7 shares of the Company.

On March 28, 2007, the Company completed its IPO of 725,000 shares of common stock, priced at $150.00 per share, before underwriting discounts and commissions. Total proceeds received from the IPO, net of $7.1 million in underwriter's discount and commissions, and $1.0 million in offering costs, were $100.7 million.

On November 13, 2009, we declared a dividend of $18.25 per share payable on December 31, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $2.50 per share. Based on shareholder elections, the dividend consisted of $2.1 million in cash and 864,872.5 of newly issued shares of common stock.

On July 30, 2010, our Manager and its affiliates purchased 986,842 shares of common stock at $15.20 per share. Total proceeds received from this sale were $15.0 million.

On August 12, 2010, we effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Any fractional shares received as a result of the reverse stock split were redeemed for cash. The total cash payment in lieu of shares was $230. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

On November 12, 2010, we declared a dividend of $4.40 per share payable on December 29, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share. Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock.

On November 15, 2011, we declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share. Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock.

On November 9, 2012, the Company declared a dividend of $4.25 per share payable on December 31, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $3.3 million or $0.85 per share. Based on shareholder elections, the dividend consisted of approximately $3.3 million in cash and 853,455 shares of common stock.

On October 30, 2013, the Company declared a dividend of $2.65 per share payable on December 27, 2013. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.5 million or $0.53 per share. Based on shareholder elections, the dividend consisted of approximately $2.5 million in cash and 649,500 shares of common stock.

On September 24, 2014, the Company declared a dividend of $0.18 per share payable on November 28, 2014. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock pursuant to the Company's DRIP. Based on shareholder elections, the dividend consisted of approximately $0.6 million in cash and 22,283 newly issued shares of common stock.

On September 24, 2014, the Company declared a dividend of $0.22 per share payable on February 27, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.8 million in cash and 26,858 newly issued shares of common stock.

On September 24, 2014, the Company announced the approval of an open market share repurchase plan that allowed it to repurchase up to 200,000 shares of its common stock at prices below its NAV as reported in its then most recently published consolidated financial statements. As of February 29, 2016, the Company purchased 25,417 shares of common stock, at the average price of $14.03, for approximately $0.4 million pursuant to this repurchase plan. On October 7, 2015, the Company's board of directors extended the open market share repurchase plan for another year and increased the number of shares the Company is permitted to repurchase at prices below its NAV, as reported in its then most recently published consolidated financial statements, to 400,000 shares of its common stock.

On April 9, 2015, the Company declared a dividend of $0.27 per share payable on May 29, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $0.9 million in cash and 33,766 newly issued shares of common stock.

On May 14, 2015, the Company declared a special dividend of $1.00 per share payable on June 5, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $3.4 million in cash and 126,230 newly issued shares of common stock.

On July 8, 2015, the Company declared a dividend of $0.33 per share payable on August 31, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 47,861 newly issued shares of common stock.

On October 7, 2015, the Company declared a dividend of $0.36 per share payable on November 30, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 61,029 newly issued shares of common stock.

On January 12, 2016, the Company declared a dividend of $0.40 per share payable on February 29, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.4 million in cash and 66,764 newly issued shares of common stock.

Note 11. Earnings Per Share

In accordance with the provisions of FASB ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following information sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations for the years ended February 29, 2016, February 28, 2015 and February 28, 2014 (dollars in thousands except share and per share amounts):

Basic and diluted	February 29, 2016	February 28, 2015	February 28, 2014
Net increase in net assets from operations	$ 11,645	$ 11,007	$ 8,497
Weighted average common shares outstanding	5,582,453	5,385,049	4,920,517
Weighted average earnings per common share-basic and diluted	$ 2.09	$ 2.04	$ 1.73

Note 12. Dividend

On January 12, 2016, the Company's board of directors declared a dividend of $0.40 per share payable on February 29, 2016, to all stockholders of record on February 1, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant the Company's DRIP.

Based on shareholder elections, the dividend consisted of approximately $1.4 million in cash and 66,764 newly issued shares of common stock, or 1.2% of the Company's outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.11 per share, which equaled the volume weighted average trading price per share of the common stock on February 16, 17, 18, 19, 22, 23, 24, 25, 26 and 29, 2016.

On October 7, 2015, the Company's board of directors declared a dividend of $0.36 per share payable on November 30, 2015, to common stockholders of record on November 2, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant the Company's DRIP.

Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 61,029 newly issued shares of common stock, or 1.1% of the Company's outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $14.53 per share, which equaled the volume weighted average trading price per share of the common stock on November 16, 17, 18, 19, 20, 23, 24, 25, 27 and 30, 2015.

On July 8, 2015, the Company's board of directors declared a dividend of $0.33 per share payable on August 31, 2015, to common stockholders of record on August 3, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant the Company's DRIP.

Based on shareholder elections, the dividend consisted of approximately $1.1 million in cash and 47,861 newly issued shares of common stock, or 0.9% of the Company's outstanding common stock prior to the

dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.28 per share, which equaled the volume weighted average trading price per share of the common stock on August 18, 19, 20, 21, 24, 25, 26, 27, 28 and 31, 2015.

On May 14, 2015, the Company's board of directors declared a special dividend of $1.00 per share payable on June 5, 2015, to common stockholders of record on May 26, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant the Company's DRIP.

Based on shareholder elections, the dividend consisted of approximately $3.4 million in cash and 126,230 newly issued shares of common stock, or 2.3% of the Company's outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $16.47 per share, which equaled the volume weighted average trading price per share of the common stock on May 22, 26, 27, 28, 29 and June 1, 2, 3, 4, and 5, 2015.

On April 9, 2015, the Company's board of directors declared a dividend of $0.27 per share payable on May 29, 2015, to common stockholders of record on May 4, 2015. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant the Company's DRIP.

Based on shareholder elections, the dividend consisted of approximately $0.9 million in cash and 33,766 newly issued shares of common stock, or 0.6% of the Company's outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $16.78 per share, which equaled the volume weighted average trading price per share of the common stock on May 15, 18, 19, 20, 21, 22, 26, 27, 28 and 29, 2015.

On September 24, 2014, the Company declared a dividend of $0.22 per share payable on February 27, 2015. Shareholders have the option to receive payment of the dividend in cash, or receive shares of common stock pursuant to the Company's DRIP. Based on shareholder elections, the dividend consisted of approximately $0.8 million in cash and 26,858 newly issued shares of common stock, or 0.5% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $14.97 per share, which equaled the volume weighted average trading price per share of the common stock on February 13, 17, 18, 19, 20, 23, 24, 25, 26 and 27, 2015.

On September 24, 2014, the Company declared a dividend of $0.18 per share payable on November 28, 2014. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock pursuant to the Company's DRIP. Based on shareholder elections, the dividend consisted of approximately $0.6 million in cash and 22,283 newly issued shares of common stock, or 0.4% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $14.37 per share, which equaled the volume weighted average trading price per share of the common stock on November 14, 17, 18, 19, 20, 21, 24, 25, 26 and 28, 2014.

On October 30, 2013, the Company declared a dividend of $2.65 per share payable on December 27, 2013. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.5 million or $0.53 per share. This dividend was declared in reliance on certain private letter rulings issued by the IRS concluding that a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20.0% of the aggregate declared distribution.

Based on shareholder elections, the dividend consisted of approximately $2.5 million in cash and 649,500 shares of common stock, or 13.7% of our outstanding common stock prior to the dividend payment. The number

of shares of common stock comprising the stock portion was calculated based on a price of $15.439 per share, which equaled the volume weighted average trading price per share of the common stock on December 11, 13, and 16, 2013.

On November 9, 2012, the Company declared a dividend of $4.25 per share payable on December 31, 2012. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $3.3 million or $0.85 per share.

Based on shareholder elections, the dividend consisted of approximately $3.3 million in cash and 853,455 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.444 per share, which equaled the volume weighted average trading price per share of the common stock on December 14, 17, and 19, 2012.

On November 15, 2011, the Company declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock, or 18.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.1171 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011.

On November 12, 2010, the Company declared a dividend of $4.40 per share payable on December 23, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share.

Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock, or 22.0% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010. The consolidated financial statements for the period ended November 30, 2010 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

The following tables summarize dividends declared during the years ended February 29, 2016, February 28, 2015, February 28, 2014, February 28, 2013 and February 29, 2012 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
January 12, 2016	February 1, 2016	February 29, 2016	$ 0.40	$ 2,278
October 7, 2015	November 2, 2015	November 30, 2015	$ 0.36	$ 2,028
July 8, 2015	August 3, 2015	August 31, 2015	$ 0.33	$ 1,844
May 14, 2015	May 26, 2015	June 5, 2015	$ 1.00	$ 5,429
April 9, 2015	May 4, 2015	May 29, 2015	$ 0.27	$ 1,466
Total dividends declared			$ 2.36	$13,045

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
September 24, 2014	October 30, 2014	November 28, 2014	$ 0.18	$ 968
September 24, 2014	January 29, 2015	February 27, 2015	$ 0.22	$1,189
Total dividends declared			$ 0.40	$2,157

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
October 30, 2013	November 13, 2013	December 27, 2013	$ 2.65	$12,535
Total dividends declared			$ 2.65	$12,535

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
November 9, 2012	November 20, 2012	December 31, 2012	$ 4.25	$16,476
Total dividends declared			$ 4.25	$16,476

Date Declared	Record Date	Payment Date	Amount Per Share*	Total Amount
November 15, 2011	November 25, 2011	December 30, 2011	$ 3.00	$9,831
Total dividends declared			$ 3.00	$9,831

* Amount per share is calculated based on the number of shares outstanding at the date of declaration.

Note 13. Financial Highlights

The following is a schedule of financial highlights for the years ended February 29, 2016, February 28, 2015, February 28, 2014, February 28, 2013 and February 29, 2012:

	February 29, 2016	February 28, 2015	February 28, 2014	February 28, 2013	February 29, 2012
Per share data:					
Net asset value at beginning of period	$ 22.70	$ 21.08	$ 22.71	$ 24.94	$ 26.20
Net investment income(1)	1.91	1.80	1.80	1.57	1.52
Net realized and unrealized gains and losses on investments and derivatives	0.18	0.24	(0.07)	1.85	2.21
Net increase in net assets from operations	2.09	2.04	1.73	3.42	3.73
Distributions declared from net investment income	(2.36)	(0.40)	(2.65)	(4.25)	(3.00)
Total distributions to stockholders	(2.36)	(0.40)	(2.65)	(4.25)	(3.00)
Dilution(4)	(0.37)	(0.02)	(0.71)	(1.40)	(1.99)
Net asset value at end of period	$ 22.06	$ 22.70	$ 21. 08	$ 22.71	$ 24.94
Net assets at end of period	$125,149,875	$122,598,742	$113,427,929	$107,437,874	$96,689,122
Shares outstanding at end of period	5,672,227	5,401,899	5,379,616	4,730,116	3,876,661
Per share market value at end of period	$ 14.22	$ 15.76	$ 15.85	$ 17.02	$ 15.88
Total return based on market value(2)	4.27%	1.63%	9.11%	36.67%	12.82%
Total return based on net asset value(3)	11.10%	10.09%	8.75%	16.12%	16.98%
Ratio/Supplemental data:					
Ratio of net investment income to average, net assets	8.52%	8.11%	7.97%	6.26%	5.64%
Ratio of operating expenses to average net assets	6.93%	6.52%	6.28%	5.22%	5.66%
Ratio of incentive management fees to average net assets	1.78%	2.14%	0.84%	2.52%	1.85%
Ratio of credit facility related expenses to average net assets	6.75%	6.19%	5.46%	2.46%	1.40%
Ratio of total expenses to average net assets	15.46%	14.85%	12.59%	10.19%	8.91%
Portfolio turnover rate(5)	26.22%	31.28%	37.82%	17.30%	36.34%

As described in Note 2 to the consolidated financial statements and notes thereto, we identified errors that impacted the years ended February 28, 2014, February 28, 2013 and February 29, 2012. The corrections for the errors, which we have concluded are immaterial to all prior period consolidated financial statements, are reflected in the consolidated financial statements and selected financial data included in this Form 10-K.

(1) Net investment income per share is calculated using the weighted average shares outstanding during the period.

(2) Total investment return is calculated assuming a purchase of common shares at the current market value on the first day and a sale at the current market value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Total investment returns covering less than a full period are not annualized.

(3) Total investment return is calculated assuming a purchase of common shares at the current net asset value on the first day and a sale at the current net asset value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(4) Represents the dilutive effect of issuing common stock below net asset value per share during the period in connection with the satisfaction of the Company's annual RIC distribution requirement. See Note 12, Dividend.

(5) Portfolio turnover rate is calculated using the lesser of year-to-date sales or year-to-date purchases over the average of the invested assets at fair value.

Note 14. Selected Quarterly Data (Unaudited)

	2016			
($ in thousands, except per share numbers)	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**
Interest and related portfolio income	$ 7,795	$6,936	$ 7,758	$7,561
Net investment income	3,100	2,150	3,657	1,771
Net realized and unrealized gain (loss)	(3,503)	1,271	(2,415)	5,614
Net increase (decrease) in net assets resulting from operations	(404)	3,421	1,243	7,385
Net investment income per common share at end of each quarter	$ 0.54	$ 0.38	$ 0.65	$ 0.33
Net realized and unrealized gain (loss) per common share at end of each quarter	$ (0.62)	$ 0.23	$ (0.43)	$ 1.03
Dividends declared per common share	$ 0.40	$ 0.36	$ 0.33	$ 1.27
Net asset value per common share	$ 22.06	$22.59	$ 22.42	$22.75

	2015			
($ in thousands, except per share numbers)	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**
Interest and related portfolio income	$7,451	$7,305	$6,475	$6,144
Net investment income	2,889	2,629	2,093	2,063
Net realized and unrealized gain (loss)	(184)	756	1,064	(303)
Net increase in net assets resulting from operations	2,705	3,385	3,157	1,760
Net investment income per common share at end of each quarter	$ 0.50	$ 0.49	$ 0.39	$ 0.38
Net realized and unrealized gain (loss) per common share at end of each quarter	$ (0.03)	$ 0.14	$ 0.20	$ (0.06)
Dividends declared per common share	$ 0.22	$ 0.18	$ —	$ —
Net asset value per common share	$22.70	$22.45	$22.00	$21.41

	2014			
($ in thousands, except per share numbers)	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**
Interest and related portfolio income	$5,687	$ 5,801	$ 5,388	$6,018
Net investment income	1,525	2,407	2,629	2,313
Net realized and unrealized gain (loss)	2,236	(1,630)	(2,313)	1,330
Net increase (decrease) in net assets resulting from operations	3,761	777	316	3,644
Net investment income per common share at end of each quarter	$ 0.28	$ 0.50	$ 0.56	$ 0.49
Net realized and unrealized gain (loss) per common share at end of each quarter	$ 0.42	$ (0.34)	$ (0.49)	$ 0.28
Dividends declared per common share	$ —	$ 2.65	$ —	$ —
Net asset value per common share	$21.08	$ 20.39	$ 23.55	$23.48

As described in Note 2 to the consolidated financial statements and notes thereto, we identified errors that impacted the years ended February 28, 2014, February 28, 2013, and February 29, 2012. The corrections for the errors, which we have concluded are immaterial to all prior period consolidated financial statements, are reflected in the consolidated financial statements and selected financial data included in this Form 10-K.

Note 15. Subsequent Events

The Company has evaluated subsequent events through the filing of this Form 10-K and determined that there have been no events that have occurred that would require adjustments to the Company's disclosures in the consolidated financial statements except for the following:

On March 31, 2016, the Company declared a dividend of $0.41 per share payable on April 27, 2016, to common stockholders of record on April 15, 2016. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant our DRIP. Based on shareholder elections, the dividend consisted of approximately $1.5 million in cash and 56,728 newly issued shares of common stock, or 1.0% of our outstanding common stock prior to the dividend payment. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.43 per share, which equaled the volume weighted average trading price per share of the common stock on April 14, 15, 18, 19, 20, 21, 22, 25, 26 and 27, 2016.

On February 28, 2017, our board of directors declared a dividend of $0.46 per share, payable on March 28, 2017, to common stockholders of record as of March 15, 2017.

INDEX TO OTHER FINANCIAL STATEMENTS

Saratoga Investment Corp. CLO 2013-1, Ltd.

IMPORTANT NOTE

In accordance with certain SEC rules, Saratoga Investment Corp. (the “Company”) is providing additional information regarding one of its portfolio companies, Saratoga Investment Corp. CLO 2013-1, Ltd. (“Saratoga CLO”). The Company owns 100% of the subordinated notes of the Saratoga CLO. The additional financial information regarding the Saratoga CLO does not directly impact the Company’s financial position, results of operations or cash flows.

Report of Independent Auditors

The Collateral Manager and Directors,

Saratoga Investment Corp. CLO 2013-1, Ltd.

We have audited the accompanying financial statements of Saratoga Investment Corp. CLO 2013-1, Ltd., which comprise the statements of assets and liabilities, including the schedules of investments, as of February 29, 2016 and February 28, 2015, and the statements of operations, changes in net assets and cash flows for the years ended February 29, 2016, February 28, 2015 and February 28, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saratoga Investment Corp. CLO 2013-1, Ltd. at February 29, 2016 and February 28, 2015, and the results of its operations, changes in its net assets and its cash flows for the years ended February 29, 2016, February 28, 2015 and February 28, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young

New York, New York
May 17, 2016

Saratoga Investment Corp. CLO 2013-1, Ltd.

Statements of Assets and Liabilities

	As of	
	February 29, 2016	February 28, 2015
ASSETS		
Investments		
Fair Value Loans (amortized cost of $300,112,538 and $295,193,588, respectively)	$ 284,652,926	$ 294,621,817
Fair Value Other/Structured finance securities (amortized cost of $3,531,218 and $2,566,752, respectively)	191,863	617,451
Total investments at fair value (amortized cost of $303,643,756 and $297,760,340, respectively)	284,844,789	295,239,268
Cash and cash equivalents	2,349,633	5,831,797
Receivable from open trades	2,691,831	2,119,687
Interest receivable	1,698,562	1,290,637
Total assets	$ 291,584,815	$ 304,481,389
LIABILITIES		
Interest payable	$ 626,040	$ 631,886
Payable from open trades	7,123,854	5,214,331
Accrued base management fee	85,008	85,957
Accrued subordinated management fee	85,008	85,957
Class A-1 Notes—SIC CLO 2013-1, Ltd.	170,000,000	170,000,000
Discount on Class A-1 Notes—SIC CLO 2013-1, Ltd.	(1,319,258)	(1,495,802)
Class A-2 Notes—SIC CLO 2013-1, Ltd.	20,000,000	20,000,000
Discount on Class A-2 Notes—SIC CLO 2013-1, Ltd.	(136,750)	(155,050)
Class B Notes—SIC CLO 2013-1, Ltd.	44,800,000	44,800,000
Discount on Class B Notes—SIC CLO 2013-1, Ltd.	(888,328)	(1,007,205)
Class C Notes—SIC CLO 2013-1, Ltd.	16,000,000	16,000,000
Discount on Class C Notes—SIC CLO 2013-1, Ltd.	(553,078)	(627,091)
Class D Notes—SIC CLO 2013-1, Ltd.	14,000,000	14,000,000
Discount on Class D Notes—SIC CLO 2013-1, Ltd.	(717,938)	(814,013)
Class E Notes—SIC CLO 2013-1, Ltd.	13,100,000	13,100,000
Discount on Class E Notes—SIC CLO 2013-1, Ltd.	(1,353,521)	(1,534,650)
Class F Notes—SIC CLO 2013-1, Ltd.	4,500,000	4,500,000
Discount on Class F Notes—SIC CLO 2013-1, Ltd.	(492,300)	(558,180)
Deferred debt financing costs, SIC CLO 2013-1, Ltd. Notes	(1,716,554)	(1,941,595)
Subordinated Notes	30,000,000	30,000,000
Total liabilities	$ 313,142,183	$ 310,284,545
Commitments and contingencies (See Note 6)		
NET ASSETS		
Ordinary equity, par value $1.00, 250 ordinary shares authorized, 250 and 250 issued and outstanding, respectively	$ 250	$ 250
Accumulated loss	(5,803,406)	(3,343,488)
Net loss	(15,754,212)	(2,459,918)
Total net assets	(21,557,368)	(5,803,156)
Total liabilities and net assets	$ 291,584,815	$ 304,481,389

See accompanying notes to financial statements.

Saratoga Investment Corp. CLO 2013-1, Ltd.

Statements of Operations

	For the year ended February 29, 2016	For the year ended February 28, 2015	For the year ended February 28, 2014
INVESTMENT INCOME			
Interest from investments	$ 14,372,377	$ 13,091,019	$ 15,486,413
Interest from cash and cash equivalents	1,213	1,446	6,792
Other income	316,187	188,180	945,441
Total investment income	14,689,777	13,280,645	16,438,646
EXPENSES			
Interest expense	11,696,757	9,635,136	11,678,514
Professional fees	292,754	219,293	433,073
Miscellaneous fee expense	23,742	34,303	175,283
Base management fee	747,390	760,102	517,563
Subordinated management fee	747,390	760,102	1,257,578
Trustee expenses	121,299	123,999	83,221
Amortization expense	955,858	953,862	994,602
Loss on extinguishment of debt	—	—	3,442,442
Total expenses	14,585,190	12,486,797	18,582,276
NET INVESTMENT INCOME (LOSS)	104,587	793,848	(2,143,630)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain (loss) on investments	419,096	620,817	(8,815,296)
Net unrealized appreciation/(depreciation) on investments	(16,277,895)	(3,874,583)	6,776,871
Net loss on investments	(15,858,799)	(3,253,766)	(2,038,425)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ (15,754,212)	$ (2,459,918)	$ (4,182,055)

See accompanying notes to financial statements.

Saratoga Investment Corp. CLO 2013-1 Ltd.

Schedule of Investments

February 29, 2016

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Education Management II LLC	Leisure Goods/ Activities/Movies	A-1 Preferred Shares	Equity	0.00%		6,692	$ 669,214	$ 1,673
Education Management II LLC	Leisure Goods/ Activities/Movies	A-2 Preferred Shares	Equity	0.00%		18,975	1,897,538	95
New Millennium Holdco, Inc.	Healthcare & Pharmaceuticals	Common Stock	Equity	0.00%		14,813	964,466	190,095
24 Hour Holdings III LLC	Leisure Goods/ Activities/Movies	Term Loan	Loan	4.75%	5/28/2021	$ 492,500	488,586	455,154
Acosta Holdco Inc.	Media	Term Loan B1	Loan	4.25%	9/26/2021	$1,972,936	1,959,834	1,855,389
Aspen Dental Management, Inc.	Healthcare & Pharmaceuticals	Term Loan Initial	Loan	5.50%	4/29/2022	$ 497,500	495,228	495,221
Advantage Sales & Marketing Inc.	Services: Business	Delayed Draw Term Loan	Loan	4.25%	7/25/2021	$2,471,231	2,468,039	2,342,826
AgroFresh	Food Services	Term Loan	Loan	5.75%	7/30/2021	$1,990,000	1,980,704	1,935,275
Aegis Toxicology Science Corporation	Healthcare & Pharmaceuticals	Term B Loan	Loan	5.50%	2/24/2021	$ 985,000	985,000	797,850
Akorn, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	6.00%	4/16/2021	$ 398,056	396,681	396,066
Albertson's LLC	Retailers (Except Food and Drugs)	Term Loan B-4	Loan	5.50%	8/25/2021	$3,384,425	3,367,410	3,302,623
Alere Inc. (fka IM US Holdings, LLC)	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.25%	6/20/2022	$ 927,265	925,091	925,365
Alion Science T/L B (1st Lien)	High Tech Industries	Term Loan B (First Lien)	Loan	5.50%	8/19/2021	$2,985,000	2,971,074	2,824,555
Alliance HealthCare T/L B	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.25%	6/3/2019	$ 994,856	990,161	906,981
Alliant Holdings T/L B (1st Lien)	Banking, Finance, Insurance & Real Estate	Term Loan B (First Lien)	Loan	4.50%	8/12/2022	$ 995,000	992,679	960,921
Alvogen Pharma US, Inc	Healthcare & Pharmaceuticals	Term Loan	Loan	6.00%	4/4/2022	$ 480,447	478,240	456,425
American Beacon Advisors, Inc.	Financial Intermediaries	Term Loan (First Lien)	Loan	5.50%	4/30/2022	$ 248,749	247,612	244,190
Aramark Corporation	Food Products	LC-2 Facility	Loan	0.29%	7/26/2016	$ 9,447	9,445	9,305
Aramark Corporation	Food Products	LC-3 Facility	Loan	0.29%	7/26/2016	$ 5,244	5,244	5,166
Aramark Corporation	Food Products	U.S. Term F Loan	Loan	3.25%	2/24/2021	$3,150,423	3,150,423	3,126,133
Asurion, LLC (fka Asurion Corporation)	Insurance	Incremental Tranche B-1 Term Loan	Loan	5.00%	5/24/2019	$2,596,480	2,573,245	2,441,237
Asurion, LLC (fka Asurion Corporation)	Insurance	Term Loan B4 (First Lein)	Loan	5.00%	8/4/2022	$2,478,125	2,466,303	2,270,582
Auction.com	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	6.00%	5/13/2019	$2,522,992	2,522,722	2,491,455
Avantor Performance Materials Holdings, Inc.	Chemicals/Plastics	Term Loan	Loan	5.25%	6/24/2017	$2,156,953	2,153,896	2,135,384
Bass Pro Group, LLC	Retailers (Except Food and Drugs)	Term Loan	Loan	4.00%	6/5/2020	$1,488,750	1,485,895	1,397,564
Belmond Interfin Ltd.	Lodging & Casinos	Term Loan	Loan	4.00%	3/19/2021	$ 491,249	489,361	477,127
Berry Plastics Corporation	Chemicals/Plastics	Term E Loan	Loan	3.75%	1/6/2021	$1,314,499	1,305,069	1,291,903
BJ's Wholesale Club, Inc.	Food/Drug Retailers	New 2013 (November) Replacement Loan (First Lien)	Loan	4.50%	9/26/2019	$1,476,196	1,475,409	1,401,161

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Blue Coat Systems	Technology	Term Loan B	Loan	4.50%	5/20/2022	$ 997,500	995,159	945,131
BMC Software	Technology	Term Loan	Loan	5.00%	9/10/2020	$1,979,798	1,926,080	1,571,821
Brickman Group Holdings, Inc.	Brokers/Dealers/ Investment Houses	Initial Term Loan (First Lien)	Loan	4.00%	12/18/2020	$1,476,212	1,464,327	1,426,390
Brock Holdings III, Inc.	Industrial Equipment	Term Loan (First Lien)	Loan	6.00%	3/16/2017	$1,917,168	1,924,101	1,802,138
Burlington Coat Factory Warehouse Corporation	Retailers (Except Food and Drugs)	Term B-2 Loan	Loan	4.25%	8/13/2021	$1,861,667	1,853,426	1,845,843
BWAY Holding Company	Leisure Goods/ Activities/Movies	Term Loan B	Loan	5.50%	8/14/2020	$ 985,000	976,335	930,826
Caesars Entertainment Corp.	Lodging & Casinos	Term B-7 Loan	Loan	13.25%	3/1/2017	$ 995,000	991,037	814,656
Camp International Holding Company	Aerospace and Defense	2013 Replacement Term Loan (First Lien)	Loan	4.75%	5/31/2019	$1,940,113	1,940,984	1,806,730
Capital Automotive L.P.	Conglomerate	Tranche B-1 Term Loan Facility	Loan	4.00%	4/10/2019	$2,051,828	2,055,060	2,044,564
Catalent Pharma Solutions, Inc	Drugs	Initial Term B Loan	Loan	4.25%	5/20/2021	$ 492,501	490,549	487,271
Cengage Learning Acquisitions, Inc.	Publishing	Term Loan	Loan	7.00%	3/31/2020	$2,647,871	2,670,807	2,539,758
Charter Communications Operating, LLC	Cable and Satellite Television	Term F Loan	Loan	3.00%	12/31/2020	$2,628,783	2,621,343	2,566,823
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	Term G Loan	Loan	3.75%	12/31/2019	$1,022,569	994,876	974,212
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	Term H Loan	Loan	4.00%	1/27/2021	$1,881,500	1,828,566	1,785,920
Cinedigm Digital Funding I, LLC	Services: Business	Term Loan	Loan	3.75%	2/28/2018	$ 298,828	297,362	295,840
CITGO Petroleum Corporation	Oil & Gas	Term Loan B	Loan	4.50%	7/29/2021	$1,984,975	1,962,423	1,865,876
Communications Sales & Leasing, Inc.	Telecommunications	Term Loan B (First Lien)	Loan	5.00%	10/24/2022	$1,990,000	1,978,594	1,847,596
CommScope, Inc.	Telecommunications	Term Loan B	Loan	3.75%	12/29/2022	$ 498,750	497,568	494,176
Consolidated Aerospace Manufacturing, LLC	Aerospace and Defense	Term Loan (First Lien)	Loan	4.75%	8/11/2022	$1,437,500	1,430,556	1,329,688
Concordia Healthcare Corp	Healthcare & Pharmaceuticals	Term Loan B	Loan	5.25%	10/21/2021	$2,000,000	1,894,483	1,920,000
CPI Acquisition Inc.	Technology	Term Loan B (First Lien)	Loan	5.50%	8/17/2022	$1,436,782	1,415,977	1,396,667
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Electronics/Electric	Term B Loan	Loan	4.25%	11/17/2017	$1,564,182	1,564,182	1,501,615
Crosby US Acquisition Corp.	Industrial Equipment	Initial Term Loan (First Lien)	Loan	4.00%	11/23/2020	$ 735,000	734,245	536,550
CT Technologies Intermediate Hldgs, Inc	Healthcare & Pharmaceuticals	Term Loan	Loan	5.25%	12/1/2021	$1,485,038	1,471,665	1,433,061
Culligan International Company	Conglomerate	Dollar Loan (First Lien)	Loan	6.25%	12/19/2017	$ 771,625	742,910	721,469
Culligan International Company	Conglomerate	Dollar Loan (Second Lien)	Loan	9.50%	6/19/2018	$ 783,162	754,065	734,214
Cumulus Media Holdings Inc.	Broadcast Radio and Television	Term Loan	Loan	4.25%	12/23/2020	$ 470,093	466,690	304,973
DAE Aviation (StandardAero)	Aerospace and Defense	Term Loan	Loan	5.25%	7/7/2022	$1,995,000	1,985,759	1,970,063

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
DCS Business Services, Inc.	Financial Intermediaries	Term B Loan	Loan	8.75%	3/19/2018	$2,409,739	2,397,948	2,409,739
Dell International LLC	Technology	Term Loan B2	Loan	4.00%	4/29/2020	$2,904,989	2,892,348	2,889,854
Delta 2 (Lux) S.a.r.l.	Lodging & Casinos	Term Loan B-3	Loan	4.75%	7/30/2021	$1,000,000	995,870	925,000
Deluxe Entertainment Service Group, Inc.	Leisure Goods/ Activities/Movies	Term Loan (First Lien)	Loan	6.50%	2/28/2020	$1,882,983	1,884,279	1,751,174
Diamond Resorts International	Lodging & Casinos	Term Loan	Loan	5.50%	5/7/2021	$ 926,971	923,222	897,614
Diamond Resorts International	Lodging & Casinos	Term Loan (Add-On)	Loan	5.50%	5/7/2021	$1,000,000	980,687	968,330
DJO Finance LLC	Healthcare & Pharmaceuticals	Term Loan	Loan	4.25%	6/8/2020	$ 497,500	495,435	478,222
DPX Holdings B.V.	Healthcare & Pharmaceuticals	Term Loan 2015 Incr Dollar	Loan	4.25%	3/11/2021	$2,955,000	2,948,456	2,799,863
Drew Marine Group Inc.	Chemicals/Plastics	Term Loan (First Lien)	Loan	4.25%	11/19/2020	$2,472,161	2,445,601	2,299,110
DTZ U.S. Borrower LLC	Construction & Building	Term Loan B Add-on	Loan	4.25%	11/4/2021	$2,985,000	2,970,317	2,869,331
Edelman Financial Group Inc.	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	6.50%	12/19/2022	$1,500,000	1,470,617	1,459,695
Education Management LLC	Leisure Goods/ Activities/Movies	Term Loan A	Loan	5.50%	7/2/2020	$ 501,970	485,313	160,630
Education Management LLC	Leisure Goods/ Activities/Movies	Term Loan B (2.00% Cash/6.50% PIK)	Loan	8.50%	7/2/2020	$ 893,447	867,647	56,582
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	4.50%	8/1/2021	$ 484,659	482,690	473,148
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (Second Lien)	Loan	7.75%	8/1/2022	$ 500,000	497,844	468,750
Emerald 2 Limited	Chemicals/Plastics	Term Loan B1A	Loan	5.00%	5/14/2021	$1,000,000	991,762	866,670
Endo International plc	Healthcare & Pharmaceuticals	Term Loan B	Loan	3.75%	9/26/2022	$1,000,000	997,602	987,780
EnergySolutions, LLC	Environmental Industries	Term Loan B	Loan	6.75%	5/29/2020	$ 937,857	923,660	731,528
Evergreen Acqco 1 LP	Retailers (Except Food and Drugs)	New Term Loan	Loan	5.00%	7/9/2019	$ 965,081	963,406	719,951
EWT Holdings III Corp. (fka WTG Holdings III Corp.)	Industrial Equipment	Term Loan (First Lien)	Loan	4.75%	1/15/2021	$1,967,406	1,962,950	1,908,383
Federal-Mogul Corporation	Automotive	Tranche C Term Loan	Loan	4.75%	4/15/2021	$2,955,000	2,943,580	2,345,530
First Data Corporation	Financial Intermediaries	First Data Corp T/L (2018 New Dollar)	Loan	3.93%	3/23/2018	$2,790,451	2,748,229	2,752,780
First Data Corporation	Financial Intermediaries	First Data T/L Ext (2021)	Loan	4.43%	3/24/2021	$2,111,028	2,034,284	2,077,779
First Eagle Investment Management	Banking, Finance, Insurance & Real Estate	Term Loan	Loan	4.75%	12/1/2022	$1,500,000	1,470,946	1,412,504
Fitness International, LLC	Leisure Goods/ Activities/Movies	Term Loan B	Loan	5.50%	7/1/2020	$1,976,234	1,945,935	1,850,249
FMG Resources (August 2006) Pty LTD (FMG America Finance, Inc.)	Nonferrous Metals/ Minerals	Loan	Loan	4.25%	6/28/2019	$1,962,387	1,962,515	1,504,738
Garda World Security Corporation	Services: Business	Term B Delayed Draw Loan	Loan	4.00%	11/6/2020	$ 199,120	198,391	187,344
Garda World Security Corporation	Services: Business	Term B Loan	Loan	4.00%	11/6/2020	$ 778,380	775,586	732,346
Gardner Denver, Inc.	High Tech Industries	Initial Dollar Term Loan	Loan	4.25%	7/30/2020	$2,451,137	2,445,005	2,016,452

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Gates Global LLC	Leisure Goods/ Activities/Movies	Term Loan (First Lien)	Loan	4.25%	7/5/2021	$ 493,750	488,813	433,883
Generac Power Systems, Inc.	Industrial Equipment	Term Loan B	Loan	3.50%	5/31/2020	$ 693,858	684,537	676,511
General Nutrition Centers, Inc.	Retailers (Except Food and Drugs)	Amended Tranche B Term Loan	Loan	3.25%	3/4/2019	$4,131,271	4,121,165	4,012,497
Global Tel*Link Corporation	Services: Business	Term Loan (First Lien)	Loan	5.00%	5/26/2020	$2,725,318	2,717,647	2,237,023
Goodyear Tire & Rubber Company, The	Chemicals/Plastics	Loan (Second Lien)	Loan	3.75%	4/30/2019	$2,000,000	1,974,077	2,005,000
Grosvenor Capital Management Holdings, LP	Brokers/Dealers/ Investment Houses	Initial Term Loan	Loan	3.75%	1/4/2021	$1,264,036	1,259,418	1,191,354
GTCR Valor Companies, Inc.	Services: Business	Term Loan (First Lien)	Loan	6.00%	6/1/2021	$1,974,982	1,941,456	1,959,340
Harland Clarke Holdings Corp. (fka Clarke American Corp.)	Publishing	Tranche B-4 Term Loan	Loan	6.00%	8/2/2019	$ 475,000	473,378	421,561
HCA Inc.	Healthcare & Pharmaceuticals	Tranche B-4 Term Loan	Loan	3.36%	5/1/2018	$2,119,664	2,053,127	2,116,294
Headwaters Incorporated	Building & Development	Term Loan	Loan	4.50%	3/24/2022	$ 248,750	247,628	248,285
Hercules Achievement Holdings, Inc.	Retailers (Except Food and Drugs)	Term Loan B	Loan	5.00%	12/10/2021	$ 249,370	246,940	244,929
Hertz Corporation, The	Automotive	Tranche B-1 Term Loan	Loan	3.75%	3/12/2018	$2,910,000	2,933,230	2,879,998
Hoffmaster Group, Inc.	Containers/Glass Products	Term Loan	Loan	5.25%	5/8/2020	$1,970,000	1,955,325	1,915,825
Hostess Brand, LLC	Beverage, Food & Tobacco	Term Loan B (First Lien)	Loan	4.50%	8/3/2022	$ 997,500	995,241	983,784
Huntsman International LLC	Chemicals/Plastics	Term Loan B (First Lien)	Loan	3.52%	4/19/2019	$3,840,541	3,814,577	3,727,245
Husky Injection Molding Systems Ltd.	Services: Business	Term Loan B	Loan	4.25%	6/30/2021	$ 491,196	489,277	465,757
Infor (US), Inc. (fka Lawson Software Inc.)	Services: Business	Tranche B-5 Term Loan	Loan	3.75%	6/3/2020	$2,188,296	2,174,333	2,015,049
Insight Global	Services: Business	Term Loan	Loan	6.00%	10/29/2021	$1,979,592	1,971,967	1,961,439
Informatica Corporation	High Tech Industries	Term Loan B	Loan	4.50%	8/5/2022	$ 498,750	497,554	468,411
J. Crew Group, Inc.	Retailers (Except Food and Drugs)	Term B-1 Loan Retired 03/05/2014	Loan	4.00%	3/5/2021	$ 955,481	955,481	639,379
Jazz Acquisition, Inc	Aerospace and Defense	First Lien 6/14	Loan	4.50%	6/19/2021	$ 492,727	491,745	434,832
J.Jill Group, Inc.	Retailers (Except Food and Drugs)	Term Loan (First Lien)	Loan	6.00%	5/9/2022	$ 995,000	990,362	925,350
Kinetic Concepts, Inc.	Healthcare & Pharmaceuticals	Dollar Term D-1 Loan	Loan	4.50%	5/4/2018	$2,452,586	2,436,004	2,392,645
Koosharem, LLC	Services: Business	Term Loan	Loan	7.50%	5/15/2020	$2,965,050	2,942,458	2,683,370
Kraton Polymers, LLC	Chemicals/Plastics	Term Loan (Initial)	Loan	6.00%	1/6/2022	$2,500,000	2,252,500	2,250,000
LPL Holdings	Banking, Finance, Insurance & Real Estate	Term Loan B (2022)	Loan	4.75%	11/21/2022	$2,000,000	1,980,543	1,900,000
Mauser Holdings, Inc.	Containers/Glass Products	Term Loan	Loan	4.50%	7/31/2021	$ 493,750	491,750	475,234
Michaels Stores, Inc.	Retailers (Except Food and Drugs)	Term B Loan	Loan	3.75%	1/28/2020	$ 486,250	486,250	479,792
Michaels Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B-2	Loan	4.00%	1/28/2020	$1,212,794	1,208,220	1,201,042
Micro Holding Corp.	High Tech Industries	Term Loan	Loan	4.75%	7/8/2021	$ 992,447	987,851	950,268
Microsemi Corporation	Electronics/Electric	Term Loan B	Loan	5.25%	1/15/2023	$2,183,824	2,119,162	2,180,177

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Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Midas Intermediate Holdco II, LLC	Automotive	Term Loan (Initial)	Loan	4.50%	8/18/2021	$ 246,875	245,802	244,098
MPH Acquisition Holdings LLC	Healthcare & Pharmaceuticals	Term Loan	Loan	3.75%	3/31/2021	$ 376,136	375,400	366,500
MSC Software Corp.	Services: Business	Term Loan	Loan	5.00%	5/29/2020	$ 985,000	977,601	886,500
National Veterinary Associates, Inc	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.75%	8/14/2021	$ 987,526	984,296	959,549
National Vision, Inc.	Retailers (Except Food and Drugs)	Term Loan (Second Lien)	Loan	6.75%	3/11/2022	$ 250,000	249,729	218,750
Neptune Finco (CSC Holdings)	Cable and Satellite Television	Term Loan	Loan	5.00%	10/7/2022	$1,000,000	985,784	989,750
New Millennium Holdco	Healthcare & Pharmaceuticals	Term Loan	Loan	7.50%	12/21/2020	$2,007,042	1,811,375	1,822,655
Nortek, Inc.	Electronics/Electric	Term Loan B	Loan	3.50%	10/30/2020	$ 985,022	974,747	939,464
NorthStar Asset Management Group Inc.	Banking, Finance, Insurance & Real Estate	Term Loan B	Loan	4.63%	1/30/2023	$2,000,000	1,930,000	1,950,000
Novelis, Inc.	Conglomerate	Term Loan B	Loan	4.00%	6/2/2022	$4,771,058	4,749,389	4,440,090
Novetta Solutions	Aerospace and Defense	Term Loan (200MM)	Loan	6.00%	10/16/2022	$2,000,000	1,980,636	1,940,000
Novetta Solutions	Aerospace and Defense	Term Loan (2nd Lien)	Loan	9.50%	9/29/2023	$1,000,000	990,269	950,000
NPC International, Inc.	Food Services	Term Loan (2013)	Loan	4.75%	12/28/2018	$ 481,250	481,250	472,829
NRG Energy, Inc.	Utilities	Term Loan (2013)	Loan	2.75%	7/2/2018	$3,821,925	3,808,282	3,751,449
Numericable	Broadcast Radio and Television	Term Loan B-5	Loan	4.56%	7/31/2022	$ 997,500	995,164	953,171
NuSil Technology LLC.	Chemicals/Plastics	Term Loan	Loan	5.25%	4/7/2017	$ 789,045	789,045	774,645
Onex Carestream Finance LP	Healthcare & Pharmaceuticals	Term Loan (First Lien 2013)	Loan	5.00%	6/7/2019	$3,832,558	3,821,232	3,244,912
OnexYork Acquisition Co	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.75%	10/1/2021	$ 493,749	490,644	459,435
OpenLink International LLC	Services: Business	Term B Loan	Loan	6.25%	10/30/2017	$2,944,496	2,943,282	2,811,994
P.F. Chang's China Bistro, Inc. (Wok Acquisition Corp.)	Food/Drug Retailers	Term Borrowing	Loan	4.25%	6/24/2019	$1,432,750	1,427,110	1,336,039
P2 Upstream Acquisition Co. (P2 Upstream Canada BC ULC)	Services: Business	Term Loan (First Lien)	Loan	5.00%	10/30/2020	$ 980,000	976,133	774,200
Penn Products Terminal, LLC	Chemicals/Plastics	Term Loan B	Loan	4.75%	4/13/2022	$ 248,125	246,994	218,350
PetCo Animal Supplies Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B-1	Loan	5.75%	1/15/2023	$1,000,000	980,217	978,590
PetCo Animal Supplies Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B-2	Loan	5.62%	1/15/2023	$1,000,000	980,216	978,960
Petsmart, Inc. (Argos Merger Sub, Inc.)	Retailers (Except Food and Drugs)	Term Loan B1	Loan	4.25%	3/11/2022	$ 992,500	987,862	961,176
PGX Holdings, Inc.	Financial Intermediaries	Term Loan	Loan	5.75%	9/29/2020	$ 954,643	947,123	941,917
Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)	Conglomerate	Term Loan	Loan	4.25%	8/18/2022	$1,920,848	1,911,850	1,872,346
Phillips-Medisize Corporation	Healthcare & Pharmaceuticals	Term Loan	Loan	4.75%	6/16/2021	$ 492,500	490,535	458,025
Physio-Control International, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	5.50%	6/6/2022	$ 498,750	496,371	498,127
Pinnacle Foods Finance LLC	Food Products	New Term Loan G	Loan	3.00%	4/29/2020	$2,581,332	2,577,286	2,553,737

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Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Planet Fitness Holdings LLC	Leisure Goods/ Activities/Movies	Term Loan	Loan	4.75%	3/31/2021	$2,417,118	2,410,079	2,368,776
PrePaid Legal Services, Inc.	Services: Business	Term Loan B	Loan	6.50%	7/1/2019	$ 724,167	721,080	716,020
Presidio, Inc.	Services: Business	Term Loan	Loan	5.25%	2/2/2022	$1,902,292	1,846,615	1,816,688
Prime Security Services (Protection One)	Services: Business	Term Loan	Loan	5.00%	7/1/2021	$1,995,000	1,985,640	1,924,178
Ranpak Holdings, Inc.	Services: Business	Term Loan	Loan	4.25%	10/1/2021	$ 938,354	936,008	886,745
Ranpak Holdings, Inc.	Services: Business	Term Loan (Second Lien)	Loan	8.25%	10/3/2022	$ 500,000	497,866	400,000
Redtop Acquisitions Limited	Electronics/Electric	Initial Dollar Term Loan (First Lien)	Loan	4.50%	12/3/2020	$ 490,000	487,461	482,444
Regal Cinemas Corporation	Services: Consumer	Term Loan	Loan	3.75%	4/1/2022	$ 497,500	496,320	496,256
Research Now Group, Inc	Media	Term Loan B	Loan	5.50%	3/18/2021	$2,058,445	2,048,627	1,996,692
Rexnord LLC/RBS Global, Inc.	Industrial Equipment	Term B Loan	Loan	4.00%	8/21/2020	$1,630,123	1,631,387	1,557,647
Reynolds Group Holdings Inc.	Industrial Equipment	Incremental U.S. Term Loan	Loan	4.50%	12/1/2018	$1,910,551	1,910,551	1,902,946
Riverbed Technology, Inc.	Technology	Term Loan B	Loan	6.00%	2/25/2022	$ 992,500	988,224	970,873
Rocket Software, Inc.	Services: Business	Term Loan (First Lien)	Loan	5.75%	2/8/2018	$1,901,835	1,889,759	1,889,150
Rovi Solutions Corporation / Rovi Guides, Inc.	Electronics/Electric	Tranche B-3 Term Loan	Loan	3.75%	7/2/2021	$1,477,500	1,471,640	1,422,094
Royal Adhesives and Sealants	Chemicals/Plastics	Term Loan (First Lien)	Loan	4.50%	6/20/2022	$ 497,500	495,187	479,675
Royal Adhesives and Sealants	Chemicals/Plastics	Term Loan (Second Lien)	Loan	8.50%	6/19/2023	$ 500,000	496,388	478,335
RPI Finance Trust	Financial Intermediaries	Term B-4 Term Loan	Loan	3.50%	11/9/2020	$5,155,193	5,155,193	5,132,665
Sable International Finance Ltd	Telecommunications	Term Loan B1	Loan	5.50%	12/2/2022	$ 825,000	808,500	800,770
Sable International Finance Ltd	Telecommunications	Term Loan B2	Loan	5.50%	12/2/2022	$ 675,000	661,500	655,175
SBP Holdings LP	Industrial Equipment	Term Loan (First Lien)	Loan	5.00%	3/27/2021	$ 982,500	978,645	707,400
Scientific Games International, Inc.	Electronics/Electric	Term Loan B2	Loan	6.00%	10/1/2021	$ 990,000	981,872	904,613
SCS Holdings (Sirius Computer)	High Tech Industries	Term Loan (First Lien)	Loan	6.00%	10/30/2022	$1,977,528	1,939,305	1,937,978
Seadrill Operating LP	Oil & Gas	Term Loan B	Loan	4.00%	2/21/2021	$ 987,406	919,799	407,305
Sensus USA Inc. (fka Sensus Metering Systems)	Utilities	Term Loan (First Lien)	Loan	4.50%	5/9/2017	$1,905,121	1,902,477	1,826,534
ServiceMaster Company, The	Conglomerate	Tranche B Term Loan	Loan	4.25%	7/1/2021	$1,975,000	1,959,254	1,956,889
Shearers Foods LLC	Food Services	Term Loan (First Lien)	Loan	4.94%	6/30/2021	$ 987,500	985,421	952,938
Sitel Worldwide	Telecommunications	Term Loan	Loan	6.50%	9/18/2021	$1,995,000	1,976,131	1,931,160
Sonneborn, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	4.75%	12/10/2020	$ 222,750	222,282	220,801
Sonneborn, LLC	Chemicals/Plastics	Initial US Term Loan	Loan	4.75%	12/10/2020	$1,262,250	1,259,600	1,251,205

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Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Sophia, L.P.	Electronics/Electric	Term Loan (Closing Date)	Loan	4.75%	9/30/2022	$1,995,000	1,985,507	1,911,469
SourceHOV LLC	Services: Business	Term Loan B (First Lien)	Loan	7.75%	10/31/2019	$1,937,500	1,891,680	1,541,281
SRAM, LLC	Industrial Equipment	Term Loan (First Lien)	Loan	4.00%	4/10/2020	$2,904,577	2,896,630	2,207,479
Staples, Inc.	Retailers (Except Food and Drugs)	Term Loan 1/16	Loan	4.75%	4/23/2021	$1,000,000	990,308	992,130
Steak ‘n Shake Operations, Inc.	Food Services	Term Loan	Loan	4.75%	3/19/2021	$ 965,341	957,952	946,034
SuperMedia Inc. (fka Idearc Inc.)	Publishing	Loan	Loan	11.60%	12/30/2016	$ 222,900	220,105	67,520
Survey Sampling International	Services: Business	Term Loan B	Loan	6.00%	12/16/2020	$ 992,500	990,554	970,169
Sybil Finance BV	High Tech Industries	Term Loan	Loan	4.25%	3/20/2020	$1,272,143	1,270,803	1,253,061
Syniverse Holdings, Inc.	Telecommunications	Initial Term Loan	Loan	4.00%	4/23/2019	$ 479,913	476,927	311,944
TaxACT, Inc.	Services: Business	Term Loan B	Loan	7.00%	1/3/2023	$1,860,000	1,805,035	1,804,200
TGI Friday’s, Inc.	Food Services	Term Loan B	Loan	5.25%	7/15/2020	$1,651,816	1,647,936	1,636,669
Townsquare Media, Inc.	Media	Term Loan B	Loan	4.25%	4/1/2022	$ 932,522	928,333	915,624
TPF II Power LLC and TPF II Covert Midco LLC	Utilities	Term Loan B	Loan	5.50%	10/2/2021	$1,491,826	1,433,943	1,396,722
TransDigm, Inc.	Aerospace and Defense	Tranche C Term Loan	Loan	3.75%	2/28/2020	$4,277,294	4,283,815	4,148,975
Travel Leaders Group, LLC	Hotel, Gaming and Leisure	Term Loan B	Loan	7.00%	12/7/2020	$1,946,300	1,939,729	1,917,107
Tricorbraun, Inc. (fka Kranson Industries, Inc.)	Containers/Glass Products	Term Loan	Loan	4.00%	5/3/2018	$1,836,625	1,831,636	1,776,935
Truven Health Analytics Inc. (fka Thomson Reuters (Healthcare) Inc.)	Healthcare & Pharmaceuticals	New Tranche B Term Loan	Loan	4.50%	6/6/2019	$ 482,603	476,598	480,494
Twin River Management Group, Inc.	Lodging & Casinos	Term Loan B	Loan	5.25%	7/10/2020	$ 886,192	887,853	875,673
U.S. Security Associates Holdings, Inc.	Services: Business	Delayed Draw Loan	Loan	6.25%	7/28/2017	$ 156,888	156,328	155,973
U.S. Security Associates Holdings, Inc.	Services: Business	Term B Loan	Loan	6.25%	7/28/2017	$ 921,426	918,393	916,054
Univar Inc.	Chemicals/Plastics	Term B Loan	Loan	4.25%	7/1/2022	$2,992,500	2,978,573	2,840,810
Univision Communications Inc.	Telecommunications	Replacement First-Lien Term Loan	Loan	4.00%	3/1/2020	$2,916,556	2,903,859	2,832,705
Valeant Pharmaceuticals International, Inc.	Drugs	Series D2 Term Loan B	Loan	3.50%	2/13/2019	$2,545,588	2,539,315	2,385,700
Verint Systems Inc.	Services: Business	Term Loan	Loan	3.50%	9/6/2019	$1,014,058	1,011,203	1,005,692
Vertafore, Inc.	Services: Business	Term Loan (2013)	Loan	4.25%	10/3/2019	$2,484,603	2,484,603	2,452,775
Vizient Inc.	Healthcare & Pharmaceuticals	Term Loan	Loan	6.25%	2/13/2023	$1,000,000	970,144	993,750
Vouvray US Finance	Industrial Equipment	Term Loan	Loan	4.75%	6/27/2021	$ 492,500	490,508	478,134

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Washington Inventory Service	Services: Business	U.S. Term Loan (First Lien)	Loan	5.75%	12/20/2018	$1,736,392	1,749,291	1,475,934
West Corporation	Telecommunications	Term B-10 Loan	Loan	3.25%	6/30/2018	$2,534,892	2,558,782	2,490,861
ZEP Inc.	Chemicals/Plastics	Term Loan B	Loan	5.50%	6/27/2022	$2,985,000	2,971,139	2,932,763
							$303,643,756	**$284,844,789**

	Principal/ Number of Shares	Cost	Fair Value
Cash and cash equivalents			
U.S. Bank Money Market (a)	$2,349,633	$ 2,349,633	$ 2,349,633
Total cash and cash equivalents	**$2,349,633**	**$ 2,349,633**	**$ 2,349,633**

(a) Included within cash and cash equivalents in Saratoga CLO's Statements of Assets and Liabilities as of February 29, 2016.

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Saratoga Investment Corp. CLO 2013-1 Ltd.

Schedule of Investments

February 28, 2015

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Education Management II LLC	Leisure Goods/ Activities/Movies	A-1 Preferred Shares	Equity	0.00%		6,692	$ 669,214	$ 437,188
Education Management II LLC	Leisure Goods/ Activities/Movies	A-2 Preferred Shares	Equity	0.00%		18,975	1,897,538	180,263
24 Hour Holdings III LLC	Leisure Goods/ Activities/Movies	Term Loan	Loan	4.75%	5/28/2021	$ 497,500	493,004	492,276
Acosta Holdco Inc.	Media	Term Loan B	Loan	5.00%	9/27/2021	$ 1,995,000	1,981,328	2,004,416
Aderant North America, Inc.	Services: Business	Term Loan (First Lien)	Loan	5.25%	12/20/2018	$ 3,260,898	3,260,898	3,240,517
Advantage Sales & Marketing Inc.	Services: Business	Delayed Draw Term Loan	Loan	4.25%	7/25/2021	$ 1,995,000	1,993,940	1,984,287
AECOM Technology Corporation	Services: Business	Term Loan B	Loan	3.75%	10/15/2021	$ 319,903	318,380	321,304
Aegis Toxicology Science Corporation	Healthcare & Pharmaceuticals	Term B Loan	Loan	5.50%	2/24/2021	$ 995,000	995,000	997,488
Akorn, Inc.	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.50%	4/16/2021	$ 498,750	496,691	500,411
Albertson's LLC	Retailers (Except Food and Drugs)	Term Loan B-4	Loan	5.50%	8/25/2021	$ 3,410,000	3,389,632	3,437,723
Alere Inc. (fka IM US Holdings, LLC)	Healthcare & Pharmaceuticals	Incremental B-1 Term Loan	Loan	4.25%	6/30/2017	$ 1,529,610	1,529,610	1,529,610
American Tire Distributors Inc	Automotive	Term Loan	Loan	5.75%	6/1/2018	$ 496,487	496,486	497,108
Aramark Corporation	Food Products	LC-2 Facility	Loan	3.74%	7/26/2016	$ 79,187	79,178	78,395
Aramark Corporation	Food Products	LC-3 Facility	Loan	3.74%	7/26/2016	$ 43,961	43,961	43,521
Aramark Corporation	Food Products	U.S. Term F Loan	Loan	3.25%	2/24/2021	$ 3,182,489	3,182,489	3,168,581
ARG IH Corp	Food Services	Term Loan	Loan	4.75%	11/15/2020	$ 495,000	494,038	495,312
Asurion, LLC (fka Asurion Corporation)	Insurance	Incremental Tranche B-1 Term Loan	Loan	5.00%	5/24/2019	$ 5,412,086	5,370,590	5,424,642
Auction.Com, LLC	Services: Business	Term Loan A-4	Loan	4.40%	2/28/2017	$ 914,567	914,567	905,422
Avantor Performance Materials Holdings, Inc.	Chemicals/Plastics	Term Loan	Loan	5.25%	6/24/2017	$ 4,319,115	4,309,242	4,297,520
Avast Software	Electronics/Electric	Term Loan	Loan	4.75%	3/20/2020	$ 1,925,000	1,923,275	1,937,031
AZ Chem US Inc.	Chemicals/Plastics	Term Loan	Loan	5.25%	6/12/2021	$ 467,123	464,958	466,614
Bass Pro Group, LLC	Retailers (Except Food and Drugs)	New Term Loan	Loan	3.75%	11/20/2019	$ 493,623	493,111	492,236
Bayonne Energy Center	Oil & Gas	Term Loan B	Loan	5.00%	8/19/2021	$ 969,671	965,093	964,416
Belmond Hotels	Lodging & Casinos	Term Loan	Loan	4.00%	3/19/2021	$ 496,250	494,055	495,009
Berry Plastics Corporation	Chemicals/Plastics	Term E Loan	Loan	3.75%	1/6/2021	$ 1,814,499	1,802,403	1,812,648
Big Heart Pet Brands (fka Del Monte Corporation)	Food/Drug Retailers	Initial Term Loan	Loan	3.50%	3/9/2020	$ 2,977,500	2,996,769	2,971,307
Biomet, Inc.	Healthcare & Pharmaceuticals	Dollar Term B-2 Loan	Loan	3.65%	7/25/2017	$ 1,840,718	1,840,718	1,838,601

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
BJ's Wholesale Club, Inc.	Food/Drug Retailers	New 2013 (November) Replacement Loan (First Lien)	Loan	4.50%	9/26/2019	$1,489,975	1,488,922	1,483,374
Bombardier Recreational Products Inc.	Leisure Goods/ Activities/Movies	Term B Loan	Loan	4.00%	1/30/2019	$ 754,286	750,287	747,120
Brickman Group Holdings, Inc.	Brokers/Dealers/ Investment Houses	Initial Term Loan (First Lien)	Loan	4.00%	12/18/2020	$1,491,237	1,478,800	1,478,935
Brock Holdings III, Inc.	Industrial Equipment	Term Loan (First Lien)	Loan	6.00%	3/16/2017	$1,938,503	1,952,391	1,904,580
Burlington Coat Factory Warehouse Corporation	Retailers (Except Food and Drugs)	Term B-2 Loan	Loan	4.25%	8/13/2021	$1,945,000	1,935,814	1,942,219
BWAY	Leisure Goods/ Activities/Movies	Term Loan B	Loan	5.50%	8/14/2020	$ 995,000	985,881	998,423
Caesars Entertainment Corp.	Lodging & Casinos	Term B-7 Loan	Loan	9.75%	1/28/2018	$ 995,000	989,028	917,141
Camp International Holding Company	Aerospace and Defense	2013 Replacement Term Loan (First Lien)	Loan	4.75%	5/31/2019	$1,960,046	1,965,495	1,969,846
Capital Automotive L.P.	Conglomerate	Tranche B-1 Term Loan Facility	Loan	4.00%	4/10/2019	$2,079,313	2,083,783	2,084,511
Catalent Pharma Solutions, Inc	Drugs	Initial Term B Loan	Loan	4.25%	5/20/2021	$ 497,500	495,170	498,401
Celanese US Holdings LLC	Chemicals/Plastics	Dollar Term C-2 Commitment	Loan	2.49%	10/31/2018	$2,154,560	2,180,598	2,157,533
Cengage Learning	Publishing	Term Loan	Loan	7.00%	3/31/2020	$2,731,869	2,761,735	2,733,235
Charter Communications Operating, LLC	Cable and Satellite Television	Term F Loan	Loan	3.00%	12/31/2020	$2,655,745	2,646,932	2,646,344
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	2017 Term E Loan	Loan	3.49%	1/25/2017	$1,097,818	1,074,945	1,097,193
CHS/Community Health Systems, Inc.	Healthcare & Pharmaceuticals	2021 Term D Loan	Loan	4.25%	1/27/2021	$2,926,052	2,844,886	2,935,210
Cinedigm Digital Funding I, LLC	Services: Business	Term Loan	Loan	3.75%	2/28/2018	$ 562,001	557,872	561,298
CITGO Petroleum	Oil & Gas	Term Loan B	Loan	4.50%	7/29/2021	$ 997,500	994,095	979,106
ClubCorp Club Operations, Inc.	Lodging & Casinos	Term Loan B	Loan	4.50%	7/24/2020	$ 500,000	496,250	500,315
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Electronics/Electric	Term B Loan	Loan	4.25%	11/17/2017	$3,595,331	3,595,331	3,570,631
Crosby US Acquisition Corp.	Industrial Equipment	Initial Term Loan (First Lien)	Loan	3.75%	11/23/2020	$ 742,500	741,718	681,244
Crown Castle Operating Company	Telecommunications/ Cellular	Extended Incremental Tranche B-2 Term Loan	Loan	3.00%	1/31/2021	$2,435,594	2,433,546	2,430,723
CT Technologies Intermediate Hldgs, Inc	Healthcare & Pharmaceuticals	Term Loan (First Lien)	Loan	6.00%	12/1/2021	$1,500,000	1,485,423	1,505,625
Culligan International Company	Conglomerate	Dollar Loan (First Lien)	Loan	6.25%	12/19/2017	$ 779,642	736,275	765,998
Culligan International Company	Conglomerate	Dollar Loan (Second Lien)	Loan	9.50%	6/19/2018	$ 783,162	739,367	727,033
Cumulus Media Holdings Inc.	Broadcast Radio and Television	Term Loan	Loan	4.25%	12/23/2020	$ 470,093	466,100	466,863
Custom Sensors	Industrial Equipment	Term Loan	Loan	4.50%	9/30/2021	$ 498,750	497,651	498,750

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Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
DaVita HealthCare Partners Inc. (fka DaVita Inc.)	Healthcare & Pharmaceuticals	Tranche B Term Loan	Loan	3.50%	6/24/2021	$ 497,500	495,228	498,062
DCS Business Services, Inc.	Financial Intermediaries	Term B Loan	Loan	7.25%	3/19/2018	$3,460,027	3,436,485	3,413,835
Dealertrack Technologies, Inc.	Leisure Goods/ Activities/Movies	Term B Loan	Loan	3.25%	2/26/2021	$ 477,011	475,991	474,230
Dell International LLC	Retailers (Except Food and Drugs)	Term B Loan	Loan	4.50%	4/29/2020	$2,969,962	2,957,576	2,980,684
Delos Finance SARL	Financial Intermediaries	Term Loan	Loan	3.50%	3/6/2021	$ 500,000	497,835	499,790
Delta 2 (Lux) S.a.r.l.	Lodging & Casinos	Term Loan B-3	Loan	4.75%	7/30/2021	$1,000,000	995,314	995,630
Deluxe Entertainment Service Group, Inc.	Leisure Goods/ Activities/Movies	Term Loan (First Lien)	Loan	6.50%	2/28/2020	$1,882,983	1,884,624	1,835,908
Devix US, Inc.	Chemicals/Plastics	Term Loan	Loan	4.25%	5/2/2021	$ 250,000	247,710	250,938
Devix US, Inc.	Chemicals/Plastics	Term Loan (Second Lien)	Loan	8.00%	5/2/2022	$ 497,500	495,324	497,500
Diamond Resorts International	Lodging & Casinos	Term Loan	Loan	5.50%	5/9/2021	$ 995,000	990,370	999,975
Dollar Tree	Retail	Term Loan B (3950MM)	Loan	4.25%	3/9/2022	$1,000,000	995,000	1,007,500
DPX Holdings B.V.	Healthcare & Pharmaceuticals	Term Loan	Loan	4.25%	3/11/2021	$2,985,000	2,978,605	2,962,075
Drew Marine Group Inc.	Chemicals/Plastics	Term Loan (First Lien)	Loan	4.50%	11/19/2020	$1,489,975	1,495,721	1,473,213
Education Management LLC	Leisure Goods/ Activities/Movies	Term Loan A	Loan	5.50%	7/2/2020	$ 501,970	482,120	457,295
Education Management LLC	Leisure Goods/ Activities/Movies	Term Loan B	Loan	8.50% (2.00% Cash/6.50% PIK)	7/2/2020	$ 836,617	805,283	672,882
EIG Investors Corp.	Services: Business	Term Loan	Loan	5.00%	11/8/2019	$ 987,500	983,552	989,969
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	4.50%	8/1/2021	$ 498,750	496,403	496,102
Emerald Performance Materials, LLC	Chemicals/Plastics	Term Loan (Second Lien)	Loan	7.75%	8/1/2022	$ 500,000	497,553	484,845
EnergySolutions, LLC	Oil & Gas	Term Loan B	Loan	6.75%	5/29/2020	$ 937,857	921,126	942,546
Enviromental Resources Management	Services: Business	Term Loan	Loan	5.00%	5/14/2021	$1,000,000	990,000	985,000
Evergreen Acqco 1 LP	Retailers (Except Food and Drugs)	New Term Loan	Loan	5.00%	7/9/2019	$ 975,056	972,887	955,555
EWT Holdings III Corp. (fka WTG Holdings III Corp.)	Industrial Equipment	Term Loan (First Lien)	Loan	4.75%	1/15/2021	$1,987,481	1,982,274	1,972,575
Federal-Mogul Corporation	Automotive	Tranche C Term Loan	Loan	4.75%	4/15/2021	$2,985,000	2,971,883	2,975,687
First Data Corporation	Financial Intermediaries	2017 Second New Dollar Term Loan	Loan	3.74%	3/23/2018	$2,790,451	2,729,399	2,785,568
First Data Corporation	Financial Intermediaries	2018 Dollar Term Loan	Loan	4.24%	3/24/2021	$2,111,028	2,021,476	2,115,777
Fitness International, LLC	Leisure Goods/ Activities/Movies	Term Loan B	Loan	5.50%	7/1/2020	$1,492,500	1,482,322	1,421,606
FMG Resources (August 2006) Pty LTD (FMG America Finance, Inc.)	Nonferrous Metals/ Minerals	Loan	Loan	3.75%	6/28/2019	$1,982,462	1,982,212	1,835,423

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Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Four Seasons Holdings Inc.	Lodging & Casinos	Term Loan (First Lien)	Loan	3.50%	6/27/2020	$ 493,750	493,750	491,281
Garda World Security Corporation	Services: Business	Term B Delayed Draw Loan	Loan	4.00%	11/6/2020	$ 201,157	200,308	199,146
Garda World Security Corporation	Services: Business	Term B Loan	Loan	4.00%	11/6/2020	$ 786,343	783,060	778,479
Gardner Denver, Inc.	Oil & Gas	Initial Dollar Term Loan	Loan	4.25%	7/30/2020	$2,476,212	2,467,608	2,377,164
Gates Global LLC	Leisure Goods/ Activities/Movies	Term Loan (First Lien)	Loan	4.25%	7/3/2021	$ 498,750	493,763	494,885
Generac Power Systems, Inc.	Industrial Equipment	Term Loan B	Loan	3.25%	5/29/2020	$ 802,956	789,932	797,182
General Nutrition Centers, Inc.	Retailers (Except Food and Drugs)	Amended Tranche B Term Loan	Loan	3.25%	3/4/2019	$4,724,136	4,709,712	4,649,353
Global Tel*Link Corporation	Services: Business	Term Loan (First Lien)	Loan	5.00%	5/26/2020	$2,755,515	2,747,025	2,719,914
Goodyear Tire & Rubber Company, The	Chemicals/Plastics	Loan (Second Lien)	Loan	4.75%	4/30/2019	$3,333,333	3,296,753	3,347,933
Grosvenor Capital Management Holdings, LP	Brokers/Dealers/ Investment Houses	Initial Term Loan	Loan	3.75%	1/4/2021	$3,395,892	3,381,240	3,353,443
GTCR Valor Companies, Inc.	Services: Business	Term Loan (First Lien)	Loan	6.00%	6/1/2021	$1,995,000	1,981,582	1,965,075
Harland Clarke Holdings Corp. (fka Clarke American Corp.)	Publishing	Tranche B-4 Term Loan	Loan	6.00%	8/2/2019	$ 487,500	485,460	488,963
HCA Inc.	Healthcare & Pharmaceuticals	Tranche B-4 Term Loan	Loan	2.99%	5/1/2018	$5,663,006	5,409,534	5,658,872
Hertz Corporation, The	Automotive	Tranche B-1 Term Loan	Loan	4.00%	3/12/2018	$2,940,000	2,975,234	2,927,152
Hoffmaster Group, Inc.	Containers/Glass Products	Term Loan	Loan	5.25%	5/8/2020	$1,990,000	1,972,040	1,999,950
Huntsman International LLC	Chemicals/Plastics	Extended Term B Loan	Loan	2.69%	4/19/2017	$3,880,270	3,866,113	3,872,199
Husky Injection	Services: Business	Term Loan B	Loan	4.25%	6/30/2021	$ 498,099	495,886	495,818
Ikaria, Inc.	Healthcare & Pharmaceuticals	Initial Term Loan (First Lien)	Loan	5.00%	2/12/2021	$ 435,702	433,809	434,251
Infor (US), Inc. (fka Lawson Software Inc.)	Services: Business	Tranche B-5 Term Loan	Loan	3.75%	6/3/2020	$2,211,036	2,194,068	2,190,650
Insight Global	Services: Business	Term Loan	Loan	6.00%	10/29/2021	$2,000,000	1,990,539	1,993,760
J. Crew Group, Inc.	Retailers (Except Food and Drugs)	Term B-1 Loan Retired 03/05/2014	Loan	4.00%	3/5/2021	$ 965,206	965,206	906,493
Jazz Acquisition, Inc	Aerospace and Defense	First Lien 6/14	Loan	4.50%	6/19/2021	$ 497,576	496,332	492,913
Kinetic Concepts, Inc.	Healthcare & Pharmaceuticals	Dollar Term D-1 Loan	Loan	4.00%	5/4/2018	$2,477,613	2,453,687	2,477,167
Koosharem, LLC	Services: Business	Term Loan	Loan	7.50%	5/15/2020	$2,995,000	2,968,450	2,961,306
La Quinta Holdings, Inc.	Lodging & Casinos	Term Loan (First Lien)	Loan	4.00%	4/14/2021	$ 451,283	449,626	450,719
Level 3 Financing, Inc.	Telecommunications	Term Loan B	Loan	4.50%	1/31/2022	$ 500,000	496,541	502,085
Mauser Holdings, Inc.	Containers/Glass Products	Term Loan	Loan	4.50%	7/31/2021	$ 498,750	496,409	491,269
Michaels Stores, Inc.	Retailers (Except Food and Drugs)	Term B Loan	Loan	3.75%	1/28/2020	$ 491,250	491,250	488,258

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Michaels Stores, Inc.	Retailers (Except Food and Drugs)	Term Loan B-2	Loan	4.00%	1/28/2020	$1,492,500	1,485,638	1,488,769
Microsemi Corporation	Electronics/Electric	Incremental Term Loan	Loan	3.50%	2/19/2020	$2,393,981	2,389,500	2,381,509
Microsemi Corporation	Electronics/Electric	Term Loan	Loan	3.75%	2/19/2020	$ 172,170	172,170	171,309
Midas Intermediate Holdco II, LLC	Automotive	Delayed Draw Term Loan	Loan	4.75%	8/18/2021	$ 25,253	25,253	25,364
Midas Intermediate Holdco II, LLC	Automotive	Term Loan B	Loan	4.75%	8/18/2021	$ 224,122	223,063	225,103
Millenium Laboratories, LLC	Drugs	Term Loan	Loan	5.25%	4/16/2021	$1,492,500	1,479,041	1,489,396
Mitel US Holdings, Inc.	Telecommunications	Term Loan	Loan	5.25%	1/31/2020	$ 196,558	195,710	196,411
MPH Acquisition Holdings LLC	Healthcare & Pharmaceuticals	Term Loan	Loan	3.75%	3/31/2021	$ 445,455	444,453	442,033
MSC Software Corp.	Services: Business	Term Loan	Loan	5.00%	5/29/2020	$ 995,000	986,186	996,244
National CineMedia, LLC	Leisure Goods/ Activities/Movies	Term Loan (2013)	Loan	2.95%	11/26/2019	$1,086,207	1,058,933	1,067,198
National Veterinary Associates, Inc	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.75%	8/14/2021	$ 997,500	992,907	996,253
National Vision, Inc.	Retailers (Except Food and Drugs)	Term Loan (Second Lien)	Loan	6.75%	3/11/2022	$ 250,000	249,730	240,418
Newsday, LLC	Publishing	Term Loan	Loan	3.69%	10/12/2016	$2,215,385	2,214,305	2,201,538
Nortek, Inc.	Electronics/Electric	Term B Loan	Loan	3.75%	10/30/2020	$ 995,000	992,803	986,921
Novelis, Inc.	Conglomerate	Initial Term Loan	Loan	3.75%	3/10/2017	$4,807,530	4,817,740	4,799,502
NPC International, Inc.	Food Services	Term Loan (2013)	Loan	4.00%	12/28/2018	$ 486,250	486,250	480,780
NRG Energy, Inc.	Utilities	Term Loan (2013)	Loan	2.75%	7/2/2018	$3,861,225	3,842,164	3,850,761
NuSil Technology LLC.	Chemicals/Plastics	Term Loan	Loan	5.25%	4/7/2017	$ 797,986	797,986	791,004
Ollie’s Bargain Outlet, Inc	Retailers (Except Food and Drugs)	Term Loan	Loan	4.75%	9/30/2019	$ 977,052	972,882	962,396
On Assignment, Inc.	Services: Business	Initial Term B Loan	Loan	3.50%	5/15/2020	$1,311,364	1,303,451	1,301,528
Onex Carestream Finance LP	Healthcare & Pharmaceuticals	Term Loan (First Lien 2013)	Loan	5.00%	6/7/2019	$4,074,401	4,059,378	4,078,842
OnexYork Acquisition Co	Healthcare & Pharmaceuticals	Delayed Draw Term Loan	Loan	4.75%	10/1/2021	$ —	—	—
OnexYork Acquisition Co	Healthcare & Pharmaceuticals	Term Loan B	Loan	4.75%	10/1/2021	$ 498,750	495,208	496,466
OpenLink International LLC	Services: Business	Term B Loan	Loan	6.25%	10/28/2017	$ 970,000	970,000	957,875
Orbitz Worldwide, Inc.	Services: Business	Term Loan (First Lien)	Loan	4.50%	4/15/2021	$1,494,994	1,492,711	1,494,755
P.F. Chang’s China Bistro, Inc. (Wok Acquisition Corp.)	Food/Drug Retailers	Term Borrowing	Loan	4.25%	6/24/2019	$1,447,901	1,440,712	1,406,274
P2 Upstream Acquisition Co. (P2 Upstream Canada BC ULC)	Services: Business	Term Loan (First Lien)	Loan	5.00%	10/30/2020	$ 990,000	985,444	947,925
Par Pharmaceutical	Healthcare & Pharmaceuticals	Term Loan B3	Loan	4.25%	9/28/2019	$ 500,000	497,502	499,065
PetCo Animal Supplies Stores, Inc.	Retailers (Except Food and Drugs)	New Loans	Loan	4.00%	11/24/2017	$1,469,388	1,468,520	1,467,066
PetSmart	Retail	Term Loan B	Loan	5.00%	3/11/2022	$1,000,000	995,000	1,007,050
PGX Holdings, Inc.	Financial Intermediaries	Term Loan	Loan	6.25%	9/29/2020	$ 993,750	984,482	993,750

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)	Conglomerate	2013 Term Loan	Loan	4.00%	12/5/2018	$ 1,940,400	1,918,409	1,935,898
Phillips-Medisize Corporation	Healthcare & Pharmaceuticals	Term Loan	Loan	4.75%	6/16/2021	$ 497,500	495,245	495,948
Pinnacle Foods Finance LLC	Food Products	New Term Loan G	Loan	3.00%	4/29/2020	$ 2,581,332	2,576,466	2,565,560
Planet Fitness Holdings LLC	Leisure Goods/ Activities/Movies	Term Loan	Loan	4.75%	3/31/2021	$ 1,488,750	1,482,052	1,488,750
Polymer Group, Inc.	Chemicals/Plastics	Initial Loan	Loan	5.25%	12/19/2019	$ 495,000	492,860	495,619
Presidio	Services: Business	Term Loan B	Loan	6.25%	2/2/2022	$ 2,000,000	1,940,655	1,973,760
Prestige Brands, Inc.	Drugs	Term B-1 Loan	Loan	4.13%	1/31/2019	$ 344,697	341,112	344,697
Prestige Brands, Inc.	Leisure Goods/ Activities/Movies	Term Loan	Loan	4.50%	9/3/2021	$ 1,861,111	1,858,280	1,860,534
QoL Meds, LLC	Healthcare & Pharmaceuticals	Term Loan B	Loan	5.50%	7/15/2020	$ 1,995,000	1,985,909	1,990,013
Quintiles Transnational Corp.	Conglomerate	Term B-3 Loan	Loan	3.75%	6/8/2018	$ 3,627,678	3,600,425	3,628,802
Ranpak Holdings, Inc.	Services: Business	Term Loan	Loan	4.75%	10/1/2021	$ 997,500	995,145	996,882
Ranpak Holdings, Inc.	Services: Business	Term Loan (Second Lien)	Loan	8.25%	9/30/2022	$ 500,000	497,672	496,250
Redtop Acquisitions Limited	Electronics/Electric	Initial Dollar Term Loan (First Lien)	Loan	4.50%	12/3/2020	$ 495,000	491,974	494,381
Rexnord LLC/RBS Global, Inc.	Industrial Equipment	Term B Loan	Loan	4.00%	8/21/2020	$ 1,646,799	1,648,172	1,642,172
Reynolds Group Holdings Inc.	Industrial Equipment	Incremental U.S. Term Loan	Loan	4.00%	12/1/2018	$ 1,960,200	1,960,200	1,965,767
Riverbed Technology	Technology	Term Loan B	Loan	6.00%	2/25/2022	$ 1,000,000	995,000	1,007,500
Rocket Software, Inc.	Services: Business	Term Loan (First Lien)	Loan	5.75%	2/8/2018	$ 1,916,674	1,898,764	1,906,285
Rovi Solutions Corporation / Rovi Guides, Inc.	Electronics/Electric	Tranche B-3 Term Loan	Loan	3.75%	7/2/2021	$ 1,492,500	1,485,607	1,479,441
RPI Finance Trust	Drugs	Term B-2 Term Loan	Loan	3.25%	5/9/2018	$ 5,207,431	5,188,396	5,219,147
SBP Holdings LP	Industrial Equipment	Term Loan (First Lien)	Loan	5.00%	3/27/2021	$ 992,500	988,065	863,475
Scientific Games International, Inc.	Electronics/Electric	Term Loan B2	Loan	6.00%	10/1/2021	$ 1,000,000	990,433	998,040
Scitor Corporation	Services: Business	Term Loan	Loan	5.00%	2/15/2017	$ 463,977	462,387	461,077
Seadrill	Oil & Gas	Term Loan B	Loan	4.00%	2/21/2021	$ 997,481	917,590	806,294
Sensata Technologies B.V./Sensata Technology Finance Company, LLC	Industrial Equipment	Term Loan	Loan	3.25%	5/13/2019	$ 1,509,445	1,509,445	1,511,603
Sensus USA Inc. (fka Sensus Metering Systems)	Utilities	Term Loan (First Lien)	Loan	4.50%	5/9/2017	$ 1,925,067	1,920,548	1,925,067
ServiceMaster Company, The	Conglomerate	Tranche B Term Loan	Loan	4.25%	7/1/2021	$ 1,995,000	1,976,650	1,994,641
Shearers Foods LLC	Food Services	Term Loan (First Lien)	Loan	4.50%	6/30/2021	$ 997,500	995,166	996,253
Sonneborn, LLC	Chemicals/Plastics	Term Loan (First Lien)	Loan	5.50%	12/10/2020	$ 225,000	224,471	225,000
Sonneborn, LLC	Chemicals/Plastics	Initial US Term Loan	Loan	5.50%	12/10/2020	$ 1,275,000	1,272,004	1,275,000

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Sophia, L.P.	Electronics/Electric	Term B Loan	Loan	4.00%	7/19/2018	$ 886,138	877,732	884,756
SourceHOV LLC	Services: Business	Term Loan B (First Lien)	Loan	7.75%	10/31/2019	$ 2,000,000	1,942,284	1,915,000
Southwire Company, LLC (f.k.a Southwire Company)	Building and Development	Initial Term Loan	Loan	3.25%	2/10/2021	$ 496,250	495,181	485,084
SRAM, LLC	Industrial Equipment	Term Loan (First Lien)	Loan	4.00%	4/10/2020	$ 2,967,681	2,957,888	2,952,842
Steak ‘n Shake Operations, Inc.	Food Services	Term Loan	Loan	4.75%	3/19/2021	$ 992,500	983,723	975,131
STHI Holding	Healthcare & Pharmaceuticals	Term Loan	Loan	4.50%	8/6/2021	$ 997,500	997,500	994,388
SunGard Data Systems Inc. (Solar Capital Corp.)	Conglomerate	Tranche C Term Loan	Loan	3.90%	2/28/2017	$ 285,352	283,117	285,084
SunGard Data Systems Inc. (Solar Capital Corp.)	Conglomerate	Tranche E Term Loan	Loan	4.00%	3/9/2020	$ 3,707,953	3,618,899	3,706,804
SuperMedia Inc. (fka Idearc Inc.)	Publishing	Loan	Loan	11.60%	12/30/2016	$ 238,660	232,462	203,756
Syniverse Holdings, Inc.	Telecommunications	Initial Term Loan	Loan	4.00%	4/23/2019	$ 479,913	476,105	473,314
TGI Friday’s	Food Services	Term Loan B	Loan	5.25%	7/15/2020	$ 267,977	266,768	267,642
TGI Friday’s	Food Services	Term Loan (Second Lien)	Loan	9.25%	7/15/2021	$ 2,000,000	2,016,250	2,000,000
TPF II Power LLC and TPF II Covert Midco LLC	Utilities	Term Loan B	Loan	5.50%	10/2/2021	$ 500,000	496,689	504,790
TransDigm, Inc.	Aerospace and Defense	Tranche C Term Loan	Loan	3.75%	2/28/2020	$ 4,847,054	4,856,484	4,824,661
TransFirst	Financial Intermediaries	Term Loan	Loan	5.50%	11/12/2021	$ 500,000	495,182	502,815
TransUnion	Financial Intermediaries	Term Loan	Loan	4.00%	4/9/2021	$ 496,250	495,138	493,977
Tricorbraun, Inc. (fka Kranson Industries, Inc.)	Containers/Glass Products	Term Loan	Loan	4.00%	5/3/2018	$ 1,850,000	1,843,008	1,822,250
Truven Health Analytics Inc. (fka Thomson Reuters (Healthcare) Inc.)	Healthcare & Pharmaceuticals	New Tranche B Term Loan	Loan	4.50%	6/6/2019	$ 487,566	479,874	481,471
Twin River Management Group, Inc.	Lodging & Casinos	Term Loan B	Loan	5.25%	7/10/2020	$ 974,167	976,455	975,998
U.S. Security Associates Holdings, Inc.	Services: Business	Delayed Draw Loan	Loan	6.25%	7/28/2017	$ 158,518	157,610	156,734
U.S. Security Associates Holdings, Inc.	Services: Business	Term B Loan	Loan	6.25%	7/28/2017	$ 931,046	926,144	920,572
United Surgical Partners International, Inc.	Healthcare & Pharmaceuticals	New Tranche B Term Loan	Loan	4.75%	4/3/2019	$ 2,431,749	2,408,580	2,431,749
Univar Inc.	Chemicals/Plastics	Term B Loan	Loan	5.00%	6/30/2017	$ 3,844,964	3,844,749	3,813,935
Univision Communications Inc.	Telecommunications	Replacement First-Lien Term Loan	Loan	4.00%	3/1/2020	$ 2,947,446	2,931,982	2,940,549
Valeant Pharmaceuticals International, Inc.	Drugs	Series D2 Term Loan B	Loan	3.50%	2/13/2019	$ 2,545,588	2,537,415	2,539,683
Verint Systems Inc.	Services: Business	Term Loan	Loan	3.50%	9/6/2019	$ 1,264,058	1,259,623	1,259,634
Vertafore, Inc.	Services: Business	Term Loan (2013)	Loan	4.25%	10/3/2019	$ 2,881,003	2,881,003	2,878,294
Vouvray US Finance	Industrial Equipment	Term Loan	Loan	5.00%	6/28/2021	$ 497,500	495,243	499,366

Issuer Name	Industry	Asset Name	Asset Type	Current Rate	Maturity Date	Principal/ Number of Shares	Cost	Fair Value
Washington Inventory Service	Services: Business	U.S. Term Loan (First Lien)	Loan	5.75%	12/20/2018	$ 1,832,876	1,851,978	1,796,218
Waste Industries	Environmental	Term Loan B	Loan	4.25%	2/27/2020	$ 250,000	249,375	250,520
Wendy's International, Inc	Food Services	Term B Loan	Loan	3.25%	5/15/2019	$ 673,630	668,099	670,545
West Corporation	Telecommunications	Term B-10 Loan	Loan	3.25%	6/30/2018	$ 2,571,560	2,605,923	2,562,998
							$ 297,760,340	**$ 295,239,268**

	Principal/ Number of Shares	Cost	Fair Value
Cash and cash equivalents			
U.S. Bank Money Market(a)	$ 5,831,797	$ 5,831,797	$ 5,831,797
Total cash and cash equivalents	$ 5,831,797	$ 5,831,797	$ 5,831,797

(a) Included within cash and cash equivalents in Saratoga CLO's Statements of Assets and Liabilities as of February 28, 2015.

Saratoga Investment Corp. CLO 2013-1, Ltd.

Statements of Changes in Net Assets

	For the year ended February 29, 2016	For the year ended February 28, 2015	For the year ended February 28, 2014
INCREASE FROM OPERATIONS:			
Net investment income (loss)	$ 104,587	$ 793,848	$ (2,143,630)
Net realized gain (loss) from investments	419,096	620,817	(8,815,296)
Net unrealized appreciation (depreciation) on investments	(16,277,895)	(3,874,583)	6,776,871
Net decrease in net assets from operations	(15,754,212)	(2,459,918)	(4,182,055)
Total decrease in net assets	(15,754,212)	(2,459,918)	(4,182,055)
Net assets at beginning of period	(5,803,156)	(3,343,238)	838,817
Net assets at end of period	$ (21,557,368)	$ (5,803,156)	$ (3,343,238)

See accompanying notes to financial statements.

Saratoga Investment Corp. CLO 2013-1, Ltd.

Statements of Cash Flows

	For the year ended February 29, 2016	For the year ended February 28, 2015	For the year ended February 28, 2014
Operating activities			
NET DECREASE IN NET ASSETS FROM OPERATIONS	$ (15,754,212)	$ (2,459,918)	$ (4,182,055)
ADJUSTMENTS TO RECONCILE NET DECREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES:			
Paid-in-kind interest income	(56,830)	(167,097)	(10,122)
Net accretion of discount on investments	(280,310)	(454,809)	(568,674)
Amortization of deferred debt financing costs	955,858	953,862	994,602
Loss on extinguishment of debt	—	—	3,442,442
Net realized (gain) loss from investments	(419,096)	(620,817)	8,815,296
Net unrealized (appreciation) depreciation on investments	16,277,895	3,874,583	(6,776,871)
Proceeds from sale and redemption of investments	142,862,138	141,358,326	128,190,654
Purchase of investments	(147,989,317)	(138,738,379)	(55,721,381)
(Increase) decrease in operating assets:			
Interest receivable	(407,925)	160,315	134,033
Receivable from open trades	(572,144)	(318,421)	3,330,272
Other assets	—	91,336	(91,336)
Increase (decrease) in operating liabilities:			
Interest payable	(5,846)	9,410	(43,645)
Payable from open trades	1,909,523	(4,230,669)	(6,901,250)
Accrued base management fee	(949)	10,904	31,882
Accrued subordinated management fee	(949)	10,904	(97,629)
NET CASH (USED BY) PROVIDED BY OPERATING ACTIVITIES	(3,482,164)	(520,470)	70,546,218
Financing activities			
Borrowings on debt	—	—	277,711,620
Paydowns on debt	—	(1,666,666)	(366,793,378)
Deferred debt financing costs	—	—	(2,250,398)
NET CASH USED BY FINANCING ACTIVITIES	—	(1,666,666)	(91,332,156)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,482,164)	(2,187,136)	(20,785,938)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,831,797	8,018,933	28,804,871
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,349,633	$ 5,831,797	$ 8,018,933
Supplemental Information:			
Interest paid during the period	$ 11,702,603	$ 9,625,726	$ 11,722,159
Supplemental non-cash information:			
Paid-in-kind interest income	$ 56,830	$ 167,097	$ 10,122
Net accretion of discount on investments	$ 280,310	$ 454,809	$ 568,674
Amortization of deferred debt financing costs	$ 955,858	$ 953,862	$ 994,602

See accompanying notes to financial statements.

SARATOGA INVESTMENT CORP. CLO 2013-1, LTD.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Purpose

Saratoga Investment Corp. CLO 2013-1, Ltd. (the "Issuer", "we", "our", "us", "CLO" and "Saratoga CLO"), an exempted company with limited liability incorporated under the laws of the Cayman Islands was formed on November 28, 2007 and commenced operations on January 22, 2008. The Issuer was established to acquire or participate in U.S. dollar-denominated corporate debt obligations.

On January 22, 2008, the Issuer issued $400.0 million of notes, consisting of Class A Floating Rate Senior Notes, Class B Floating Rate Senior Notes, Class C Deferrable Floating Rate Notes, Class D Deferrable Floating Rate Notes, Class E Deferrable Floating Rate Notes (collectively the "Secured Notes"), and Subordinated Notes. The notes were issued pursuant to an indenture, dated January 22, 2008 (the "Indenture"), with U.S. Bank National Association (the "Trustee") servicing as the Trustee there under.

On October 17, 2013, in a refinancing transaction, the Issuer issued $284.9 million of notes (the "2013-1 CLO Notes"), consisting of Class X Floating Rate Senior Notes, Class A-1 Floating Rate Senior Notes, Class A-2 Floating Rate Senior Notes, Class B Floating Rate Senior Notes, Class C Deferrable Floating Rate Notes, Class D Deferrable Floating Rate Notes, Class E Deferrable Floating Rate Notes, and Class F Deferrable Floating Rate Notes. The 2013-1 CLO Notes were issued pursuant to the Indenture with the same Trustee. Proceeds of the issuance of the 2013-1 CLO Notes were used, along with existing assets held by the Trustee, to redeem all of the Secured Notes issued in 2008. As of February 29, 2016, Saratoga Investment Corp. owned 100% of the Subordinated Notes of the CLO.

Pursuant to an investment management agreement (the "Investment Management Agreement"), Saratoga Investment Corp. (the "Investment Manager"), provides investment management services to the Issuer, and makes day-to-day investment decisions concerning the assets of the Issuer. The Investment Manager also performs certain administrative services on behalf of the Issuer under the Investment Management Agreement.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are stated in U.S. dollars. The following is a summary of the significant accounting policies followed by the Issuer in the preparation of its financial statements.

The Issuer is considered to be an investment company for financial reporting purposes and has applied the guidance in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *"Financial Services—Investment Companies."* There has been no change to the Issuer's status as an investment company during the year ended February 29, 2016.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires the Investment Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, including the fair value of investments, and the amounts of income and expenses during the reporting period. Actual results could differ from these estimates and such differences could be material.

Cash and Cash Equivalents

The Issuer defines cash and cash equivalents as highly liquid financial instruments with original maturities of three months or less. Cash and cash equivalents may include investments in money market mutual funds,

which are carried at fair value. At February 29, 2016 and February 28, 2015, cash and cash equivalents amounted to $2.3 million and $5.8 million, respectively, and are swept on an overnight basis into a money market deposit account and invested in shares of JP Morgan Liquidity Institutional fund held at the Trustee.

Valuation of Investments

The Issuer accounts for its investments at fair value in accordance with the FASB ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Issuer to assume that its investments are to be sold at the statement of assets and liabilities date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by the Investment Manager to approve a fair value determination to reflect significant events affecting the value of these investments. The Investment Manager values investments for which market quotations are not readily available at fair value. Determinations of fair value may involve significant judgments and estimates. The types of factors that may be considered in determining the fair value of investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that are ultimately realized upon the disposal of such investments.

Investment Transactions and Income Recognition

Purchases and sales of investments and the related realized gains or losses are recorded on a trade-date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Issuer stops accruing interest on its investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortizations of premium on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon the Investment Manager's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Paid-in-Kind Interest

The Issuer holds debt investments in its portfolio that contain a PIK interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity,

is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Deferred Debt Financing Costs, net

In April 2015, the FASB has issued Accounting Standards Update ("ASU") No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, and early adoption is allowed, and is to be applied on a retrospective basis. Management has adopted the provisions of ASU 2015-03 as of February 28, 2015, by reclassifying deferred debt financing costs from within total assets to within total liabilities as a contra-liability. The adoption of the provisions of ASU 2015-03 did not materially impact the Issuer's financial position or results of operations. Prior period amounts were reclassified to conform to the current period presentation.

Included in deferred debt financing costs of $1.7 million as of February 29, 2016 and $1.9 million as of February 28, 2015 are structuring fees of the investment bank, rating agency fees and legal fees associated with the issuance of the 2013-1 CLO Notes on October 17, 2013. Such costs have been capitalized and amortized using an effective yield method, over the life of the related notes.

Deferred debt financing costs of $1.6 million, incurred in connection with the issuance of the Secured Notes, were expensed when the Secured Notes were extinguished on October 17, 2013.

Management Fees

The Issuer is externally managed by the Investment Manager pursuant to the Investment Management Agreement. As compensation for the performance of its obligations under the Investment Management Agreement, the Investment Manager is entitled to receive from the Issuer a base management fee (the "Base Management Fee"), a subordinated management fee (the "Subordinated Management Fee") and an incentive management fee (the "Incentive Management Fee"). The Base Management Fee is payable in arrears quarterly (subject to availability of funds and to the satisfaction of payment obligations on the debt obligations of the Issuer (the "Priority of Payments") in an amount equal to 0.25% per annum of the fee basis amount at the beginning of the collection period. The Subordinated Management Fee is payable in arrears quarterly (subject to availability of funds and to the Priority of Payments) in an amount equal to 0.25% per annum of the fee basis amount at the beginning of the Collection Period. The Incentive Management Fee equals 20% of the remaining interest proceeds and principal proceeds, if any, after the Subordinated Notes have realized the incentive management fee target return of 12.0%, in accordance with the Priority of Payments after making the prior distributions on the relevant payment date. For the years ended February 29, 2016, February 28, 2015 and 2014, no Incentive Management Fees have been paid.

Expenses

The Issuer bears its own organizational and offering expenses, all expenses related to its investment program and expenses incurred in connection with its operations including, but not limited to, external legal, administrative, trustee, accounting, tax and audit expenses, costs related to trading, acquiring, monitoring or disposing of investments of the Issuer, and interest and other borrowing expenses, expenses of preparing and distributing reports, financial statements, and litigation or other extraordinary expenses. The Issuer has retained the Trustee to provide trustee services. Additionally, the Trustee performs loan administration, debt covenant compliance calculations, and monitoring and reporting services. For the years ended February 29, 2016, February 28, 2015 and 2014, the Issuer paid $0.1 million, $0.1 million, $0.1 million, respectively, for trustee services provided and is included in other expenses in the statements of operations.

Interest Expense

The Issuer has issued rated and unrated notes to finance its operations. Interest on debt is calculated by the Trustee for the Issuer. Interest is accrued and generally paid quarterly. For the years ended February 29, 2016, February 28, 2015 and 2014, $5.6 million, $3.7 million and $5.7 million of payments to the Subordinated Notes were included in interest expense on the statements of operations, respectively.

Risk Management

In the ordinary course of its business, the Issuer manages a variety of risks, including market risk and credit risk. Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions such as interest rate movements and volatility in investment prices.

Credit risk is the risk of default or non-performance by portfolio companies, equivalent to the investment's carrying amount.

The Issuer is also exposed to credit risk related to maintaining all of its cash and cash equivalents, including those in reserve accounts, at a major financial institution.

The Issuer has investments in lower rated and comparable quality unrated high yield bonds and bank loans. Investments in high yield investments are accompanied by a greater degree of credit risk. The risk of loss due to default by the issuer is significantly greater for holders of high yield securities, because such investments are generally unsecured and are often subordinated to other creditors of the issuer.

New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 retains many current requirements for the classification and measurement of financial instruments; however, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted for public business entities. Management is currently evaluating the impact the adoption of this standard has on the Issuer's financial statements and disclosures.

In August 2015, the FASB issued ASU 2015-15, *Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"). ASU 2015-15 updates the accounting guidance included in ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The updated accounting guidance provided by ASU 2015-15 was the result of the Emerging Issues Task Force meeting, held on June 18, 2015, at which the SEC staff stated that the SEC would not object to an entity deferring and presenting costs related to revolving debt arrangements as an asset. As the Issuer previously adopted the provisions of ASU 2015-03 and reclassified all deferred debt financing costs from within total assets to within total liabilities as a contra-liability effective as of February 28, 2015, it has chosen not to avail itself of the updated accounting treatment provided by ASU 2015-15 and continues to include all deferred debt financing costs as a contra-liability within total liabilities.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 significantly changes the consolidation analysis required under GAAP and ends the deferral granted to investment companies from applying the variable interest entity guidance. ASU 2015-02 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015 and early adoption is permitted. Management does not believe these changes will have a material impact on the Issuer's financial statements and disclosures.

In August 2014, the FASB issued new accounting guidance that requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The amendments provide a definition of the term "substantial doubt" and include principles for considering the mitigating effect of management's plans. The amendments also require an evaluation every reporting period, including interim periods for a period of one year after the date that the financial statements are issued (or available to be issued), and certain disclosures when substantial doubt is alleviated or not alleviated. The amendments in this update are effective for reporting periods ending after December 15, 2016. Management does not believe these changes will have a material impact on the Issuer's financial statements and disclosures.

In May 2014, the FASB issued ASU *2014-09, Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Revenue Recognition (Topic 605). Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016, and early application is not permitted. Management is currently evaluating the impact these changes will have on the Issuer's financial statements and disclosures.

3. Fair Value Measurements

As noted above, the Issuer values all investments in accordance with ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Issuer is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Issuer has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs used in the determination of fair value may require significant management judgment or estimation. Such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as a Level 3 asset, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Issuer continues to employ the valuation policy that is consistent with ASC 820 and the 1940 Act.

The following table presents fair value measurements of investments, by major class, as of February 29, 2016, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Term loans	$ —	$239,255,853	$45,397,073	$284,652,926
Equity interest	—	190,095	1,768	191,863
Total	$ —	$239,445,948	$45,398,841	$284,844,789

The following table presents fair value measurements of investments, by major class, as of February 28, 2015, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Term loans	$ —	$294,621,817	$ —	$294,621,817
Equity interest	—	617,451	—	617,451
Total	$ —	$295,239,268	$ —	$295,239,268

Transfers into or out of Level 1, 2 or 3 are recognized at the reporting date.

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended February 29, 2016:

	Term Loans	Equity Interest	Total
Balance as of February 28, 2015	$ —	$ —	$ —
Net unrealized depreciation	(2,839,083)	(615,683)	(3,454,766)
Purchases and other adjustments to cost	19,713,411	—	19,713,411
Sales and redemptions	(10,930,430)	—	(10,930,430)
Net realized gain from investments	6,887	—	6,887
Net transfers in Level 3(1)	39,446,288	617,451	40,063,739
Balance as of February 29, 2016	$ 45,397,073	$ 1,768	$ 45,398,841

(1) The Issuer's investment in Level 3 investments were classified as such during the year ended February 29, 2016, as market quotes for these investments are only provided by one trading desk.

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended February 28, 2015:

	Term Loans
Balance as of February 28, 2014	$ 2,618,899
Net unrealized appreciation	18,651
Purchases and other adjustments to cost	3,840
Sales and redemptions	(2,658,626)
Net realized gain from investments	17,236
Balance as of February 28, 2015	$ —

Transfers into or out of Level 3 are recognized at the reporting date.

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received from investments sold, and principal paydowns received, during the period.

The net unrealized depreciation on Level 3 investments held as of February 29, 2016 was $3.4 million, and is included in net unrealized depreciation on investments in the statements of operations. There were no Level 3 investments held as of February 28, 2015.

Significant unobservable inputs used in the fair value measurement of the Level 3 term loans and equity include market quotations available from multiple dealers. A significant increase (decrease) in the market quote, in isolation, would result in a significantly lower (higher) fair value measurement.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of February 29, 2016 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Range
Term loans	45,397,073	Market Comparables	Third-Party Bid	32.00% - 100.00%
Equity interest	1,768	Market Comparables	Third-Party Bid	0.01% - 12.83%

4. Financing

On January 22, 2008, the Issuer issued $400.0 million of notes, consisting of Class A Floating Rate Senior Notes, Class B Floating Rate Senior Notes, Class C Deferrable Floating Rate Notes, Class D Deferrable Floating Rate Notes, Class E Deferrable Floating Rate Notes (collectively the “Secured Notes”), and Subordinated Notes. The notes were issued pursuant to the Indenture.

The Secured Notes are limited recourse obligations of the Issuer. The Subordinated Notes are unsecured, limited recourse debt obligations of the Issuer.

On October 17, 2013, the Issuer issued $284.9 million of notes (the “2013-1 CLO Notes”), consisting of Class X Floating Rate Senior Notes, Class A-1 Floating Rate Senior Notes, Class A-2 Floating Rate Senior Notes, Class B Floating Rate Senior Notes, Class C Deferrable Floating Rate Notes, Class D Deferrable Floating Rate Notes, Class E Deferrable Floating Rate Notes, and Class F Deferrable Floating Rate Notes. The 2013-1 CLO Notes were issued pursuant to the Indenture with the same Trustee. Proceeds of the issuance of the 2013-1 CLO Notes were used along with existing assets held by the Trustee to redeem all of the Secured Notes issued in 2008. The Subordinated Notes were not included in the refinancing transaction.

The 2013-1 CLO Notes are limited recourse obligations of the Issuer. The Subordinated Notes are unsecured, limited recourse debt obligations of the Issuer.

The relative order of seniority of payment of each class of securities is, as follows: first, Class X Notes, second, Class A-1 Notes, third, Class A-2 Notes, fourth, Class B Notes, fifth, Class C Notes, sixth, Class D Notes, seventh, Class E Notes, eighth, Class F Notes, and ninth, the Subordinated Notes, with (a) each class of securities (other than the Subordinated Notes) in such list being senior to each other class of securities that follows such class of securities in such list and (b) each class of securities (other than the Class X Notes) in such list being subordinate to each other class of securities that precedes such class of securities in such list. The Subordinated Notes are subordinated to the 2013-1 CLO Notes and are entitled to periodic payments from interest proceeds available in accordance with the Priority of Payments.

The table below sets forth certain information for each outstanding class of notes issued, pursuant to the Indenture on October 17, 2013, at February 29, 2016:

Debt Security	Interest Rate	Maturity	Principal Amount	Amount Outstanding
Class A-1 Floating Rate Senior Notes	LIBOR + 1.30%	October 20, 2023	$170,000,000	$170,000,000
Class A-2 Floating Rate Senior Notes	LIBOR + 1.50%	October 20, 2023	20,000,000	20,000,000
Class B Floating Rate Senior Notes	LIBOR + 2.00%	October 20, 2023	44,800,000	44,800,000
Class C Deferrable Floating Rate Notes	LIBOR + 2.90%	October 20, 2023	16,000,000	16,000,000
Class D Deferrable Floating Rate Notes	LIBOR + 3.50%	October 20, 2023	14,000,000	14,000,000
Class E Deferrable Floating Rate Notes	LIBOR + 4.50%	October 20, 2023	13,100,000	13,100,000
Class F Deferrable Floating Rate Notes	LIBOR + 5.75%	October 20, 2023	4,500,000	4,500,000
Subordinated Notes	N/A	October 20, 2023	30,000,000	30,000,000
			$312,400,000	$312,400,000

The table below sets forth certain information for each outstanding class of notes issued, pursuant to the Indenture on October 17, 2013, at February 28, 2015:

Debt Security	Interest Rate	Maturity	Principal Amount	Amount Outstanding
Class A-1 Floating Rate Senior Notes	LIBOR + 1.30%	October 20, 2023	$170,000,000	$170,000,000
Class A-2 Floating Rate Senior Notes	LIBOR + 1.50%	October 20, 2023	20,000,000	20,000,000
Class B Floating Rate Senior Notes	LIBOR + 2.00%	October 20, 2023	44,800,000	44,800,000
Class C Deferrable Floating Rate Notes	LIBOR + 2.90%	October 20, 2023	16,000,000	16,000,000
Class D Deferrable Floating Rate Notes	LIBOR + 3.50%	October 20, 2023	14,000,000	14,000,000
Class E Deferrable Floating Rate Notes	LIBOR + 4.50%	October 20, 2023	13,100,000	13,100,000
Class F Deferrable Floating Rate Notes	LIBOR + 5.75%	October 20, 2023	4,500,000	4,500,000
Subordinated Notes	N/A	October 20, 2023	30,000,000	30,000,000
			$312,400,000	$312,400,000

The following table shows each outstanding class of notes issued, pursuant to the Indenture, at fair value at February 29, 2016:

Debt Security	February 29, 2016
Class A-1 Floating Rate Senior Notes	$ 168,738,419
Class A-2 Floating Rate Senior Notes	19,899,837
Class B Floating Rate Senior Notes	43,780,120
Class C Deferrable Floating Rate Notes	14,987,621
Class D Deferrable Floating Rate Notes	12,941,289
Class E Deferrable Floating Rate Notes	10,358,170
Class F Deferrable Floating Rate Notes	3,027,150
Subordinated Notes	12,827,980
	$ 286,560,586

The following table shows each outstanding class of notes issued, pursuant to the Indenture, at fair value at February 28, 2015:

Debt Security	February 28, 2015
Class A-1 Floating Rate Senior Notes	$ 168,987,651
Class A-2 Floating Rate Senior Notes	19,973,973
Class B Floating Rate Senior Notes	44,569,451
Class C Deferrable Floating Rate Notes	15,898,369
Class D Deferrable Floating Rate Notes	13,737,672
Class E Deferrable Floating Rate Notes	12,404,616
Class F Deferrable Floating Rate Notes	4,234,225
Subordinated Notes	17,031,146
	$ 296,837,103

These notes are fair valued based on a discounted cash flow model, specifically using Intex cash flow models, to form the basis for the valuation and would be classified as level 3 liabilities within the fair value hierarchy.

The following table provides the weighted average interest rate for the years ended February 29, 2016, February 28, 2015 and February 28, 2014:

		Weighted Average Interest Rate		
Debt Security	Interest Rate	February 29, 2016	February 28, 2015	February 28, 2014
2013-1 CLO Notes				
Class X Floating Rate Senior Notes	LIBOR + 1.05%	N/A	1.28%	1.29%
Class A-1 Floating Rate Senior Notes	LIBOR + 1.30%	1.62%	1.53%	1.54%
Class A-2 Floating Rate Senior Notes	LIBOR + 1.50%	1.82%	1.73%	1.74%
Class B Floating Rate Senior Notes	LIBOR + 2.00%	2.32%	2.23%	2.24%
Class C Deferrable Floating Rate Notes	LIBOR + 2.90%	3.22%	3.13%	3.14%
Class D Deferrable Floating Rate Notes	LIBOR + 3.50%	3.82%	3.73%	3.74%
Class E Deferrable Floating Rate Notes	LIBOR + 4.50%	4.82%	4.73%	4.74%
Class F Deferrable Floating Rate Notes	LIBOR + 5.75%	6.07%	5.98%	5.99%
Subordinated Notes	N/A	N/A	N/A	N/A

Debt Security	Interest Rate	Weighted Average Interest Rate February 29, 2016	February 28, 2015	February 28, 2014
Secured Notes				
Class A Floating Rate Senior Notes	LIBOR + 0.75%	N/A	N/A	1.03%
Class B Floating Rate Senior Notes	LIBOR + 2.50%	N/A	N/A	2.78%
Class C Deferrable Floating Rate Notes	LIBOR + 3.75%	N/A	N/A	4.03%
Class D Deferrable Floating Rate Notes	LIBOR + 4.70%	N/A	N/A	4.98%
Class E Deferrable Floating Rate Notes	LIBOR + 6.45%	N/A	N/A	6.73%

The Indenture provides that payments on the Subordinated Notes shall rank subordinate in priority of payment to payments due on all classes of 2013-1 CLO Notes and subordinate in priority of payment to the payment of fees and expenses. Distributions on the Subordinated Notes are limited to the assets of the Issuer remaining after payment of all of the liabilities of the Issuer that rank senior in priority of payment to the Subordinated Notes. To the extent that the proceeds from the collateral are not sufficient to make distributions on the Subordinated Notes the Issuer will have no further obligation in respect of the Subordinated Notes.

Interest proceeds and, after the 2013-1 CLO Notes have been paid in full, principal proceeds, in each case will be distributed to the holders of the Subordinated Notes in accordance with the Indenture.

Distributions, if any, on the Subordinated Notes will be payable quarterly on the 20th day of each January, April, July and October of each calendar year or, if any such day is not a business day, on the next succeeding business day (each, a “Payment Date”), commencing on the first Payment Date, and on January 21, 2020 (or if any such day is not a business day, the next succeeding business day) (the “Stated Redemption Date”) (if not redeemed prior to such date) sequentially in order of seniority. At the Stated Redemption Date, the Subordinated Notes will be redeemed after payment in full of all of the 2013-1 CLO Notes and the payment of all administrative and other fees and expenses. The failure to pay interest proceeds or principal proceeds to the holders of the Subordinated Notes will not be an event of default under the Indenture.

In May of 2009, the Issuer defaulted on its Class E overcollateralization ratio of 105.10%, at which point, $4.0 million of interest proceeds were used to repay the Class E Notes through November 2009. Interest on the Class C, Class D, and Class E Notes was deferred and repaid in January of 2010 upon the Issuer’s return to compliance. Distributions to the Subordinated Notes resumed in April of 2010.

As of February 29, 2016, the remaining unamortized discount on the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, and Class F Notes were $1.3 million, $0.1 million, $0.9 million, $0.6 million, $0.7 million, $1.4 million, and $0.5 million, respectively.

As of February 28, 2015, the remaining unamortized discount on the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, and Class F Notes were $1.5 million, $0.2 million, $1.0 million, $0.6 million, $0.8 million, $1.5 million, and $0.6 million, respectively.

5. Income Tax

Under the current laws, the Issuer is not subject to net income taxation in the United States or the Cayman Islands. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Pursuant to ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, the Issuer adopted the provisions of the FASB relating to accounting for uncertainty in income taxes which clarifies the accounting for income

taxes by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements and applies to all open tax years as of the effective date. The Investment Manager has analyzed such tax positions for uncertain tax positions for tax years that may be open (2013—2016). The Issuer identifies its major tax jurisdictions as U.S. Federal, state and foreign jurisdictions where the Issuer makes investments. As of February 29, 2016 and February 28, 2015, there was no impact to the financial statements as a result of the Issuer's accounting for uncertainty in income taxes. The Issuer does not have any unrecognized tax benefits or liabilities for the years ended February 29, 2016, February 28, 2015 and 2014. Also, the Issuer recognizes interest and, if applicable, penalties for any uncertain tax positions, as a component of income tax expense. No interest or penalty expense was recorded by the Issuer for the years ended February 29, 2016, February 28, 2015 and 2014.

6. Commitments and Contingencies

In the ordinary course of its business, the Issuer may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Issuer. Based on its history and experience, the Investment Manager feels that the likelihood of such an event is remote.

In the ordinary course of business, the Issuer may directly or indirectly be a defendant or plaintiff in legal actions with respect to bankruptcy, insolvency or other types of proceedings. Such lawsuits may involve claims that could adversely affect the value of certain financial instruments owned by the Issuer. As of February 29, 2016 and February 28, 2015, the Issuer is not subject to any material legal proceedings.

The terms of Collateralized Debt Investments may require the Issuer to provide funding for any unfunded portion of a Collateralized Debt Investment at the request of the borrower. At February 29, 2016 and February 28, 2015, the Issuer had no unfunded commitments.

7. Related-Party Transactions

In the ordinary course of business and as permitted per the terms of the Indenture, the Issuer may acquire or sell investments to or from related parties at the fair value at such time. For the years ended February 29, 2016, February 28, 2015 and 2014, the Issuer bought no investments from related parties and sold investments fair valued at $0.0 million, $0.0 million, and $0.3 million, respectively, to the Investment Manager.

The Subordinated Notes are wholly owned by the Investment Manager. The Subordinated Notes do not have a stated coupon rate, but are entitled to residual cash flows from the CLO's investments after all of the other tranches of debt and certain other fees and expenses are paid. For the years ended February 29, 2016, February 28, 2015 and 2014, $5.6 million, $3.7 million, and $5.7 million of payments to the Subordinated Notes were included in interest expense in the statements of operations, respectively.

8. Shareholders' Capital

Capital contributions and distributions shall be made at such time and in such amounts as determined by the Investment Manager and the Indenture.

The majority holder of the Subordinated Notes has various control rights over the CLO, including the ability to call the CLO prior to its legal maturity, replace the Investment Manager under certain circumstances, and refinance any of the outstanding debt tranches. The voting structure of the Subordinated Notes may require either majority or unanimous approval depending upon the issue.

The authorized share capital of the Issuer consists of 50,000 ordinary shares, 250 of which are owned by Maples Finance Limited and are held under the terms of a declaration of trust.

As of February 29, 2016 and February 28, 2015, net assets were $(21.6) million and $(5.8) million, respectively. These amounts include accumulated losses of $(5.8) million and $(3.3) million, respectively, which includes cumulative net investment income or loss, cumulative amounts of gains and losses realized from investment transactions, net unrealized appreciation or depreciation of investments, as well as the cumulative effect of accounting mismatches between investments accounted for at fair value and amortized cost or accrual-basis assets and liabilities as discussed in Significant Accounting Policies, above. The Issuer's investments continue to generate sufficient liquidity to satisfy its obligations on periodic payment dates as well as comply with all performance criteria as of the statements of assets and liabilities date.

9. Financial Highlights

The following is a schedule of financial highlights for the years ended February 29, 2016, February 28, 2015 and 2014:

	February 29, 2016	February 28, 2015	February 28, 2014
Average subordinated notes' capital balance(1)	$18,382,072	$25,077,372	$28,471,910
Ratio and supplemental data:			
Total Return(2)	(49.59)%	5.34%	4.65%
Net investment income(3)	0.57%	3.17%	(7.53)%
Total expenses(3)	79.34%	49.79%	65.27%
Base management fee(3)	4.07%	3.03%	1.82%
Subordinated management fee(3)	4.07%	3.03%	4.42%

(1) Subordinated notes' capital balance is calculated based on the sum of the subordinated notes outstanding amount and total net assets, net of ordinary equity.

(2) Total return is calculated based on a time-weighted rate of return methodology. Quarterly rates of return are compounded to derive the total return reflected above. Total return is calculated for the subordinated notes' capital taken as a whole and assumes the purchase of the subordinated notes' capital on the first day of the period and the sale of the last day of the period.

(3) Calculated based on the average subordinated notes' capital balance.

10. Subsequent Events

The Investment Manager has evaluated events or transactions that have occurred since February 29, 2016 through May 17, 2016, the date the financial statements were available for issuance. The Investment Manager has determined that there are no material events that would require the disclosure in the financial statements.

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$50,000,000

SARATOGA INVESTMENT CORP.

Prospectus

, 2017

PART C—OTHER INFORMATION

Item 25. Financial Statements and Exhibits

1. *Financial Statements*

2. **Exhibits**

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Exhibit Number	Description
(a)(1)	Articles of Incorporation of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Form 10-Q for the quarterly period ended May 31, 2007).
(a)(2)	Articles of Amendment of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed August 3, 2010).
(a)(3)	Articles of Amendment of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed August 13, 2010).
(b)	Amended and Restated Bylaws of Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on March 5, 2008).
(c)	Not applicable.
(d)(1)	Specimen certificate of Saratoga Investment Corp.'s common stock, par value $0.001 per share. (incorporated by reference to Saratoga Investment Corp.'s Registration Statement on Form N-2, File No. 333-169135, filed on September 1, 2010).

Exhibit Number	Description
(d)(2)	Form of Indenture by and between the Company and U.S. Bank National Association, as trustee (incorporated by reference to the registrant's Registration Statement on Form N-2, File No. 333-186323, filed on April 30, 2013).
(d)(3)	Statement of Eligibility of Trustee on Form T-1.***
(d)(4)	Form of Second Supplemental Indenture between the Company and U.S. Bank National Association (incorporated by reference to Amendment No. 2 to the registrant's Registration Statement on Form N-2, File No. 333-214182, filed on December 12, 2016).
(d)(5)	Form of Global Note (incorporated by reference to Exhibit (d)(8) hereto, and Exhibit A therein).
(d)(6)	Form of Warrant Certificate and Warrant Agreement***
(d)(7)	Form of Subscription Certificate and Subscription Agreement***
(d)(8)	Form of Articles Supplementary Establishing and Fixing the Rights and Preferences of Preferred Stock (incorporated by reference to Registrant's registration statement on Form N-2 Pre-Effective Amendment No. 1 (File No. 333-196526) filed on December 5, 2014).
(e)	Dividend Reinvestment Plan (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on September 24, 2014).
(f)	Not applicable.
(g)	Investment Advisory and Management Agreement dated July 30, 2010 between Saratoga Investment Corp. and Saratoga Investment Advisors, LLC (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).
(h)(1)	Form of Underwriting Agreement.***
(i)	Not applicable.
(j)	Custodian Agreement dated March 21, 2007 between Saratoga Investment LLC and U.S. Bank National Association (incorporated by reference to Saratoga Investment Corp.'s Form 10-Q for the quarterly period ended May 31, 2007).
(k)(1)	Administration Agreement dated July 30, 2010 between Saratoga Investment Corp. and Saratoga Investment Advisors, LLC (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(k)(2)	Trademark License Agreement dated July 30, 2010 between Saratoga Investment Advisors, LLC and Saratoga Investment Corp. (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(k)(3)	Credit, Security and Management Agreement dated July 30, 2010 by and among Saratoga Investment Funding LLC, Saratoga Investment Corp., Saratoga Investment Advisors, LLC, Madison Capital Funding LLC and U.S. Bank National Association (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on August 3, 2010).
(k)(4)	Amendment No. 1 to Credit, Security and Management Agreement dated February 24, 2012 by and among Saratoga Investment Funding LLC, Saratoga Investment Corp., Saratoga Investment Advisors, LLC, Madison Capital Funding LLC and U.S. Bank National Association (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on February 29, 2012).

Exhibit Number	Description
(k)(5)	Form of Indemnification Agreement between Saratoga Investment Corp. and each officer and director of Saratoga Investment Corp. (incorporated by reference to Amendment No. 2 to Saratoga Investment Corp.'s Registration Statement on Form N-2 filed on January 12, 2007).
(k)(6)	Amended and Restated Indenture, dated as of November 15, 2016, among Saratoga Investment Corp. CLO 2013-1, Ltd., Saratoga Investment Corp. CLO 2013-1, Inc. and U.S. Bank National Association.**
(k)(7)	Amended and Restated Collateral Management Agreement, dated October 17, 2013, by and between Saratoga Investment Corp. and Saratoga Investment Corp. CLO 2013-1, Ltd. (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).
(k)(8)	Amendment No. 2 to Credit, Security and Management Agreement dated September 17, 2014 by and among Saratoga Investment Funding LLC, Saratoga Investment Corp., Saratoga Investment Advisors, LLC, Madison Capital Funding LLC and U.S. Bank National Association (incorporated by reference to Saratoga Investment Corp.'s Current Report on Form 8-K filed on September 18, 2014).
(l)	Opinion and Consent of Eversheds Sutherland (US) LLP, counsel for Saratoga Investment Corp.**
(m)	Not applicable.
(n)(1)	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, relating to Saratoga Investment Corp. and Saratoga Investment Corp. CLO 2013-1, Ltd.**
(n)(2)	Report of Ernst & Young LLP regarding the senior securities table contained herein.**
(o)	Not applicable.
(p)	Not applicable.
(q)	Not applicable.
(r)	Code of Ethics of the Company adopted under Rule 17j-1 (incorporated by reference to Amendment No. 7 to the registrant's Registration Statement on Form N-2, File No. 333-138051, filed on March 22, 2007).
99.1	Statement of Computation of Ratios of Earnings to Fixed Charges.**
99.2	Form of prospectus supplement for common stock offerings (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).
99.3	Form of prospectus supplement for preferred stock offerings (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).
99.4	Form of prospectus supplement for subscription rights offering (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).
99.5	Form of prospectus supplement for warrant offerings (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).
99.6	Form of prospectus supplement for retail note offerings (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).
99.7	Form of prospectus supplement for institutional note offerings (incorporated by reference to Amendment No. 1 to the registrant's Registration Statement on Form N-2, File No. 333-196526, filed on December 5, 2014).

* To be filed by pre-effective amendment, if applicable.
** Filed herewith.
*** To be filed by post-effective amendment, if applicable.

Item 26. Marketing Arrangements

The information contained under the heading "Plan of Distribution" on this Registration Statement is incorporated herein by reference.

Item 27. Other Expenses of Issuance and Distribution

Securities and Exchange Commission registration fee	$ 5,795
FINRA filing fee	8,000
New York Stock Exchange listing fees	29,600
Printing expenses(1)	25,000
Accounting fees and expenses(1)	80,000
Legal fees and expenses(1)	150,000
Miscellaneous(1)	10,000
Total	$ 308,395

(1) The amounts set forth above, with the exception of the Securities and Exchange Commission fee, are in each case estimated. All expenses set forth above will be borne by the Registrant.

Item 28. Persons Controlled by or Under Common Control

The Registrant has two subsidiaries, Saratoga Investment Funding LLC, a Delaware limited liability company and Saratoga Investment Corp. SBIC LP, a Delaware limited partnership. The Registrant owns 100% of the outstanding equity interests of Saratoga Investment Funding LLC and Saratoga Investment Corp. SBIC LP.

In addition, the Registrant may be deemed to control Saratoga Investment Corp. CLO 2013-1 Ltd. one of the Registrant's portfolio companies.

Item 29. Number of Holders of Securities

The following table sets forth the approximate number of record holders of the Company's common stock as of February 24, 2017.

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	21

Item 30. Indemnification

Reference is made to Section 2-418 of the Maryland General Corporation Law, Article VII of the Registrant's charter and Article XI of the Registrant's Amended and Restated Bylaws.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Registrant's charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act of 1940, as amended (the "1940 Act").

The Registrant's charter authorizes the Registrant, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual

who, while serving as the Registrant's director or officer and at the Registrant's request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The Registrant's bylaws obligate the Registrant, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while serving as the Registrant's director or officer and at the Registrant's request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the Registrant to indemnify and advance expenses to any person who served a predecessor of the Registrant in any of the capacities described above and any of the Registrant's employees or agents or any employees or agents of the Registrant's predecessor. In accordance with the 1940 Act, the Registrant will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Maryland law requires a corporation (unless its charter provides otherwise, which the Registrant's charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received unless, in either case, a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer in advance of final disposition of a proceeding upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Adviser and Administrator

The investment advisory agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Saratoga Investment Advisors, LLC (the "investment adviser") and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the investment adviser's services under the investment advisory agreement or otherwise as an investment adviser of the Registrant.

The administration agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Saratoga Investment Advisors, LLC and its officers, managers, agents, employees, controlling persons, members and any other person

or entity affiliated with it are entitled to indemnification from the Registrant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Saratoga Investment Advisors, LLC's services under the administration agreement or otherwise as administrator for the Registrant.

The law also provides for comparable indemnification for corporate officers and agents. Insofar as indemnification for liability arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant has entered into indemnification agreements with its directors. The indemnification agreements are intended to provide the Registrant's directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that the Registrant shall indemnify the director who is a party to the agreement (an "Indemnitee"), including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, other than a proceeding by or in the right of the Registrant.

Item 31. Business and Other Connections of Investment Adviser

A description of any other business, profession, vocation or employment of a substantial nature in which the Adviser, and each managing director, director or executive officer of the Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled "Management." Additional information regarding the Adviser and its officers and directors will be set forth in its Form ADV to be filed with the Securities and Exchange Commission.

Item 32. Location of Accounts and Records

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

(1) the Registrant, Saratoga Investment Corp., 535 Madison Avenue, New York, New York 10022;

(2) the Transfer Agent, American Stock Transfer & Trust Company, 59 Maiden Lane, Plaza Level, New York, New York 10038;

(3) the Custodian, U.S. Bank National Association, 214 N. Tryon Street, 12th Floor, Charlotte, North Carolina 28202; and

(4) the Adviser, Saratoga Investment Advisors, LLC, 535 Madison Avenue, New York, New York 10022.

Item 33. Management Services

Not Applicable.

Item 34. Undertakings

(1) Registrant undertakes to suspend the offering of the securities covered hereby until it amends the prospectus contained herein if (a) subsequent to the effective date of this Registration Statement, its net asset value declines more than 10% from its net asset value as of the effective date of this Registration Statement, or (b) its net asset value increases to an amount greater than its net proceeds as stated in the prospectus contained herein.

(2) Not applicable.

(3) Registrant undertakes in the event that the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and any securities not taken by shareholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by underwriters, and the terms of any subsequent underwriting thereof. Registrant further undertakes that if any public offering by the underwriters of the securities being registered is to be made on terms differing from those set forth on the cover page of the prospectus, the Registrant shall file a post-effective amendment to set forth the terms of such offering.

(4) Registrant undertakes:

(a) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement.

(b) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at the time shall be deemed to be the initial *bona fide* offering thereof;

(c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(d) that, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the Securities Act of 1933 as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the Securities Act of 1933, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however,* that no statement made in a registration statement or prospectus that is part of the Registration Statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use; and

(e) that for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of securities:

the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act of 1933;

(ii) the portion of any advertisement pursuant to Rule 482 under the Securities Act of 1933 relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(5) The Registrant hereby undertakes to file a post-effective amendment to the registration statement under Section 8(a) of the Securities Act if the cumulative dilution to its net asset value ("NAV") per share arising from an offering from the effective date of the current registration statement through and including any follow-on offering would exceed 15% based on the anticipated pricing of such follow-on offering. This limit would be measured separately for each offering pursuant to the current registration statement by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the anticipated percentage dilution from each subsequent offering. If the Registrant files a new post-effective amendment, the threshold would reset.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in The City of New York, in the State of New York, on the 28th day of February, 2017.

SARATOGA INVESTMENT CORP.
By: /s/ Christian L. Oberbeck

Name: Christian L. Oberbeck
Title: *Chief Executive Officer*

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Christian L. Oberbeck and Henri J. Steenkamp, and each of them (with full power to each of them to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file this registration statement under the Securities Act of 1933, as amended, and any or all amendments (including, without limitation, post-effective amendments) to this registration statement, with all exhibits and any and all documents required to be filed with respect thereto, with the Securities and Exchange Commission or any other regulatory authority, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing appropriate or necessary to be done in order to effectuate the same, as fully to all intents and purposes as he himself might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Christian L. Oberbeck Christian L. Oberbeck	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2017
/s/ Henri J. Steenkamp Henri J. Steenkamp	Chief Compliance Officer and Secretary (Principal Financial and Accounting Officer)	February 28, 2017
/s/ Michael J. Grisius Michael J. Grisius	President and Director	February 28, 2017
/s/ Steven M. Looney Steven M. Looney	Director	February 28, 2017
/s/ Charles S. Whitman III Charles S. Whitman III	Director	February 28, 2017
/s/ G. Cabell Williams G. Cabell Williams	Director	February 28, 2017

Exhibit (k)(6)

EXECUTION VERSION

SARATOGA INVESTMENT CORP. CLO 2013-1, Ltd.
Issuer

SARATOGA INVESTMENT CORP. CLO 2013-1, Inc.
Co-Issuer

U.S. BANK NATIONAL ASSOCIATION
Trustee

AMENDED AND RESTATED

INDENTURE

Dated as of November 15, 2016

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THIS AMENDED AND RESTATED INDENTURE, dated as of November 15, 2016, between Saratoga Investment Corp. CLO 2013-1, Ltd. (f/k/a GSC Investment Corp. CLO 2007, Ltd.), an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "Issuer"), Saratoga Investment Corp. CLO 2013-1, Inc. (f/k/a GSC Investment Corp. CLO 2007, Inc.), a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), and U.S. Bank National Association, as trustee (herein, together with its permitted successors and assigns in the trusts hereunder, the "Trustee") amends and restates in its entirety the Indenture, dated October 17, 2013, among the Co-Issuers and the Trustee.

PRELIMINARY STATEMENT

The Co-Issuers and U.S. Bank National Association, as legacy trustee (the "Legacy Trustee") are party to an Indenture, dated as of January 22, 2008 (the "Original Indenture"), pursuant to which the Co-Issuers issued Class A Notes, Class B Notes, Class C Notes and Class D Notes and the Issuer issued Class E Notes (the Class E Notes issued pursuant to the Original Indenture, collectively with the Class A Notes, Class B Notes, Class C Notes and Class D Notes issued pursuant to the Original Indenture, the "Legacy Rated Notes" and holders thereof, "Legacy Rated Noteholders") and Subordinated Notes. On August 8, 2013, the Issuer delivered to the Legacy Trustee, the holders of the Legacy Rated Notes, the holders of the Subordinated Notes and U.S. Bank National Association, as Subordinated Note Paying Agent, a Notice of Optional Redemption pursuant to Sections 9.2 and 9.3 of the Original Indenture, for optional redemption of the Legacy Rated Notes thereunder on the redemption date of October 21, 2013 (the "Legacy Rated Notes Redemption Date").

On the Closing Date, the Issuer received net proceeds from the issuance of the Rated Notes hereunder, after payment of its fees and expenses associated with the issuance of the Rated Notes hereunder, the funding of the Expense Reserve Account and the allocation of certain unused proceeds as Principal Proceeds, in the amount of U.S.$275,400,000 (the "Closing Date Deposit") with the Legacy Trustee, in its capacity as custodian under the Original Indenture (the "Legacy Custodian"), for application by the Legacy Custodian towards the payment in full of all known expenses of the Issuer incurred prior to the Closing Date and for redemption in full of all of the Legacy Rated Notes on the Legacy Rated Notes Redemption Date in accordance with the terms of the Original Indenture. A firm of independent certified public accountants which are internationally recognized has verified that all amounts on deposit with the Legacy Custodian are sufficient to pay and discharge the entire indebtedness on the Legacy Rated Notes for the principal and interest on such Legacy Rated Notes through to the Legacy Rated Notes Redemption Date. The Co-Issuers have paid or caused to be paid all other sums payable under the Original Indenture, including under any hedge agreements thereunder and under the collateral management thereunder and have delivered to the Legacy Trustee officer's certificates and an opinion of counsel, each stating that all conditions precedent in the Original Indenture provided for or relating to the satisfaction and discharge of the Original Indenture have been complied with. In connection with the foregoing, upon the deposit by or on behalf of the Issuer of the net proceeds of the issuance of the Rated Notes and, pursuant to Section 4.1(a)(ii) of the Original Indenture, the Original Indenture is deemed discharged and of no force and effect with respect to the Legacy Rated Notes and the Subordinated Notes and the collateral, except as to

those limited rights which expressly survive pursuant to the terms of the Original Indenture. The terms and conditions of the Subordinated Notes are being amended and restated pursuant to this Indenture, the Subordinated Notes and the Amended and Restated Subordinated Note Paying Agency Agreement, dated as of the Closing Date, between the Issuer, the Subordinated Note Paying Agent and the Investment Manager and/or its Affiliates, as holders of 100% of the Subordinated Notes as of the Closing Date.

Each of the Co-Issuers is duly authorized to execute and deliver this Indenture to provide for the Rated Notes issuable as provided in this Indenture. Except as otherwise provided herein, all covenants and agreements made by the Co-Issuers herein are for the benefit and security of the Secured Parties. The Co-Issuers are entering into this Indenture, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

All things necessary to make this Indenture a valid agreement of each of the Co-Issuers in accordance with the agreement's terms have been done.

GRANTING CLAUSES

I. Subject to the priorities and the exclusions, if any, specified below in this Granting Clause, the Issuer hereby Grants to the Trustee, for the benefit and security of Holders of the Rated Notes, the Administrator, the Investment Manager, the Collateral Administrator, the Trustee and the Bank in all of its capacities under the Transaction Documents (collectively, the "Secured Parties") to the extent of such Secured Party's interest hereunder, including under the Priority of Payments, all of its right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising, all securities, loans and investments and all Instruments, Financial Assets, Investment Property, General Intangibles, Letter-of-Credit Rights, Securities, Securities Accounts, Deposit Accounts and all other property of any type or nature in which the Issuer has, from time-to-time, an interest, including all Proceeds with respect to any of the foregoing (excluding the Excepted Property, the "Assets" or the "Collateral"). Such Grants include, but are not limited to

(a) the Collateral Obligations and Equity Securities which the Issuer has caused to be delivered to the Trustee on or before the Closing Date (directly or through an Intermediary or bailee) and that are owned by the Issuer as of the Closing Date, together with all payments thereon or with respect thereto,

(b) all Collateral Obligations that are delivered to the Trustee on or after the Closing Date, together with all payments thereon or with respect thereto,

(c) the Issuer's interest in each Account, including any Eligible Investments purchased with funds credited thereto, and all income from the investment of funds credited thereto,

(d) the Investment Management Agreement, the Administration Agreement, the Registered Office Agreement and the Collateral Administration Agreement,

(e) Cash delivered to the Trustee (directly or through an Intermediary or bailee),

(f) the Issuer's equity interest in any Issuer Subsidiary and any Equity Securities, in each case including all payments and rights thereunder, and

(g) all Proceeds with respect to the foregoing.

Such Grants exclude (i) the bank account in the Cayman Islands in which the amounts from time to time (if any) remaining from the U.S.$250 transaction fee paid to the Issuer in consideration of the issuance of the Legacy Rated Notes and (ii) such funds as are attributable to the issuance and allotment of the Issuer's ordinary shares or the bank account in the Cayman Islands in which such funds are deposited (or any interest thereon) (collectively, the "Excepted Property").

Such Grants are made in trust to secure the Rated Notes equally and ratably without prejudice, priority or distinction between any Rated Note and any other Rated Note by reason of difference of time of issuance or otherwise, except as expressly provided in this Indenture, and to secure, in accordance with the priorities set forth in the Priority of Payments, (A) the payment of all amounts due on the Rated Notes in accordance with their terms, (B) the payment of all other sums payable under this Indenture to any Secured Party and (C) compliance with the provisions of this Indenture, all as provided in this Indenture (collectively, the "Secured Obligations").

II. The Trustee acknowledges such Grant, accepts the trusts hereunder in accordance with the provisions hereof, and agrees to perform the duties herein in accordance with the terms hereof.

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Indenture, and the definitions of such terms are equally applicable both to the singular and plural forms of such terms and to the masculine, feminine and neuter genders of such terms. Except as otherwise specified herein or as the context may otherwise require: (i) references to an agreement or other document are to it as amended, supplemented, restated and otherwise modified from time to time and to any successor document (whether or not already so stated); (ii) references to a statute, regulation or other government rule are to it as amended from time to time and, as applicable, are to corresponding provisions of successor governmental rules (whether or not already so stated); (iii) the word "including" and correlative words shall be deemed to be followed by the phrase "without limitation" unless actually followed by such phrase or a phrase of like import; (iv) the word "or" is always used inclusively herein (for example, the phrase "A or B" means "A or B or both," not "either A or B but not both"), unless used in an "either … or" construction; (v) references to a Person are references to such Person's successors and assigns (whether or not already so stated); (vi) all references in this Indenture to designated "Articles," "Sections," "subsections" and other subdivisions are to the designated articles, sections, subsections and other subdivisions of this Indenture; and (vii) the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subsection or other subdivision.

"Account Agreement": An agreement in substantially the form of Exhibit E hereto.

"Accounts": Each of (i) the Payment Account, (ii) the Collection Account, (iii) the Revolver Funding Account, (iv) the Expense Reserve Account, (v) the Ongoing Expense Smoothing Account, (vi) the Custodial Account and (vii) the LC Reserve Account.

"Act": The meaning specified in Section 14.2.

"Additional Notes": Any Notes issued pursuant to Section 2.13.

"Additional Notes Closing Date": The closing date for the issuance of any Additional Notes pursuant to Section 2.13 as set forth in an indenture supplemental to this Indenture pursuant to Section 8.2(a)(xvii).

"Accountants' Certificate": A certificate of a firm of Independent certified public accountants of recognized international reputation appointed by the Investment Manager on behalf of the Issuer pursuant to Section 10.9, which may be a firm of Independent accountants that audits the financial statements of the Issuer or the Investment Manager.

"Adjusted Collateral Principal Amount": As of any date of determination:

(a) the Aggregate Principal Balance of the Collateral Obligations (other than Defaulted Obligations, Discount Obligations and Deferring Securities); *plus*

(b) without duplication, the amounts on deposit in the Collection Account (including Eligible Investments therein) representing Principal Proceeds; *plus*

(c) the lesser of the (i) S&P Collateral Value of all Defaulted Obligations and Deferring Securities and (ii) Moody's Collateral Value of all Defaulted Obligations and Deferring Securities; *provided* that the Adjusted Collateral Principal Amount will be zero for any Defaulted Obligation which the Issuer has owned for more than three years after its default date; *plus*

(d) with respect to each Discount Obligation, the product of (i) the outstanding principal amount of such Discount Obligation as of such date, multiplied by (ii) the purchase price of such Discount Obligation (expressed as a percentage of par), excluding accrued interest; *minus*

(e) the Excess CCC/Caa Adjustment Amount; *provided* that, with respect to any Collateral Obligation that satisfies more than one of the definitions of Defaulted Obligation, Deferring Security or Discount Obligation, or any asset that falls into the Excess CCC/Caa Adjustment Amount, such Collateral Obligation shall, for the purposes of this definition, be treated as belonging to the category of Collateral Obligations which results in the lowest Adjusted Collateral Principal Amount on any date of determination.

"Adjusted Weighted Average Moody's Rating Factor": As of any date of determination, a number equal to the Weighted Average Moody's Rating Factor determined in the following manner: for purposes of determining a Moody's Default Probability Rating, Moody's Rating or Moody's Derived Rating in connection with determining the Weighted Average Moody's Rating Factor for purposes of this definition, each applicable rating on credit watch by Moody's that is on (a) positive watch will be treated as having been upgraded by one rating subcategory, (b) negative watch will be treated as having been downgraded by two rating subcategories and (c) negative outlook will be treated as having been downgraded by one rating subcategory.

"Administration Agreement": An agreement between the Administrator and the Issuer (as amended from time to time) relating to the various corporate management functions that the Administrator will perform on behalf of the Issuer, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other corporate services in the Cayman Islands during the term of such agreement.

"Administrative Expense Cap": An amount equal on any Payment Date (when taken together with any Administrative Expenses paid during the period since the preceding Payment Date or in the case of the first Payment Date, the period since the Closing Date), to the sum of (a) 0.035% per annum (prorated for the related Interest Accrual Period on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount on the related Determination Date and (b) U.S.$160,000 per annum (prorated for the related Interest Accrual Period on the basis of a 360-day year consisting of twelve 30-day months) or, with respect to this clause (b), if an Event of Default has occurred and is continuing, such higher amount as may be agreed between the Trustee and a Majority of the Controlling Class; *provided* that (1) in respect of any Payment Date after the third Payment Date following the Closing Date, if the aggregate amount of Administrative Expenses paid pursuant to clause (A) of the Priority of Interest Proceeds, clause (A) of the Priority of Principal Proceeds and clause (A) of the Special Priority of Payments (including any excess applied in accordance with this proviso) on the three immediately preceding Payment Dates and during the related Collection Periods is less than the stated Administrative Expense Cap (without regard to any excess applied in accordance with this proviso) in the aggregate for such three preceding Payment Dates, then the excess may be applied to the Administrative Expense Cap with respect to the then-current Payment Date; and (2) in respect of the third Payment Date following the Closing Date, such excess amount shall be calculated based on the Payment Dates preceding such Payment Date.

"Administrative Expenses": The fees, expenses (including indemnities) and other amounts due or accrued with respect to any Payment Date (including, with respect to any Payment Date, any such amounts that were due and not paid on any prior Payment Date) and payable in the following order by the Issuer or the Co-Issuer: first, to the Trustee pursuant to Section 6.7 and the other provisions of this Indenture, second, to the Bank (in each of its capacities) including as Collateral Administrator pursuant to the Collateral Administration Agreement, third, on a *pro rata* basis, the following amounts (excluding indemnities) to the following parties: (i) the Independent accountants, agents (other than the Investment

Manager) and counsel of the Issuer for fees and expenses; (ii) the Rating Agencies for fees and expenses (including any annual fee, amendment fees and surveillance fees) in connection with any rating of the Rated Notes or in connection with the rating of (or provision of credit estimates in respect of) any Collateral Obligations; (iii) the Administrator pursuant to the Administration Agreement and the Registered Office Agreement; and (iv) any other Person in respect of any other fees or expenses permitted under this Indenture and the documents delivered pursuant to or in connection with this Indenture ((1) including any expenses related to FATCA compliance, any Issuer Subsidiary, the payment of facility rating fees and all legal and other fees and expenses incurred in connection with the purchase or sale of any Collateral Obligations and any other expenses incurred in connection with the Collateral Obligations, and (2) excluding the Investment Management Fee (but including any other monies expended by the Investment Manager and reimbursable under the Investment Management Agreement)) and the Notes, including but not limited to, amounts owed to the Co-Issuer pursuant to Section 7.1 and any amounts due in respect of the listing of the Notes on any stock exchange or trading system and fourth, on a *pro rata* basis, indemnities payable to any Person pursuant to any Transaction Document, the Placement Agency Agreement; *provided* that (x) amounts due in respect of actions taken on or before the Closing Date shall not be payable as Administrative Expenses, but shall be payable only from the Expense Reserve Account pursuant to Section 10.3(d), (y) for the avoidance of doubt, amounts that are expressly payable to any Person under the Priority of Payments in respect of an amount that is stated to be payable as an amount other than as Administrative Expenses (including, without limitation, interest and principal in respect of the Rated Notes and distributions on the Subordinated Notes) shall not constitute Administrative Expenses and (z) no amount shall be payable to the Investment Manager as Administrative Expenses in reimbursement of fees or expenses of any third party unless the Investment Manager shall have first paid the fees or expenses that are the subject of such reimbursement.

"Administrator": MaplesFS Limited and any successor thereto.

"Affected Class": Any Class of Notes that, as a result of the occurrence of a Tax Event described in the definition of Tax Redemption, has not received 100% of the aggregate amount of principal and interest that would otherwise be due and payable to such Class on any Payment Date.

"Affiliate": With respect to a Person, (a) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (b) any other Person who is a director, Officer, employee or general partner (i) of such Person, (ii) of any subsidiary or parent company of such Person or (iii) of any Person described in clause (a) of this sentence. For the purposes of this definition, "control" of a Person means the power, direct or indirect, (x) to vote more than 50% of the notes having ordinary voting power for the election of directors of such Persons or (y) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. For purposes of this definition, (i) no entity shall be deemed to be an Affiliate of the Issuer or the Co-Issuer solely because the Administrator or any of its Affiliates acts as administrator or share trustee for such entity and (ii) no entity to which the Investment Manager provides investment management or advisory services shall be deemed to be an Affiliate of the Investment Manager solely because the Investment Manager acts in such capacity, unless either of the foregoing clauses (a) or (b) is satisfied as between such entity and the Investment Manager.

"Agent Members": Members of, or participants in, DTC, Euroclear or Clearstream.

"Aggregate Coupon": As of any Measurement Date, the sum of the products obtained by multiplying, in the case of each Fixed Rate Obligation, (a) the stated coupon on such Collateral Obligation (excluding any Deferrable Security or Partial Deferrable Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation) expressed as a percentage; and (b) the Principal Balance (including for this purpose any capitalized interest) of such Collateral Obligation; *provided* that for purposes of this definition, the interest coupon will be deemed to be, with respect to (i) any Step-Down Obligation, the lowest of the then-current interest coupon and any future interest coupon; (ii) any Step-Up Obligation, the current interest coupon; and (iii) any Deferrable Security or Partial Deferrable Security, that portion of the interest coupon that must be paid in cash and may not be deferred (without defaulting) under the Underlying Instruments.

"Aggregate Excess Funded Spread": As of any Measurement Date, the amount obtained by multiplying: (a) the amount equal to LIBOR applicable to the Rated Notes during the Interest Accrual Period in which such Measurement Date occurs; by (b) the amount (not less than zero) equal to (i) the Aggregate Principal Balance (including for this purpose any capitalized interest) of the Collateral Obligations as of such Measurement Date *minus* (ii) the Reinvestment Target Par Balance.

"Aggregate Funded Spread": As of any Measurement Date, the sum of

(a) in the case of each Floating Rate Obligation that bears interest at a spread over a London interbank offered rate based index, (i) the stated interest rate spread (excluding any Deferrable Security or Partial Deferrable Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Collateral Obligation and Revolving Collateral Obligation) on such Collateral Obligation above such index multiplied by (ii) the Principal Balance (including for this purpose any capitalized interest but excluding the unfunded portion of any Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation) of such Collateral Obligation; and

(b) in the case of each Floating Rate Obligation that bears interest at a spread over an index other than a London interbank offered rate based index, (i) the excess of the sum of such spread and such index (excluding any Deferrable Security or Partial Deferrable Security to the extent of any non-cash interest and the unfunded portion of any Delayed Drawdown Collateral Obligation and Revolving Collateral Obligation) over LIBOR as of the immediately preceding Interest Determination Date (which spread or excess may be expressed as a negative percentage) multiplied by (ii) the Principal Balance (including for this purpose any capitalized interest but excluding the unfunded portion of any Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation) of each such Collateral Obligation;

provided that for purposes of this definition, the interest rate spread will be deemed to be, with respect to (i) any Floating Rate Obligation that has a LIBOR floor, the stated interest rate spread plus, if positive, (x) the LIBOR floor value *minus* (y) LIBOR as in effect for the current Interest Accrual Period; (ii) any Step-Down Obligation, the lowest of the then-current rate and any future rate; (iii) any Step-Up Obligation, the current spread; and (iv) any Deferrable Security or Partial Deferrable Security, that portion of the spread that must be paid in cash and may not be deferred (without defaulting) under the Underlying Instruments.

"Aggregate Outstanding Amount": With respect to (i) any of the Rated Notes as of any date, the aggregate principal amount of such Rated Notes Outstanding (including any Deferred Interest previously added to the principal amount that remains unpaid) on such date and (ii) the Subordinated Notes, the face amount thereof.

"Aggregate Principal Balance": When used with respect to all or a portion of the Collateral Obligations or the Assets, the sum of the Principal Balances of all or of such portion of the Collateral Obligations or Assets, respectively.

"Aggregate Unfunded Spread": As of any Measurement Date, the sum of the products obtained by multiplying (i) for each Delayed Drawdown Collateral Obligation and Revolving Collateral Obligation (other than Defaulted Obligations), the related commitment fee then in effect as of such date and (ii) the undrawn commitments of each such Delayed Drawdown Collateral Obligation and Revolving Collateral Obligation as of such date.

"Amended and Restated Subordinated Note Paying Agency Agreement": The agreement dated as of October 17, 2013 between the Issuer, U.S. Bank National Association, in its capacity as subordinated note paying agent, and Saratoga Investment Corp., as investor, as may be further amended from time to time.

"Applicable Advance Rate": For each Collateral Obligation and for the applicable number of Business Days between the certification date for a sale or participation required by Section 9.4 and the expected date of such sale or participation, the percentage specified below:

	Same day	**1-2 days**	**3-5 days**	**6-15 days**
Senior Secured Loans with a Market Value of:				
90% or more	100%	93%	92%	88%
below 90%	100%	80%	73%	60%
Other Collateral Obligations with a Moody's Rating of at least "B2" or an S&P Rating of at least "B" and a Market Value of 90% or more	100%	89%	85%	75%
All other Collateral Obligations	100%	75%	65%	45%

"Applicable Issuer" or "Applicable Issuers": With respect to the Co-Issued Notes, the Co-Issuers and with respect to the Issuer Only Notes, the Issuer only.

"Approved Index List": The nationally recognized indices specified in Schedule 6 hereto as amended from time to time by the Investment Manager with prior notice of any amendment to S&P and Moody's in respect of such amendment and a copy of any such amended Approved Index List to the Collateral Administrator; *provided* that any new index added to the Approved Index List by amendment will be a nationally recognized index.

"Asset-backed Commercial Paper": Commercial paper or other short-term obligations of a program that primarily issues externally rated commercial paper backed by assets or exposures held in a bankruptcy-remote, special purpose entity.

"Assets": The meaning assigned in the Granting Clauses hereof.

"Assigned Moody's Rating": With respect to any obligation or facility, the monitored publicly available rating (or, if no such rating is available, the unreported monitored rating) by Moody's of such obligation or facility (if any).

"Assumed Reinvestment Rate": LIBOR (as determined on the most recent Interest Determination Date relating to an Interest Accrual Period beginning on a Payment Date or the Closing Date) *minus* 0.25% per annum; *provided* that the Assumed Reinvestment Rate shall not be less than 0.00%.

"Authenticating Agent": With respect to the Rated Notes or a Class of the Rated Notes, the Person designated by the Trustee to authenticate such Rated Notes on behalf of the Trustee pursuant to Section 6.14.

"Authorized Officer": With respect to the Issuer or the Co-Issuer, any Officer or any other Person who is authorized to act for the Issuer or the Co-Issuer, as applicable, in matters relating to, and binding upon, the Issuer or the Co-Issuer. With respect to the Investment Manager, any Officer, employee, member or agent of the Investment Manager who is authorized to act for the Investment Manager in matters relating to, and binding upon, the Investment Manager with respect to the subject matter of the request, certificate or order in question. With respect to the Collateral Administrator, any Officer, employee, partner or agent of the Collateral Administrator who is authorized to act for the Collateral Administrator in matters relating to, and binding upon, the Collateral Administrator with respect to the subject matter of the request, certificate or order in question. With respect to the Trustee or any other bank or trust company acting as trustee of an express trust or as custodian, a Trust Officer. With respect to any Authenticating Agent, any Officer of such Authenticating Agent who is authorized to authenticate the Rated Notes. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

"Balance": On any date, with respect to Eligible Investments (including Cash) in any Account, the aggregate of the (i) current balance of Cash, demand deposits, time deposits, certificates of deposit and federal funds; (ii) principal amount of interest-bearing corporate and government securities, money market accounts and repurchase obligations; and (iii) purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities and commercial paper.

"Bank": U.S. Bank National Association, in its individual capacity and not as Trustee, or any successor thereto.

"Bankruptcy Exchange": The exchange of a Defaulted Obligation (without the payment of any additional funds other than reasonable and customary transfer costs) for another debt obligation issued by another obligor which, but for the fact that such debt obligation is a Defaulted Obligation or a Credit Risk Obligation, would otherwise qualify as a Collateral Obligation and (i) in the Investment Manager's reasonable business judgment, at the time of the exchange, such debt obligation received on exchange has a better likelihood of recovery than the Defaulted Obligation to be exchanged, (ii) as determined by the Investment Manager, at the time of the exchange, the debt obligation received on exchange is no less senior in right of payment vis-à-vis such obligor's other outstanding indebtedness than the Defaulted Obligation to be exchanged vis-à-vis its obligor's other outstanding indebtedness, (iii) as determined by the Investment Manager, both prior to and after giving effect to such exchange, each of the Coverage Tests is satisfied or, if any Coverage Test was not satisfied prior to such exchange, the coverage ratio relating to such test will be at least as close to being satisfied after giving effect to such exchange as it was before giving effect to such exchange, (iv) as determined by the Investment Manager, both prior to and after giving effect to such exchange, not more than 5.0% of the Collateral Principal Amount consists of obligations received in a Bankruptcy Exchange, (v) the period for which the Issuer held the Defaulted Obligation to be exchanged will be included for all purposes in this Indenture when determining the period for which the Issuer holds the debt obligation received on exchange, (vi) the Bankruptcy Exchange Test is satisfied, (vii) if such debt obligation received on exchange is a Credit Risk Obligation, such debt obligation has a Moody's Rating and (viii) the Aggregate Principal Balance of all obligations acquired in Bankruptcy Exchanges is less than U.S.$40,000,000.

"Bankruptcy Exchange Test": A test that is satisfied if, in the Investment Manager's reasonable business judgment, the projected internal rate of return of the obligation obtained as a result of a Bankruptcy Exchange is greater than the projected internal rate of return of the Defaulted Obligation exchanged in a Bankruptcy Exchange, calculated by the Investment Manager by aggregating all Cash and the Market Value of any Collateral Obligation subject to a Bankruptcy Exchange at the time of each Bankruptcy Exchange; *provided* that the foregoing calculation will not be required for any Bankruptcy Exchange prior to and including the occurrence of the third Bankruptcy Exchange.

"Bankruptcy Law": The federal Bankruptcy Code, Title 11 of the United States Code, as amended from time to time, Part V of the Companies Law (as amended) of the Cayman Islands, as may be further amended from time to time, the Bankruptcy Law (as amended) of the Cayman Islands, as may be further amended from time to time and the Foreign Bankruptcy Proceedings (International Cooperation) Rules 2008 of the Cayman Islands, as amended from time to time.

"Base Management Fee": The fee payable to the Investment Manager in arrears on each Payment Date (prorated for the related Interest Accrual Period) that accrues during each Interest Accrual Period at a rate equal to 0.10% per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount at the beginning of the Collection Period relating to such Payment Date (as certified by the Investment Manager to the Trustee).

"Benefit Plan Investor": Any of (a) an employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (b) a plan described in Section 4975(e)(1) of the Code to which Section 4975 of the Code applies or (c) any other entity whose underlying assets could be deemed to include plan assets by reason of an employee benefit plan's or a plan's investment in the entity within the meaning of the Plan Asset Regulation or otherwise.

"Board of Directors": With respect to the Issuer, the directors of the Issuer duly appointed by the shareholders of the Issuer or the board of directors of the Issuer pursuant to the Memorandum and Articles in accordance with the law of the Cayman Islands and, with respect to the Co-Issuer, the sole director or the board of directors of the Co-Issuer.

"Bridge Loan": Any loan or other obligation that (x) is incurred in connection with a merger, acquisition, consolidation, or sale of all or substantially all of the assets of a Person or similar transaction, (y) by its terms, is required to be repaid within one year of the incurrence thereof with proceeds from additional borrowings or other refinancing and (z) has a rating from Moody's. It is understood that any such loan or debt security that has a nominal maturity date of one year or less from the incurrence thereof may have a term-out or other provision whereby (automatically or at the sole option of the obligor thereof) the maturity of the indebtedness thereunder can be extended to a later date; *provided* that, for the avoidance of doubt, such date shall not be later than the Stated Maturity of the Notes.

"Business Day": Any day other than (i) a Saturday or a Sunday or (ii) a day on which commercial banks are authorized or required by applicable law, regulation or executive order to close in New York, New York or in the city in which the Corporate Trust Office of the Trustee is located or, for any final payment of principal, in the relevant place of presentation.

"Caa Collateral Obligation": A Collateral Obligation (other than a Defaulted Obligation or a Deferring Security) with a Moody's Rating of "Caa1" or lower.

"Calculation Agent": The meaning specified in Section 7.16.

"Cash": Such funds denominated in currency of the United States of America as at the time shall be legal tender for payment of all public and private debts, including funds standing to the credit of an Account.

"CCC Collateral Obligation": A Collateral Obligation (other than a Defaulted Obligation or a Deferring Security) with an S&P Rating of "CCC+" or lower.

"CCC/Caa Collateral Obligations": The CCC Collateral Obligations and/or the Caa Collateral Obligations, as the context requires.

"CCC/Caa Excess": The amount equal to the greater of (i) the excess of the Aggregate Principal Balance of all CCC Collateral Obligations (*provided* that, for purposes of this calculation, each Discount Obligation will be held at its purchase price) over an amount equal to 7.5% of the Collateral Principal Amount as of the current Determination Date and (ii) the excess of the Aggregate Principal Balance of all Caa Collateral Obligations over an amount equal to 7.5% of the Collateral Principal Amount as of the current Determination Date; *provided* that, in determining which of the CCC/Caa Collateral Obligations shall be included in the CCC/Caa Excess, the CCC/Caa Collateral Obligations with the lowest Market Value (assuming that such Market Value is expressed as a percentage of the Aggregate Principal Balance of such Collateral Obligations as of such Determination Date) shall be deemed to constitute such CCC/Caa Excess.

"Certificate of Authentication": The meaning specified in Section 2.1.

"Certificated Note": Any Note issued in the form of a definitive, fully registered note without interest coupons registered in the name of the owner or nominee thereof, duly executed by the Issuer and authenticated by the Trustee as herein provided.

"Certificated Security": As defined in Section 8-102(a)(4) of the UCC.

"Class": All of (a) the Rated Notes having the same Interest Rate, Stated Maturity and designation and (b) the Subordinated Notes. With respect to any exercise of voting rights, any Pari Passu Classes of Notes that are entitled to Vote on a matter will Vote together as a single class.

"Class A/B Coverage Tests": The Overcollateralization Ratio Test and the Interest Coverage Test, each as applied with respect to the Class A Notes and the Class B Notes, collectively.

"Class A Notes": The Class A-1 Notes and the Class A-2 Notes.

"Class A-1 Notes": The Class A-1 Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class A-2 Notes": The Class A-2 Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class B Notes": The Class B Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class Break-even Default Rate": With respect to the Controlling Class (so long as the Controlling Class is a Class of Rated Notes), the maximum percentage of defaults, at any time, that the Current Portfolio or the Proposed Portfolio, as applicable, can sustain, determined through application of the applicable S&P CDO Monitor chosen by the Investment Manager in accordance with the definition of "S&P CDO Monitor" that is applicable to the portfolio of Collateral Obligations, which, after giving effect to S&P's assumptions on recoveries, defaults and timing and to the Priority of Payments, will result in sufficient funds remaining for the payment of such Class of Notes in full. After the date hereof, S&P will provide the Investment Manager with the Class Break-even Default Rate(s) for each S&P CDO Monitor based upon the Weighted Average Floating Spread and the Weighted Average S&P Recovery Rate to be associated with such S&P CDO Monitor as selected by the Investment Manager from time to time.

"Class C Coverage Tests": The Overcollateralization Ratio Test and the Interest Coverage Test, each as applied with respect to the Class C Notes.

"Class C Notes": The Class C Mezzanine Deferrable Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class D Coverage Tests": The Overcollateralization Ratio Test and the Interest Coverage Test, each as applied with respect to the Class D Notes.

"Class D Notes": The Class D Mezzanine Deferrable Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class Default Differential": With respect to the Controlling Class (so long as the Controlling Class is a Class of Rated Notes), at any time, the rate calculated by subtracting the Class Scenario Default Rate at such time for such Class of Notes from the Class Break-even Default Rate for such Class of Notes at such time.

"Class E Coverage Test": The Overcollateralization Ratio Test and the Interest Coverage Test, each as applied with respect to the Class E Notes.

"Class E Notes": The Class E Mezzanine Deferrable Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class F Notes": The Class F Mezzanine Deferrable Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class Scenario Default Rate": With respect to the Controlling Class (so long as the Controlling Class is a Class of Rated Notes), at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with S&P's Initial Rating of such Class of Notes, determined by application by the Investment Manager and the Collateral Administrator of the S&P CDO Monitor at such time.

"Class X Notes": The Class X Senior Secured Floating Rate Notes issued pursuant to this Indenture and having the characteristics specified in Section 2.3.

"Class X Scheduled Amortization Amount": The amount of U.S.$833,334 payable on the first Payment Date, and U.S.$833,333 payable on each of the second and third Payment Dates pursuant to the Priority of Payments.

"Clearing Agency": An organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Corporation": (i) Clearstream, (ii) DTC, (iii) Euroclear and (iv) any entity included within the meaning of "clearing corporation" under Article 8 of the UCC.

"Clearing Corporation Security": Securities that are in the custody of or maintained on the books of a Clearing Corporation or a nominee subject to the control of a Clearing Corporation and, if they are Certificated Notes in registered form, properly endorsed to or registered in the name of the Clearing Corporation or such nominee.

"Clearstream": Clearstream Banking, société anonyme, a corporation organized under the laws of the Duchy of Luxembourg (formerly known as Cedelbank, société anonyme).

"Closing Date": October 17, 2013 or, where applicable and with respect to the Refinancing Notes, the Refinancing Date.

"Closing Date Deposit": The meaning specified in the Preliminary Statement hereto.

"Code": The United States Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

"Co-Issued Notes": The Class X Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

"Co-Issuer": The Person named as such on the first page of this Indenture, until a successor Person shall have become the Co-Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Co-Issuer" shall mean such successor Person.

"Co-Issuers": The Issuer and the Co-Issuer.

"Collateral": The meaning assigned in Granting Clause I hereof.

"Collateral Administration Agreement": An agreement dated as of the Closing Date among the Issuer, the Investment Manager and the Collateral Administrator, as amended from time to time.

"Collateral Administrator": The Bank, in its capacity as collateral administrator under the Collateral Administration Agreement, and any successor thereto.

"Collateral Certificate": The meaning specified in Section 3.1.

"Collateral Interest Amount": As of any date of determination, without duplication, the sum of (a) the amounts on deposit in the Ongoing Expense Smoothing Account *plus* (b) the aggregate amount of Interest Proceeds that has been received or that is expected to be received (other than Interest Proceeds expected to be received from Defaulted Obligations, Deferrable Securities and Partial Deferrable Securities, but including (x) Interest Proceeds actually received from Defaulted Obligations and Deferrable Securities and (y) Interest Proceeds expected to be received of the type described in clause (i) of the definition of Partial Deferrable Security), in each case during the Collection Period in which such date of determination occurs (or after such Collection Period but on or prior to the related Payment Date if such Interest Proceeds would be treated as Interest Proceeds with respect to such Collection Period).

"Collateral Obligation": A Senior Secured Loan, Senior Secured Bond, Senior Unsecured Bond, Second Lien Loan, Senior Secured Floating Rate Note or an Unsecured Loan (including, but not limited to, interests in bank loans acquired by way of a purchase or assignment) or Participation Interest therein or a Letter of Credit Reimbursement Obligation, in each case that, as of the date the Issuer commits to acquire such obligation:

(i) is U.S. Dollar denominated and is neither convertible by the issuer thereof into, nor payable in, any other currency;

(ii) is not a Defaulted Obligation or a Credit Risk Obligation (unless such obligation is being acquired in a Bankruptcy Exchange);

(iii) is not a lease (including a finance lease);

(iv) is not an Interest Only Security;

(v) provides (in the case of a Delayed Drawdown Collateral Obligation, Revolving Collateral Obligation or Letter of Credit Reimbursement Obligation, with respect to amounts drawn thereunder) for a fixed amount of principal payable in Cash on scheduled payment dates and/or at maturity and does not by its terms provide for earlier amortization or prepayment at a price of less than par;

(vi) does not constitute Margin Stock;

(vii) gives rise only to payments that are not subject to withholding tax, other than (A) withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax, (B) withholding tax on (x) fees received with respect to a Letter of Credit Reimbursement Obligation, (y) amendment, waiver, consent and extension fees and (z) commitment fees and other similar fees in respect of Revolving Collateral Obligations and Delayed Drawdown Collateral Obligations, and (C) withholding tax imposed pursuant to FATCA;

(viii) (A) has a Moody's Rating and an S&P Rating and such ratings are at least Caa1 from Moody's and CCC+ from S&P and (B) if purchased by the Issuer, for a price equal to at least 65% of par, in each case, unless such obligation is being acquired in a Bankruptcy Exchange or Distressed Exchange;

(ix) is not a debt obligation whose repayment is subject to substantial non-credit related risk as determined by the Investment Manager in its reasonable judgment;

(x) except for Delayed Drawdown Collateral Obligations and Revolving Collateral Obligations, is not an obligation pursuant to which any future advances or payments to the borrower or the obligor thereof may be required to be made by the Issuer;

(xi) does not have an "f," "r," "p," "pi," "q," "sf" or "t" subscript assigned by S&P and does not have an "sf" subscript assigned by Moody's;

(xii) is not a Bridge Loan, a Step-Up/Step-Down Obligation, a Zero Coupon Security, a Synthetic Security, a Structured Finance Obligation or a Deferrable Security, except for a Deferrable Security received in connection with a Bankruptcy Exchange;

(xiii) will not require the Issuer, the Co-Issuer or the pool of collateral to be registered as an investment company under the Investment Company Act;

(xiv) is not, by its terms, convertible into or exchangeable for an Equity Security at the option of either the issuer thereof or the holder and does not have attached warrants to purchase Equity Securities;

(xv) is not the subject of an Offer;

(xvi) if a Partial Deferrable Security, is not currently in default with respect to the portion of the interest due thereon to be paid in cash on each payment date with respect thereto;

(xvii) does not mature after the Stated Maturity of the Notes;

(xviii) if a Floating Rate Obligation, accrues interest at a floating rate determined by reference to (a) the Dollar prime rate, federal funds rate or LIBOR or (b) a similar interbank offered rate or commercial deposit rate or (c) with notice to S&P, any other then-customary index;

(xix) is Registered;

(xx) will not, by its acquisition (including its ownership or disposition) cause the Issuer to violate the Tax Guidelines;

(xxi) does not pay interest less frequently than semi-annually;

(xxii) unless it is a Letter of Credit Reimbursement Obligation, does not include or support a letter of credit;

(xxiii) is issued by a Non-Emerging Market Obligor;

(xxiv) is issued by an obligor Domiciled in the United States, Canada, a Group I Country, a Group II Country, a Group III Country or a Tax Jurisdiction (which, for clarity, will not include obligations issued by obligors in Greece, Italy, Spain or Portugal);

(xxv) if acquired on or after the Closing Date, is not a Middle Market Loan; and

(xxvi) is not issued by a sovereign, or by a corporate issuer located in a country, which sovereign or country on the date on which the obligation is acquired by the Issuer imposed foreign exchange controls that effectively limit the availability or use of U.S. Dollars to make when due the scheduled payments of principal thereof and interest thereon.

"Collateral Principal Amount": As of any date of determination, the sum of (a) the Aggregate Principal Balance of the Collateral Obligations (other than Defaulted Obligations) and (b) without duplication, the amounts on deposit in the Collection Account (including Eligible Investments therein) representing Principal Proceeds.

"Collateral Quality Test": A test satisfied on any date of determination if, in the aggregate, the Collateral Obligations owned (or in relation to a proposed purchase of a Collateral Obligation, proposed to be owned) by the Issuer satisfy each of the tests set forth below or, if a test is not satisfied on such date of determination, the degree of compliance with such test is maintained or improved after giving effect to any purchase or sale effected on such date of determination or the relevant Trading Plan, calculated in each case as required by Section 1.2 herein:

(i) the Minimum Floating Spread Test;

(ii) the Minimum Weighted Average Coupon Test;

(iii) the Maximum Moody's Rating Factor Test;

(iv) the Moody's Diversity Test;

(v) the S&P CDO Monitor Test;

(vi) the Minimum Weighted Average Moody's Recovery Rate Test;

(vii) the Minimum Weighted Average S&P Recovery Rate Test; and

(viii) the Weighted Average Life Test.

"Collateral Report": The meaning specified in Section 3.1.

"Collection Account": Collectively, the Principal Collection Account and the Interest Collection Account.

"Collection Period": (i) With respect to the first Payment Date, the period commencing on the Closing Date and ending at the close of business on the eighth Business Day prior to the first Payment Date; and (ii) with respect to any other Payment Date, the period commencing on the day immediately following the prior Collection Period and ending (a) in the case of the final Collection Period preceding the Stated Maturity, on the day preceding such Stated Maturity, (b) in the case of the final Collection Period preceding an Optional Redemption or a Tax Redemption in whole of the Notes, on the day preceding the Redemption Date and (c) in any other case, at the close of business on the eighth Business Day prior to such Payment Date.

"Concentration Limitations": Limitations satisfied on any date of determination if, in the aggregate, the Collateral Obligations owned (or in relation to a proposed purchase of a Collateral Obligation, proposed to be owned) by the Issuer comply with all of the requirements set forth below (or, if not in compliance, the relevant requirements must be maintained or improved after giving effect to the purchase), calculated in each case as required by Section 1.2 herein:

Collateral Type	Minimum (% of Collateral Principal Amount)	Maximum (% of Collateral Principal Amount)	Exceptions and Additional Requirements
Senior Secured Loans and Eligible Investments (including Cash)	95.0		
Second Lien Loans, Senior Secured Bonds, Senior Unsecured Bonds, Senior Secured Floating Rate Notes and Unsecured Loans, collectively		5.0	
Single Obligor and Affiliates		2.0	(a) up to three obligors and their respective Affiliates may each constitute up to 2.5% of the Collateral Principal Amount, (b) non-Senior Secured Loans issued by any single obligor and its Affiliates shall not exceed 1.0% of the Collateral Principal Amount and (c) Collateral Obligations issued by any single obligor and its Affiliates, in each case, Domiciled outside of the United States (other than Group I Countries and Canada), shall not exceed 1.0% of the Collateral Principal Amount.
Rating of "Caa1" and below		7.5	
Rating of "CCC+" and below		7.5	
Fixed Rate Obligations		4.0	
Current Pay Obligations		2.0	
DIP Collateral Obligations		5.0	
Delayed Drawdown/Revolving Collateral Obligations		10.0	

Collateral Type	Minimum (% of Collateral Principal Amount)	Maximum (% of Collateral Principal Amount)	Exceptions and Additional Requirements
Participation Interests		10.0	Counterparty Criteria must be satisfied
Deferrable Securities		0.0	Unless received in connection with a Bankruptcy Exchange
Collateral Obligation which pays interest less frequently than quarterly		5.0	
S&P Rating derived from a Moody's Rating		10.0	
Moody's Rating derived from an S&P Rating		10.0	
Domicile of Obligor:			
all countries (in the aggregate) other than the United States		10.0	
any individual Group I Country		10.0	
any individual Group II Country		7.5	Obligors domiciled in Ireland shall not exceed 3.0% of the Collateral Principal Amount.
all Group II Countries in the aggregate		10.0	
any individual Group III Country		5.0	
all Group III Countries in the aggregate		10.0	
all Tax Jurisdictions in the aggregate		7.5	
any individual country other than the United States, the United Kingdom, Canada, the Netherlands, any Group II Country or any Group III Country		3.0	
S&P Industry Classification		12.0	up to one industry may represent 15.0%
Letter of Credit Reimbursement Obligations		3.0	Moody's Counterparty Criteria must be satisfied
Cov-Lite Loans		50.0	

Notwithstanding the foregoing, if the requirements of the Permitted Securities Condition are not satisfied, no portion of the Collateral Principal Amount may consist of Collateral Obligations that are Senior Secured Bonds, Senior Unsecured Bonds, Senior Secured Floating Rate Notes or Letter of Credit Reimbursement Obligations.

"Confidential Information": The meaning specified in Section 14.16(b).

"Controlling Class": The Class A-1 Notes so long as any Class A-1 Notes are Outstanding; then the Class A-2 Notes so long as any Class A-2 Notes are Outstanding; then the Class B Notes so long as any Class B Notes are Outstanding; then the Class C Notes so long as any Class C Notes are Outstanding; then the Class D Notes so long as any Class D Notes are Outstanding; then the Class E Notes so long as any Class E Notes are Outstanding; then the Class F Notes so long as any Class F Notes are Outstanding; and then the Subordinated Notes.

"Controlling Person": A Person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Co-Issuers or any Person who provides investment advice for a fee (direct or indirect) with respect to such assets or an affiliate of any such Person. For this purpose, an "affiliate" of a person includes any person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the person. "Control," with respect to a person other than an individual, means the power to exercise a controlling influence over the management or policies of such person.

"Corporate Trust Office": The principal corporate trust office of the Trustee, currently located at 214 North Tryon Street, 26th Floor, Charlotte, North Carolina 28202, Attention: Corporate Trust Services – CDO Group – Saratoga Investment Corp. CLO 2013-1, Ltd., facsimile no. (704) 335-4678, email: crystal.crudupburt@usbank.com, or such other address as the Trustee may designate from time to time by notice to the Holders, the Investment Manager and the Issuer, or the principal corporate trust office of any successor Trustee.

"Counterparty Criteria": The Moody's Counterparty Criteria and the Third Party Credit Exposure Limits, collectively.

"Cov-Lite Loan": A Loan that, other than with respect to a period of no more than three months following origination of such Loan, is not subject to financial covenants unless the borrower is required to comply with a Maintenance Covenant (regardless of whether compliance with one or more Incurrence Covenants is otherwise required by the Underlying Instruments); *provided* that, other than for purposes of the S&P Recovery Rate, a Loan will be deemed not to be a Cov-Lite Loan if such Loan (a) contains either (x) a cross-default provision to, or (y) is *pari passu* with, another loan of the underlying obligor forming part of the same loan facility that requires the underlying obligor to comply with such financial covenants or a Maintenance Covenant or (b) has a Moody's Rating of "Ba3" or higher.

"Coverage Tests": The Overcollateralization Ratio Test and the Interest Coverage Test, each as applied to the specified Class of Rated Notes.

"Credit Improved Criteria": The criteria that will be met with respect to any Collateral Obligation if, on any date of determination, either (a) the positive difference between the market price of such Collateral Obligation (expressed as a percentage of par value) on such date and its purchase price is greater than 1.00%; or (b) the change in price of such Collateral Obligation during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either is more positive, or less negative, as the case may be, than the percentage change in the average price of any index specified on the Approved Index List *plus* 0.50% over the same period.

"Credit Improved Obligation": Any Collateral Obligation which, in the Investment Manager's judgment exercised in accordance with the Investment Management Agreement, has significantly improved in credit quality after it was acquired by the Issuer, which improvement may (but need not) be evidenced by one of the following: (a) such Collateral Obligation satisfies the Credit Improved Criteria, (b) such Collateral Obligation has been upgraded at least one rating subcategory by either Rating Agency or has been placed and remains on credit watch with positive implication by either Rating Agency, (c) the issuer of such Collateral Obligation has raised equity capital or other capital subordinated to the Collateral Obligation, (d) the issuer of such Collateral Obligation has, in the Investment Manager's reasonable commercial judgment, shown improved results or possesses less credit risk, in each case since such Collateral Obligation was acquired by the Issuer or (e) such Collateral Obligation has a market price that is greater than the price warranted by its terms and credit characteristics; *provided* that during a Restricted Trading Period, in addition to the foregoing, a Collateral Obligation will qualify as a Credit Improved Obligation only if (i) it has been upgraded by any Rating Agency at least one rating subcategory or has been placed and remains on a credit watch with positive implication by any Rating Agency since it was acquired by the Issuer, (ii) the Credit Improved Criteria are satisfied with respect to such Collateral Obligation or (iii) a Majority of the Controlling Class votes to treat such Collateral Obligation as a Credit Improved Obligation.

"Credit Risk Criteria": The criteria that will be met with respect to any Collateral Obligation if, on any date of determination, either (a) the negative difference between the market price of such Collateral Obligation (expressed as a percentage of par value) on such date and its purchase price is greater than 1.00%; or (b) the change in price of such Collateral Obligation during the period from the date on which it was acquired by the Issuer to the date of determination by a percentage either is more negative, or less positive, as the case may be, than the percentage change in the average price of any index specified on the Approved Index List *less* 0.50% over the same period.

"Credit Risk Obligation": Any Collateral Obligation that, in the Investment Manager's judgment exercised in accordance with the Investment Management Agreement, has a significant risk of declining in credit quality or price; *provided* that, during a Restricted Trading Period, a Collateral Obligation will qualify as a Credit Risk Obligation for purposes of sales of Collateral Obligations only if, in addition to the foregoing, (i) such Collateral Obligation has been downgraded by any Rating Agency at least one rating subcategory or has been placed and remains on a credit watch with negative implication or on negative outlook by any Rating Agency since it was acquired by the Issuer, (ii) the Credit Risk Criteria are satisfied with respect to such Collateral Obligation or (iii) a Majority of the Controlling Class votes to treat such Collateral Obligation as a Credit Risk Obligation.

"Current Pay Obligation": Any Collateral Obligation (other than a DIP Collateral Obligation) that would otherwise be treated as a Defaulted Obligation but as to which no payments are due and payable that are unpaid and with respect to which the Investment Manager has certified to the Trustee (with a copy to the Collateral Administrator) in writing that it believes, in its reasonable business judgment, that the issuer or obligor of such Collateral Obligation (a) will continue to make scheduled payments of interest (and/or fees, as applicable, in the case of a Delayed Drawdown Collateral Obligation, Revolving Collateral Obligation or Letter of Credit Reimbursement Obligation) thereon and will pay the principal thereof by maturity or as otherwise contractually due, (b) if the issuer or obligor is subject to a bankruptcy proceeding, it has been the subject of an order of a bankruptcy court that permits it to make the scheduled payments on such Collateral Obligation and all interest (and/or fees, as applicable, in the case of a Delayed Drawdown Collateral Obligation, Revolving Collateral Obligation or Letter of Credit Reimbursement Obligation) and principal payments due thereunder and any other court-authorized payments have been paid in cash when due, (c) if any Rated Notes are then rated by S&P, the S&P Additional Current Pay Criteria are satisfied and (d) if any Class of Rated Notes is then rated by Moody's, the Moody's Additional Current Pay Criteria are satisfied (Market Value being determined, solely for the purposes of clauses (c) and (d), without taking into consideration clause (iii) of the definition of the term Market Value).

"Current Portfolio": At any time, the portfolio of Collateral Obligations and Eligible Investments representing Principal Proceeds (determined in accordance with Section 1.2 to the extent applicable), then held by the Issuer.

"Custodial Account": The custodial account established pursuant to Section 10.3(b).

"Default": Any Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Defaulted Obligation": Any Collateral Obligation included in the Assets as to which:

(a) a default as to the payment of principal and/or interest has occurred and is continuing with respect to such Collateral Obligation (without regard to any grace period applicable thereto, or waiver or forbearance thereof, after the passage (in the case of a default that in the Investment Manager's judgment, as certified to the Trustee in writing, is not due to credit-related causes) of five Business Days or seven calendar days, whichever is greater, but in no case beyond the passage of any grace period applicable thereto);

(b) a default known to the Investment Manager as to the payment of principal and/or interest has occurred and is continuing on another debt obligation of the same issuer which is senior or *pari passu* in right of payment to such Collateral Obligation (without regard to any grace period applicable thereto, or waiver or forbearance thereof, after the passage (in the case of a default that in the Investment Manager's judgment, as certified to the Trustee in writing, is not due to credit-related causes) of three Business Days or five calendar days, whichever is greater, but in no case beyond the passage of any grace period applicable thereto), and the holders thereof have accelerated the maturity of all or a portion of such obligation (but only until such acceleration has been rescinded); *provided* that both the Collateral Obligation and such other debt obligation are full recourse obligations of the applicable issuer or secured by the same collateral);

(c) the issuer or others have instituted proceedings to have the issuer adjudicated as bankrupt or insolvent or placed into receivership and such proceedings have not been stayed or dismissed within 60 days of filing or such issuer has filed for protection under Chapter 11 of the United States Bankruptcy Code;

(d) such Collateral Obligation has an S&P Rating of "CC" or below or "SD" or "D" or had such rating immediately before such rating was withdrawn or the Obligor on such Collateral Obligation has a "probability of default" rating assigned by Moody's of "D" or "LD";

(e) such Collateral Obligation is *pari passu* in right of payment as to the payment of principal and/or interest to another debt obligation of the same issuer which has an S&P Rating of "CC" or below or "SD" or "D" or had such rating immediately before such rating was withdrawn or the Obligor on such Collateral Obligation has a "probability of default" rating assigned by Moody's of "D" or "LD"; *provided* that both the Collateral Obligation and such other debt obligation are full recourse obligations of the applicable issuer or secured by the same collateral;

(f) a default with respect to which the Investment Manager has received notice or has knowledge that a default has occurred under the Underlying Instruments and any applicable grace period has expired and the holders of such Collateral Obligation have accelerated the repayment of the Collateral Obligation (but only until such acceleration has been rescinded) in the manner provided in the Underlying Instrument;

(g) the Investment Manager has in its reasonable commercial judgment otherwise declared such debt obligation to be a Defaulted Obligation;

(h) such Collateral Obligation is a Participation Interest with respect to which the Selling Institution has defaulted in any respect in the performance of any of its payment obligations under the Participation Interest; or

(i) such Collateral Obligation is a Participation Interest in a loan that would, if such loan were a Collateral Obligation, constitute a Defaulted Obligation or with respect to which the Selling Institution has an S&P Rating of "CC" or lower or "SD" or "D" or had such rating before such rating was withdrawn;

provided that (x) a Collateral Obligation shall not constitute a Defaulted Obligation pursuant to clauses (b) through (e) and (i) above if such Collateral Obligation (or, in the case of a Participation Interest other than a Letter of Credit Reimbursement Obligation, the underlying Senior Secured Loan, Second Lien Loan or Unsecured Loan) is a Current Pay Obligation (*provided* that the Aggregate Principal Balance of Current Pay Obligations exceeding 7.5% of the Collateral Principal Amount will be treated as Defaulted Obligations) and (y) a Collateral Obligation shall not constitute a Defaulted Obligation pursuant to any of clauses (b), (c), (d), (e) and (i) if such Collateral Obligation (or, in the case of a Participation Interest other than a Letter of Credit Reimbursement Obligation, the underlying Senior Secured Loan, Second Lien Loan or Unsecured Loan) is a DIP Collateral Obligation (other than a DIP Collateral Obligation that has an S&P Rating of "CC" or lower).

Each obligation (other than Letter of Credit Reimbursement Obligations) received in connection with a Distressed Exchange that (a) would be a Collateral Obligation but for the fact that it is a Defaulted Obligation or (b) would satisfy the proviso in the definition of Distressed Exchange but for the fact that it exceeds the percentage limit therein, shall in each case be deemed to be a Defaulted Obligation, and each other obligation (including any Letter of Credit Reimbursement Obligation) received in connection with a Distressed Exchange shall be deemed to be an Equity Security. Any Collateral Obligation the stated maturity of which occurs after the Stated Maturity of any Class of Rated Notes shall be deemed a Defaulted Obligation for purposes of the calculation of the Adjusted Principal Collateral Amount.

"Deferrable Security": A Collateral Obligation (excluding a Partial Deferrable Security) which by its terms permits the deferral or capitalization of payment of accrued, unpaid interest.

"Deferred Interest": With respect to any specified Class of Deferred Interest Notes, the meaning specified in Section 2.7(a).

"Deferred Interest Notes": The Rated Notes specified as such in Section 2.3, in each case for so long as no Priority Class is Outstanding.

"Deferring Security": A Deferrable Security that is deferring the payment of interest due thereon and has been so deferring the payment of interest due thereon (i) with respect to Collateral Obligations that have a Moody's Rating of at least "Baa3," for the shorter of two consecutive accrual periods or one year, and (ii) with respect to Collateral Obligations that have a Moody's Rating of "Ba1" or below, for the shorter of one accrual period or six consecutive months, which deferred capitalized interest has not, as of the date of determination, been paid in cash.

"Delayed Drawdown Collateral Obligation": A Collateral Obligation that (a) requires the Issuer to make one or more future advances to the borrower under the Underlying Instruments relating thereto, (b) specifies a maximum amount that can be borrowed on one or more fixed borrowing dates, and (c) does not permit the re-borrowing of any amount previously repaid by the borrower thereunder; but any such Collateral Obligation will be a Delayed Drawdown Collateral Obligation only until all commitments by the Issuer to make advances to the borrower expire or are terminated or are reduced to zero.

"Deliver" or "Delivered" or "Delivery": The taking of the following steps:

(a) in the case of each Certificated Note (as defined in the UCC) or Instrument (other than a Clearing Corporation Security or a Certificated Note or an Instrument evidencing debt underlying a Participation Interest), (i) causing the delivery of such Certificated Note or Instrument to the Intermediary registered in the name of the Intermediary or its affiliated nominee or endorsed to the Intermediary or in blank, (ii) causing the Intermediary to continuously identify on its books and records that such Certificated Note or Instrument is credited to the relevant Account and (iii) causing the Intermediary to maintain continuous possession of such Certificated Note or Instrument;

(b) in the case of each Uncertificated Note (other than a Clearing Corporation), (i) causing such Uncertificated Note to be continuously registered on the books of the obligor thereof to the Intermediary and (ii) causing the Intermediary to continuously identify on its books and records that such Uncertificated Note is credited to the relevant Account;

(c) in the case of each Clearing Corporation Security, causing (i) the relevant Clearing Corporation to continuously credit such Clearing Corporation Security to the securities account of the Intermediary at such Clearing Corporation and (ii) the Intermediary to continuously identify on its books and records that such Clearing Corporation Security is credited to the relevant Account;

(d) in the case of any Financial Asset that is maintained in book-entry form on the records of an FRB, causing (i) the continuous crediting of such Financial Asset to a securities account of the Intermediary at any FRB and (ii) the Intermediary to continuously identify on its books and records that such Financial Asset is credited to the relevant Account;

(e) in the case of Cash, causing the deposit of such Cash with the Intermediary and causing the Intermediary to continuously identify on its books and records that such Cash is credited to the relevant Account;

(f) in the case of each Financial Asset not covered by the foregoing clauses (a) through (e), causing the transfer of such Financial Asset to the Intermediary in accordance with applicable law and regulation and causing the Intermediary to continuously credit such Financial Asset to the relevant Account;

(g) in the case of each general intangible (including any Participation Interest that is not, or the debt underlying that is not, evidenced by an Instrument or Certificated Security) notifying the obligor thereunder of the Grant to the Trustee (unless no applicable law requires such notice in order to perfect the Grant to the Trustee);

(h) in the case of each Participation Interest as to which the underlying debt is represented by a Certificated Note or an Instrument, obtaining the acknowledgment of the Person in possession of such Certificated Note or Instrument (which may not be the Issuer) that it holds the portion of such Certificated Note or Instrument represented by the Participation Interest for the benefit of the Trustee; and

(i) in all cases, the filing of an appropriate Financing Statement in the appropriate filing office in accordance with the Uniform Commercial Code as in effect in any relevant jurisdiction.

"Deposit Account": The meaning specified in Section 9-102(a)(29) of the UCC.

"Designated Maturity": With respect to the Rated Notes, three months.

"Determination Date": The last day of each Collection Period.

"DIP Collateral Obligation": A loan made to a debtor-in-possession pursuant to Section 364 of the U.S. Bankruptcy Code having the priority allowed by either Section 364(c) or 364(d) of the U.S. Bankruptcy Code and fully secured by senior liens.

"Discount Obligation": Any Collateral Obligation (other than a Zero Coupon Security) that is not a Swapped Non-Discount Obligation and that the Investment Manager determines at the time of purchase is either: (a) an obligation that has a Moody's Rating of "B3" or above and that is acquired by the Issuer at a price that is lower than 80% of par or (b) an obligation that has a Moody's Rating below "B3" and that is acquired by the Issuer at a price that is lower than 85% of par; *provided* that such Collateral Obligation will cease to be a Discount Obligation at such time as (x) for a senior secured loan, the Market Value (expressed as a percentage of par) of such Collateral Obligation, for any period of 30 consecutive days since the acquisition by the Issuer of such Collateral Obligation, equals or exceeds 90% of par or (y) for an obligation that is not a senior secured loan, the Market Value (expressed as a percentage of par) of such Collateral Obligation, for any period of 30 consecutive days since the acquisition by the Issuer of such Collateral Obligation, equals or exceeds 85% of par.

"Discretionary Sales": The meaning specified in Section 12.1(f).

"Dissolution Expenses": The sum of (i) an amount not to exceed the greater of (a) U.S.$30,000 and (b) the estimated amount (if any) reasonably certified by the Investment Manager or the Issuer, including but not limited to fees and expenses incurred by the Trustee and reported to the Investment Manager, as the sum of expenses reasonably likely to be incurred in connection with the discharge of this Indenture, the liquidation of the Assets and the dissolution of the Co-Issuers and (ii) any accrued and unpaid Administrative Expenses.

"Distressed Exchange": In connection with any Collateral Obligation, a distressed exchange or other debt restructuring has occurred, as reasonably determined by the Investment Manager, pursuant to which the issuer or obligor of such Collateral Obligation has issued to the holders of such Collateral Obligation a new security or obligation or package of securities or obligations that, in the sole judgment of the Investment Manager, amounts to a diminished financial obligation or has the purpose of helping the issuer of such Collateral Obligation avoid default; provided that no Distressed Exchange shall be deemed to have occurred if the securities or obligations received by the Issuer in connection with such exchange or restructuring (i) are securities or obligations other than a Letter of Credit Reimbursement Obligation and (ii) satisfy the definition of Collateral Obligation (provided that the Aggregate Principal Balance of all securities and obligations to which this proviso applies or has applied, measured cumulatively from the Closing Date onward, may not exceed 25.0% of the Target Initial Par Amount).

"Distressed Exchange Offer": An offer by the issuer of a Collateral Obligation to exchange one or more of its outstanding debt obligations for a different debt obligation or to repurchase one or more of its outstanding debt obligations for Cash, or any combination thereof; *provided* that an offer by such issuer to exchange unregistered debt obligations for registered debt obligations will not be considered a Distressed Exchange Offer.

"Distribution Report": The meaning specified in Section 10.7(b).

"Diversity Score": A single number that indicates collateral concentration in terms of both issuer and industry concentration, calculated as set forth in Schedule 3 hereto.

"Dollar," "U.S. Dollar" or "U.S.$": A dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for all debts, public and private.

"Domicile" or "Domiciled": With respect to any issuer of, or obligor with respect to, a Collateral Obligation:

(a) if it is not organized in a Tax Jurisdiction, its country of organization; or

(b) if it is organized in a Tax Jurisdiction, each of such jurisdiction and the country in which, in the Investment Manager's good faith estimate, a substantial portion of its operations are located or from which a substantial portion of its revenue is derived, in each case directly or through subsidiaries (which shall be any jurisdiction and country known at the time of designation by the Investment Manager to be the source of the majority of revenues, if any, of such issuer or obligor).

"DTC": The Depository Trust Company, its nominee and their respective successors.

"Due Date": Each date on which any payment is due on an Asset in accordance with its terms.

"Eligible Account": Any account established and maintained (a) with a federal or state chartered depository institution is rated at least (x) "A1" and "P-1" by Moody's and (y) "A" and "A-1" by S&P (or at least "A+" by S&P if such institution has no short-term rating) or (b) in segregated trust accounts with the corporate trust department of a federal or state-chartered deposit institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the Code of Federal Regulation Section 9.10(b) and (A) if Cash is being held in such a trust account the related institution is also required to meet the ratings requirements set forth in clause (a)(x) and (B) with respect to securities accounts, the related institution is also required to have a rating of at least "Baa3" by Moody's. If such institution's ratings fall below the ratings set forth in clause (a) or (b), the assets held in such account will be moved to another institution that satisfies such ratings within 30 calendar days. Such institution shall have a combined capital and surplus of at least U.S.$200,000,000.

"Eligible Bond Index": The Merrill Lynch US High Yield Master II Index, Bloomberg ticker HUC0 (or such other nationally recognized high yield index as the Investment Manager selects and provides notice of to the Rating Agencies).

"Eligible Investment Required Ratings": (a) If such obligation or security (i) has both a long-term and a short-term credit rating from Moody's, such ratings are "Aa3" or higher (not on credit watch for possible downgrade) and "P-1" (not on credit watch for possible downgrade), respectively, (ii) has only a long-term credit rating from Moody's, such rating is "Aaa" (not on credit watch for possible downgrade) or (iii) has only a short-term credit rating from Moody's, such rating is "P-1" (not on credit watch for possible downgrade) and (b) a long-term rating and short-term rating of "A" and "A-1" or higher, respectively (or, if it has no short-term credit rating, a long-term rating of "A+" or higher) from S&P.

"Eligible Investments": Any Dollar investment that, at the time it is Delivered (directly or through an intermediary or bailee), (x) matures not later than the earlier of (A) the date that is 60 days after the date of Delivery thereof and (B) the Business Day immediately preceding the Payment Date immediately following the date of Delivery thereof unless such Eligible Investments are issued by the Trustee in its capacity as a banking institution, in which case such Eligible Investments may mature on such Payment Date and, (y) is not a "commodity interest" as such term is used in the definition of "commodity pool" in Section 1a of the Commodity Exchange Act, as amended, and (z) is one or more of the following obligations or securities:

(a) direct Registered obligations of, and Registered obligations, the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States of America or any agency or instrumentality of the United States of America whose obligations are expressly backed by the full faith and credit of the United States of America, in each case, which have the Eligible Investment Required Ratings, subject to the following exclusions: (i) General Services Administration participation certificates; (ii) U.S. Maritime Administration guaranteed Title XI financings; (iii) Financing Corp. debt obligations; (iv) Farmers Home Administration Certificates of Beneficial Ownership; and (v) Washington Metropolitan Area Transit Authority guaranteed transit bonds;

(b) demand and time deposits in, certificates of deposit of, trust accounts with, bankers' acceptances issued by, or federal funds sold by any depository institution or trust company incorporated under the laws of the United States of America (including the Bank, Affiliates of the Bank and Affiliates of the Investment Manager) or any state thereof and subject to supervision and examination by federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, if the holding company guarantees such investment issued by such principal depository institution pursuant to a guarantee that complies with S&P's then-current criteria with respect to guarantees, the commercial paper and/or the debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have the Eligible Investment Required Ratings or such demand or time deposits are held in a demand deposit account, 100% of the deposits of which are insured by the FDIC through an extended FDIC insurance program;

(c) commercial paper (other than Asset-backed Commercial Paper) with the Eligible Investment Required Ratings and that either bear interest or are sold at a discount from the face amount thereof and have a maturity of not more than 183 days from their date of issuance; and

(d) registered money market funds that have, at all times, ratings of "Aaa-mf" by Moody's and "AAAm" or "AAAm-G" by S&P, respectively;

provided that (A) Eligible Investments purchased with funds in the Collection Account shall be held until maturity except as otherwise specifically provided herein and shall include only such obligations or securities, other than those referred to in clause (d) above, as mature (or are putable at par to the issuer thereof) no later than the Business Day prior to the next Payment Date unless such Eligible Investments are issued by the Bank in its capacity as a banking institution, in which event such Eligible Investments may mature on such Payment Date; and (B) none of the foregoing obligations or securities shall constitute Eligible Investments if (1) such obligation or security has an "f", "r", "p", "pi", "q" or "t" subscript assigned by S&P, (2) all, or substantially all, of the remaining amounts payable thereunder consist of interest and not principal payments, (3) payments with respect to such obligations or securities or proceeds of disposition are subject to withholding taxes by any jurisdiction unless the payor is required to make "gross-up" payments that cover the full amount of any such withholding tax (other than withholding tax imposed under FATCA) on an after-tax basis, (4) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such obligations or securities will cause the Issuer to be engaged in a trade or business within the United States for U.S. federal income tax purposes or be subject to tax in any jurisdiction outside the Issuer's jurisdiction of incorporation, (5) such obligation or security is secured by real property, (6) such obligation or security is purchased at a price greater than 100% of the principal or face amount thereof, (7) such obligation or security is the subject of a tender offer, voluntary redemption, exchange offer, conversion or other similar action, (8) in the Investment Manager's judgment, such obligation or security is subject to material non-credit related risks, (9) such obligation is a Structured Finance Obligation or (10) such obligation or security is represented by a certificate of interest in a grantor trust; provided, further, that the Bank shall have no obligation to determine whether any investment satisfies the definition of "Eligible Investments". Eligible Investments may include, without limitation, those investments for which the Bank or an Affiliate of the Bank or the Investment Manager or an Affiliate of the Investment Manager provides services and receives compensation. For the avoidance of doubt, the Issuer shall only acquire Eligible Investments that, in the commercially reasonable belief of the Investment Manager, are "cash equivalents" as defined in the Volcker Rule.

"Eligible Loan Index": With respect to each Collateral Obligation that is a Loan, one of the following indices as selected by the Investment Manager upon the acquisition of such Collateral Obligation: the Credit Suisse Leveraged Loan Indices (formerly the DLJ Leveraged Loan Index Plus), the Deutsche Bank Leveraged Loan Index, the Goldman Sachs/Loan Pricing Corporation Liquid Leveraged Loan Index, the Merrill Lynch Leveraged Loan Index, the S&P/LSTA Leveraged Loan Indices or any replacement or other comparable nationally recognized loan index; *provided* that the Investment Manager may change the index applicable to a Collateral Obligation at any time following the acquisition thereof (so long as the same index applies to all Collateral Obligations for which this definition applies) after giving notice to Moody's, the Trustee and the Collateral Administrator.

"Enforcement Event": The meaning specified in Section 5.4(a).

"Entitlement Order": The meaning specified in Article 8 of the UCC.

"Equity Security": Any security or debt obligation which at the time of acquisition, conversion or exchange does not satisfy the requirements of a Collateral Obligation and is not an Eligible Investment.

"ERISA": The United States Employee Retirement Income Security Act of 1974, as amended.

"Euroclear": Euroclear Bank S.A./N.V.

"Event of Default": The meaning specified in Section 5.1.

"Excepted Property": The meaning assigned in the Granting Clauses hereof.

"Excess CCC/Caa Adjustment Amount": As of any date of determination, an amount equal to the excess, if any, of (i) the Aggregate Principal Balance of all Collateral Obligations included in the CCC/Caa Excess, over (ii) the sum of the Market Values of all Collateral Obligations included in the CCC/Caa Excess.

"Excess Interest": Any Interest Proceeds distributed on the Subordinated Notes pursuant to the Priority of Payments.

"Excess Weighted Average Coupon": A percentage equal as of any date of determination to a number obtained by multiplying (a) the excess, if any, of the Weighted Average Coupon over the Minimum Weighted Average Coupon by (b) the number obtained, including for this purpose any capitalized interest, by dividing the Aggregate Principal Balance of all Fixed Rate Obligations by the Aggregate Principal Balance of all Floating Rate Obligations.

"Excess Weighted Average Floating Spread": A percentage equal as of any date of determination to a number obtained by multiplying (a) the excess, if any, of the Weighted Average Floating Spread over the Minimum Floating Spread by (b) the number obtained, including for this purpose any capitalized interest, by dividing the Aggregate Principal Balance of all Floating Rate Obligations by the Aggregate Principal Balance of all Fixed Rate Obligations.

"Exchange Act": The United States Securities Exchange Act of 1934, as amended.

"Expense Reserve Account": The trust account established pursuant to Section 10.3(c).

"FATCA": Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

"Fee Basis Amount": As of any date of determination, the sum of (a) the Collateral Principal Amount, (b) the Aggregate Principal Balance of all Defaulted Obligations and (c) the aggregate amount of all Principal Financed Accrued Interest.

"Financial Asset": The meaning specified in Article 8-102(a)(9) of the UCC.

"Financing Statements": The meaning specified in Section 9-102(a)(39) of the UCC.

"First Lien Last Out Loan": Any assignment of or Participation Interest in a Loan that: (a) is not (and cannot by its terms become) subordinate in right of payment to any other obligation of the obligor of the Loan (other than (i) with respect to trade claims, capitalized leases or similar obligations and (ii) subordination in right of payment solely to one or more Senior Secured Loans of the obligor of the Loan that becomes effective solely upon the occurrence of a default or event of default by the obligor of the Loan); (b) is secured by a valid perfected security interest or lien in, to or on specified collateral securing the obligor's obligations under the Loan that, prior to the occurrence of a default or event of default by the obligor of the Loan, is a first-priority security interest or lien; (c) the value of the collateral securing the Loan together with other attributes of the obligor (including, without limitation, its general financial condition, ability to generate cash flow available for debt service and other demands for that cash flow) is adequate (in the commercially reasonable judgment of the Investment Manager) to repay the Loan in accordance with its terms and to repay all other Loans of equal seniority secured by a first lien or security interest in the same collateral; and (d) is not secured solely or primarily by common stock or other equity interests; *provided* that the limitation set forth in this clause (d) shall not apply with respect to a Loan made to a parent entity that is secured solely or primarily by the stock of one or more of the subsidiaries of such parent entity to the extent that the granting by any such subsidiary of a lien on its own property would violate law or regulations applicable to such subsidiary (whether the obligation secured is such Loan or any other similar type of indebtedness owing to third parties); *provided further* that (i) for obligations to which, due to the operation of the foregoing proviso, the limitation set forth in this clause (d) does not apply, the S&P Recovery Rate will be determined on a case by case basis if there is no assigned S&P Recovery Rating and (ii) following a request by the Issuer to S&P for the determination of an S&P Recovery Rate for such obligation but prior to the receipt of such S&P Recovery Rate from S&P, the S&P Recovery Rate shall be as determined by the Investment Manager in accordance with Schedule 5.

"Fixed Rate Obligation": Any Collateral Obligation that bears a fixed rate of interest.

"Floating Rate Notes": Any Notes that bear interest at floating rates.

"Floating Rate Obligation": Any Collateral Obligation that bears a floating rate of interest.

"FRB": Any Federal Reserve Bank.

"GAAP": The meaning specified in Section 6.3(j).

"General Intangibles": The meaning specified in Section 9-102(a)(42) of the UCC.

"Global Note": Any Rule 144A Global Note, Temporary Global Note or Regulation S Global Note.

"Global Note Procedures": In respect of any transfer or exchange as a result of which one or more Rule 144A Global Note or Regulation S Global Note representing Notes is increased or decreased, the following procedures: the Registrar will confirm the related instructions from the Depository to (a) reduce and/or increase, as applicable, the principal amount of the applicable Global Note after giving effect to the exchange or transfer and, if applicable, (b) credit or request to be credited to the securities account specified by or on behalf of the holder of the beneficial interest in the applicable Global Note of the same Class.

"Grant" or "Granted": To grant, bargain, sell, alienate, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of set off against. A Grant of property shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including without limitation the immediate and continuing right to claim for, collect, receive and receipt for principal and interest payments in respect thereof, and all other amounts payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring legal or other proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Group I Country": The Netherlands, Australia, New Zealand and the United Kingdom (or such other countries as may be notified by Moody's to the Investment Manager from time to time).

"Group II Country": Germany, Ireland, Sweden and Switzerland (or such other countries as may be notified by Moody's to the Investment Manager from time to time).

"Group III Country": Austria, Belgium, Denmark, Finland, France, Iceland, Liechtenstein, Luxembourg and Norway (or such other countries as may be notified by Moody's to the Investment Manager from time to time).

"Holder" or "Noteholder": With respect to any Note, the Person whose name appears on the Register as the registered holder of such Note.

"Illiquid Asset": (a) A Defaulted Obligation, an Equity Security, an obligation received in connection with an Offer or other exchange or any other security or debt obligation that is part of the Assets, in respect of which (i) the Issuer has not received a payment in Cash during the preceding twelve calendar months and (ii) the Investment Manager certifies that it is not aware, after reasonable inquiry, that the issuer or obligor of such asset has publicly announced or informed the holders of such asset that it intends to make a payment in Cash in respect of such asset within the next twelve calendar months or (b) any asset, claim or other property identified in a certificate of the Investment Manager as having a Market Value of less than U.S.$1,000.

"Incentive Management Fee": The fee payable to the Investment Manager in arrears on each Payment Date in an amount equal to 20% of the remaining Interest Proceeds and Principal Proceeds, if any, after the Subordinated Notes have realized the Incentive Management Fee Target Return in accordance with the Priority of Payments after making the prior distributions on the relevant Payment Date in accordance with Section 11.1 of this Indenture.

"Incentive Management Fee Target Return": A Subordinated Notes Internal Rate of Return of 12.0%.

"Incurrence Covenant": A covenant by any borrower to comply with one or more financial covenants only upon the occurrence of certain actions of the borrower, including a debt issuance, dividend payment, share purchase, merger, acquisition or divestiture.

"Indenture": This instrument as originally executed and, if from time to time supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, as so supplemented or amended.

"Independent": As to any Person, any other Person (including, in the case of an accountant or lawyer, a firm of accountants or lawyers, and any member thereof, or an investment bank and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest in such Person or in any Affiliate of such Person, and (ii) is not connected with such Person as an Officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions. When used with respect to any accountant, "Independent" may include an accountant who audits the books of such Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants.

Whenever any Independent Person's opinion or certificate is to be furnished to the Trustee, such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

Any pricing service, certified public accountant or legal counsel that is required to be Independent of another Person under this Indenture must satisfy the criteria above with respect to the Issuer and its Affiliates.

"Information": S&P's "Credit Estimate Information Requirements" dated April 2011 and any other available information S&P reasonably requests in order to produce a credit estimate for a particular asset.

"Information Agent": The meaning specified in Section 14.4(b).

"Initial Principal Amount": With respect to any Class of Rated Notes, the U.S. dollar amount specified with respect to such Class in Section 2.3.

"Initial Rating": With respect to the Rated Notes, the rating or ratings, if any, indicated in Section 2.3.

"Instrument": The meaning specified in Section 9-102(a)(47) of the UCC.

"Interest Accrual Period": (i) With respect to the initial Payment Date, the period from and including the Closing Date to but excluding such Payment Date; and (ii) with respect to each succeeding Payment Date, the period from and including the immediately preceding Payment Date to but excluding the following Payment Date (or, in the case of a Class that is being redeemed on a Partial Redemption Date, to but excluding such Partial Redemption Date) until the principal of the Rated Notes is paid or made available for payment; *provided* that any interest-bearing notes issued after the Closing Date in accordance with the terms of this Indenture shall accrue interest during the Interest Accrual Period in which such additional notes are issued from and including the applicable date of issuance of such additional notes to but excluding the last day of such Interest Accrual Period at the applicable Interest Rate. For purposes of determining any Interest Accrual Period, if the 15th day of the relevant month is not a Business Day, then the Interest Accrual Period with respect to such Payment Date shall end on but exclude the Business Day on which payment is made and the succeeding Interest Accrual Period shall begin on and include such date.

"Interest Collection Account": The meaning specified in Section 10.2(a).

"Interest Coverage Ratio": For any designated Class or Classes of Rated Notes, as of any date of determination, the percentage derived from the following equation: (A – B) / C, where:

A = The Collateral Interest Amount as of such date of determination;

B = Amounts payable (or expected as of the date of determination to be payable) on the following Payment Date as set forth in clauses (A) through (C)(1) of the Priority of Interest Proceeds; and

C = Interest due and payable on the Rated Notes of such Class or Classes and each Priority Class and Pari Passu Class (excluding Deferred Interest, but including any interest on Deferred Interest with respect to the Deferred Interest Notes) on such Payment Date; *provided* that the Class X Notes will not be included for purposes of calculating the Interest Coverage Ratio.

"Interest Coverage Test": A test that is satisfied with respect to any Class or Classes of Rated Notes (other than the Class X Notes and the Class F Notes) as of any date of determination on, or subsequent to, the Determination Date occurring immediately prior to the fourth Payment Date, if (i) the Interest Coverage Ratio for such Class or Classes on such date is at least equal to the Required Interest Coverage Ratio for such Class or Classes or (ii) such Class or Classes of Rated Notes is no longer Outstanding.

"Interest Determination Date": With respect to each Interest Accrual Period, the second London Banking Day preceding the first day of such Interest Accrual Period.

"Interest Diversion Test": A test that will be satisfied on any Measurement Date if the Overcollateralization Ratio for the Class F Notes is at least equal to 102.7%.

"Interest Only Security": Any obligation or security that does not provide in the related Underlying Instruments for the payment or repayment of a stated principal amount in one or more installments on or prior to its stated maturity.

"Interest Proceeds": With respect to any Collection Period or Determination Date, without duplication, the sum of:

(i) all payments of interest (other than any interest due on any Partial Deferrable Security that has been deferred or capitalized at the time of acquisition) and delayed compensation (representing compensation for delayed settlement) received in Cash by the Issuer during the related Collection Period on the Collateral Obligations and Eligible Investments, including the accrued interest received in connection with a sale thereof during the related Collection Period, less any such amount that represents Principal Financed Accrued Interest;

(ii) all principal and interest payments received by the Issuer during the related Collection Period on Eligible Investments purchased with Interest Proceeds;

(iii) all amendment and waiver fees, late payment fees and other fees received by the Issuer during the related Collection Period, except for those in connection with (a) the lengthening of the maturity of the related Collateral Obligation or (b) the reduction of the par of the related Collateral Obligation, as determined by the Investment Manager with notice to the Trustee and the Collateral Administrator;

(iv) commitment fees and other similar fees received by the Issuer during such Collection Period in respect of Revolving Collateral Obligations and Delayed Drawdown Collateral Obligations;

(v) any amounts deposited in the Collection Account from the Expense Reserve Account that are designated as Interest Proceeds pursuant to this Indenture in respect of the related Determination Date;

(vi) any funds withdrawn from the LC Reserve Account during the related Collection Period in accordance with Section 10.5 for application as Interest Proceeds;

(vii) with respect to any Partial Redemption Date, any amounts deposited in the Interest Collection Account as Interest Proceeds pursuant to Section 11.1(a)(iv); and

(viii) any Liquidity Reserve Amount deposited in the Interest Collection Account on the preceding Payment Date;

provided that (1) any amounts received in respect of any Defaulted Obligation will constitute Principal Proceeds (and not Interest Proceeds) until the aggregate of all collections in respect of such Defaulted Obligation since it became a Defaulted Obligation equals the outstanding Principal Balance of such Collateral Obligation at the time it became a Defaulted Obligation and (2) (x) any amounts received in respect of any Equity Security that was received in exchange for a Defaulted Obligation and is held by an Issuer Subsidiary will constitute Principal Proceeds (and not Interest Proceeds) until the aggregate of all collections in respect of such Equity Security equals the outstanding Principal Balance of the Collateral Obligation, at the time it became a Defaulted Obligation, for which such Equity Security was received in exchange and (y) any amounts received in respect of any other asset held by an Issuer Subsidiary will constitute Principal Proceeds (and not Interest Proceeds).

"Interest Rate": With respect to each Class of Rated Notes, the per annum stated interest rate payable on such Class with respect to each Interest Accrual Period specified in Section 2.3.

"Intermediary": The entity maintaining an Account pursuant to an Account Agreement.

"Investment Company Act": The United States Investment Company Act of 1940, as amended.

"Investment Criteria": Collectively, the Reinvestment Period Criteria and the Post-Reinvestment Criteria.

"Investment Guidelines": The Operating Guidelines set forth in Exhibit A of the Investment Management Agreement.

"Investment Management Agreement": The amended and restated agreement dated as of the Closing Date entered into between the Issuer and the Investment Manager relating to the management of the Collateral Obligations and the other Assets by the Investment Manager on behalf of the Issuer, as amended from time to time in accordance with its terms.

"Investment Manager": Saratoga Investment Corp., a Maryland corporation, until a successor Person shall have become the Investment Manager pursuant to the applicable provisions of the Investment Management Agreement, and thereafter Investment Manager shall mean such successor Person.

"Investment Property": As defined in Section 9-102(a)(49) of the UCC.

"Irish Listing Agent": Maples and Calder, in its capacity as Irish Listing Agent for the Co-Issuers, and any successor thereto.

"Issuer": The Person named as such on the first page of this Indenture until a successor Person shall have become the Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor Person.

"Issuer Only Notes": The Class E Notes, the Class F Notes and the Subordinated Notes.

"Issuer Order" and "Issuer Request": A written order or request (which may be a standing order or request) dated and signed in the name of the Issuer or the Co-Issuer by an Authorized Officer of the Issuer or the Co-Issuer, as applicable, or by the Investment Manager by an Authorized Officer thereof, on behalf of the Issuer.

"Issuer Subsidiary": An entity classified at all times as a corporation for U.S. federal income tax purposes, 100% of the equity interests in which are owned directly or indirectly by the Issuer. For the avoidance of doubt, the Co-Issuer is not an Issuer Subsidiary.

"Issuer Subsidiary Asset": The assets referred to in clauses (x) and (y) of Section 7.17(e), and any assets, income and proceeds received in respect thereof.

"Issuer's Website": The Issuer's password-protected internet website, which shall initially be located at https://www.structuredfn.com, or such other address as the Issuer may provide to the Trustee, the Collateral Administrator, the Investment Manager and the Rating Agencies.

"Junior Class": With respect to a particular Class, each Class that is subordinated to such Class, as indicated in Section 2.3.

"LC Commitment Amount": With respect to any Letter of Credit Reimbursement Obligation, the amount which the Issuer could be required to pay to the LOC Agent Bank in respect thereof (including, for the avoidance of doubt, any portion thereof which the Issuer has collateralized or deposited into a trust or with the LOC Agent Bank for the purpose of making such payments).

"LC Reserve Account": The meaning set forth in Section 10.5.

"Legacy Custodian": The meaning specified in the Preliminary Statement hereto.

"Legacy Rated Noteholders": The meaning specified in the Preliminary Statement hereto.

"Legacy Rated Notes": The meaning specified in the Preliminary Statement hereto.

"Legacy Rated Notes Redemption Date": The meaning specified in the Preliminary Statement hereto.

"Legacy Trustee": The meaning specified in the Preliminary Statement hereto.

"Letter-of-Credit Right": The meaning set forth in Section 9-102(a)(51).

"Letter of Credit Reimbursement Obligation": A facility whereby (i) a fronting bank that, at the time of acquisition of such Letter of Credit Reimbursement Obligation by the Issuer or the Issuer's commitment to acquire the same, has at least a long-term credit rating of "A" and also a short-term rating of "A-1" (or, if it has no short-term rating, a long-term rating of "A+") by S&P ("LOC Agent Bank") issues or will issue a letter of credit ("LC") for or on behalf of a borrower pursuant to an Underlying Instrument, (ii) in the event that the LC is drawn upon, and the borrower does not reimburse the LOC Agent Bank, the lender/participant is obligated to fund its portion of the facility, (iii) the LOC Agent Bank passes on (in whole or in part) the fees and any other amounts it receives for providing the LC to the lender/participant and (iv)(a) the related Underlying Instruments require the Issuer to fully collateralize the Issuer's obligations to the related LOC Agent Bank or obligate the Issuer to make a deposit into a trust in an aggregate amount equal to the related LC Commitment Amount, (b) the collateral posted by the Issuer is held by, or the Issuer's deposit is made in, a depository institution meeting the requirement set forth in Section 10.1 and (c) the collateral posted by the Issuer is invested in Eligible Investments.

"Leveraged Loan Index": The Daily S&P/LSTA U.S. Leveraged Loan 100 Index, Bloomberg ticker SPBDLLB, any successor index thereto or any comparable U.S. leveraged loan index reasonably designated by the Investment Manager.

"LIBOR": The meaning set forth in Exhibit C hereto; *provided that*, if LIBOR, as determined and/or calculated pursuant to Exhibit C in respect of an Interest Accrual Period is less than 0% then the LIBOR for such Interest Accrual Period shall be 0%.

"Liquidity Reserve Amount": With respect to the first Payment Date, U.S.$0 and, with respect to any Payment Date thereafter, means an amount equal to the excess, if any, of: (a) the sum of all payments of interest received during the related Collection Period (and, if such Collection Period does not end on a Business Day, the next succeeding Business Day) on floating rate and fixed rate Liquidity Reserve Excess Collateral Obligations (net of purchased accrued interest acquired with Interest Proceeds) over; (b) the sum of: (i) solely with respect to fixed rate Liquidity Reserve Excess Collateral Obligations, an amount equal to the product of (A) 0.25 multiplied by (B) the Weighted Average Coupon on such fixed rate Liquidity Reserve Excess Collateral Obligations as of the immediately preceding Determination Date multiplied by (C) the Aggregate Principal Balance of such fixed rate Liquidity Reserve Excess Collateral Obligations as of the immediately preceding Determination Date; and (ii) solely with respect to floating rate Liquidity Reserve Excess Collateral Obligations, an amount equal to the product of (A) the actual number of days in the related Collection Period divided by 360 multiplied by (B) the sum of (1) LIBOR applicable to the related Interest Accrual Period beginning on the previous Payment Date and (2) the Weighted Average Floating Spread on such floating rate Liquidity Reserve Excess Collateral Obligations as of the preceding Collection Period multiplied by (C) the Aggregate Principal Balance of such floating rate Liquidity Reserve Excess Collateral Obligations as of the preceding Determination Date.

"Liquidity Reserve Excess Collateral Obligation": Any Collateral Obligation which pays interest less frequently than quarterly and the Aggregate Principal Balance of which exceeds 5.0% of the Collateral Principal Amount as of the immediately preceding Determination Date; *provided* that the determination of which of the Collateral Obligations will be included in such excess will be based on the order in which such Collateral Obligations were purchased by the Issuer, with the most recently purchased Collateral Obligations deemed to constitute such excess.

"Listed Notes": Any Notes listed on the Irish Stock Exchange as of the date of determination.

"Loan": Any obligation for the payment or repayment of borrowed money that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement.

"LOC Agent Bank": The meaning specified in the definition of the term Letter of Credit Reimbursement Obligation.

"London Banking Day": A day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London, England.

"Maintenance Covenant": A covenant by any borrower to comply with one or more financial covenants during each reporting period (but not more frequently than quarterly), whether or not such borrower has taken any specified action.

"Majority": With respect to any Class or Classes, the Holders of more than 50% of the Aggregate Outstanding Amount of the Notes of such Class or Classes.

"Management Fee": The Base Management Fee, the Subordinated Management Fee and the Incentive Management Fee.

"Manager Notes": As of any date of determination, (a) all Notes held on such date by (i) the Investment Manager, (ii) any Affiliate of the Investment Manager or (iii) any account, fund, client or portfolio managed or advised on a discretionary basis by the Investment Manager or any of its Affiliates and (b) all Notes as to which economic exposure is held on such date (whether through any derivative financial transaction or otherwise) by any Person identified in the foregoing clause (a).

"Margin Stock": "Margin Stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System, including any debt security which is by its terms convertible into Margin Stock.

"Market Value": With respect to any Loans or other Assets, the amount (determined by the Investment Manager) equal to the product of the principal amount thereof and the price determined in the following manner:

(i) the bid price determined by the Loan Pricing Corporation, Markit Group Limited, Loan X Mark-It Partners, FT Interactive, Bridge Information Systems, KDP, IDC, Bank of America High Yield Index, Interactive Data Pricing and Reference Data, Inc., Pricing Direct Inc., S&P Security Evaluations Service, Thompson Reuters Pricing Service, TradeWeb Markets LLC, C&Co/PrinceRidge or any other nationally recognized loan or bond pricing service selected by the Investment Manager and which is Independent from the Investment Manager; or

(ii) if a price described in clause (i) is not available,

(A) the average of the bid prices determined by three broker-dealers (or other buy-side market participants) active in the trading of such asset that are Independent from each other and the Issuer and the Investment Manager;

(B) if only two such bids can be obtained, the lower of the bid prices of such two bids; or

(C) if only one such bid can be obtained, and such bid was obtained from a Qualified Broker/Dealer, the bid price of such bid; or

(iii) if a price described in clause (i) or (ii) is not available, then the Market Value of an asset will be the lower of (x) the higher of (A) such asset's S&P Recovery Rate and (B) 70% of the notional amount of such asset and (y) the price at which the Investment Manager reasonably believes such asset could be sold in the market within 30 days, as certified by the Investment Manager to the Trustee and determined by the Investment Manager consistent with the manner in which it would determine the market value of an asset for purposes of other funds or accounts managed by it; *provided*, *however*, that, if the Investment Manager is not a registered investment adviser, the Market Value of any such asset may not be determined in accordance with this clause (iii)(y) for more than 30 days; or

(iv) if the Market Value of an asset is not determined in accordance with clause (i), (ii) or (iii) above, then such Market Value shall be deemed to be zero until such determination is made in accordance with clause (i), (ii) or (iii) above.

"Material Event": As defined in Section 7.14(c).

"Matrix Combination": The applicable "row/column combination" of the Minimum Diversity Score/Maximum Rating/Minimum Spread Matrix chosen by the Investment Manager (or determined by interpolating between two adjacent rows and/or two adjacent columns).

"Matrix Tests": As defined in Section 7.18(a).

"Maturity": With respect to any Rated Note, the date on which the unpaid principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Maturity Amendment": With respect to any Collateral Obligation, any waiver, modification, amendment or variance (other than in connection with an insolvency, bankruptcy, reorganization, debt restructuring or workout of the obligor thereof) that would extend the stated maturity date of such Collateral Obligation. For the avoidance of doubt, a waiver, modification, amendment or variance that would extend the stated maturity date of the credit facility of which a Collateral Obligation is part, but would not extend the stated maturity date of the Collateral Obligation held by the Issuer, does not constitute a Maturity Amendment.

"Maximum Moody's Rating Factor Test": A test that will be satisfied on any date of determination if the Adjusted Weighted Average Moody's Rating Factor of the Collateral Obligations is less than or equal to the lower of (a) the sum of (i) the Maximum Rating Factor in the Matrix Combination *plus* (ii) the Moody's Weighted Average Recovery Adjustment and (b) 3,300.

"Measurement Date": (i) Any day on which a purchase of a Collateral Obligation occurs, (ii) any Determination Date, (iii) the date as of which the information in any Monthly Report is calculated and (iv) with five Business Days' prior written notice to the Issuer and the Trustee (with a copy to the Investment Manager), any Business Day requested by either Rating Agency.

"Memorandum and Articles": The Issuer's Memorandum and Articles of Association, as they may be amended, revised or restated from time to time.

"Merging Entity": As defined in Section 7.10.

"Middle Market Loan": Any loan obligation in respect of which the total potential indebtedness of its obligor under all loan agreements, indentures and other instruments governing such obligor's indebtedness is less than U.S.$200,000,000.

"Minimum Denomination": With respect to each Class of the Rated Notes other than the Class X Notes, U.S.$250,000 and integral multiples of U.S.$1.00 in excess thereof and, with respect to the Class X Notes, U.S.$200,000 and integral multiples of U.S.$1.00 in excess thereof.

"Minimum Diversity Score/Maximum Rating/Minimum Spread Matrix": The following chart used to determine which Matrix Combination is applicable for purposes of determining compliance with the Moody's Diversity Test, the Maximum Moody's Rating Factor Test and the Minimum Floating Spread Test:

Minimum Weighted Average Spread	Minimum Diversity Score				
	40	45	50	55	60
2.95%	2390	2490	2550	2610	2670
3.00%	2405	2505	2565	2625	2685
3.05%	2420	2520	2580	2640	2700
3.10%	2435	2535	2595	2655	2715
3.15%	2450	2550	2610	2670	2730
3.20%	2465	2565	2625	2685	2745
3.25%	2480	2580	2640	2700	2760
3.30%	2495	2595	2655	2715	2775
3.35%	2510	2610	2670	2730	2790
3.40%	2525	2625	2685	2745	2805
3.45%	2540	2640	2700	2760	2820
3.50%	2555	2655	2715	2775	2835
3.55%	2570	2670	2730	2790	2850
3.60%	2585	2685	2745	2805	2865
3.65%	2600	2700	2760	2820	2880
3.70%	2615	2715	2775	2835	2895
3.75%	2630	2730	2790	2850	2910
3.80%	2645	2745	2805	2865	2925
3.85%	2660	2760	2820	2880	2940
3.90%	2675	2775	2835	2895	2955
3.95%	2690	2790	2850	2910	2970
4.00%	2705	2805	2865	2925	2985
4.05%	2720	2820	2880	2940	3000

"Minimum Floating Spread": The Minimum Weighted Average Spread in the Matrix Combination.

"Minimum Floating Spread Test": The test that is satisfied on any date of determination if the Weighted Average Floating Spread *plus* the Excess Weighted Average Coupon equals or exceeds the Minimum Floating Spread.

"Minimum Weighted Average Coupon": 7.25%.

"Minimum Weighted Average Coupon Test": The test that will be satisfied on any date of determination if the Weighted Average Coupon *plus* the Excess Weighted Average Floating Spread equals or exceeds the Minimum Weighted Average Coupon.

"Minimum Weighted Average Moody's Recovery Rate Test": The test that will be satisfied on any date of determination if the Weighted Average Moody's Recovery Rate equals or exceeds 48.0%.

"Minimum Weighted Average S&P Recovery Rate Test": The test that will be satisfied on any date of determination if the Weighted Average S&P Recovery Rate for the Controlling Class (so long as the Controlling Class is a Class of Rated Notes) equals or exceeds the Weighted Average S&P Recovery Rate for such Class selected by the Investment Manager in connection with the S&P CDO Monitor Test.

"Money": The meaning specified in Article 1 of the UCC.

"Monthly Report": The meaning specified in Section 10.7(a).

"Monthly Report Determination Date": The meaning specified in Section 10.7(a).

"Moody's": Moody's Investors Service, Inc. and any successor thereto.

"Moody's Additional Current Pay Criteria": Criteria satisfied with respect to any Collateral Obligation if (a) either such Collateral Obligation has (i) a Market Value of at least 85% of par and a Moody's Rating of at least "Caa2"; or (ii) a Market Value of at least 80% of par and a Moody's Rating of at least "Caa1," or (b) (i) if such Collateral Obligation is a loan and the price of the Eligible Loan Index is trading below 90%, such Collateral Obligation has either (x) a Market Value of at least 85% of the average price of the applicable Eligible Loan Index and a Moody's Rating of at least "Caa2" or (y) a Market Value of at least 80% of the average price of the applicable Eligible Loan Index and a Moody's Rating of at least "Caa1," or (ii) if such Collateral Obligation is a bond and the Eligible Bond Index, as determined by the Investment Manager, is trading below 90%, the Market Value of such Collateral Obligation has a Market Value of at least 75% of such index. For purposes of this definition, with respect to a Collateral Obligation already owned by the Issuer whose facility rating from Moody's is withdrawn, the facility rating will be the last outstanding facility rating before such withdrawal.

"Moody's Collateral Value": On any date of determination, with respect to any Defaulted Obligation or Deferring Security, the lesser of (i) the Moody's Recovery Amount of such Defaulted Obligation or Deferring Security as of such date and (ii) the Market Value of such Defaulted Obligation or Deferring Security as of such date.

"Moody's Counterparty Criteria": With respect to any Participation Interest or Letter of Credit Reimbursement Obligation proposed to be acquired by the Issuer, criteria that will be met if immediately after giving effect to such acquisition, (x) the percentage of the Collateral Principal Amount that consists in the aggregate of Participation Interests or Letter of Credit Reimbursement Obligations with Selling Institutions or LOC Agent Banks, as the case may be, that have the same or a lower Moody's credit rating does not exceed the "Aggregate Percentage Limit" set forth below for such Moody's credit rating and (y) the percentage of the Collateral Principal Amount that consists in the aggregate of Participation Interests or Letter of Credit Reimbursement Obligations with any single Selling Institution or LOC Agent Bank, as the case may be, that has the Moody's credit rating set forth below or a lower credit rating does not exceed the "Individual Percentage Limit" set forth below for such Moody's credit rating:

Moody's credit rating of Selling Institution or LOC Agent Bank	Aggregate Percentage Limit	Individual Percentage Limit
Aaa	20.0%	20.0%
Aa1	20.0%	10.0%
Aa2	20.0%	10.0%
Aa3	15.0%	10.0%
A1	10.0%	5.0%
A2 (with short-term rating of "P-1")	5.0%	5.0%
A2 (without short-term rating of "P-1") or below	0.0%	0.0%

"Moody's Default Probability Rating": With respect to any Collateral Obligation, the rating determined pursuant to the methodology set forth under the heading "Moody's Default Probability Rating" on Schedule 4 hereto (or such other schedule provided by Moody's to the Issuer, the Trustee, the Collateral Administrator and the Investment Manager).

"Moody's Derived Rating": With respect to any Collateral Obligation, the rating determined pursuant to the methodology set forth under the heading "Moody's Derived Rating" on Schedule 4 hereto (or such other schedule provided by Moody's to the Issuer, the Trustee, the Collateral Administrator and the Investment Manager).

"Moody's Diversity Test": A test that will be satisfied on any date of determination if the Diversity Score (rounded up to the nearest whole number) equals or exceeds the Minimum Diversity Score in the Matrix Combination.

"Moody's Industry Classification": The industry classifications set forth in Schedule 1 hereto, as such industry classifications shall be updated at the option of the Investment Manager if Moody's publishes revised industry classifications.

"Moody's Non-Senior Secured Loan": Any assignment of or Participation Interest in or other interest in a loan that is not a Moody's Senior Secured Loan.

"Moody's Rating": With respect to any Collateral Obligation, the rating determined pursuant to the methodology set forth under the heading "Moody's Rating" on Schedule 4 hereto (or such other schedule provided by Moody's to the Issuer, the Trustee, the Collateral Administrator and the Investment Manager).

"Moody's Rating Factor": For each Collateral Obligation, the number set forth in the table below opposite the Moody's Default Probability Rating of such Collateral Obligation.

Moody's Default Probability Rating	Moody's Rating Factor	Moody's Default Probability Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca or lower	10,000

For purposes of the Maximum Moody's Rating Factor Test, any Collateral Obligation issued or guaranteed by the United States government or any agency or instrumentality thereof is assigned a Moody's Rating Factor of 1.

"Moody's Recovery Amount": With respect to any Collateral Obligation that is a Defaulted Obligation or a Deferring Security, an amount equal to (a) the applicable Moody's Recovery Rate multiplied by (b) the Principal Balance of such Collateral Obligation.

"Moody's Recovery Rate": With respect to any Collateral Obligation, as of any Measurement Date, the recovery rate determined in accordance with the following, in the following order of priority:

(i) if the Collateral Obligation has been specifically assigned a recovery rate by Moody's (for example, in connection with the assignment by Moody's of an estimated rating), such recovery rate;

(ii) if the preceding clause does not apply to the Collateral Obligation, except with respect to DIP Collateral Obligations, the rate determined pursuant to the table below based on the number of rating subcategories difference between the Collateral Obligation's Moody's Rating and its Moody's Default Probability Rating (for purposes of clarification, if the Moody's Rating is higher than the Moody's Default Probability Rating, the rating subcategories difference will be positive and if it is lower, negative):

Number of Moody's Ratings Subcategories Difference Between the Moody's Rating and the Moody's Default Probability Rating	Moody's Senior Secured Loans	Second Lien Loans, Senior Secured Bonds, and Senior Secured Floating Rate Notes[1]	Collateral Obligations Not Included in Another Column in this Table
+2 or more	60%	55%	45%
+1	50%	45%	35%
0	45%	35%	30%
-1	40%	25%	25%
-2	30%	15%	15%
-3 or less	20%	5%	5%

(iii) if the Collateral Obligation is a DIP Collateral Obligation (other than a DIP Collateral Obligation which has been specifically assigned a recovery rate by Moody's), 50%.

"Moody's Senior Secured Floating Rate Note": A Senior Secured Floating Rate Note (x) that has a Moody's facility rating, (y) the obligor of which has a Moody's corporate family rating and (z) with respect to which such Moody's facility rating is not lower than such Moody's corporate family rating.

"Moody's Senior Secured Loan": Any assignment of or Participation Interest in a Loan that: (a) is not (and cannot by its terms become) subordinate in right of payment to any other obligation of the Obligor of the Loan (subject to customary exceptions for permitted liens); (b) is secured by a valid first-priority perfected security interest or lien in, to or on specified collateral securing the Obligor's obligations under the Loan (subject to customary exceptions for permitted liens); and (c) the value of the collateral securing the Loan at the time of purchase together with other attributes of the Obligor (including, without limitation, its general financial condition, ability to generate cash flow available for debt service and other demands for that cash flow) is adequate (in the commercially reasonable judgment of the Investment Manager) to repay the Loan in accordance with its terms and to repay all other Loans of equal seniority secured by a first lien or security interest in the same collateral.

"Moody's Weighted Average Recovery Adjustment": As of any date of determination, the greater of (a) zero and (b) the product of (i)(A) the Weighted Average Moody's Recovery Rate as of such date of determination multiplied by 100 minus (B) 48 and (ii) 75; *provided*, *however*, if the Weighted Average Moody's Recovery Rate for purposes of determining the Moody's Weighted Average Recovery Adjustment is greater than 60%, then such Weighted Average Moody's Recovery Rate shall equal 60% or such other percentage as shall have been notified to Moody's by or on behalf of the Issuer.

1 If a Second Lien Loan, Senior Secured Bond or Senior Secured Floating Rate Note fails to have both CFR and an instrument rating assigned by Moody's, then its Moody's Recovery Rate shall be determined as if such Senior Loan, Senior Secured Bond or Senior Secured Floating Rate Note were an Unsecured Loan.

"Non-Call Period": The period from the Closing Date to but excluding the Payment Date in October 2018.

"Non-Emerging Market Obligor": An obligor that is Domiciled in any country other than the United States of America that has (a) a country ceiling for foreign currency bonds of at least "Aa2" by Moody's and (b) a foreign currency issuer credit rating of at least "AA-" by S&P (other than any country referenced in the definition of Concentration Limitations).

"Non-Permitted ERISA Holder": As defined in Section 2.11(e).

"Non-Permitted Holder": As defined in Section 2.11(c).

"Note Interest Amount": With respect to any Class of Rated Notes and any Payment Date, the amount of interest for the related Interest Accrual Period payable in respect of each U.S.$100,000 Aggregate Outstanding Amount of such Class of Rated Notes.

"Note Payment Sequence": The application, in accordance with the Priority of Payments, of Interest Proceeds or Principal Proceeds, as applicable, in the following order:

(i) to the payment of accrued and unpaid interest of the Class X Notes and the Class A-1 Notes (*pro rata*) until such amounts have been paid in full;

(ii) to the payment of accrued and unpaid interest of the Class A-2 Notes, until such amount has been paid in full;

(iii) to the payment of accrued and unpaid interest of the Class B Notes, until such amount has been paid in full;

(iv) to the payment of principal of the Class X Notes and the Class A-1 Notes, *pro rata*, until such amounts have been paid in full;

(v) to the payment of principal of the Class A-2 Notes until such amount has been paid in full;

(vi) to the payment of principal of the Class B Notes until such amount has been paid in full;

(vii) to the payment of accrued and unpaid interest (including any interest on Deferred Interest or defaulted interest) on the Class C Notes until such amount has been paid in full;

(viii) to the payment of principal of the Class C Notes (including the payment of Deferred Interest on the Class C Notes) until such amount has been paid in full;

(ix) to the payment of accrued and unpaid interest (including any interest on Deferred Interest or defaulted interest) on the Class D Notes until such amount has been paid in full;

(x) to the payment of principal of the Class D Notes (including the payment of Deferred Interest on the Class D Notes) until such amount has been paid in full;

(xi) to the payment of accrued and unpaid interest (including any interest on Deferred Interest or defaulted interest) on the Class E Notes until such amount has been paid in full;

(xii) to the payment of principal of the Class E Notes (including the payment of Deferred Interest on the Class E Notes) until such amount has been paid in full;

(xiii) to the payment of accrued and unpaid interest (including any interest on Deferred Interest or defaulted interest) on the Class F Notes until such amount has been paid in full; and

(xiv) to the payment of principal of the Class F Notes (including the payment of Deferred Interest on the Class F Notes) until such amount has been paid in full.

"Notes": Collectively, the Rated Notes and the Subordinated Notes authorized by, and authenticated and delivered under, this Indenture (as specified in Section 2.3) or any supplemental indenture (and including any Additional Notes issued hereunder pursuant to Section 2.13).

"NRSRO": Any nationally recognized statistical rating organization, other than any Rating Agency.

"Obligor": The obligor or guarantor under a loan.

"Offer": As defined in Section 10.8(c).

"Offering": The offering of any Rated Notes pursuant to the relevant Offering Memorandum.

"Offering Memorandum": The offering memorandum relating to the offer and sale of the Refinancing Notes dated November 14, 2016, including any supplements thereto.

"Officer": (a) With respect to the Issuer, the Co-Issuer and any corporation, any director, the Chairman of the Board of Directors, the President, any Vice President, the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer of such entity or any Person authorized by such entity; (b) with respect to any partnership, any general partner thereof or any Person authorized by such entity; (c) with respect to any limited liability company, any managing member or manager thereof or any Person to whom the rights and powers of management thereof are delegated in accordance with the certificate of formation and limited liability company agreement of such limited liability company; and (d) with respect to the Trustee and any bank or trust company acting as trustee of an express trust or as custodian or agent, any vice president or assistant vice president of such entity or any officer customarily performing functions similar to those performed by a vice president or assistant vice president of such entity.

"offshore transaction": The meaning specified in Regulation S.

"Ongoing Expense Excess Amount": On any Payment Date, an amount equal to the excess, if any, of (i) the Administrative Expense Cap over (ii) the sum of (without duplication) (x) all amounts paid pursuant to clause (A)(2) of the Priority of Interest Proceeds on such Payment Date (excluding all amounts being deposited on such Payment Date to the Ongoing Expense Smoothing Account) plus (y) any Administrative Expenses paid from the Expense Reserve Account or from the Collection Account pursuant to this Indenture on such Payment Date or between such Payment Date and the immediately preceding Payment Date.

"Ongoing Expense Smoothing Account": The meaning specified in Section 10.3(d).

"Ongoing Expense Smoothing Shortfall": On any Payment Date, the excess, if any, of U.S.$40,000 over the amount then on deposit in the Ongoing Expense Smoothing Account without giving effect to any deposit thereto on such Payment Date pursuant to clause (A) of the Priority of Interest Proceeds.

"Opinion of Counsel": A written opinion addressed to the Trustee (or upon which the Trustee is permitted to rely) and the Issuer and, if required by the terms hereof, a Rating Agency, in form and substance reasonably satisfactory to the Trustee, of a nationally or internationally recognized and reputable law firm one or more of the partners of which are admitted to practice before the highest court of any State of the United States or the District of Columbia (or the Cayman Islands, in the case of an opinion relating to the laws of the Cayman Islands), which law firm may, except as otherwise expressly provided in this Indenture, be counsel for the Issuer or the Co-Issuer, as the case may be, but must be Independent of the Investment Manager, and which law firm shall be reasonably satisfactory to the Trustee. Whenever an Opinion of Counsel is required hereunder, such Opinion of Counsel may rely on opinions of other counsel who are so admitted and so satisfactory, which opinions of other counsel shall accompany such Opinion of Counsel and shall either be addressed to the same addressees or state that the addressees of the Opinion of Counsel shall be entitled to rely thereon.

"Optional Redemption": A redemption of the Rated Notes in accordance with Section 9.2.

"Original Indenture": The meaning specified in the Preliminary Statement hereto.

"Original Notes": The Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes issued on October 17, 2013.

"Outstanding": As of any date of determination, with respect to the Notes or the Notes of any specified Class, all of the Notes or all of the Notes of such Class, as the case may be, theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore canceled by the Registrar or delivered to the Registrar for cancellation, or registered in the Register on the date this Indenture is discharged in accordance with Article IV;

(ii) Notes or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes pursuant to Section 4.1(a)(ii); provided that if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a Protected Purchaser;

(iv) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in Section 2.6; and

(v) Repurchased Notes and Surrendered Notes that have been canceled by the Trustee; provided that for purposes of calculation of the Overcollateralization Ratio, other than Repurchased Notes of the Controlling Class, any Repurchased Notes and any Surrendered Notes shall be deemed to remain Outstanding until all Notes of the applicable Class and each Priority Class have been retired or redeemed, having an Aggregate Outstanding Amount equal to the Aggregate Outstanding Amount as of the date of repurchase or surrender, reduced proportionately with, and to the extent of, any payments of principal on Notes of the same Class thereafter;

provided that in determining whether the Holders of the requisite Aggregate Outstanding Amount have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the following Notes shall be disregarded and deemed not to be Outstanding:

(A) Notes owned by the Issuer, the Co-Issuer or any other obligor upon the Notes; and

(B) Manager Notes, to the extent required under the Investment Management Agreement;

except that (1) in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a Trust Officer of the Trustee actually knows to be so owned or to be Manager Notes shall be so disregarded; and (2) Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not one of the Persons specified above.

"Overcollateralization Ratio": With respect to any specified Class or Classes of Rated Notes as of any date of determination, the percentage derived from: (i) the Adjusted Collateral Principal Amount on such date divided by (ii) the Aggregate Outstanding Amount on such date of the Rated Notes of such Class or Classes, each Priority Class of Rated Notes and each *Pari Passu* Class of Rated Notes; *provided* that the Class X Notes will not be included for purposes of calculating the Overcollateralization Ratio.

"Overcollateralization Ratio Test": A test that is satisfied with respect to any Class or Classes of Rated Notes (other than the Class X Notes and the Class F Notes) as of any date of determination on which such test is applicable if (i) the Overcollateralization Ratio for such Class or Classes on such date is at least equal to the Required Overcollateralization Ratio for such Class or Classes or (ii) such Class or Classes of Rated Notes is no longer Outstanding.

"Pari Passu Class": With respect to any specified Class, each Class that ranks pari passu with such Class, as indicated in Section 2.3.

"Partial Deferrable Security": Any Collateral Obligation with respect to which under the related underlying instruments (i) a portion of the interest due thereon is required to be paid in cash on each payment date therefor and is not permitted to be deferred or capitalized (which portion will at least be equal to LIBOR or the applicable index with respect to which interest on such Collateral Obligation is calculated (or, in the case of a Fixed Rate Obligation, at least equal to the forward swap rate for a designated maturity equal to the scheduled maturity of such Collateral Obligation)) and (ii) the issuer thereof or obligor thereon may defer or capitalize the remaining portion of the interest due thereon.

"Partial Redemption Date": Any date on which a Refinancing of one or more but not all Classes of Rated Notes occurs.

"Partial Redemption Interest Proceeds": In connection with a Refinancing of one or more (but not all) Classes of the Rated Notes, Interest Proceeds in an amount equal to the lesser of (a) the amount of accrued interest on the Classes being refinanced and (b) the amount the Investment Manager reasonably determines would have been available for distribution under the Priority of Payments for the payment of accrued interest on the Classes being refinanced on the next subsequent Payment Date (or, if the Partial Redemption Date is a Payment Date, such Payment Date) if such Rated Notes had not been refinanced.

"Participation Interest": A participation interest in a loan originated by a bank or financial institution that, at the time of acquisition or the Issuer's commitment to acquire the same, (A) is represented by a contractual obligation of a Selling Institution that has at the time of such acquisition or the Issuer's commitment to acquire the same at least a long-term rating of "A" and a short-term rating of "A-1" (or, if no short-term rating exists, a long-term rating of "A+") by S&P, and (B) in the case of a participation interest in a loan, satisfies each of the following criteria: (i) such participation would constitute a Collateral Obligation were it acquired directly, (ii) the Selling Institution is a lender on the loan, (iii) the aggregate participation in the loan granted by such Selling Institution to any one or more participants does not exceed the principal amount or commitment with respect to which the Selling Institution is a lender under such loan, (iv) such participation does not grant, in the aggregate, to the participant in such participation a greater interest than the Selling Institution holds in the loan or commitment that is the subject of the participation, (v) the entire purchase price for such participation is paid in full (without the benefit of financing from the Selling Institution or its affiliates) at the time of the Issuer's acquisition (or, to the extent of a participation in the unfunded commitment under a Revolving Collateral Obligation or Delayed Drawdown Collateral Obligation, at the time of the funding of such loan), (vi) the participation provides the participant all of the economic benefit and risk of the whole or part of the loan or commitment that is the subject of the loan participation and (vii) such participation is documented under a Loan Syndications and Trading Association, Loan Market Association or similar agreement standard for loan participation transactions among institutional market participants. For the avoidance of doubt, a Participation Interest shall not include a sub-participation interest in any loan.

"Paying Agent": Each paying agent appointed by the Issuer pursuant to Section 7.2.

"Payment Account": The payment account of the Trustee established pursuant to Section 10.3(a).

"Payment Date": The 20th day of January, April, July and October of each year (or, if such day is not a Business Day, the next succeeding Business Day), commencing in January 2014 and each Redemption Date (other than a Partial Redemption Date).

"PBGC": The United States Pension Benefit Guaranty Corporation.

"Permitted Securities Condition": A condition that will be satisfied if: (a) the Issuer and the Investment Manager have received an opinion of counsel of national reputation experienced in such matters and in collateralized loan obligation transactions, which opinion may be based upon, among other things, interpretive letters or other formal guidance issued by any of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission and/or the Commodity Futures Trading Commission (together with an Officer's certificate of the Issuer or the Investment Manager to the Trustee (on which the Trustee may rely) that the opinion specified in this definition has been received by the Issuer and the Investment Manager) that: (i) assuming the Issuer is a "covered fund," none of the Rated Notes shall be considered an "ownership interest" therein (in each case, as such terms are defined for purposes of the Volcker Rule); or (ii) the Issuer will not be considered a "covered fund" (as defined in clause (a)(i) above); (b) any amendments or supplements to the Indenture that are necessary for the Issuer to receive the opinion described in clause (a) above shall have become effective in accordance with the terms thereof; and (c) the Majority Section 13 Banking Entities Noteholders consent in writing to the application of the Permitted Securities Condition. For all purposes of this Indenture, the Permitted Securities Condition shall be deemed to be satisfied upon (and continuously following) receipt by the Trustee and the Collateral Administrator of an Issuer Order for such effect, accompanied by an Officer's certificate of the Issuer or the Investment Manager to the effect that each of the requirements of the Permitted Securities Condition as specified in this Indenture has been complied with.

"Person": An individual, corporation (including a business trust), partnership, limited liability company, joint venture, association, joint stock company, statutory trust, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"Placement Agency Agreement": With respect to the Original Notes, the Placement Agency Agreement dated as of October 17, 2013 between the Co-Issuers and C&Co/PrinceRidge LLC, and with respect to the Refinancing Notes, the Placement Agency Agreement dated as of November 15, 2016 between the Co-Issuers and Mizuho Securities USA Inc.

"Placement Agent": With respect to the Original Notes, C&Co/PrinceRidge LLC, in its capacity as placement agent of the Original Notes under the Placement Agency Agreement, and with respect to the Refinancing Notes, Mizuho Securities USA Inc., in its capacity as placement agent of the Refinancing Notes under the Placement Agency Agreement.

"Plan Asset Entity": Any entity whose underlying assets could be deemed to include plan assets by reason of an employee benefit plan's or a plan's investment in the entity within the meaning of the Plan Asset Regulation or otherwise.

"Plan Asset Regulation": U.S. Department of Labor regulation 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA).

"Posting": The forwarding by the Information Agent of emails received in accordance with Section 14.4(a)(ii) to the Posting Email Account (as defined in the Collateral Administration Agreement) for posting to the Issuer's Website.

"Principal Balance": Subject to Section 1.2, with respect to (a) any Asset other than a Revolving Collateral Obligation or Delayed Drawdown Collateral Obligation, as of any date of determination, the outstanding principal amount of such Asset (excluding any capitalized interest) and (b) any Revolving Collateral Obligation or Delayed Drawdown Collateral Obligation, as of any date of determination, the outstanding principal amount of such Revolving Collateral Obligation or Delayed Drawdown Collateral Obligation (excluding any capitalized interest), *plus* (except as expressly set forth in this Indenture) any undrawn commitments that have not been irrevocably reduced or withdrawn with respect to such Revolving Collateral Obligation or Delayed Drawdown Collateral Obligation; *provided* that for all purposes the Principal Balance of any Equity Security or interest only strip shall be deemed to be zero.

"Principal Collection Account": The meaning specified in Section 10.2(a).

"Principal Financed Accrued Interest": With respect to any Collateral Obligation purchased by the Issuer (i) on or prior to the Closing Date, the amount of proceeds from the issuance of the Rated Notes applied to the purchase of accrued interest and (ii) after the Closing Date, the amount of Principal Proceeds, if any, applied towards the purchase of accrued interest on such Collateral Obligation.

"Principal Proceeds": With respect to any Collection Period or Determination Date, all amounts received by the Issuer during the related Collection Period that do not constitute Interest Proceeds, including with respect to a Redemption Date (other than a Partial Redemption Date), any Refinancing Proceeds, and any amounts that have been designated as Principal Proceeds pursuant to the terms of this Indenture.

"Priority Category": With respect to any Collateral Obligation, the applicable category listed in the table under the heading "Priority Category" in Section 1(b) of Schedule 5.

"Priority Class": With respect to any specified Class, each Class that ranks senior to such Class, as indicated in Section 2.3.

"Priority of Interest Proceeds": The meaning specified in Section 11.1(a)(i).

"Priority of Partial Redemption Proceeds": The meaning specified in Section 11.1(a)(iv).

"Priority of Payments": The Priority of Interest Proceeds, the Priority of Principal Proceeds, the Special Priority of Payments and the Priority of Partial Redemption Proceeds.

"Priority of Principal Proceeds": The meaning specified in Section 11.1(a)(ii).

"Proceeding": Any suit in equity, action at law or other judicial or administrative proceeding.

"Proceeds": The meaning specified in Section 9-102(a)(64) of the UCC.

"Process Agent": The meaning specified in Section 7.2.

"Proposed Portfolio": The portfolio of Collateral Obligations and Eligible Investments resulting from the proposed purchase, sale, maturity or other disposition of a Collateral Obligation or a proposed reinvestment in an additional Collateral Obligation, as the case may be.

"Protected Purchaser": The meaning specified in Section 8-303(a) of the UCC.

"QIB/QP": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Rated Notes is both a Qualified Institutional Buyer and a Qualified Purchaser.

"Qualified Broker/Dealer": Any of Bank of America, NA, The Bank of Montreal, The Bank of New York Mellon, The Royal Bank of Scotland plc, Barclays Bank plc, BNP Paribas, Broadpoint Securities Inc., C&Co/PrinceRidge LLC, Calyon, Canadian Imperial Bank of Commerce, Cantor Fitzgerald, Citadel Securities, Citibank, N.A., Credit Agricole S.A., Credit Suisse, Deutsche Bank AG, FBR Capital Markets, Gleacher & Company Securities, Inc., Goldman Sachs & Co., Guggenheim Securities, LLC, HSBC Bank, JPMorgan Chase Bank, N.A., Knight/Libertas, Lazard Ltd., Macquarie Bank, Mizuho Bank, Ltd., Morgan Stanley & Co., Natixis, Nomura Securities Inc., Northern Trust Company, Oppenheimer & Co. Inc., Royal Bank of Canada, Scotia Bank, Societe Generale, Sun Trust Bank, The Toronto-Dominion Bank, U.S. Bank, National Association, UBS AG or Wells Fargo Bank, National Association, or a banking or securities Affiliate of any of the foregoing, and any other financial institution so designated by the Investment Manager with notice to the Rating Agencies.

"Qualified Institutional Buyer": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Rated Notes, is a qualified institutional buyer within the meaning of Rule 144A.

"Qualified Purchaser": Any Person that, at the time of its acquisition, purported acquisition or proposed acquisition of Rated Notes, is a qualified purchaser within the meaning of the Investment Company Act.

"Rated Notes": The Class X Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes and, on and after November 15, 2016, the Refinancing Notes.

"Rated Noteholders": The Holders of the Rated Notes.

"Rating": The Moody's Rating and/or S&P Rating, as applicable.

"Rating Agency": Each rating agency that assigns ratings to the Rated Notes at the request of the Issuer, which will initially be Moody's and S&P, in each case for so long as it rates such Rated Notes. With respect to Assets generally, if at any time Moody's or S&P ceases to provide rating services with respect to debt obligations, any other nationally recognized investment rating agency selected by the Issuer (or the Investment Manager on behalf of the Issuer). In the event that at any time Moody's ceases to be a Rating Agency, references to rating categories of Moody's in this Indenture shall be deemed instead to be references to the equivalent categories of such other rating agency as of the most recent date on which such other rating agency and Moody's published ratings for the type of obligation in respect of which such alternative rating agency is used. In the event that at any time S&P ceases to be a Rating Agency, references to rating categories of S&P in this Indenture shall be deemed instead to be references to the equivalent categories of such other rating agency as of the most recent date on which such other rating agency and S&P published ratings for the type of obligation in respect of which such alternative rating agency is used.

"Rating Agency Confirmation": Confirmation in writing (which may be in the form of a press release) from each Rating Agency (or the specified Rating Agency) that (a) the initial ratings of the Rated Notes have been confirmed or (b) a proposed action or designation will not cause the then-current ratings of any Class of Rated Notes to be reduced or withdrawn. If any Rating Agency (i) makes a public announcement or informs the Issuer, the Investment Manager or the Trustee that (x) it believes Rating Agency Confirmation is not required with respect to an action or (y) its practice is to not give such confirmations, or (ii) no longer constitutes a Rating Agency under this Indenture, the requirement for Rating Agency Confirmation with respect to that Rating Agency will not apply.

"Record Date": With respect to the Global Notes, the date one day prior to the applicable Payment Date and with respect to the Certificated Notes, the date 15 days prior to the applicable Payment Date.

"Redemption Date": Any Business Day specified for a redemption of Rated Notes pursuant to Article IX.

"Redemption Price": (a) For each Class of Rated Notes to be redeemed or re-priced (x) 100% of the Aggregate Outstanding Amount of such Class, *plus* (y) accrued and unpaid interest thereon (including interest on any accrued and unpaid Deferred Interest, in the case of Deferred Interest Notes) to the Redemption Date; and (b) for Subordinated Notes, the

proceeds of the remaining Assets (after giving effect to the Optional Redemption or Tax Redemption of the Rated Notes in whole or after all of the Rated Notes have been repaid in full and payment in full of (and/or creation of a reserve for) all expenses (including all Management Fees and Administrative Expenses) of the Co-Issuers) that is distributable to the Subordinated Notes; *provided* that Holders of 100% of the Aggregate Outstanding Amount of any Class of Rated Notes may elect to receive less than 100% of the Redemption Price that would otherwise be payable to the Holders of such Class of Rated Notes in any Optional Redemption (including a Refinancing).

"Reference Banks": The meaning set forth in Exhibit C hereto.

"Refinancing": In addition to (or in lieu of) a sale of Collateral Obligations and/or Eligible Investments in the manner provided in Section 9.2, all Classes of Rated Notes may, after the Non-Call Period, be redeemed in whole from Refinancing Proceeds and Sale Proceeds or one or more Classes of Rated Notes may be redeemed in whole from Refinancing Proceeds by obtaining a loan or an issuance of replacement notes, whose terms in each case will be negotiated by the Investment Manager on behalf of the Issuer, from one or more financial or other institutions; provided that the terms of such Refinancing must be acceptable to the Investment Manager and a Majority of the Subordinated Notes, and such Refinancing otherwise satisfies the conditions described below. Any rating of a class of replacement notes by a Rating Agency will be based on a credit analysis specific to such replacement notes and independent of the rating of the Rated Notes being refinanced.

"Refinancing Date" November 15, 2016.

"Refinancing Notes": Collectively, (i) the U.S.$170,000,000 Class A-1-R Senior Secured Floating Rate Notes due 2025, the U.S.$20,000,000 Class A-2-R Senior Secured Floating Rate Notes due 2025, the U.S.$44,800,000 Class B-R Senior Secured Floating Rate Notes due 2025, the U.S.$16,000,000 Class C-R Mezzanine Deferrable Floating Rate Notes due 2025, the U.S.$14,000,000 Class D-R Mezzanine Deferrable Floating Rate Notes due 2025 issued by the Co-Issuers and (ii) the U.S.$13,100,000 Class E-R Mezzanine Deferrable Floating Rate Notes due 2025 and the U.S.$4,500,000 Class F-R Mezzanine Deferrable Floating Rate Notes due 2025 issued by the Issuer.

"Refinancing Proceeds": The Cash proceeds from the Refinancing.

"Register" and "Registrar": The respective meanings specified in Section 2.5(a).

"Registered": In registered form for U.S. federal income tax purposes and issued after July 18, 1984, *provided* that a certificate of interest in a grantor trust shall not be treated as Registered unless each of the obligations or notes held by the trust was issued after that date.

"Registered Office Agreement": The registered office agreement, dated September 5, 2013, between the Issuer and the Administrator (as amended from time to time).

"Regulation S": Regulation S under the Securities Act.

"Regulation S Global Note": Any Note sold outside the United States to non-"U.S. persons" (as defined in Regulation S) in reliance on Regulation S and issued in the form of a permanent Global Note in definitive, fully registered form without interest coupons.

"Reinvestment Agreement": A guaranteed reinvestment agreement from a bank, insurance company or other corporation or entity having an Eligible Investment Required Rating; *provided* that such agreement provides that it is terminable by the purchaser, without penalty, in the event that the rating assigned to such agreement by either Rating Agency is at any time lower than such agreement's Eligible Investment Required Rating.

"Reinvestment Balance Criteria": Any of the following requirements, in each case determined prior to giving effect to the sale and after giving effect to the proposed purchase of Collateral Obligations and all other sales or purchases previously or simultaneously committed to: (1) the Adjusted Collateral Principal Amount is maintained or increased, prior to giving effect to the sale, (2) the Aggregate Principal Balance of the Collateral Obligations and Eligible Investments constituting Principal Proceeds is greater than the Reinvestment Target Par Balance, or (3) the Aggregate Principal Balance of the Collateral Obligations and Eligible Investments constituting Principal Proceeds is maintained or increased.

"Reinvestment Period": The period from and including the Closing Date to and including the earliest of (i) the Payment Date in October 2018, (ii) any date on which the Maturity of any Class of Rated Notes is accelerated following an Event of Default pursuant to this Indenture (*provided* that, if the Reinvestment Period is terminated pursuant to this clause (ii) and such acceleration is subsequently rescinded, then the Reinvestment Period will be reinstated) and (iii) any date on which the Investment Manager reasonably determines that it can no longer reinvest in additional Collateral Obligations in accordance with this Indenture or the Investment Management Agreement, *provided* that, in the case of this clause (iii), the Investment Manager notifies the Issuer, the Trustee (who shall notify the Holders) and the Collateral Administrator thereof at least five Business Days prior to such date. No reinvestment will be permitted after the last day of the Reinvestment Period.

"Reinvestment Target Par Balance": As of any date of determination, the Target Initial Par Amount minus the amount of any reduction in the Aggregate Outstanding Amount of the Rated Notes through the payment of Principal Proceeds plus the aggregate amount of Principal Proceeds that result from the issuance of any Additional Notes (after giving effect to such issuance of any Additional Notes).

"Repurchased Notes": The meaning specified in Section 2.9(a).

"Required Interest Coverage Ratio": (a) For the Class A Notes and the Class B Notes, collectively, 120.0%, (b) for the Class C Notes, 115.0%, (c) for the Class D Notes, 110.0%; and (d) for the Class E Notes, 105.0%.

"Required Overcollateralization Ratio": (a) For the Class A Notes and the Class B Notes, collectively, 117.8%, (b) for the Class C Notes, 111.6%, (c) for the Class D Notes, 107.3%, and (d) for the Class E Notes, 104.5%.

"Required Redemption Amount": The meaning specified in Section 9.2(b).

"Resolution": With respect to the Issuer, a resolution of the Board of Directors of the Issuer and, with respect to the Co-Issuer, a resolution of the Board of Directors of the Co-Issuer.

"Restricted Manager Event": The meaning set forth in the Investment Management Agreement.

"Restricted Trading Period": The period while (a) any Class A Notes or Class B Notes are Outstanding during which either the Moody's rating of the Class A Notes or the S&P rating of the Class A Notes or Class B Notes, as the case may be, is one or more subcategories below its rating on the Closing Date (and, solely if such Moody's rating of the Class A Notes or such S&P Rating of the Class A Notes or Class B Notes is one subcategory below its initial rating, not on watch for possible upgrade), (b) any Class C Notes, Class D Notes, Class E Notes or Class F Notes are Outstanding, the S&P rating of the Class C Notes, Class D Notes, Class E Notes or Class F Notes, as the case may be, is two or more subcategories below its rating on the Closing Date (and, solely if such S&P rating of the Class C Notes, Class D Notes, Class E Notes or Class F Notes, as applicable, is two subcategory below its initial rating, not on watch for possible upgrade); *provided* that (1) such period will not be a Restricted Trading Period if the Aggregate Principal Balance of all Collateral Obligations and Eligible Investments representing Principal Proceeds will be at least equal to the Reinvestment Target Par Balance; (2) such period will not be a Restricted Trading Period (so long as such Moody's rating or S&P rating, as applicable, has not been further downgraded, withdrawn or put on watch for potential downgrade) upon the direction of the Issuer with the consent of a Supermajority of the Controlling Class and the Class B Notes (each Class voting separately), if the Class B Notes are not the then Controlling Class, which direction shall remain in effect until the earlier of (i) a further downgrade or withdrawal of such Moody's rating or S&P rating, as applicable, that, disregarding such direction, would cause the conditions set forth above to be true and (ii) a subsequent direction to the Issuer (with a copy to the Trustee and the Collateral Administrator) by a Majority of the Controlling Class declaring the beginning of a Restricted Trading Period; and (3) no Restricted Trading Period will restrict any sale of a Collateral Obligation entered into by the Issuer at a time when a Restricted Trading Period was not in effect, regardless of whether such sale has settled or (c) a Restricted Manager Event has occurred and is continuing.

"Reuters Screen": The meaning set forth in Exhibit C hereto.

"Revolver Funding Account": The account established pursuant to Section 10.4.

"Revolving Collateral Obligation": Any Collateral Obligation (other than a Delayed Drawdown Collateral Obligation) that is a loan (including, without limitation, revolving loans, including funded and unfunded portions of revolving credit lines and letter of credit facilities, unfunded commitments under specific facilities and other similar loans and investments) that by its terms may require one or more future advances to be made to the borrower by the Issuer; *provided* that any such Collateral Obligation will be a Revolving Collateral Obligation only until all commitments to make advances to the borrower expire or are terminated or irrevocably reduced to zero.

"Rule 144A": Rule 144A under the Securities Act.

"Rule 144A Global Note": Any Note sold in reliance on Rule 144A and issued in the form of a permanent Global Note in definitive, fully registered form without interest coupons.

"Rule 144A Information": The meaning specified in Section 7.15.

"Rule 17g-5": Rule 17g-5 under the Exchange Act.

"Rule 17g-5 Information": The meaning specified in Section 14.4(b).

"Rule 17g-5 Procedures": The meaning specified in Section 14.4(b).

"S&P": Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and any successor or successors thereto.

"S&P Additional Current Pay Criteria": Criteria satisfied with respect to any Collateral Obligation (other than a DIP Collateral Obligation) if either (i)(A) the issuer of such Collateral Obligation has made a Distressed Exchange Offer and such Collateral Obligation is subject to the Distressed Exchange Offer or ranks equal to or higher in priority than the obligation subject to the Distressed Exchange Offer, (B) in the case of a Distressed Exchange Offer that is a repurchase of debt for Cash, the repurchased debt will be extinguished and (C) the Issuer does not hold any obligation of the issuer making the Distressed Exchange Offer that ranks lower in priority than the obligation subject to the Distressed Exchange Offer or (ii) such Collateral Obligation has a Market Value (determined under clauses (i) or (ii) of the definition thereof) of at least 80% of its par value.

"S&P CDO Monitor": Each dynamic, analytical computer model developed by S&P used to calculate the default frequency in terms of the amount of debt assumed to default as a percentage of the original principal amount of the Collateral Obligations consistent with a specified benchmark rating level based upon certain assumptions (including the applicable Weighted Average S&P Recovery Rate) and S&P's proprietary corporate default studies, as may be amended by S&P from time to time upon notice to the Issuer, the Collateral Administrator and the Trustee. Each S&P CDO Monitor shall be chosen by the Investment Manager and associated with either (x) a Weighted Average S&P Recovery Rate and a Weighted Average Floating Spread from Section 2 of Schedule 5 or (y) a Weighted Average S&P Recovery Rate and a Weighted Average Floating Spread confirmed by S&P, provided that as of any date of determination the Weighted Average S&P Recovery Rate for the Controlling Class Outstanding equals or exceeds the Weighted Average S&P Recovery Rate for such Class chosen by the Investment Manager and the Weighted Average Floating Spread equals or exceeds the Weighted Average Floating Spread chosen by the Investment Manager.

"S&P CDO Monitor Test": A test that will be satisfied on any date of determination on or after the date hereof following receipt by the Issuer and the Collateral Administrator of the S&P CDO Monitor if, after giving effect to the sale of a Collateral Obligation or the purchase of a Collateral Obligation, the Class Default Differential with respect to the Controlling Class (so long as the Controlling Class is a Class of Rated Notes) of the Proposed Portfolio is positive. The S&P CDO Monitor Test will be considered to be improved if the Class Default Differential with respect to the Controlling Class (so long as the Controlling Class is a Class of Rated Notes) of the Proposed Portfolio is greater than the corresponding Class Default Differential of the Current Portfolio.

"S&P Collateral Value": With respect to any Defaulted Obligation or Deferring Security, the lesser of (i) the S&P Recovery Amount of such Defaulted Obligation or Deferring Security, respectively, as of the relevant Measurement Date and (ii) the Market Value of such Defaulted Obligation or Deferring Security, respectively, as of the relevant Measurement Date.

"S&P Excel Default Model Input File": An electronic spreadsheet file in Microsoft Excel format to be provided to S&P by the Investment Manager or by the Collateral Administrator at the direction of the Investment Manager, which file shall include the balance of Cash and Eligible Investments in each Account and the following information with respect to each Collateral Obligation: (a) the name and country of domicile of the issuer thereof and the particular issue held by the Issuer, (b) the CUSIP or other applicable identification number associated with such Collateral Obligation, (c) the par value of such Collateral Obligation, (d) the type of issue (including, by way of example, whether such Collateral Obligation is a bond, loan, a Cov-Lite Loan or an asset-backed security), using such abbreviations as may be selected by the Collateral Administrator, (e) a description of the index or other applicable benchmark upon which the interest payable on such Collateral Obligation is based (including, by way of example, fixed rate, step-up rate, zero coupon and LIBOR), (f) the coupon (in the case of a Collateral Obligation which bears interest at a fixed rate) or the spread over the applicable index (in the case of a Collateral Obligation which bears interest at a floating rate), including any LIBOR floor, if applicable, (g) the S&P Industry Classification Group for such Collateral Obligation, (h) the stated maturity date of such Collateral Obligation, (i) the S&P Rating of such Collateral Obligation or the issuer thereof, as applicable, and any recovery rating by S&P, (j) the priority category of such Collateral Obligation used to determine the S&P Recovery Rate, if available, (k) the balance in Cash and Eligible Investments for each Account of the Issuer, (l) the settlement date of the Issuer's purchase, (m) the Loan-X ID of such Collateral Obligation, (n) the identity of any First Lien Last Out Loan, (o) for any unsettled trades, the Market Value of such Collateral Obligations and (m) such other information as the Investment Manager may determine to include in such file.

"S&P Industry Classification": The S&P Industry Classifications set forth in Schedule 2 hereto, and such industry classifications shall be updated at the option of the Investment Manager if S&P publishes revised industry classifications.

"S&P Rating": With respect to any Collateral Obligation, as of any date of determination, the rating determined in accordance with the following methodology:

(i) (a) if there is an issuer credit rating of the issuer of such Collateral Obligation by S&P as published by S&P, or the guarantor which unconditionally and irrevocably guarantees such Collateral Obligation pursuant to a guarantee in the form required by current S&P guidelines for use in connection with this transaction, then the S&P Rating shall be such rating (regardless of whether there is a published rating by S&P on the Collateral Obligations of such issuer held by the Issuer, provided that private ratings (that is, ratings provided at the request of the obligor) may be used for purposes of this definition if the related obligor has consented to the disclosure thereof and a copy of such consent has been provided to S&P) or

(b) if there is no issuer credit rating of the issuer by S&P but (1) there is a senior secured rating on any obligation or security of the issuer, then the S&P Rating of such Collateral Obligation shall be one subcategory below such rating; (2) if clause (1) above does not apply, but there is a senior unsecured rating on any obligation or security of the issuer, the S&P Rating of such Collateral Obligation shall equal such rating; and (3) if neither clause (1) nor clause (2) above applies, but there is a subordinated rating on any obligation or security of the issuer, then the S&P Rating of such Collateral Obligation shall be one subcategory above such rating if such rating is higher than "BB+," and shall be two subcategories above such rating if such rating is "BB+" or lower;

(ii) with respect to any Collateral Obligation that is a DIP Collateral Obligation, the S&P Rating thereof shall be the credit rating assigned to such issue by S&P;

(iii) if there is not a rating by S&P on the issuer or on an obligation of the issuer, then the S&P Rating may be determined pursuant to clauses (a) through (c) below:

(a) if an obligation of the issuer is not a DIP Collateral Obligation and is publicly rated by Moody's, then the S&P Rating will be determined in accordance with the methodologies for establishing the Moody's Rating set forth above except that the S&P Rating of such obligation will be (1) one subcategory below the S&P equivalent of the Moody's Rating if such Moody's Rating is "Baa3" or higher and (2) two subcategories below the S&P equivalent of the Moody's Rating if such Moody's Rating is "Ba1" or lower;

(b) the S&P Rating may be based on a credit estimate *provided* by S&P, and in connection therewith, the Issuer, the Investment Manager on behalf of the Issuer or the issuer of such Collateral Obligation shall, prior to or within 30 days after the acquisition of such Collateral Obligation, apply (and concurrently submit all available Information in respect of such application) to S&P for a credit estimate which shall be its S&P Rating; *provided* that, if such Information is submitted within such 30-day period, then, pending receipt from S&P of such estimate, such Collateral Obligation shall have an S&P Rating as determined by the Investment Manager in its sole discretion if the Investment Manager certifies to the Trustee and the Collateral Administrator that it believes that such S&P Rating determined by the Investment Manager is commercially reasonable and will be at least equal to such rating; *provided further*, that if such Information is not submitted within such 30-day period, then, pending receipt from S&P of such estimate, the Collateral Obligation shall have (1) the S&P Rating as determined by the Investment Manager for a period of up to 90 days after the acquisition of such Collateral Obligation and (2) an S&P Rating of "CCC-" following such 90-day period; unless, during such 90-day period, the Investment Manager has requested the extension of such period and S&P, in its sole discretion, has granted such request; *provided further*, that if such 90-day period (or other extended period) elapses pending S&P's decision with respect to such application, the S&P Rating of such Collateral Obligation shall be "CCC-"; *provided further*, that if the Collateral Obligation has had a public rating by S&P that S&P has withdrawn or suspended within six months prior to the date of such application for a credit estimate in respect of such Collateral Obligation, the S&P Rating in respect thereof shall be "CCC-" pending receipt from S&P of such estimate, and S&P may elect not to

provide such estimate until a period of six months have elapsed after the withdrawal or suspension of the public rating; *provided further* that the S&P Rating may not be determined pursuant to this clause (b) if the Collateral Obligation is a DIP Collateral Obligation; *provided further* that such credit estimate shall expire 12 months after the receipt thereof, following which such Collateral Obligation shall have an S&P Rating of "CCC-" unless, during such 12-month period following the receipt of such credit estimate, the Issuer applies for renewal thereof in accordance with this Indenture, in which case such credit estimate shall continue to be the S&P Rating of such Collateral Obligation until S&P has confirmed or revised such credit estimate, upon which such confirmed or revised credit estimate shall be the S&P Rating of such Collateral Obligation; provided further that such confirmed or revised credit estimate shall expire on the next succeeding 12-month anniversary of the date of the receipt thereof and (when renewed annually in accordance with this Indenture) on each 12-month anniversary thereafter; *provided*, *further*, that the Issuer will, following receipt of notification from the Investment Manager, promptly notify S&P of any material event with respect to any such Collateral Obligation if the Investment Manager determines that such event is a material event as described in S&P's published criteria for credit estimates titled "What Are Credit Estimates And How Do They Differ From Ratings?" dated April 2011 (as the same may be amended or updated from time to time); and

(c) with respect to a Collateral Obligation that is not a Defaulted Obligation, the S&P Rating of such Collateral Obligation will at the election of the Issuer (at the direction of the Investment Manager) be "CCC-" and the Investment Manager will, prior to or within 30 days after the acquisition of such Collateral Obligation, submit all available Information to S&P; provided (i) neither the issuer of such Collateral Obligation nor any of its Affiliates are subject to any bankruptcy or reorganization proceedings, (ii) the issuer has not defaulted on any payment obligation in respect of any debt security or other obligation of the issuer at any time within the two year period ending on such date of determination, all such debt securities and other obligations of the issuer that are pari passu with or senior to the Collateral Obligation are current and the Investment Manager reasonably expects them to remain current, and (iii) the Issuer will, following receipt of notification from the Investment Manager, promptly notify S&P of any material event with respect to any such Collateral Obligation if the Investment Manager determines that such event is a material event as described in S&P's published criteria for credit estimates titled "What Are Credit Estimates And How Do They Differ From Ratings?" dated April 2011 (as the same may be amended or updated from time to time); or

with respect to a DIP Collateral Obligation that has no issue rating by S&P or a Current Pay Obligation that is rated "D" or "SD" by S&P, the S&P Rating of such DIP Collateral Obligation or Current Pay Obligation, as applicable, will be, at the election of the Issuer (at the direction of the Investment Manager), "CCC " or the S&P Rating determined pursuant to clause (iii)(b) above;

provided that for purposes of the determination of the S&P Rating, (x) if the applicable rating assigned by S&P to an obligor or its obligations is on "credit watch positive" by S&P, such rating will be treated as being one subcategory above such assigned rating and (y) if the applicable rating assigned by S&P to an obligor or its obligations is on "credit watch negative" by S&P, such rating will be treated as being one subcategory below such assigned rating.

"S&P Recovery Amount": With respect to any Collateral Obligation, an amount equal to: (a) the applicable S&P Recovery Rate multiplied by (b) the Principal Balance of such Collateral Obligation.

"S&P Recovery Rate": With respect to a Collateral Obligation, the recovery rate set forth in Section 1 of Schedule 5 using the Initial Rating of the most senior Class of Rated Notes Outstanding at the time of determination.

"S&P Recovery Rating": With respect to a Collateral Obligation for which an S&P Recovery Rate is being determined, the "Recovery Rating" assigned by S&P to such Collateral Obligation based upon the following table:

Recovery Rating	Description of Recovery	Recovery Range (%)
1+	High expectation, full recovery	75-95
1	Very high recovery	65-95
2	Substantial recovery	50-85
3	Meaningful recovery	30-65
4	Average recovery	20-45
5	Modest recovery	5-25
6	Negligible recovery	2-10

"Sale": The meaning specified in Section 5.17(a).

"Sale Proceeds": All proceeds (excluding accrued interest, if any) received with respect to Assets as a result of sales or other dispositions of such Assets in accordance with Article XII (or Section 4.4 or Article V, as applicable) less any reasonable expenses incurred by the Investment Manager, the Collateral Administrator or the Trustee in connection with such sales or other dispositions. Sale Proceeds of a Collateral Obligation sold by the Issuer shall include any Principal Financed Accrued Interest received in respect of such sale or other disposition.

"Schedule of Collateral Obligations": The schedule of Collateral Obligations attached to the Officer's certificate delivered by the Investment Manager on the Closing Date pursuant to Section 3.1(a)(vii), which schedule shall list each Collateral Obligation owned by the Issuer as of the Closing Date and shall include, with respect to each such Collateral Obligation, the issuer, Principal Balance, coupon/spread, the stated maturity, the Moody's Rating, the S&P Rating (unless such rating is based on a credit estimate or is a private or confidential rating from S&P), the Moody's Industry Classification and the S&P Industry Classification for each Collateral Obligation and the percentage of the aggregate commitment under each Revolving Collateral Obligation and Delayed Drawdown Collateral Obligation that is funded.

"Scheduled Distribution": With respect to any Asset, for each Due Date, the scheduled payment of principal and/or interest due on such Due Date with respect to such Asset, determined in accordance with the assumptions specified in Section 1.2.

"Second Lien Loan": Any assignment of or Participation Interest in or other interest in a Loan that: (i) (a) is not (and that by its terms is not permitted to become) subordinate in right of payment to any other obligation of the obligor of the Loan other than a Moody's Senior Secured Loan with respect to the liquidation of such obligor or the collateral for such Loan (subject to customary exceptions for permitted liens) and (ii) is secured by a valid second priority perfected security interest or lien in, to or on specified collateral securing the obligor's obligations under the Second Lien Loan (subject to customary exceptions for permitted liens) the value of which is adequate (in the commercially reasonable judgment of the Investment Manager) to repay the Loan in accordance with its terms and to repay all other Loans of equal or higher seniority secured by a lien or security interest in the same collateral, which security interest or lien is not subordinate to the security interest or lien securing any other debt for borrowed money other than a Moody's Senior Secured Loan on such collateral or (iii) solely for the purposes of calculating S&P Recovery Rate, is a First Lien Last Out Loan.

"Section 13 Banking Entity": An entity that (i) is defined as a "banking entity" under the Volcker Rule regulations (Section __.2(c)), (ii) provides written certification thereof to the Issuer and the Trustee, and (iii) certifies in writing each Class of Notes held or beneficially owned by such entity (and identifies the name of the Holder on the Register) and the outstanding principal amount thereof (on which certification the Issuer, Investment Manager and the Trustee may rely). Any such entity which provides the certification referenced above shall provide prompt written notice to the Trustee and Issuer to the extent it no longer holders or beneficially owns any portion of such Notes.

"Secured Obligations": The meaning specified in the Granting Clauses.

"Secured Parties": The meaning specified in the Granting Clauses.

"Securities Account": As defined in Section 8-501(a) of the UCC.

"Securities Act": The United States Securities Act of 1933, as amended.

"Securities Intermediary": As defined in Section 8-102(a)(14) of the UCC.

"Security": As defined in Section 8-102(a)(15) of the UCC.

"Selling Institution": The entity obligated to make payments to the Issuer under the terms of a Participation Interest.

"Selling Institution Collateral": The meaning specified in Section 10.4

"Senior Secured Bond": Any obligation that: (a) constitutes borrowed money, (b) is in the form of, or represented by, a bond, note, certificated debt security or other debt security (other than any of the foregoing that evidences a Loan or Participation Interest), (c) is not secured solely by common stock or other equity interests, (d) if it is subordinated by its terms, is subordinated only to indebtedness for borrowed money, trade claims, capitalized leases or other similar obligations and (e) is secured by a valid perfected security interest or lien in, to or on specified collateral securing the obligor's obligations under such obligation.

"Senior Secured Floating Rate Note": Any obligation that: (a) constitutes borrowed money, (b) is in the form of, or represented by, a bond, note (other than any note evidencing a Loan), certificated debt security or other debt security, (c) is expressly stated to bear interest based upon a London interbank offered rate for Dollar deposits in Europe or a relevant reference bank's published base rate or prime rate for Dollar-denominated obligations in the United States or the United Kingdom, (d) does not constitute, and is not secured by, Margin Stock, (e) if it is subordinated by its terms, is subordinated only to indebtedness for borrowed money, trade claims, capitalized leases or other similar obligations and (f) is secured by a valid perfected security interest or lien in, to or on specified collateral securing the obligor's obligations under such obligation.

"Senior Secured Loan": Any assignment of or Participation Interest in a Loan (other than, solely for the purposes of calculating S&P Recovery Rate, a First Lien Last Out Loan) that: (a) is not (and cannot by its terms become) subordinate in right of payment to any other obligation of the obligor of the Loan (other than with respect to trade claims, capitalized leases or similar obligations); (b) is secured by a valid first-priority perfected security interest or lien in, to or on specified collateral securing the obligor's obligations under the Loan; (c) the value of the collateral securing the Loan together with other attributes of the obligor (including, without limitation, its general financial condition, ability to generate cash flow available for debt service and other demands for that cash flow) is adequate (in the commercially reasonable judgment of the Investment Manager) to repay the Loan in accordance with its terms and to repay all other Loans of equal seniority secured by a first lien or security interest in the same collateral and (d) is not secured solely or primarily by common stock or other equity interests; *provided* that the limitation set forth in this clause (d) shall not apply with respect to a Loan made to a parent entity that is secured solely or primarily by the stock of one or more of the subsidiaries of such parent entity to the extent that the granting by any such subsidiary of a lien on its own property would violate law or regulations applicable to such subsidiary (whether the obligation secured is such Loan or any other similar type of indebtedness owing to third parties); *provided*, *further*, that, for obligations to which, due to the operation of the foregoing proviso, the limitation set forth in this clause (d) does not apply, the S&P Recovery Rate will be determined on a case by case basis if there is no assigned S&P Recovery Rating.

"Senior Unsecured Bond": Any unsecured obligation that: (a) constitutes borrowed money, (b) is in the form of, or represented by, a bond, note, certificated debt security or other debt security (other than any of the foregoing that evidences a Loan or Participation Interest) and (c) if it is subordinated by its terms, is subordinated only to indebtedness for borrowed money, trade claims, capitalized leases or other similar obligations.

"Similar Laws": Local, state, federal or non-U.S. laws that are substantially similar to the fiduciary responsibility provisions of ERISA and Section 4975 of the Code.

"Special Priority of Payments": The meaning specified in Section 11.1(a)(iii).

"Special Redemption": As defined in Section 9.6.

"Special Redemption Date": As defined in Section 9.6.

"Specified Amendment": With respect to any Collateral Obligation that is the subject of: (i) a rating estimate or is a private or confidential rating by S&P or (ii) a rating estimate by Moody's, any waiver, modification, amendment or variance that would:

(a) modify the amortization schedule with respect to such Collateral Obligation in a manner that:

(i) reduces the Dollar amount of any Scheduled Distribution by more than the greater of (x) 20% and (y) U.S.$250,000;

(ii) postpones any Scheduled Distribution by more than two payment periods or eliminates a Scheduled Distribution; or

(iii) causes the Weighted Average Life of the applicable Collateral Obligation to increase by more than 10%;

(b) reduce or increase the Cash interest rate payable by the Obligor thereunder by more than 1.00% (excluding any increase in an interest rate arising by operation of a default or penalty interest clause under a Collateral Obligation);

(c) extend the stated maturity date of such Collateral Obligation by more than 24 months; *provided* that (x) any such extension shall be deemed not to have been made until the Business Day following the original stated maturity date of such Collateral Obligation and (y) such extension shall not cause the Weighted Average Life of such Collateral Obligation to increase by more than 25%;

(d) release any party from its obligations under such Collateral Obligation, if such release would have a material adverse effect on the Collateral Obligation;

(e) reduce the principal amount thereof; or

(f) in the reasonable business judgment of the Investment Manager, have a material adverse impact on the value of such Collateral Obligation.

"Specified Equity Securities": The securities or interests resulting from the exercise of an option, warrant, right of conversion, preemptive right, rights offering, credit bid or similar right in connection with the workout or restructuring of a Collateral Obligation or an equity security or interest received in connection with the workout or restructuring of a Collateral Obligation.

"Stated Maturity": With respect to the Rated Notes of any Class, the date specified as such in Section 2.3(b).

"Step-Up/Step-Down Obligation": An obligation or security which by the terms of the related Underlying Instruments provides for an increase or decrease in the per annum interest rate on such obligation or security (other than by reason of any change in the applicable index or benchmark rate used to determine such interest rate), or in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that an obligation or security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer shall not constitute a Step-Up/Step-Down Obligation.

"Structured Finance Obligation": Any obligation secured directly by, referenced to, or representing ownership of, a pool of receivables or other financial assets of any obligor, including collateralized debt obligations and mortgage-backed securities, or secured by a single asset in a repackaging.

"Subordinated Management Fee": The fee payable to the Investment Manager in arrears on each Payment Date (prorated for the related Interest Accrual Period) that accrues during each Interest Accrual Period at a rate equal to 0.40% per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount at the beginning of the Collection Period relating to such Payment Date (as certified by the Investment Manager to the Trustee).

"Subordinated Note Paying Agency Agreement": An agreement dated as of the January 22, 2008 between the Issuer and U.S. Bank National Association, in its capacity as subordinated note paying agent, as amended from time to time.

"Subordinated Note Paying Agent": U.S. Bank National Association, in its capacity as subordinated note paying agent under the Subordinated Note Paying Agency Agreement, as amended, and any successor thereto.

"Subordinated Notes": The Subordinated Notes issued pursuant to the Original Indenture and having the characteristics specified in the Subordinated Note Paying Agency Agreement.

"Subordinated Notes Internal Rate of Return": An annualized internal rate of return (computed using the "XIRR" function in Microsoft® Excel 2002 or an equivalent function in another software package), stated on a per annum basis, for each distribution made to the Holders of the Subordinated Notes on any prior date and, to the extent necessary to reach the applicable Subordinated Notes Internal Rate of Return, the current Payment Date, assuming all Subordinated Notes were purchased on January 22, 2008 for an aggregate purchase price equal to 100% of the initial principal amount thereof:

"Successor Entity": The meaning specified in Section 7.10(a).

"Supermajority": With respect to any Class, the Holders of at least 66 ⅔% of the Aggregate Outstanding Amount of the Notes of such Class.

"Surrendered Notes": Any Rated Notes or beneficial interests in Rated Notes tendered by any Holder or beneficial owner, respectively, for cancellation by the Trustee in accordance with Section 2.9 without receiving any payment.

"Swapped Non-Discount Obligation": Any Collateral Obligation that would otherwise be considered a Discount Obligation, but that is purchased with the proceeds of a sale of a Collateral Obligation that was not a Discount Obligation at the time of its purchase, and will not be considered a Discount Obligation so long as such purchased Collateral Obligation (a) is purchased or committed to be purchased within 30 Business Days of such sale, (b) is purchased at a price (as a percentage of par) equal to or greater than the sale price of the sold Collateral Obligation, (c) has Rating(s) equal to or greater than the Ratings of the sold Collateral Obligation and (d) is purchased at a price not less than 65% of the Principal Balance thereof; *provided* that to the extent the Aggregate Principal Balance of Swapped Non-Discount Obligations exceeds (i) 5.0% of the Collateral Principal Amount at such time or (ii) on a cumulative, aggregate basis, 10.0% of the Collateral Principal Amount at such time, such excess will not constitute Swapped Non-Discount Obligations; *provided*, *further*, that such Collateral Obligation will cease to be a Swapped Non-Discount Obligation at such time as such Swapped Non-Discount Obligation would no longer otherwise be considered a Discount Obligation.

"Synthetic Security": A security or swap transaction, other than a Participation Interest, that has payments associated with either payments of interest on and/or principal of a reference obligation or the credit performance of a reference obligation.

"Target Initial Par Amount": U.S.$ 300,000,000.

"Tax": Any tax, levy, impost, duty, charge or assessment of any nature (including interest, penalties and additions thereto) imposed by any governmental taxing authority.

"Target Initial Par Condition": A condition satisfied if the Aggregate Principal Balance of Collateral Obligations that are held by the Issuer and that the Issuer has committed to purchase on such date, together with the amount of any Sale Proceeds and any proceeds of Unscheduled Principal Payments, maturities or redemptions of Collateral Obligations purchased by the Issuer prior to such date (other than any such proceeds that have been reinvested in Collateral Obligations held by the Issuer), will equal or exceed the Target Initial Par Amount; provided that for purposes of this definition, any Collateral Obligation that becomes a Defaulted Obligation shall be treated as having a Principal Balance equal to its Moody's Collateral Value.

"Tax Event": An event that occurs if (i) any obligor under any Collateral Obligation is required to deduct or withhold from any payment under such Collateral Obligation to the Issuer for or on account of any Tax for whatever reason (other than withholding tax on (1) fees received with respect to a Letter of Credit Reimbursement Obligation, (2) amendment, waiver, consent and extension fees and (3) commitment fees and other similar fees in respect of Revolving Collateral Obligations and Delayed Drawdown Collateral Obligations, in each case to the extent that such withholding tax does not exceed 30% of the amount of such fees) and such obligor is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of Taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, or (ii) any jurisdiction imposes net income, profits or similar Tax on the Issuer (including any Tax liability imposed pursuant to Section 1446 of the Code or any similar provision of law).

"Tax Guidelines": The Tax Guidelines set forth in Exhibit A of the Investment Management Agreement.

"Tax Jurisdiction": The Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, Curaçao or Ireland and any other tax advantaged jurisdiction as may be notified by Moody's to the Investment Manager from time to time; *provided* that if the sovereign rating of any such Tax Jurisdiction (except for Ireland) falls below "Aa2" by Moody's, it will cease to be an eligible Tax Jurisdiction; *provided further* that if the sovereign rating of Ireland falls below "A3" by Moody's, it will cease to be an eligible Tax Jurisdiction.

"Tax Redemption": The meaning specified in Section 9.3(a).

"Temporary Global Note": Any Co-Issued Rated Notes sold outside the United States to non-"U.S. persons" (as defined in Regulation S) in reliance on Regulation S and issued in the form of a temporary Global Note in definitive, fully registered form without interest coupons.

"Third Party Credit Exposure": As of any date of determination, the Principal Balance of each Collateral Obligation that consists of a Participation Interest or a Letter of Credit Reimbursement Obligation.

"Third Party Credit Exposure Limits": Limits that shall be satisfied if the Third Party Credit Exposure with counterparties having the ratings below from S&P do not exceed the percentage of the Collateral Principal Amount specified below:

S&P's credit rating of Selling Institution	Aggregate Percentage Limit	Individual Percentage Limit
AAA	20%	20%
AA+	10%	10%
AA	10%	10%
AA-	10%	10%
A+	5%	5%
A	5%	5%
A- and below	0%	0%

provided that a Selling Institution having an S&P credit rating of "A" must also have a short-term S&P rating of "A-1" otherwise its Aggregate Percentage Limit and Individual Percentage Limit shall be 0%.

"Trading Plan": The meaning specified in Section 1.2(j).

"Trading Plan Period": The meaning specified in Section 1.2(j).

"Transaction Documents": The Indenture, the Investment Management Agreement, the Collateral Administration Agreement, the Account Agreement, the Amended and Restated Subordinated Note Paying Agency Agreement, the Registered Office Agreement and the Administration Agreement.

"Transaction Parties": The Co-Issuers, the Investment Manager, the Placement Agent, the Trustee, the Collateral Administrator, the Administrator and the Registrar.

"Transfer Agent": The Person or Persons, which may be the Issuer, authorized by the Issuer to exchange or register the transfer of Notes.

"Transfer Certificate": A duly executed certificate substantially in the form of the applicable Exhibit B.

"Trust Officer": When used with respect to the Trustee, any Officer within the Corporate Trust Office (or any successor group of the Trustee) including any Officer to whom any corporate trust matter is referred at the Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject and, in each case, having direct responsibility for the administration of this transaction.

"Trustee": As defined in the first sentence of this Indenture.

"Trustee's Website": The Trustee's internet website, which shall initially be located at https://usbtrustgateway.usbank.com, or such other address as the Trustee may provide to the Issuer, the Investment Manager and the Rating Agencies.

"UCC": The Uniform Commercial Code, as in effect from time to time in the State of New York, unless the Uniform Commercial Code, as in effect from time to time in another jurisdiction is specified, in which case "UCC" shall refer to such other specified jurisdiction.

"Uncertificated Note": The meaning specified in Article 8 of the UCC.

"Underlying Instrument": The indenture or other agreement pursuant to which an Asset has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Asset or of which the holders of such Asset are the beneficiaries.

"Unregistered Notes": The meaning specified in Section 5.17(c).

"Unscheduled Principal Payments": All Principal Proceeds received in respect of Collateral Obligations from optional or nonscheduled mandatory redemptions or amortizations, exchange offers, tender offers or other payments made at the option of the issuer thereof or that are otherwise not scheduled to be made.

"Unsecured Loan": A senior unsecured Loan which is not (and by its terms is not permitted to become) subordinate in right of payment to any other debt for borrowed money incurred by the obligor under such Loan.

"U.S. Person" and "U.S. person": The meanings specified in Section 7701(a)(30) of the Code or in Regulation S, as the context requires.

"Volcker Rule": Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder.

"Weighted Average Coupon": As of any Measurement Date, the number obtained by dividing:

(a) the amount equal to the Aggregate Coupon minus any amount required to be deposited in the LC Reserve Account in accordance with Section 10.5 in respect of any Fixed Rate Obligation; by

(b) an amount equal to the Aggregate Principal Balance (including for this purpose any capitalized interest) of all Fixed Rate Obligations as of such Measurement Date.

"Weighted Average Floating Spread": As of any Measurement Date, the number obtained by dividing: (a) the amount equal to (i) the Aggregate Funded Spread *plus* (ii) the Aggregate Unfunded Spread *plus* (iii) the Aggregate Excess Funded Spread, *minus* any amount required to be deposited in the LC Reserve Account in accordance with Section 10.5 in respect of any Floating Rate Obligation by (b) an amount equal to the lesser of (i) the Reinvestment Target Par Balance and (ii) an amount equal to the Aggregate Principal Balance (including for this purpose any capitalized interest) of all Floating Rate Obligations as of such Measurement Date; *provided* that, for the purposes of the S&P CDO Monitor Test (1) the Aggregate Excess Funded Spread shall not be included in the calculation of the amount described in clause (a) and (2) clause (b) shall in all cases be equal to the Aggregate Principal Balance (including for this purpose any capitalized interest) of all Floating Rate Obligations as of such Measurement Date.

"Weighted Average Life": As of any date of determination with respect to all Collateral Obligations other than Defaulted Obligations, the number of years following such date obtained by summing the products obtained by *multiplying*:

(a) the Average Life at such time of each such Collateral Obligation, by

(b) the outstanding Principal Balance of such Collateral Obligation,

and *dividing* such sum by:

(c) the Aggregate Principal Balance at such time of all Collateral Obligations other than Defaulted Obligations.

For the purposes of the foregoing, the "Average Life" is, on any date of determination with respect to any Collateral Obligation, the quotient obtained by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one hundredth thereof) from such date of determination to the respective dates of each successive Scheduled Distribution of principal on such Collateral Obligation and (b) the respective amounts of principal on such Scheduled Distributions by (ii) the sum of all successive Scheduled Distributions of principal on such Collateral Obligation.

"Weighted Average Life Test": A test satisfied on any date of determination if the Weighted Average Life of all Collateral Obligations as of such date is less than the number of years (rounded to the nearest one hundredth thereof) during the period from such date of determination through to January 20, 2023.

"Weighted Average Moody's Rating Factor": The number (rounded up to the nearest whole number) determined by:

(a) summing the products of (i) the Principal Balance of each Collateral Obligation (excluding Equity Securities) multiplied by (ii) the Moody's Rating Factor of such Collateral Obligation (as described below) and

(b) dividing such sum by the outstanding Principal Balance of all such Collateral Obligations.

For purposes of the foregoing, the Moody's Rating Factor relating to any Collateral Obligation is the number set forth in the table below opposite the Moody's Default Probability Rating of such Collateral Obligation.

Moody's Default Probability Rating	Moody's Rating Factor	Moody's Default Probability Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca or lower	10,000

For purposes of the Maximum Moody's Rating Factor Test, any Collateral Obligation issued or guaranteed by the United States government or any agency or instrumentality thereof is assigned a Moody's Rating Factor of 1.

"Weighted Average Moody's Recovery Rate": As of any date of determination, the number, expressed as a percentage, obtained by summing the product of the Moody's Recovery Rate on such Measurement Date of each Collateral Obligation and the Principal Balance of such Collateral Obligation, dividing such sum by the Aggregate Principal Balance of all such Collateral Obligations and rounding up to the first decimal place.

"Weighted Average S&P Recovery Rate": As of any date of determination, the number, expressed as a percentage and determined for the Controlling Class (so long as the Controlling Class is a Class of Rated Notes), obtained by summing the products obtained by multiplying the outstanding Principal Balance of each Collateral Obligation by its corresponding recovery rate as determined in accordance with Section 1 of Schedule 5 hereto, dividing such sum by the Aggregate Principal Balance of all Collateral Obligations, and rounding to the nearest tenth of a percent.

"Zero Coupon Security": Any debt security that by its terms (a) does not bear interest for all or part of the remaining period that it is outstanding, (b) provides for periodic payments of interest in Cash less frequently than semi-annually or (c) pays interest only at its stated maturity.

Section 1.2. Assumptions as to Assets. In connection with all calculations required to be made pursuant to this Indenture with respect to Scheduled Distributions on any Asset, or any payments on any other assets included in the Assets, with respect to the sale of and reinvestment in Collateral Obligations, and with respect to the income that can be earned on Scheduled Distributions on such Assets and on any other amounts that may be received for deposit in the Collection Account, the provisions set forth in this Section 1.2 shall be applied. The provisions of this Section 1.2 shall be applicable to any determination or calculation that is covered by this Section 1.2, whether or not reference is specifically made to Section 1.2, unless some other method of calculation or determination is expressly specified in the particular provision.

(a) All calculations with respect to Scheduled Distributions on the Assets shall be made on the basis of information as to the terms of each such Asset and upon reports of payments, if any, received on such Asset that are furnished by or on behalf of the issuer of such Asset and, to the extent they are not manifestly in error, such information or reports may be conclusively relied upon in making such calculations.

(b) For purposes of calculating the Coverage Tests and the Interest Diversion Test, except as otherwise specified in the definitions thereof, such calculations will not include scheduled interest and principal payments on Defaulted Obligations, unless such payments have actually been received in cash.

(c) For each Collection Period and as of any date of determination, the Scheduled Distribution on any Asset (other than a Defaulted Obligation, which, except as otherwise provided herein, shall be assumed to have a Scheduled Distribution of zero) shall be the sum of (i) the total amount of payments and collections to be received during such Collection Period in respect of such Asset (including the proceeds of the sale of such Asset received and, in the case of sales which have not yet settled, to be received during the Collection Period and not reinvested in additional Collateral Obligations or Eligible Investments or retained in the Collection Account for subsequent reinvestment pursuant to Section 12.2) that, if received as scheduled, will be available in the Collection Account at the end of the Collection Period and (ii) any such amounts received in prior Collection Periods that were not disbursed on a previous Payment Date.

(d) Each Scheduled Distribution receivable with respect to an Asset shall be assumed to be received on the applicable Due Date, and each such Scheduled Distribution shall be assumed to be immediately deposited in the Collection Account to earn interest at the Assumed Reinvestment Rate. All such funds shall be assumed to continue to earn interest until the date on which they are required to be available in the Collection Account for application, in accordance with the terms hereof, to payments on the Rated Notes or other amounts payable pursuant to this Indenture. For purposes of the applicable determinations required by Section 10.7(b)(iv), Article XII and the definition of Interest Coverage Ratio, the expected interest on the Rated Notes and Floating Rate Obligations will be calculated using the then current interest rates applicable thereto.

(e) References in Section 11.1(a) to calculations made on a "pro forma basis" shall mean such calculations after giving effect to all payments, in accordance with the Priority of Payments described herein, that precede (in priority of payment) or include the clause in which such calculation is made.

(f) For purposes of calculating all Concentration Limitations, in both the numerator and the denominator of any component of the Concentration Limitations, Defaulted Obligations will be treated as having a Principal Balance equal to zero.

(g) If a Collateral Obligation included in the Assets would be deemed to be a Current Pay Obligation but for the applicable percentage limitation in the proviso to clause (x) of the proviso to the definition of Defaulted Obligation, then the Current Pay Obligations with the lowest Market Value (assuming that such Market Value is expressed as a percentage of the Principal Balance of such Current Pay Obligations as of the date of determination) shall be deemed Defaulted Obligations. Each such Defaulted Obligation will be treated as a Defaulted Obligation for all purposes until such time as the Aggregate Principal Balance of Current Pay Obligations would not exceed, on a pro forma basis including such Defaulted Obligation, the applicable percentage of the Collateral Principal Amount.

(h) Defaulted Obligations will not be included in the calculation of the Collateral Quality Test.

(i) For purposes of calculating the Collateral Quality Test, DIP Collateral Obligations will be treated as having an S&P Recovery Rate equal to the S&P Recovery Rate for Senior Secured Loans.

(j) For purposes of calculating compliance with the Investment Criteria, at the election of the Investment Manager in its sole discretion, any proposed investment (whether a single Collateral Obligation or a group of Collateral Obligations identified by the Investment Manager as such at the time when compliance with the Investment Criteria is required to be calculated (a "Trading Plan")) may be evaluated after giving effect to all sales and reinvestments proposed to be entered into within a specified period of no longer than 10 Business Days (which period does not extend over a Determination Date) following the date of determination of such compliance (such period, the "Trading Plan Period"); *provided* that (w) no Trading Plan may result in the purchase of Collateral Obligations having an Aggregate Principal Balance that exceeds 5.0% of the Collateral Principal Amount as of the first day of the Trading Plan Period, (x) no Trading Plan Period may include a Determination Date, (y) no more than one Trading Plan may be in effect at any time during a Trading Plan Period and (z) if the Investment Criteria are not satisfied with respect to Trading Plan, notice will be provided to each Rating Agency and the Issuer shall obtain Rating Agency Confirmation from S&P for each subsequent Trading Plan until a subsequent Trading Plan (for which Rating Agency Confirmation from S&P was obtained) is successfully completed.

(k) For purposes of calculating compliance with the Investment Criteria, upon the direction of the Investment Manager by notice to the Trustee and the Collateral Administrator, any Eligible Investment representing Principal Proceeds received upon the sale or other disposition of a Collateral Obligation may be deemed to have the characteristics of such Collateral Obligation until reinvested in an additional Collateral Obligation. Such calculations shall be based upon the principal amount of such Collateral Obligation, except in the case of Defaulted Obligations and Credit Risk Obligations, in which case the calculations will be based upon the Principal Proceeds received on the sale or other disposition of such Defaulted Obligation or Credit Risk Obligation.

(l) For purposes of calculating the Sale Proceeds of a Collateral Obligation in sale transactions, sale proceeds will include any Principal Financed Accrued Interest received in respect of such sale.

(m) For purposes of calculating the Concentration Limitations, the amounts on deposit in the Collection Account (including Eligible Investments therein) representing Principal Proceeds shall each be deemed to be a Floating Rate Obligation that is a Senior Secured Loan.

(n) For the purposes of calculating compliance with each of the Concentration Limitations all calculations will be rounded to the nearest 0.1%. All other calculations, unless otherwise set forth herein or the context otherwise requires, shall be rounded to the nearest ten-thousandth if expressed as a percentage, and to the nearest one-hundredth if expressed otherwise.

(o) Notwithstanding any other provision of this Indenture to the contrary, all monetary calculations under this Indenture shall be in Dollars.

(p) If withholding tax is imposed on (w) the fees associated with any Letter of Credit Reimbursement Obligation, (x) any amendment, waiver, consent or extension fees, (y) commitment fees or other similar fees in respect of Revolving Collateral Obligations and Delayed Drawdown Collateral Obligations or (z) any other payments on any Collateral Obligation, the calculations of the Weighted Average Floating Spread, the Weighted Average Coupon and the Interest Coverage Test (and all component calculations of such calculations and tests, including when such a component calculation is calculated independently), as applicable, shall be made on a net basis after taking into account such withholding, unless the Obligor is required to make "gross-up" payments to the Issuer that cover the full amount of any such withholding tax on an after-tax basis pursuant to the Underlying Instrument with respect thereto.

(q) Any reference in this Indenture to an amount of the Trustee's or the Collateral Administrator's fees calculated with respect to a period at a per annum rate shall be computed on the basis of a 360-day year of twelve 30-day months prorated for the related Interest Accrual Period and shall be based on the Fee Basis Amount.

(r) To the extent there is, in the reasonable determination of the Collateral Administrator or the Trustee, any ambiguity in the interpretation of any definition or term contained in this Indenture or to the extent the Collateral Administrator or the Trustee reasonably determines that more than one methodology can be used to make any of the determinations or calculations set forth herein, the Collateral Administrator and/or the Trustee, as the case may be, shall be entitled to request direction from the Investment Manager as to the interpretation and/or methodology to be used, and the Collateral Administrator and the Trustee, as applicable, shall be entitled to follow such direction and conclusively rely thereon without any responsibility or liability therefor.

(s) For purposes of calculating compliance with any tests under this Indenture (including the Target Initial Par Condition, Collateral Quality Tests and Concentration Limitations), the trade date (and not the settlement date) with respect to any acquisition or disposition of a Collateral Obligation or Eligible Investment shall be used to determine whether and when such acquisition or disposition has occurred.

(t) The equity interest in any Issuer Subsidiary and each Issuer Subsidiary Asset shall be deemed to constitute an Asset and be deemed to be a Collateral Obligation (or, if such asset would constitute an Equity Security if acquired and held by the Issuer, an Equity Security) for all purposes of this Indenture and each reference to Assets, Collateral Obligations and Equity Securities herein shall be construed accordingly. Any future anticipated tax liabilities of an asset held by such Issuer Subsidiary shall be excluded from the calculation of the Weighted Average Floating Spread, the Weighted Average Coupon and the Interest Coverage Test (and all interest-related component calculations of such calculations and tests, including when such a component calculation is calculated independently).

(u) When used with respect to payments on the Subordinated Notes, the term “principal amount” will mean amounts distributable to Holders of Subordinated Notes from Principal Proceeds, and the term “interest” will mean Excess Interest distributable to Holders of Subordinated Notes in accordance with the Priority of Payments.

(v) Any reference to LIBOR applicable to any Floating Rate Note as of any Measurement Date during the first Interest Accrual Period shall mean LIBOR for the relevant portion of the first Interest Accrual Period as determined on the preceding Interest Determination Date.

ARTICLE II

THE RATED NOTES

Section 2.1. Forms Generally. The Rated Notes and the Trustee’s or Authenticating Agent’s certificate of authentication thereon (the “Certificate of Authentication”) shall be in substantially the forms required by this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be consistent herewith, determined by the Authorized Officers of the Applicable Issuers executing such Rated Notes as evidenced by their execution of such Rated Notes. Global Notes and Certificated Notes may have the same identifying number (e.g. CUSIPs). Any portion of the text of any such Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Note.

Section 2.2. Forms of Rated Notes. (a) The forms of the Rated Notes will be as set forth in the applicable Exhibit A hereto.

(b) Rated Notes of each Class will be duly executed by the Applicable Issuers and authenticated by the Trustee or the Authenticating Agent as hereinafter provided.

(c) Except as provided in clause (g), Co-Issued Notes offered to non-"U.S. persons" (as defined in Regulation S) in reliance on Regulation S will be issued as Temporary Global Notes (or, in the case of the Issuer Only Notes, Regulation S Global Notes) and with the applicable legend set forth in the applicable Exhibit A added thereto, which will be deposited on behalf of the subscribers for such Notes represented thereby with the Trustee as custodian for DTC and registered in the name of a nominee of DTC for the respective accounts of Euroclear and Clearstream. On or after the 40th day after the later of the Closing Date and the commencement of the offering of the Co-Issued Notes, interests in a Temporary Global Note of any Class of Co-Issued Notes will be exchangeable for interests in a Regulation S Global Note of the same Class upon certification that the beneficial interests in such Temporary Global Note are owned by Persons who are not "U.S. persons" (as defined in Regulation S). Upon the exchange of a Temporary Global Note for a Regulation S Global Note, the Regulation S Global Note will be deposited with the Trustee as custodian for DTC and registered in the name of a nominee of DTC for the account of Euroclear and Clearstream.

(d) Except as provided in clause (g), Rated Notes sold to persons that are QIB/QPs in reliance on Rule 144A will be issued as Rule 144A Global Notes and will be deposited on behalf of the subscribers for such Notes represented thereby with the Trustee as custodian for DTC and registered in the name of a nominee of DTC.

(e) Issuer Only Notes may be issued in the form of Rule 144A Global Notes and Regulation S Global Notes; however, no Benefit Plan Investor or Controlling Person (other than a Benefit Plan Investor or a Controlling Person purchasing on the Closing Date) may hold Issuer Only Notes in the form of a Rule 144A Global Note or a Regulation S Global Note. Other than a Benefit Plan Investor or a Controlling Person purchasing on the Closing Date, interests in Issuer Only Notes held by Benefit Plan Investors or Controlling Persons will be evidenced by Certificated Notes.

(f) Rated Notes sold to persons who are not U.S. persons in offshore transactions in reliance on Regulation S or that, at the time of the acquisition, are QIB/QPs, in each case that so request shall be issued in the form of a Certificated Note registered in the name of the beneficial owner or a nominee thereof, duly executed by the Applicable Issuers and authenticated by the Trustee as hereinafter provided.

(g) Book Entry Provisions. This Section 2.2(g) shall apply only to Rated Notes represented by Global Notes deposited with or on behalf of DTC.

(i) The aggregate principal amount of such Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee or DTC or its nominee, as the case may be, as hereinafter provided.

(ii) The provisions of the "Operating Procedures of the Euroclear System" of Euroclear and the "Terms and Conditions Governing Use of Participants" of Clearstream, respectively, will be applicable to such Global Notes insofar as interests in such Global Notes are held by the Agent Members of Euroclear or Clearstream, as the case may be.

(iii) Agent Members shall have no rights under this Indenture with respect to such Global Notes held on their behalf by the Trustee, as custodian for DTC and DTC may be treated by the Applicable Issuer, the Trustee, and any agent of the Applicable Issuer or the Trustee as the absolute owner of such Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Applicable Issuer, the Trustee, or any agent of the Applicable Issuer or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by DTC or impair, as between DTC and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Rated Note.

(h) CUSIPs. As an administrative convenience or as otherwise permitted under this Indenture, the Applicable Issuers or the Issuer's agent may obtain a separate CUSIP or separate CUSIPs (or similar identifying numbers) for all or a portion of any Class of Rated Notes.

Section 2.3. Authorized Amount; Stated Maturity; Denominations. (a) The aggregate principal amount of Rated Notes that may be authenticated and delivered under this Indenture is limited to U.S.$284,900,000 aggregate principal amount of Rated Notes (except for (i) Deferred Interest with respect to the Deferred Interest Notes, (ii) Rated Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Rated Notes pursuant to Section 2.5, Section 2.6 or Section 8.5, (iii) replacement notes issued in connection with a Refinancing or (iv) Additional Notes Issued pursuant to Section 2.13.

(b) Such Rated Notes shall be divided into the Classes having the designations, original principal amounts and other characteristics as follows:

Designation	Class X Notes	Class A-1-R Notes	Class A-2-R Notes	Class B-R Notes	Class C-R Notes	Class D-R Notes	Class E-R Notes	Class F-R Notes
Type	Floating Rate	Floating Rate	Floating Rate	Floating Rate	Deferrable Floating Rate	Deferrable Floating Rate	Deferrable Floating Rate	Deferrable Floating Rate
Issuer(s)	Co-Issuers	Co-Issuers	Co-Issuers	Co-Issuers	Co-Issuers	Co-Issuers	Issuer	Issuer
Initial Principal Amount (U.S.$)	2,500,000	170,000,000	20,000,000	44,800,000	16,000,000	14,000,000	13,100,000	4,500,000
Expected S&P Initial Rating	“AAA (sf)”	“AAA (sf)”	“AAA (sf)”	“AA (sf)”	“A (sf)”	“BBB (sf)”	“BB (sf)”	N/A
Expected Moody’s Initial Rating	“Aaa (sf)”	“Aaa (sf)”	“Aaa (sf)”	N/A	N/A	N/A	N/A	N/A
Interest Rate	LIBOR(3) + 1.05%	LIBOR(3) + 1.55%	LIBOR(3) + 1.75%	LIBOR(3) + 2.70%	LIBOR(3) + 3.36%	LIBOR(3) + 4.70%	LIBOR(3) + 6.65%	LIBOR(3) + 8.50%
Deferred Interest Notes	No	No	No	No	Yes	Yes	Yes	Yes
Stated Maturity	Payment Date in October 2023	Payment Date in October 2025	Payment Date in October 2025	Payment Date in October 2025	Payment Date in October 2025	Payment Date in October 2025	Payment Date in October 2025	Payment Date in October 2025
Minimum Denominations (U.S.$) (Integral Multiples)	$200,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)
Ranking:								
Priority Class(es)	None	None	X, A-1-R	X, A-1-R, A-2-R	X, A-1-R, A-2-R, B-R	X, A-1-R, A-2-R, B-R, C-R	X, A-1-R, A-2-R, B-R, C-R, D-R	X, A-1-R, A-2-R, B-R, C-R, D-R, E-R
Pari Passu Class(es)	A-1-R	X	None	None	None	None	None	None
Junior Class(es)[2]	A-1-R, A-2-R, B-R, C-R, D-R, E-R, F, Subordinated	A-2-R, B-R, C-R, D-R, E-R, F-R, Subordinated	B-R, C-R, D-R, E-R, F-R, Subordinated	C-R, D-R, E-R, F-R, Subordinated	D-R, E-R, F-R, Subordinated	E-R, F-R, Subordinated	F-R, Subordinated	Subordinated
Listed Notes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

1 In accordance with the definition of LIBOR set forth in Exhibit C hereto, LIBOR shall be calculated by reference to the Designated Maturity.

2 The Class X Notes are entitled to payment of interest and Scheduled Amortization Amount pari passu with the Class A-1 Notes and senior to the other Classes of Rated Notes.

(c) The Rated Notes will be issued in Minimum Denominations. Rated Notes shall only be transferred or resold in compliance with the terms of this Indenture.

(d) On the Refinancing Date, (i) the Co-Issuers are issuing U.S.$170,000,000 Class A-1-R Senior Secured Floating Rate Notes due 2025, U.S.$20,000,000 Class A-2-R Senior Secured Floating Rate Notes due 2025, U.S.$44,800,000 Class B-R Senior Secured Floating Rate Notes due 2025, U.S.$16,000,000 Class C-R Mezzanine Deferrable Floating Rate Notes due 2025, U.S.$14,000,000 Class D-R Mezzanine Deferrable Floating Rate Notes due 2025 to refinance the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes, respectively and (ii) the Issuer is issuing U.S.$13,100,000 Class E-R Mezzanine Deferrable Floating Rate Notes due 2025 and U.S.$4,500,000 Class F-R Mezzanine Deferrable Floating Rate Notes due 2025 to refinance the Class E Notes and the Class F Notes, respectively.

(e) On the Refinancing Date, the Original Notes will be redeemed at their Redemption Price pursuant to Article IX of the Original Indenture.

(f) On and after the Refinancing Date, all references to the Class A-1 Notes shall be to the U.S.$170,000,000 Class A-1-R Senior Secured Floating Rate Notes due 2025, all references to the Class A-2 Notes shall be to the U.S.$20,000,000 Class A-2-R Senior Secured Floating Rate Notes due 2025, all references to the Class B Notes shall be to the U.S.$44,800,000 Class B-R Senior Secured Floating Rate Notes due 2025, all references to the Class C Notes shall be to the U.S.$16,000,000 Class C-R Mezzanine Deferrable Floating Rate Notes due 2025, all references to the Class D Notes shall be to the U.S.$14,000,000 Class D-R Mezzanine Deferrable Floating Rate Notes due 2025, all references to the Class E Notes shall be to the U.S.$13,100,000 Class E-R Mezzanine Deferrable Floating Rate Notes due 2025 and all references to the Class F Notes shall be to the U.S.$4,500,000 Class F-R Mezzanine Deferrable Floating Rate Notes due 2025.

Section 2.4. Execution, Authentication, Delivery and Dating. The Rated Notes shall be executed on behalf of each of the Applicable Issuers by one of their respective Authorized Officers. The signature of such Authorized Officer on the Rated Notes may be manual or facsimile.

Rated Notes bearing the manual or facsimile signatures of individuals who were at any time the Authorized Officers of the Applicable Issuer, shall bind the Issuer and the Co-Issuer, as applicable, notwithstanding the fact that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Rated Notes or did not hold such offices at the date of issuance of such Rated Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Issuer and the Co-Issuer may deliver Rated Notes executed by the Applicable Issuers to the Trustee or the Authenticating Agent for authentication and the Trustee or the Authenticating Agent, upon Issuer Order, shall authenticate and deliver such Rated Notes as provided in this Indenture and not otherwise.

Each Rated Note authenticated and delivered by the Trustee or the Authenticating Agent upon Issuer Order on the Closing Date shall be dated as of the Closing Date. All other Rated Notes that are authenticated and delivered after the Closing Date for any other purpose under this Indenture shall be dated the date of their authentication.

Rated Notes issued upon transfer, exchange or replacement of other Rated Notes shall be issued in authorized denominations reflecting the original Aggregate Outstanding Amount of the Rated Notes so transferred, exchanged or replaced, but shall represent only the Aggregate Outstanding Amount of the Rated Notes so transferred, exchanged or replaced. In the event that any Rated Note is divided into more than one Rated Note in accordance with this Article II, the original principal amount of such Rated Note shall be proportionately divided among the Rated Notes delivered in exchange therefor and shall be deemed to be the original aggregate principal amount of such subsequently issued Rated Notes.

No Rated Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Rated Note a Certificate of Authentication, substantially in the form provided for herein, executed by the Trustee or by the Authenticating Agent by the manual signature of one of its Authorized Officers, and such certificate upon any Rated Note shall be conclusive evidence, and the only evidence, that such Rated Note has been duly authenticated and delivered hereunder.

Section 2.5. Registration, Registration of Transfer and Exchange. (a) The Issuer shall cause the Rated Notes to be registered and shall cause to be kept a register (the "Register") at the office of the Registrar in which, subject to such reasonable regulations as it may prescribe, the Issuer shall procure the registration of Rated Notes and the registration of transfers of Rated Notes. The Trustee is hereby initially appointed "registrar" (the "Registrar") for the purpose of maintaining the Register and registering Rated Notes and transfers of such Rated Notes in the Register. Upon any resignation or removal of the Registrar, the Issuer shall promptly appoint a successor or, in the absence of such appointment or until such appointment is effective, assume the duties of Registrar. At any time, the Placement Agent may request a list of Holders from the Registrar.

If a Person other than the Trustee is appointed by the Issuer as Registrar, the Issuer will give the Trustee prompt written notice (with a copy to the Investment Manager) of the appointment of a Registrar and of the location, and any change in the location, of the Register, and the Trustee shall have the right to inspect the Register at all reasonable times and to obtain copies thereof and the Trustee shall have the right to rely upon a certificate executed on behalf of the Registrar by an Officer thereof as to the names and addresses of the Holders of the Rated Notes and the principal or face amounts and numbers of such Rated Notes. Upon written request at any time, the Registrar shall provide to the Issuer, the Investment Manager, the Placement Agent or any Holder a current list of Holders as reflected in the Register.

Subject to this Section 2.5, upon surrender for registration of transfer of any Rated Note at the office or agency of the Co-Issuers to be maintained as provided in Section 7.2, the Applicable Issuers shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Rated Notes of any authorized Minimum Denomination and of a like aggregate principal or face amount.

At the option of the Holder, Rated Notes may be exchanged for Rated Notes of like terms, in any authorized Minimum Denominations and of like aggregate principal amount, upon surrender of the Rated Notes to be exchanged at such office or agency. Whenever any Rated Note is surrendered for exchange, the Applicable Issuers shall execute, and the Trustee shall authenticate and deliver, the Rated Notes that the Holder making the exchange is entitled to receive.

All Rated Notes authenticated and delivered upon any registration of transfer or exchange of Rated Notes shall be the valid obligations of the Applicable Issuers, evidencing the same debt (to the extent they evidence debt), and entitled to the same benefits under this Indenture as the Rated Notes surrendered upon such registration of transfer or exchange.

Every Rated Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Exchange Act.

No service charge shall be made to a Holder for any registration of transfer or exchange of Rated Notes, but the Co-Issuers, the Registrar or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Registrar or the Trustee shall be permitted to request such evidence reasonably satisfactory to it documenting the identity and/or signatures of the transferor and transferee.

(b) (i) No Rated Note may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such sale or transfer is exempt from the registration requirements of the Securities Act, is exempt from the registration requirements under applicable state securities laws and will not cause either of the Co-Issuers or the pool of collateral to become subject to the requirement that it register as an investment company under the Investment Company Act.

(ii) No Rated Note may be offered, sold or delivered or transferred (including, without limitation, by pledge or hypothecation) except (i) to (A) a non-"U.S. person" (as defined under Regulation S) in accordance with the requirements of Regulation S or (B) a QIB/QP and (ii) in accordance with any applicable law.

(iii) No Rated Note may be offered, sold or delivered (i) as part of the distribution by the Placement Agent at any time or (ii) otherwise until 40 days after the Closing Date within the United States or to, or for the benefit of, "U.S. persons" (as defined in Regulation S) except in accordance with Rule 144A or an exemption from the registration requirements of the Securities Act, to Persons purchasing for their own account or for the accounts of one or more Qualified Institutional Buyers for which the purchaser is acting as a fiduciary or agent. The Rated Notes may be sold or resold, as the case may be, in offshore transactions to non-"U.S. persons" (as defined in Regulation S) in reliance on Regulation S. No Rule 144A Global Note may at any time be held by or on behalf of any Person that is not a QIB/QP, and no Temporary Global Note or Regulation S Global Note may be held at any time by or on behalf of any U.S. person. None of the Co-Issuers, the Trustee or any other Person may register the Rated Notes under the Securities Act or any state securities laws or the applicable laws of any other jurisdiction.

(c) (i) Issuer Only Notes may be sold to a Controlling Person or a Benefit Plan Investor only if such sale will not result in Benefit Plan Investors holding 25% or more of the Aggregate Outstanding Amount of the Class of Issuer Only Notes being sold or transferred determined in accordance with the Plan Asset Regulation and this Indenture and assuming, for this purpose, that all of the representations made (or, in the case of Global Notes, deemed to be made) by Holders of such Notes are true. Each prospective purchaser of Issuer Only Notes on the Closing Date and each transferee of Issuer Only Notes taking delivery in the form of Certificated Notes will be required to make a written representation as to whether it is a Benefit Plan Investor or Controlling Person. Each transferee of Issuer Only Notes taking delivery in the form of an interest in Global Notes will be deemed to represent, warrant and covenant that, for so long as it holds a beneficial interest in such Global Notes, it (and each account for which it is acquiring such Global Notes) is not a Benefit Plan Investor or a Controlling Person (other than a Benefit Plan Investor or Controlling Person purchasing on the Closing Date). No sale or transfer of an interest in any Issuer Only Note to a proposed transferee that has represented that it is a

Benefit Plan Investor or a Controlling Person will be effective, and the Trustee, the Registrar and the Issuer will not recognize any such sale or transfer, if such sale or transfer would result in Benefit Plan Investors holding 25% or more of the Aggregate Outstanding Amount of the Class of Issuer Only Notes being sold or transferred determined in accordance with the Plan Asset Regulation and this Indenture and assuming, for this purpose, that all of the representations made (or, in the case of Global Notes, deemed to be made) by Holders of such Issuer Only Notes are true. For purposes of such calculations, (x) the investment by a Plan Asset Entity shall be treated as plan assets for purposes of calculating the 25% threshold under Section 3(42) of ERISA only to the extent of the percentage of its equity interests held by Benefit Plan Investors and (y) any Issuer Only Notes held by a Controlling Person shall be excluded and treated as not being Outstanding.

(ii) No transfer of a beneficial interest in a Rated Note will be effective, and the Trustee and the Applicable Issuer will not recognize any such transfer, if the transferee's acquisition, holding and disposition of such interest would constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in a violation of any Similar Laws or other applicable law), unless an exemption is available and all conditions have been satisfied.

(iii) In respect of the purchase of Issuer Only Notes, if the purchaser is a bank organized outside the United States, (i) it is acquiring such Issuer Only Notes as a capital markets investment and will not for any purpose treat such Issuer Only Notes or assets of the Issuer as loans acquired in its banking business, and (ii) it is not acquiring such Issuer Only Notes as part of a plan having as one of its principal purposes the avoidance of U.S. withholding taxes.

(d) Notwithstanding anything contained herein to the contrary, the Trustee will not be responsible for ascertaining whether any transfer complies with, or for otherwise monitoring or determining compliance with, the registration provisions of or any exemptions from the Securities Act, applicable state securities laws or the applicable laws of any other jurisdiction, ERISA, the Code or the Investment Company Act; provided that if a Transfer Certificate is specifically required by the terms of this Section 2.5 to be provided to the Trustee, the Trustee shall be under a duty to receive and examine the same to determine whether or not the certificate substantially conforms on its face to the applicable requirements of this Indenture and shall promptly notify the party delivering the same if such certificate does not comply with such terms.

(e) For so long as any of the Rated Notes are Outstanding, the Issuer shall not issue or permit the transfer of any ordinary shares of the Issuer to U.S. persons.

(f) Transfers of Rated Notes represented by Global Notes shall only be made in accordance with this Section 2.5(f).

(i) Rule 144A Global Note to Regulation S Global Note. If a holder of a beneficial interest in a Rule 144A Global Note wishes at any time to exchange its interest in such Rule 144A Global Note for an interest in the corresponding Regulation S Global Note, or to transfer its interest in such Rule 144A Global Note to a Person who wishes to take delivery thereof in the form of an interest in the corresponding Regulation S Global Note, such holder (provided that such holder or, in the case of a transfer, the transferee is not a U.S. person and is acquiring such interest in an offshore transaction) may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the corresponding Regulation S Global Note. Upon receipt by the Registrar of (A) instructions given in accordance with DTC's procedures from an Agent Member directing the Registrar to credit or cause to be credited a beneficial interest in the corresponding Regulation S Global Note, but not less than the Minimum Denomination applicable to such holder's Rated Notes, in an amount equal to the beneficial interest in the Rule 144A Global Note to be exchanged or transferred, (B) a written order given in accordance with DTC's procedures containing information regarding the participant account of DTC and the Euroclear or Clearstream account to be credited with such increase and (C) a Transfer Certificate, then the Registrar will implement the Global Note Procedures with respect to the applicable Global Note.

(ii) Regulation S Global Note to Rule 144A Global Note. If a holder of a beneficial interest in a Regulation S Global Note deposited with DTC wishes at any time to exchange its interest in such Regulation S Global Note for an interest in the corresponding Rule 144A Global Note or to transfer its interest in such Regulation S Global Note to a Person who wishes to take delivery thereof in the form of an interest in the corresponding Rule 144A Global Note, such holder may, subject to the immediately succeeding sentence and the rules and procedures of Euroclear, Clearstream and/or DTC, as the case may be, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the corresponding Rule 144A Global Note. Upon receipt by the Registrar of (A) instructions from Euroclear, Clearstream and/or DTC, as the case may be, directing the Registrar to cause to be credited a beneficial interest in the corresponding Rule 144A Global Note in an amount equal to the beneficial interest in such Regulation S Global Note, but not less than the Minimum Denomination applicable to such holder's Notes to be exchanged or transferred, such instructions to contain information regarding the participant account with DTC to be credited with such increase and (B) a Transfer Certificate, then the Registrar will implement the Global Note Procedures with respect to the applicable Global Note.

(g) Transfer of Certificated Notes. Transfers of Rated Notes represented by Certificated Notes will only be made in accordance with this Section 2.5(g).

(i) Transfer and Exchange of Certificated Notes to Certificated Notes. If a holder of a Certificated Note wishes at any time to exchange its interest in such Certificated Note for a Certificated Note of the same Class or to transfer such Certificated Note to a Person who wishes to take delivery in the form of a Certificated Note of the same Class, such holder may exchange or transfer its interest upon delivery of the documents set forth in the following sentence. Upon receipt by the Registrar of (A) a Holder's Certificated Note properly endorsed for assignment to the transferee, and (B) a Transfer Certificate, the Registrar shall cancel such Certificated Note, record the transfer in the Register and upon execution by the Applicable Issuers and authentication and delivery by the Trustee, deliver one or more Certificated Notes bearing the same

designation as the Certificated Note endorsed for transfer, registered in the names specified in the assignment described in clause (A) above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the Certificated Note surrendered by the transferor), and in authorized denominations.

(ii) Transfer of Regulation S Global Notes to Certificated Notes. If a holder of a beneficial interest in a Regulation S Global Note wishes at any time to exchange its interest in such Regulation S Global Note for a Certificated Note of the same Class, or to transfer its interest in such Regulation S Global Note to a Person who wishes to take delivery thereof in the form of a Certificated Note of the same Class, such holder may, subject to the immediately succeeding sentence and the rules and procedures of Euroclear, Clearstream and/or DTC, as the case may be, exchange or transfer, or cause the exchange or transfer of, such interest for a Certificated Note. Upon receipt by the Registrar of (A) Transfer Certificates and (B) appropriate instructions from DTC, if required, the Registrar will (1) approve the instructions at DTC to reduce, or cause to be reduced, the applicable Regulation S Global Note by the aggregate principal amount of the beneficial interest in the applicable Regulation S Global Note to be transferred or exchanged, (2) record the transfer in the Register and (3) upon execution by the Issuer and authentication and delivery by the Trustee, deliver one or more Certificated Notes, registered in the names specified in the instructions described in clause (B) above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the interest in the Regulation S Global Note transferred by the transferor), and in authorized Minimum Denominations.

(iii) Transfer of Certificated Notes to Regulation S Global Notes. If a Holder of a Certificated Note wishes at any time to exchange its interest in such Note for a beneficial interest in a Regulation S Global Note of the same Class or to transfer such Certificated Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note of the same Class, such Holder may, subject to the immediately succeeding sentence and the rules and procedures of Euroclear, Clearstream and/or DTC, as the case may be, exchange or transfer, or cause the exchange or transfer of, such Certificated Note for a beneficial interest in a Regulation S Global Note of the same Class. Upon receipt by the Registrar of (A) in the case of the Holder of a Certificated Note, such Holder's Certificated Note properly endorsed for assignment to the transferee, (B) a Transfer Certificate, (C) instructions given in accordance with Euroclear, Clearstream or DTC's procedures, as the case may be, from an Agent Member to instruct DTC to cause to be credited a beneficial interest in the Regulation S Global Notes of the same Class in an amount equal to the Certificated Notes to be transferred or exchanged and (D) a written order given in accordance with DTC's procedures containing information regarding the participant's account at DTC and/or Euroclear or Clearstream to be credited with such increase, the Registrar shall (1) in the case of a Certificated Note, cancel such Certificated Note, (2) record the transfer in the Register and (3) implement the Global Note Procedures with respect to the applicable Global Note.

(iv) Transfer of Certificated Notes to Rule 144A Global Notes. If a Holder of a Certificated Note wishes at any time to exchange its interest in such Certificated Note for a beneficial interest in a Rule 144A Global Note of the same Class or to transfer such Certificated Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Rule 144A Global Note of the same Class, such Holder may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such Certificated Note for a beneficial interest in a Rule 144A Global Note of the same Class. Upon receipt by the Registrar of (A) in the case of the Holder of a Certificated Note, such Holder's Certificated Note properly endorsed for assignment to the transferee, (B) a Transfer Certificate, (C) instructions given in accordance with DTC's procedures from an Agent Member to instruct DTC to cause to be credited a beneficial interest in the Rule 144A Global Notes of the same Class in an amount equal to the Certificated Notes to be transferred or exchanged and (D) a written order given in accordance with DTC's procedures containing information regarding the participant's account at DTC to be credited with such increase, the Registrar shall (1) in the case of a Certificated Note, cancel such Certificated Note, (2) record the transfer in the Register and (3) implement the Global Note Procedures with respect to the applicable Global Note.

(h) If Rated Notes are issued upon the transfer, exchange or replacement of Rated Notes bearing the applicable legends set forth in the applicable Exhibit A hereto, and if a request is made to remove such applicable legend on such Rated Notes, the Rated Notes so issued shall bear such applicable legend, or such applicable legend shall not be removed, as the case may be, unless there is delivered to the Trustee and the Applicable Issuers such satisfactory evidence, which may include an Opinion of Counsel acceptable to them, as may be reasonably required by the Applicable Issuers (and which shall by its terms permit reliance by the Trustee), to the effect that neither such applicable legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of the Securities Act, the Investment Company Act, ERISA or the Code. Upon provision of such satisfactory evidence, the Trustee or its Authenticating Agent, at the written direction of the Applicable Issuers shall, after due execution by the Applicable Issuers authenticate and deliver Rated Notes that do not bear such applicable legend.

(i) Each Person who becomes a beneficial owner of an interest in a Global Note will be deemed to have represented and agreed as follows (or, in the case of the purchase of Issuer Only Notes on the Closing Date, will be required to represent and agree in a subscription agreement):

(i) In connection with the purchase of such Rated Notes: (A) none of the Transaction Parties or any of their respective Affiliates is acting as a fiduciary or financial or investment advisor for such beneficial owner; (B) such beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Transaction Parties or any of their respective Affiliates other than any statements in the final Offering Memorandum for such Notes, and such beneficial owner has read and understands such final Offering Memorandum; (C) such beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it

has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to this Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Transaction Parties or any of their respective Affiliates; (D) such beneficial owner is either (1) (in the case of a beneficial owner of an interest in a Rule 144A Global Note) both (a) a "qualified institutional buyer" (as defined under Rule 144A under the Securities Act) that is not a broker-dealer which owns and invests on a discretionary basis less than U.S.$25,000,000 in notes of issuers that are not affiliated persons of the dealer and is not a plan referred to in paragraph (a)(1)(i)(d) or (a)(1)(i)(e) of Rule 144A under the Securities Act or a trust fund referred to in paragraph (a)(1)(i)(f) of Rule 144A under the Securities Act that holds the assets of such a plan, if investment decisions with respect to the plan are made by beneficiaries of the plan and (b) a "qualified purchaser" for purposes of Section 3(c)(7) of the Investment Company Act or an entity owned exclusively by "qualified purchasers" or (2) not a "U.S. person" as defined in Regulation S and is acquiring such Notes in an offshore transaction (as defined in Regulation S) in reliance on the exemption from registration provided by Regulation S; (E) such beneficial owner is acquiring its interest in such Notes for its own account (or, in the case of a Qualified Institutional Buyer, as principal for its own account or for one or more accounts all of the holders of which are Qualified Institutional Buyers and Qualified Purchasers and as to which accounts the Purchaser exercises sole investment discretion) for investment; (F) such beneficial owner was not formed for the purpose of investing in such Notes; (G) such beneficial owner understands that the Issuer may receive a list of participants holding interests in such Notes from one or more book-entry depositories, (H) such beneficial owner will hold and transfer at least the Minimum Denomination of such Notes, (I) such beneficial owner is a sophisticated investor and is purchasing such Notes with a full understanding of all of the terms, conditions and risks thereof, and is capable of and willing to assume those risks, (J) such beneficial owner will provide notice of the relevant transfer restrictions to subsequent transferees and (K) if it is not a U.S. person, it is not acquiring such Notes as part of a plan to reduce, avoid or evade U.S. federal income tax.

(ii) Such beneficial owner's acquisition, holding and disposition of the Rated Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in a violation of any substantially similar non-U.S., federal, state, local or other applicable law) unless an exemption is available and all conditions have been satisfied. Such beneficial owner understands that the representations made in this clause will be deemed made on each day from the date of its acquisition through and including the date it disposes of such Notes. If this representation becomes untrue, the beneficial owner shall immediately notify the Trustee.

(iii) With respect to the purchase of Issuer Only Notes, unless otherwise specified in a signed subscription agreement in connection with the Closing Date, for so long as it holds a beneficial interest in Issuer Only Notes, such beneficial owner is not a Benefit Plan Investor or a Controlling Person. The purchaser understands that the representations made in this clause will be deemed to be made on each day from the date of its acquisition through and including the date on which it disposes of such Notes. If, with respect to Issuer Only Notes, there is a change in the status of the beneficial owner as a Benefit Plan Investor or Controlling Person, the beneficial owner shall immediately notify the Trustee.

(iv) Such beneficial owner understands that such Rated Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Rated Notes have not been and will not be registered under the Securities Act, and, if in the future such beneficial owner decides to offer, resell, pledge or otherwise transfer such Rated Notes, such Rated Notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of this Indenture and the legend on such Rated Notes. Such beneficial owner acknowledges that no representation has been made as to the availability of any exemption under the Securities Act or any state securities laws for resale of such Rated Notes. Such beneficial owner understands that neither of the Co-Issuers has been registered under the Investment Company Act, and that the Co-Issuers are exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act.

(v) Such beneficial owner is aware that, except as otherwise provided in this Indenture, any Rated Notes being sold to it in reliance on Regulation S will be represented by one or more Regulation S Global Notes, and beneficial interests therein may be held only through DTC for the respective accounts of Euroclear or Clearstream.

(vi) Such beneficial owner will provide notice to each person to whom it proposes to transfer any interest in the Rated Notes of the transfer restrictions and representations set forth in this Section 2.5, including the Exhibits referenced herein.

(vii) Such beneficial owner agrees that it will not cause the filing of a petition in bankruptcy against the Issuer, the Co-Issuer or any Issuer Subsidiary prior to the date which is one year (or, if longer, the applicable preference period then in effect) plus one day after the payment in full of all Notes.

(viii) Such beneficial owner understands and agrees that the Rated Notes are limited recourse obligations of the Issuer (and in the case of the Co-Issued Notes, the Co-Issuer), payable solely from proceeds of the Assets and following realization of the Assets, and application of the proceeds thereof in accordance with this Indenture, all obligations of and any claims against the Issuer (and in the case of the Co-Issued Notes, the Co-Issuer) thereunder or in connection therewith after such realization shall be extinguished and shall not thereafter revive.

(ix) In the case of beneficial interests in Issuer Only Notes, if the beneficial owner is a bank organized outside the United States, such beneficial owner will be deemed to represent that (i) it is acquiring such Issuer Only Notes as a capital markets investment and will not for any purpose treat the assets of the Issuer as loans acquired in its banking business, and (ii) it is not acquiring such Issuer Only Notes as part of a plan having as one of its principal purposes the avoidance of U.S. withholding taxes.

(x) Such beneficial owners shall be bound by the provisions set forth in Section 2.12.

(xi) Such beneficial owner acknowledges and agrees that the Issuer has the right to compel any Non-Permitted Holder, or any beneficial owner of Rated Notes, pursuant to the applicable terms of this Indenture, to sell its interest in such Notes or may sell such interest in such Rated Notes on behalf of such Non-Permitted Holder.

(xii) Such beneficial owner is not a member of the public in the Cayman Islands.

(j) Each Person who becomes an owner of a Certificated Note will be required to provide a Transfer Certificate.

(k) Any purported transfer of a Rated Note not in accordance with this Section 2.5 shall be null and void and shall not be given effect for any purpose whatsoever.

(l) The Registrar, the Trustee and the Issuer shall be entitled to conclusively rely on any transferor and transferee certificate delivered pursuant to this Section 2.5 (or any certificate of ownership delivered pursuant to Section 2.10(d)) and shall be able to presume conclusively the continuing accuracy thereof, in each case without further inquiry or investigation.

(m) Neither the Trustee nor the Registrar shall be liable for any delay in the delivery of directions from DTC and may conclusively rely on, and shall be fully protected in relying on, such direction as to the names of the beneficial owners in whose names such Certificated Notes shall be registered or as to delivery instructions for such Certificated Notes.

Section 2.6. Mutilated, Defaced, Destroyed, Lost or Stolen Rated Note. If (a) any mutilated or defaced Rated Note is surrendered to a Transfer Agent, or if there shall be delivered to the Applicable Issuers, the Trustee and the relevant Transfer Agent evidence to their reasonable satisfaction of the destruction, loss or theft of any Rated Note, and (b) there is delivered to the Applicable Issuers, the Trustee and such Transfer Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Applicable Issuers, the Trustee or such Transfer Agent that such Rated Note has been acquired by a Protected Purchaser, the Applicable Issuers shall execute and, upon Issuer Order, the Trustee shall authenticate and deliver to the Holder, in lieu of any such mutilated, defaced, destroyed, lost or stolen Rated Note, a new Rated Note, of like tenor (including the same date of issuance) and equal principal or face amount, registered in the same manner, dated the date of its authentication, bearing interest from the date to which interest has been paid on the mutilated, defaced, destroyed, lost or stolen Rated Note and bearing a number not contemporaneously outstanding.

If, after delivery of such new Rated Note, a Protected Purchaser of the predecessor Rated Note presents for payment, transfer or exchange such predecessor Rated Note, the Applicable Issuers, the Transfer Agent and the Trustee shall be entitled to recover such new Rated Note from the Person to whom it was delivered or any Person taking therefrom, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Applicable Issuers, the Trustee and the Transfer Agent in connection therewith.

In case any such mutilated, defaced, destroyed, lost or stolen Rated Note has become due and payable, the Applicable Issuers in their discretion may, instead of issuing a new Rated Note pay such Rated Note without requiring surrender thereof except that any mutilated or defaced Rated Note shall be surrendered.

Upon the issuance of any new Rated Note under this Section 2.6, the Applicable Issuers may require the payment by the Holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Rated Note issued pursuant to this Section 2.6 in lieu of any mutilated, defaced, destroyed, lost or stolen Rated Note shall constitute an original additional contractual obligation of the Applicable Issuers and such new Rated Note shall be entitled, subject to the second paragraph of this Section 2.6, to all the benefits of this Indenture equally and proportionately with any and all other Rated Notes of the same Class duly issued hereunder.

The provisions of this Section 2.6 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, defaced, destroyed, lost or stolen Rated Notes.

Section 2.7. Payment of Principal and Interest and Other Amounts; Principal and Interest Rights Preserved. (a) Each Class of Rated Notes shall accrue interest during each Interest Accrual Period at the applicable Interest Rate and such interest will be payable in arrears on each Payment Date on the Aggregate Outstanding Amount thereof on the first day of the related Interest Accrual Period (after giving effect to payments of principal thereof on such date), except as otherwise set forth below. Payment of interest on each Class of Rated Notes (and payments of available Interest Proceeds to the Holders of the Subordinated Notes) will be subordinated to the payment of interest on each related Priority Class. Any payment of interest due on a Class of Deferred Interest Notes on any Payment Date to the extent sufficient funds are not available to make such payment in accordance with the Priority of Payments on such Payment Date, but only if one or more Priority Classes is Outstanding with respect to such Class of Deferred Interest Notes, shall constitute "Deferred Interest" with respect to such Class and shall not be considered "due and payable" for the purposes of Section 5.1(a) (and the failure to pay such interest shall not be an Event of Default) until the earliest of (i) the Payment Date on which funds are available to pay such Deferred Interest in accordance with the Priority of Payments, (ii) the Redemption Date with respect to such Class of Deferred Interest Notes and (iii) the Stated Maturity (or the earlier date of Maturity) of such Class of Deferred Interest Notes. Deferred Interest on any Class of Deferred Interest Notes shall be added to the principal balance of such Class of Deferred Interest Notes and shall be payable on the first Payment Date on which funds are available to be used for such purpose in accordance with the Priority of Payments, but in any event no later than the earlier of the Payment Date (A) which is the Redemption Date with respect to such Class of Deferred Interest Notes and (B) which is the Stated Maturity (or the earlier date of Maturity) of such Class of Deferred Interest Notes. Regardless of whether any Priority Class is Outstanding with respect to any Class of Deferred Interest Notes, to the extent that funds are not available on any Payment Date (other than the Redemption Date with respect to, or Stated Maturity of, such Class of Deferred Interest Notes) to pay previously accrued Deferred Interest, such previously accrued Deferred Interest will not be due and payable on such

Payment Date and any failure to pay such previously accrued Deferred Interest on such Payment Date will not be an Event of Default. Interest will cease to accrue on each Rated Note, or in the case of a partial repayment, on such repaid part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless an Event of Default occurs with respect to such payments of principal. To the extent lawful and enforceable, interest on any interest that is not paid when due on the Class X Notes, the Class A Notes or the Class B Notes; or, if no Class X Notes, Class A Notes or Class B Notes are Outstanding, the Rated Notes of the Controlling Class shall accrue at the Interest Rate for such Class until paid as provided herein.

(b) The Subordinated Notes will receive as distributions on each Payment Date the Excess Interest payable on the Subordinated Notes, if any, subject to the Priority of Payments. If no Excess Interest is available for distribution on the Subordinated Notes on a Payment Date in accordance with the Priority of Payments, no amount with respect thereto will be payable on such Payment Date or any date or considered "due and payable" for purposes of Section 5.1(a) (and the failure to pay such interest shall not be an Event of Default).

(c) The principal of each Rated Note of each Class matures at par and is due and payable on the date of the Stated Maturity for such Class, unless such principal has been previously repaid or unless the unpaid principal of such Rated Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise. Notwithstanding the foregoing, the payment of principal of each Class of Rated Notes may only occur (other than amounts constituting Deferred Interest thereon which will be payable from Interest Proceeds) pursuant to the Priority of Payments. Except as otherwise provided in Article XI and the Priority of Payments, the payment of principal on any Rated Note (x) may only occur after each Priority Class is no longer Outstanding and (y) is subordinated to the payment on each Payment Date of the principal due and payable on each Priority Class and other amounts in accordance with the Priority of Payments. Payments of principal on any Class of Rated Notes which are not paid, in accordance with the Priority of Payments, on any Payment Date (other than the Payment Date which is the Stated Maturity (or the earlier date of Maturity) of such Class of Rated Notes or any Redemption Date), because of insufficient funds therefor shall not be considered "due and payable" for purposes of Section 5.1(a) until the Payment Date on which such principal may be paid in accordance with the Priority of Payments or all Priority Classes with respect to such Class have been paid in full. The Subordinated Notes will mature on the Stated Maturity, unless such principal has been previously repaid or unless the unpaid principal of such Note becomes due and payable at an earlier date by call for redemption or otherwise and the final payments of principal, if any, will occur on that date; *provided* that, the payment of principal of the Subordinated Notes (x) may only occur after the Rated Notes are no longer Outstanding and (y) is subordinated to the payment on each Payment Date of the principal and interest due and payable on the Rated Notes and other amounts in accordance with the Priority of Payments; and any payment of principal of the Subordinated Notes that is not paid, in accordance with the Priority of Payments, on any Payment Date, shall not be considered "due and payable" for purposes of Section 5.1(a).

(d) Principal payments on the Rated Notes will be made in accordance with the Priority of Payments and Section 9.1.

(e) The Paying Agent shall require the previous delivery of properly completed and signed applicable tax certifications (generally, in the case of U.S. federal income tax, an Internal Revenue Service Form W-9 (or applicable successor form) in the case of a United States person within the meaning of Section 7701(a)(30) of the Code or the applicable Internal Revenue Service Form W-8 (or applicable successor form) in the case of a Person that is not a United States person within the meaning of Section 7701(a)(30) of the Code) and any other certification acceptable to it to enable the Issuer, the Co-Issuer, the Trustee and any Paying Agent (including, in each case, as any such other party may instruct) to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Rated Note or the Holder or beneficial owner of such Rated Note under any present or future law or regulation of the Cayman Islands, the United States, any other jurisdiction or any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation. The Co-Issuers shall not be obligated to pay any additional amounts to the Holders or beneficial owners of the Rated Notes as a result of deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges with respect to the Rated Notes. Nothing herein shall be construed to impose upon the Paying Agent a duty to determine the duties, liabilities or responsibilities of any other party described herein under any applicable law or regulation.

(f) Payments in respect of any Rated Note will be made by the Trustee, in Dollars to DTC or its nominee with respect to a Global Note and to the Holder or its nominee with respect to a Certificated Note, by wire transfer, as directed by the Holder, in immediately available funds to a Dollar account maintained by DTC or its nominee with respect to a Global Note, and to the Holder or its nominee with respect to a Certificated Note; *provided* that (1) in the case of a Certificated Note, the Holder thereof shall have provided written wiring instructions to the Trustee on or before the related Record Date and (2) if appropriate instructions for any such wire transfer are not received by the related Record Date, then such payment shall be made by check drawn on a U.S. bank mailed to the address of the Holder specified in the Register. In the case of a Certificated Note, the Holder thereof shall present and surrender such Note at the office designated by the Trustee upon final payment; *provided* that in the absence of notice to the Applicable Issuers or the Trustee that the applicable Note has been acquired by a Protected Purchaser, such final payment shall be made without presentation or surrender, if the Trustee and the Applicable Issuers shall have been furnished such security or indemnity as may be required by them to save each of them harmless and an undertaking thereafter to surrender such certificate. None of the Co-Issuers, the Trustee, the Investment Manager or any Paying Agent will have any responsibility or liability for any aspects of the records maintained by DTC, Euroclear, Clearstream or any of the Agent Members relating to or for payments made thereby on account of beneficial interests in a Global Note. In the case where any final payment of principal and interest is to be made on any Rated Note (other than on the Stated Maturity thereof) or any final payment is to be made on any Subordinated Note (other than on the Stated Maturity thereof), the Trustee, in the name and at the expense of the Applicable Issuers shall provide to the applicable Holders a notice which shall specify the date on which such payment will be made, the amount of such payment per U.S.$1,000 original principal amount of Rated Notes, original principal amount of Subordinated Notes and the place where Certificated Notes may be presented and surrendered for such payment.

(g) Payments to Holders of each Class on each Payment Date shall be made ratably among the Holders of such Class in the proportion that the Aggregate Outstanding Amount of the Rated Notes of such Class registered in the name of each such Holder on the applicable Record Date bears to the Aggregate Outstanding Amount of all Rated Notes of such Class on such Record Date.

(h) Interest accrued with respect to any Rated Note shall be calculated on the basis of the actual number of days elapsed in the applicable Interest Accrual Period divided by 360.

(i) All reductions in the principal amount of a Rated Note (or one or more predecessor Rated Notes) effected by payments of installments of principal made on any Payment Date or Redemption Date shall be binding upon all future Holders of such Rated Note and of any Rated Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(j) Notwithstanding any other provision of this Indenture, the obligations of the Co-Issuer under the Co-Issued Notes and this Indenture are non-recourse obligations of the Co-Issuer and the obligations of the Issuer under the Rated Notes are limited recourse obligations of the Issuer, payable solely from proceeds of the Assets and following realization of the Assets, and application of the proceeds thereof in accordance with this Indenture, all obligations of and any claims against the Co-Issuers (or, in the case of the Issuer Only Notes, the Issuer) hereunder or in connection herewith after such realization shall be extinguished and shall not thereafter revive. No recourse shall be had against any Officer, director, employee, shareholder or incorporator of the Co-Issuers (or, in the case of the Issuer Only Notes, the Issuer), the Investment Manager or their respective Affiliates, successors or assigns for any amounts payable under the Rated Notes or this Indenture. It is understood that, except as expressly provided in this Indenture, the foregoing provisions of this paragraph shall not (i) prevent recourse to the Assets for the sums due or to become due under any security, instrument or agreement which is part of the Assets or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Rated Notes or secured by this Indenture until such Assets have been realized. It is further understood that the foregoing provisions of this paragraph (j) shall not limit the right of any Person to name the Co-Issuers (or, in the case of the Issuer Only Notes, the Issuer) as a party defendant in any Proceeding or in the exercise of any other remedy under the Rated Notes or this Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against any such Person or entity.

(k) Subject to the foregoing provisions of this Section 2.7, each Rated Note delivered under this Indenture and upon registration of transfer of or in exchange for or in lieu of any other Rated Note shall carry the rights to unpaid interest and principal (or other applicable amount) that were carried by such other Rated Note.

Section 2.8. Persons Deemed Owners. The Issuer, the Co-Issuer, the Trustee, and any agent of the Issuer, the Co-Issuer or the Trustee shall treat as the owner of each Note the Person in whose name such Rated Note is registered on the Register on the applicable Record Date for the purpose of receiving payments on such Rated Note and on any other date for all other purposes whatsoever (whether or not such Rated Note is overdue), and none of the Issuer, the Co-Issuers, the Trustee or any agent of the Issuer, the Co-Issuer or the Trustee shall be affected by notice to the contrary.

Section 2.9. Purchase and Surrender of Rated Notes; Cancellation. (a) The Issuer may apply during the Reinvestment Period only, Principal Proceeds in order to acquire Rated Notes (or beneficial interests therein) of the Class designated by the Investment Manager or the Contributor, as applicable, through a tender offer in the open market, subject to applicable law (any such Rated Notes, the "Repurchased Notes"); *provided* that no purchases of Rated Notes may occur using Principal Proceeds unless: (i) such purchases of Rated Notes will be effected in the order of priority set out in the Note Payment Sequence, (ii) each such purchase will be effected only at prices discounted from par, (iii) the Interest Diversion Test is satisfied immediately prior to each such purchase and will be satisfied after giving effect to such purchase, (iv) each requirement or test, as the case may be, of the Concentration Limitations and the Collateral Quality Test will be satisfied or, if any such requirement or test was not satisfied immediately prior to such purchases, such requirement or test will be maintained or improved after giving effect to such purchases, (v) no Event of Default has occurred and is continuing and (vi) a Majority of the Subordinated Notes has consented to such purchases. Any such Repurchased Notes shall be submitted to the Trustee for cancellation.

The Issuer shall provide notice to the Co-Issuer and to the Trustee of any Surrendered Notes tendered to it and the Trustee shall provide notice to the Applicable Issuers of any Surrendered Note tendered to it. Any such Surrendered Notes shall be submitted to the Trustee for cancellation.

(b) All Repurchased Notes, Surrendered Notes and Rated Notes that are surrendered for payment, registration of transfer, exchange or redemption, or are deemed lost or stolen, shall be promptly canceled by the Trustee and may not be reissued or resold; provided that, other than Repurchased Notes of the Controlling Class, Repurchased Notes and Surrendered Notes shall continue to be treated as Outstanding for purposes of calculation of the Overcollateralization Ratio until all Rated Notes of the applicable Class and each Priority Class have been retired or redeemed, having an Aggregate Outstanding Amount equal to the Aggregate Outstanding Amount as of the date of repurchase or surrender, reduced proportionately with, and to the extent of, any payments of principal on Rated Notes of the same Class thereafter. Any such Rated Notes shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. No Rated Notes shall be authenticated in lieu of or in exchange for any Rated Notes canceled as provided in this Section 2.9, except as expressly permitted by this Indenture. All canceled Rated Notes held by the Trustee shall be destroyed or held by the Trustee in accordance with its standard retention policy, unless the Co-Issuers shall direct by an Issuer Order received prior to destruction that they be returned to it. Other than under the circumstances set forth in Section 2.9(a), no Rated Notes may be surrendered for cancelation without consideration or compensation to the Rated Noteholder thereof, and the Trustee shall not cancel any Rated Notes surrendered voluntarily by a Noteholder without consideration or compensation therefor, and any Rated Note so surrendered shall remain Outstanding for purposes of determining compliance with the Coverage Tests.

Section 2.10. DTC Ceases to be Depository. (a) A Global Note deposited with DTC pursuant to Section 2.2 shall be transferred in the form of a corresponding Certificated Note to the beneficial owners thereof (as instructed by DTC) only if (A) such transfer complies with Section 2.5 and (B) either (x) (i) DTC notifies the Co-Issuers that it is unwilling or unable to continue as depository for such Global Note or (ii) DTC ceases to be a Clearing Agency registered under the Exchange Act and, in each case, a successor depository is not appointed by the Co-Issuers within 90 days after such event or (y) an Event of Default or Enforcement Event has occurred and is continuing and such transfer is requested by the Holder of such Global Note.

(b) Any Global Note that is transferable in the form of a corresponding Certificated Note to the beneficial owner thereof pursuant to this Section 2.10 shall be surrendered by DTC to the Trustee's Corporate Trust Office to be so transferred, in whole or from time to time in part, without charge, and the Applicable Issuers shall execute and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Note, an equal aggregate principal amount of definitive physical certificates (pursuant to the instructions of DTC) in authorized Minimum Denominations. Any Certificated Note delivered in exchange for an interest in a Global Note shall, except as otherwise provided by Section 2.5, bear the legends set forth in the applicable Exhibit A and shall be subject to the transfer restrictions referred to in such legends.

(c) Subject to the provisions of paragraph (b) of this Section 2.10, the Holder of a Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which such Holder is entitled to take under this Indenture or the Rated Notes.

(d) In the event of the occurrence of either of the events specified in subsection (a) of this Section 2.10, the Co-Issuers will promptly make available to the Trustee a reasonable supply of Certificated Notes.

In the event that Certificated Notes are not so issued by the Applicable Issuers to such beneficial owners of interests in Global Notes as required by subsection (a) of this Section 2.10, the Issuer expressly acknowledges that the beneficial owners shall be entitled to pursue any remedy that the Holders of a Global Note would be entitled to pursue in accordance with Article V (but only to the extent of such beneficial owner's interest in the Global Note) as if corresponding Certificated Notes had been issued; *provided* that the Trustee shall be entitled to receive and rely upon any certificate of ownership provided by such beneficial owners (including a certificate in the form of Exhibit D) and/or other forms of reasonable evidence of such ownership as it may require.

Section 2.11. Rated Notes Beneficially Owned by Persons Not QIB/QPs or in Violation of ERISA Representations. (a) Notwithstanding anything to the contrary elsewhere in this Indenture, any transfer of a beneficial interest in any Rated Note to a U.S. person that is not a QIB/QP and that is not made pursuant to an applicable exemption under the Securities Act and the Investment Company Act shall be null and void and any such purported transfer of which the Issuer, the Co-Issuer or the Trustee shall have notice may be disregarded by the Issuer, the Co-Issuer and the Trustee for all purposes.

(b) The Issuer will promptly after discovery that a Holder or beneficial owner is a Non-Permitted Holder, send notice (with a copy to the Investment Manager) to such Non-Permitted Holder demanding that such Non-Permitted Holder transfer its Rated Notes or interest in the Rated Notes to a Person that is not a Non-Permitted Holder within 30 days(or, in the case of a Non-Permitted ERISA Holder, within 10 days) after the date of such notice. If such Person fails to transfer its Rated Notes (or the required portion of its Rated Notes), the Issuer will have the right to sell such Rated Notes to a purchaser selected by the Issuer. The Issuer (or its agent) will request such Person to provide (within 7 days after such request) the names of prospective purchasers, and the Issuer (or its agent) will solicit bids from any such identified prospective purchasers and may also solicit bids from one or more brokers or other market professionals that regularly deal in notes similar to the Rated Notes. The Issuer agrees that it will accept the highest of such bids, subject to the bidder satisfying the transfer restrictions set forth in this Indenture. If the procedure above does not result in any bids from qualified investors, the Issuer may select a purchaser by any other means determined by it in its sole discretion.

(c) A "Non-Permitted Holder" is (A) any U.S. person that is not a QIB/QP or that does not have an exemption available under the Securities Act and the Investment Company Act that becomes the Holder or beneficial owner of an interest in any Global Note, or (B) any Non-Permitted ERISA Holder.

(d) If the Trustee obtains actual knowledge of a Non-Permitted Holder, it will provide notice to the Issuer with a copy to the Investment Manager.

(e) A "Non-Permitted ERISA Holder" is any Person that is or becomes the beneficial owner of an interest in any Note who has made or is deemed to have made a prohibited transaction representation or a Benefit Plan Investor, Controlling Person or Similar Law representation required by Section 2.5 that is subsequently shown to be false or misleading or whose beneficial ownership otherwise results in Benefit Plan Investors owning 25% or more of the Aggregate Outstanding Amount of the Class of Issuer Only Notes being transferred.

(f) The proceeds of such sale, net of any commissions, expenses and taxes due in connection with such sale shall be remitted to the Non-Permitted Holder or Non-Permitted ERISA Holder, as applicable.

(g) The terms and conditions of any sale under this Section 2.11 shall be determined in the sole discretion of the Issuer, and none of the Issuer, the Investment Manager or the Trustee shall be liable to any Person having an interest in the Rated Notes sold as a result of any such sale or the exercise of such discretion.

Section 2.12. Tax Certification. (a) Each Holder (including, for purposes of this Section 2.12, any beneficial owner of Notes) will treat the Issuer, the Co-Issuer and the Notes as described in the "*Certain U.S. Federal Income Tax Considerations*" section of the Offering Memorandum for all U.S. federal, state and local income tax purposes and will take no action inconsistent with such treatment unless required by law.

(b) Each Holder will timely furnish the Issuer and its agents with any tax certifications, information, or documentation (including, without limitation, IRS Form W-9 (Request for Taxpayer Identification Number and Certification), IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding), IRS Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding), IRS Form W-8ECI (Certificate of Foreign Person's Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States), or any successors to such IRS forms) that the Issuer or its agents reasonably request (A) to permit the Issuer or its agents to make payments to the Holder without, or at a reduced rate of, deduction or withholding, (B) to enable the Issuer, or its agents to qualify for a reduced rate of withholding or deduction in any jurisdiction from or through which they receive payments, and (C) to enable the Issuer, or its agents to satisfy reporting and other obligations under any applicable law or regulation, and will update or replace such certifications, information, and documentation in accordance with its terms or subsequent amendments. The Purchaser acknowledges that the failure to provide, update or replace any such certifications, information, and documentation may result in the imposition of withholding or back-up withholding on payments to the Holder. Amounts withheld pursuant to applicable tax laws will be treated as having been paid to the Holder.

(c) Each Holder, if it is not a "United States person" (as defined in Section 7701(a)(30) of the Code), represents that it either:

(i) (A) is not a bank that has purchased the Rated Notes in the ordinary course of its trade or business of making loans, as described in section 881(c)(3)(A) of the Code and (B) is not a "10-percent shareholder" with respect to the Investment Manager within the meaning of section 871(h)(3)(B) of the Code or a "controlled foreign corporation" that is related to the Investment Manager within the meaning of section 881(c)(3)(C) of the Code,

(ii) has provided an IRS Form W-8ECI representing that all payments received or to be received by it from the Issuer are effectively connected with its conduct of a trade or business in the United States and includible in its gross income, or

(iii) is eligible for benefits under an income tax treaty with the United States that eliminates U.S. federal income taxation of U.S.-source interest not attributable to a permanent establishment in the United States.

(d) Each Holder will provide the Issuer and its agents with any correct, complete and accurate information, and will take any other actions, that may be required for the Issuer to comply with FATCA and to avoid the imposition of tax under FATCA on any payment to or for the benefit of the Issuer, and, in the event the Holder fails to provide such information or take such actions or in the event that the Holder's ownership of any Notes would otherwise cause the Issuer to be subject to withholding tax under FATCA, (A) the Issuer is authorized to withhold amounts otherwise distributable to the Holder as compensation for tax imposed under FATCA as a result of such failure or the Holder's ownership of Notes, and (B) to the extent necessary to avoid an adverse effect on the Issuer as a result of such failure or the Holder's ownership of Notes, the Issuer will have the right to compel the Holder to sell its Notes and, if the Holder does not sell its Notes within 10 business days after notice from the Issuer or an agent of the Issuer, to sell such Notes at a public or private sale called and conducted in any manner permitted by law, and to remit the net proceeds of such sale (taking into account any taxes incurred by the Issuer in connection with such sale) to the Holder as payment in full for such Notes. The Issuer may also assign each such Note a separate CUSIP number in the Issuer's sole discretion.

(e) Each Holder of Class E Notes or Class F Notes acknowledges and agrees that:

(i) It will not (1) acquire or directly or indirectly sell, encumber, assign, participate, pledge, hypothecate, rehypothecate, exchange, or otherwise dispose of, suffer the creation of a lien on, or transfer or convey in any manner (each, a "Transfer") such Notes (or any interest therein that is described in Treasury regulations section 1.7704-1(a)(2)(i)(B)) on or through (x) a United States national, regional or local securities exchange, (y) a foreign securities exchange or (z) an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers ((x), (y) and (z), collectively, an "Exchange") or (2) cause any of such Notes or any interest therein to be marketed on or through an Exchange.

(ii) It will not enter into any financial instrument payments on which are, or the value of which is, determined in whole or in part by reference to such Notes or the Issuer (including the amount of Issuer distributions on such Notes, the value of the Issuer's assets, or the result of the Issuer's operations), or any contract that otherwise is described in Treasury regulations section 1.7704-1(a)(2)(i)(B).

(iii) If it is, for U.S. federal income tax purposes, a partnership, grantor trust or S corporation, then less than 50% of the value of any person's interest in it will be attributable to such Notes, unless the Issuer has otherwise determined that such Holder will not cause the Issuer to be unable to rely on the "private placement" safe harbor of Treasury regulations Section 1.7704-1(h).

(iv) It will not Transfer all or any portion of such Notes unless: (1) the person to which it Transfers such Notes agrees to be bound by the restrictions, conditions, representations, warrants, and covenants set forth in this Section 2.12(e), and (2) such Transfer does not violate this Section 2.12(e).

Any Transfer made in violation of this Section 2.12(e), or that otherwise would cause the Issuer to be unable to rely on the "private placement" safe harbor of Treasury regulations section 1.7704-1(h), will be void and of no force or effect, and will not bind or be recognized by the Issuer or any other person, and no person to which such Notes are Transferred shall become a Holder unless such person agrees to be bound by this Section 2.12(e). However, notwithstanding the immediately preceding sentence, a Transfer in violation of this Section 2.12(e)(i), (ii), (iii) or (iv) shall be permitted if the Trustee receives advice of Winston & Strawn LLP, or a written opinion of another nationally recognized tax counsel experienced in such matters, to the effect that the Transfer will not cause the Issuer to be treated as a "publicly traded partnership" taxable as a corporation for U.S. federal income tax purposes.

(f) Each Holder of Class E Notes or Class F Notes understands and agrees that it will indemnify the Issuer for any U.S. federal withholding tax imposed on payments made to or for the benefit of the Issuer that is attributable to such Holder's ownership of such Notes, including such Holder's failure to timely provide or update any tax forms, certifications, or other information required under this Indenture to be provided by it, or the inaccuracy of any such tax forms, certifications, or other information, or the inaccuracy of any such tax forms, certifications or other information. This indemnification will continue with respect to any period during which the Holder held a Note, notwithstanding such Holder's ceasing to be a Holder.

(g) Each Holder of a Rated Note represents or is deemed to represent that it is not a member of an "expanded group" (within the meaning of the Treasury regulations issued under Section 385 of the Code) that includes a domestic corporation (as determined for U.S. federal income tax purposes) if such domestic corporation, directly or indirectly (through one or more entities that are treated for U.S. federal income tax purposes as partnerships, disregarded entities, or grantor trusts), owns Subordinated Notes.

Section 2.13. Additional Notes.

(a) At any time prior to December 23, 2016, subject to the written approval of 100% of the Holders of each Class of the Notes and the Investment Manager, the Applicable Issuers may, pursuant to a supplemental indenture in accordance with Section 8.1(a), issue Additional Notes of each Class (on a pro rata basis with respect to each Class of Notes, except that a higher proportion of Subordinated Notes may be issued, any Class may be a component of new classes of combination securities) up to an aggregate maximum amount not to exceed 100% of the original principal amount of each such Class or Classes of Rated Notes; provided that (i) the Applicable Issuers shall comply with the requirements of Sections 2.5, 3.3 and 8.1, (ii) the Issuer shall provide notice of such issuance to each Rating Agency, (iii) the proceeds of any Additional Notes (net of fees and expenses incurred in connection with such issuance) shall be treated as Principal Proceeds or used to purchase additional Collateral Obligations, (iv) an opinion of tax counsel of nationally recognized standing in the United States experienced in such matters shall be delivered to the Issuer and the Trustee that provides that such additional issuance shall not (A) result in the Issuer becoming subject to U.S. federal income taxation with respect to its net income, (B) result in the Issuer being treated as engaged in a trade or business within the United States for U.S. federal income tax purposes or (C) have a material adverse effect on the U.S. federal income tax treatment of the Issuer or the U.S. federal income tax consequences to the holders of any Class of Notes Outstanding at the time of issuance, as described in the Offering Memorandum under the heading "Certain Income Tax Considerations," (v) such issuance is accomplished in a manner that allows the independent accountants of the Issuer to accurately provide the tax information relating to original issue discount required to be provided to the holders of Rated Notes (including the Additional Notes); and (vi) an Officer's certificate of the Issuer shall be delivered to the Trustee stating that the conditions of this Section 2.13 have been satisfied.

(b) The terms and conditions of the Additional Notes of each Class issued pursuant to this Section 2.13 shall be identical to those of the initial Notes of that Class (except that the interest due on the Additional Notes that are Secured Notes shall accrue from the issue date of such Additional Notes. Interest on the Additional Notes that are Secured Notes shall be payable commencing on the first Payment Date following the issue date of such Additional Notes. The Additional Notes shall rank pari passu in all respects with the initial Notes of that Class.

(c) Any Additional Notes of each Class issued pursuant to this Section 2.13 shall, to the extent reasonably practicable, be offered first to Noteholders of that Class in such amounts as are necessary to preserve their pro rata holdings of Notes of such Class.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1. Conditions to Issuance of Rated Notes on Closing Date. (a) The Rated Notes to be issued on the Closing Date may be registered in the names of the respective Holders thereof and may be executed by the Applicable Issuers and delivered to the Trustee for authentication and thereupon the same shall be authenticated and delivered by the Trustee upon Issuer Order and upon receipt by the Trustee of the following:

(i) Officers' Certificates of the Co-Issuers Regarding Corporate Matters. An Officer's certificate of each of the Co-Issuers (A) evidencing the authorization by Resolution of the execution and delivery of this Indenture (and, in the case of the Issuer, the Investment Management Agreement, the Collateral Administration Agreement and related transaction documents), the execution, authentication and delivery of the Rated Notes applied for by it and specifying the principal amount of each Class of Rated Notes applied for by it and (B) certifying that (1) the attached copy of the Resolution is a true and complete copy thereof, (2) such resolutions have not been rescinded and are in full force and effect on and as of the Closing Date and (3) the Officers authorized to execute and deliver such documents hold the offices and have the signatures indicated thereon.

(ii) Governmental Approvals. From each of the Co-Issuers either (A) a certificate of the Applicable Issuer or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel of such Applicable Issuer that no other authorization, approval or consent of any governmental body is required for the performance by the Applicable Issuer of its obligations under this Indenture (and, in the case of the Issuer, the Investment Management Agreement and the Collateral Administration Agreement) or (B) an Opinion of Counsel of the Applicable Issuer that no such authorization, approval or consent of any governmental body is required for the performance by the Applicable Issuer of its obligations under this Indenture (and, in the case of the Issuer, the Investment Management Agreement and the Collateral Administration Agreement) except as has been given.

(iii) U.S. Counsel Opinions. Opinions of Cadwalader, Wickersham & Taft LLP, special U.S. counsel to the Co-Issuers, Alston & Bird LLP, counsel to the Trustee and Collateral Administrator, and Pillsbury Winthrop Shaw Pittman LLP, counsel to the Investment Manager, each dated the Closing Date.

(iv) Cayman Counsel Opinion. An opinion of Maples and Calder, Cayman Islands counsel to the Issuer, dated the Closing Date.

(v) Officers' Certificates of Co-Issuers Regarding Indenture. An Officer's certificate of each of the Co-Issuers stating that, to the best of the signing Officer's knowledge, the Applicable Issuer is not in default under this Indenture and that the issuance of the Rated Notes applied for by it will not result in a default or a breach of any of the terms, conditions or provisions of, or constitute a default under, its organizational documents, any indenture or other agreement or instrument to which it is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which it is a party or by which it may be bound or to which it may be subject; that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Rated Notes applied for by it have been complied with; and that all expenses due or accrued with respect to the Offering of the Rated Notes or relating to actions taken on or in connection with the Closing Date, including deposit with the Legacy Custodian of the Closing Date Deposit and confirmation of payment by the Legacy Custodian of the Closing Date Deposit to the Legacy Rated Noteholders have been paid in full. The Officer's certificate of the Issuer shall also state that all of its representations and warranties contained in this Indenture are true and correct as of the Closing Date.

(vi) Investment Management Agreement, Collateral Administration Agreement and Account Agreement. An executed counterpart of the Investment Management Agreement, the Collateral Administration Agreement and the Account Agreement.

(vii) Certificate of the Investment Manager. An Officer's certificate of the Investment Manager stating that, to the best of the signing Officer's knowledge, dated as of the Closing Date, to the effect that:

(A) each Collateral Obligation owned by the Issuer as of the Closing Date is listed in the Schedule of Collateral Obligations;

(B) the information in the Schedule of Collateral Obligations is complete and correct;

(C) each Collateral Obligation on the Schedule of Collateral Obligations satisfies, as of the Closing Date, the requirements of the definition of Collateral Obligation;

(D) the Issuer purchased, or committed to purchase, each Collateral Obligation on the Schedule of Collateral Obligations in compliance with the Investment Guidelines; and

(E) the Aggregate Principal Balance of the Collateral Obligations which the Issuer has purchased or has entered into binding commitments prior to the Closing Date for settlement on or after the Closing Date, plus all amounts credited to the Principal Collection Account as of the Closing Date (but excluding any amounts deposited with the Legacy Custodian for redemption of the Legacy Rated Notes) is at least U.S.$ 300,000,000.

(viii) Grant of Collateral Obligations. The Grant pursuant to the Granting Clauses of this Indenture of all of the Issuer's right, title and interest in and to the Collateral Obligations pledged to the Trustee for inclusion in the Assets on the Closing Date shall be effective, and Delivery of such Collateral Obligations as contemplated by Section 3.2 shall have been effected.

(ix) Certificate of the Issuer Regarding Assets. A certificate of an Authorized Officer of the Issuer, dated as of the Closing Date, with respect to each Collateral Obligation pledged by the Issuer to the effect that:

(A) the Issuer is the owner of such Collateral Obligation free and clear of any liens, claims or encumbrances of any nature whatsoever except for those which are being released on the Closing Date and except for those Granted pursuant to or permitted by this Indenture and encumbrances arising from due bills, if any, with respect to interest, or a portion thereof, accrued on such Collateral Obligation prior to the first payment date and owed by the Issuer to the seller of such Collateral Obligation;

(B) the Issuer has acquired its ownership in such Collateral Obligation in good faith without notice of any adverse claim, except as described in paragraph (A) above;

(C) the Issuer has not assigned, pledged or otherwise encumbered any interest in such Collateral Obligation (or, if any such interest has been assigned, pledged or otherwise encumbered, it has been released) other than interests Granted pursuant to or permitted by this Indenture;

(D) based on the certificate of the Investment Manager delivered pursuant to Section 3.1(a)(vii), the Issuer has full right to Grant a security interest in and assign and pledge such Collateral Obligation to the Trustee;

(E) based on the certificate of the Investment Manager delivered pursuant to Section 3.1(a)(vii), each Collateral Obligation owned by the Issuer satisfies the requirements of the definition of Collateral Obligation;

(F) based on the certificate of the Investment Manager delivered pursuant to Section 3.1(a)(vii), the information set forth with respect to such Collateral Obligation in the Schedule of Collateral Obligations is correct;

(G) upon Grant by the Issuer, the Trustee has a first priority perfected security interest in such Collateral Obligation (assuming that any Clearing Corporation, Intermediary or other entity not within the control of the Issuer involved in the Delivery of such Collateral Obligation takes the actions required of it for perfection of that interest); and

(H) based on the certificate of the Investment Manager delivered pursuant to Section 3.1(a)(vii), the Aggregate Principal Balance of the Collateral Obligations owned by the Issuer as of the Closing Date, plus all amounts credited to the Principal Collection Account as of the Closing Date (but excluding any amounts deposited with the Legacy Custodian for redemption of the Legacy Rated Notes) is at least U.S.$ 300,000,000.

(x) Rating Letters. An Officer's certificate of the Issuer to the effect that attached thereto with respect to the applicable Class of Rated Notes is a true and correct copy of a letter signed by the respective Rating Agency assigning the applicable Initial Rating.

(xi) Accounts. Evidence of the establishment of each of the Accounts.

(xii) Deposit of Funds into Accounts. The Trustee has deposited proceeds of the issuance of the Rated Notes as set forth below:

Account	Closing Date Deposit
Expense Reserve Account	U.S.$35,000
Revolver Funding Account	U.S.$0

(xiii) Certificate As To Collateral. The Issuer shall provide, or (at the Issuer's expense) cause the Investment Manager to provide, the following documents:

(A) to each Rating Agency (in the case of delivery to S&P, via email to CDOEffectiveDatePortfolios@standardandpoors.com, and in the case of delivery to Moody's, via email to cdomonitoring@moodys.com), a report identifying the Collateral Obligations and to S&P, the S&P Excel Default Model Input File, requesting that S&P reaffirm its Initial Ratings of the Rated Notes;

(B) to the Trustee and each Rating Agency (in the case of delivery to S&P, via email to CDOEffectiveDatePortfolios@standardandpoors.com, and in the case of delivery to Moody's, via email to cdomonitoring@moodys.com) a report, prepared by the Investment Manager on behalf of the Issuer (the "Collateral Report"), (i) setting forth the issuer, principal balance, coupon/spread, Stated Maturity, S&P Rating, Moody's Default Probability Rating, Moody's Rating and country of Domicile with respect to each Collateral Obligation as of the day that is three days prior to the Closing Date, and (ii) calculating as of the day that is three days prior to the Closing Date, the level of compliance with, or satisfaction or non-satisfaction of (1) each Overcollateralization Ratio Test, (2) the Collateral Quality Tests (excluding the S&P CDO Monitor Test), (3) the Concentration Limitations, and (4) the Target Initial Par Condition;

(C) to the Trustee, an Accountants' Certificate recalculating and comparing the following items in the Collateral Report: (i) each Overcollateralization Ratio Test, the Collateral Quality Tests (excluding the S&P CDO Monitor Test) and the Concentration Limitations, and (ii) whether the Target Initial Par Condition is satisfied, together with a statement specifying the procedures undertaken by them to review data and computations relating to the Accountants' Certificate; and

(D) to the Trustee and each Rating Agency (in the case of delivery to S&P, via email to CDOEffectiveDatePortfolios@standardandpoors.com, and in the case of delivery to Moody's, via email to cdomonitoring@moodys.com) an Officer's certificate of the Issuer (the "Collateral Certificate") certifying as to the level of compliance with, or satisfaction or non-satisfaction of, (1) each Overcollateralization Ratio Test, (2) the Collateral Quality Tests (excluding the S&P CDO Monitor Test), (3) the Concentration Limitations, and (4) the Target Initial Par Condition, in each case, as of the Closing Date.

(xiv) Other Documents. Such other documents as the Trustee may reasonably require; *provided* that nothing in this clause (xiii) shall imply or impose a duty on the part of the Trustee to require any other documents.

(xv) The Trustee is hereby authorized and directed to provide its consent to the Administrator's exercising the power of amendment conferred on the Administrator by clause 19 of the Issuer's declaration of trust by executing a further amended and restated declaration of trust on October, 17, 2013, in the form provided and prepared by the Administrator, and the Trustee shall have no liability in respect of providing the foregoing consent.

Section 3.2. Delivery of Collateral Obligations and Eligible Investments. (a) Except as otherwise provided in this Indenture, the Trustee shall hold all Collateral Obligations purchased in accordance with this Indenture in the relevant Account established and maintained pursuant to Article X, as to which in each case the Trustee shall have entered into an Account Agreement, providing, inter alia, that the establishment and maintenance of such Account will be governed by the law of a jurisdiction satisfactory to the Issuer and the Trustee.

(b) Each time that the Investment Manager on behalf of the Issuer directs or causes the acquisition of any Collateral Obligation, Eligible Investment or other investment, the Investment Manager (on behalf of the Issuer) shall, if the Collateral Obligation, Eligible Investment or other investment is required to be, but has not already been, transferred to the relevant Account, cause the Collateral Obligation, Eligible Investment or other investment to be Delivered to the Intermediary to be held in the Custodial Account (or in the case of any such investment that is not a Collateral Obligation, in the Account in which the funds used to purchase the investment are held in accordance with Article X) for the benefit of the Trustee in accordance with this Indenture. The security interest of the Trustee shall nevertheless come into existence and continue in the Collateral Obligation, Eligible Investment or other investment so acquired, including all interests of the Issuer in any contracts related to and proceeds of such Collateral Obligation, Eligible Investment or other investment.

Section 3.3. Conditions to Issuance of Additional Notes. Additional Notes to be issued on an Additional Notes Closing Date pursuant to Section 2.13 may be executed by the Applicable Issuers and delivered to the Trustee for authentication and thereupon the same shall be authenticated and delivered to the Issuer by the Trustee upon Issuer Order and upon receipt by the Trustee of the following:

(a) Officers' Certificates of the Applicable Issuers Regarding Corporate Matters. An Officer's certificate of each of the Applicable Issuers (i) evidencing the authorization by Resolution of the execution and delivery of a supplemental indenture pursuant to Section 8.2(a)(xvii) and the execution, authentication and delivery of the Additional Notes applied for by it, and (ii) certifying that (A) the attached copy of such Resolution is a true and complete copy thereof, (B) such resolutions have not been rescinded and are in full force and effect on and as of the Additional Notes Closing Date and (C) the Officers authorized to execute and deliver such documents hold the offices and have the signatures indicated thereon.

(b) Governmental Approvals. From each of the Co-Issuers either (i) a certificate or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel that no other authorization, approval or consent of any governmental body is required for the valid issuance of such Additional Notes, or (ii) an Opinion of Counsel that no such authorization, approval or consent of any governmental body is required for the valid issuance of the Additional Notes issued by it except as have been given (provided that the opinions delivered pursuant to Section 3.3(c) may satisfy the requirement).

(c) U.S. Counsel Opinions. Opinions of Winston & Strawn LLP, special U.S. counsel to the Co-Issuers or other counsel acceptable to the Trustee, dated the Additional Notes Closing Date, in form and substance satisfactory to the Issuer.

(d) Cayman Counsel Opinion. An opinion of Maples and Calder, Cayman Islands counsel to the Issuer, or other counsel acceptable to the Trustee, dated the Additional Notes Closing Date, in form and substance satisfactory to the Issuer.

(e) Officers' Certificates of Co-Issuers Regarding Indenture. An Officer's certificate of each Co-Issuer stating that it is not in default under this Indenture and that the issuance of the Additional Notes applied for by it shall not result in a default or a breach of any of the terms, conditions or provisions of, or constitute a default under, its organizational documents, any indenture or other agreement or instrument to which it is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which it is a party or by which it may be bound or to which it may be subject; that all conditions precedent provided in this Indenture and the supplemental indenture pursuant to Section 8.2(a) relating to the authentication and delivery of the Additional Notes applied for have been complied with and that the authentication and delivery of the Additional Notes is authorized or permitted under this Indenture and the supplemental indenture entered into in connection with such Additional Notes; and that all expenses due or accrued with respect to the Offering of the Additional Notes or relating to actions taken on or in connection with the Additional Notes Closing Date have been paid or reserved. The Officer's certificate of the Issuer shall also state that all of its representations and warranties contained herein are true and correct as of the Additional Notes Closing Date.

(f) Irish Listing. If the Additional Notes are of a Class of Note listed on the Irish Stock Exchange, an Officer's certificate of the Issuer to the effect that application will be made to list such Additional Notes on the Irish Stock Exchange.

(g) Other Documents. Such other documents as the Trustee may reasonably require; provided that nothing in this clause (g) shall imply or impose a duty on the Trustee to so require any other documents.

On or promptly following any Additional Notes Closing Date, the Trustee shall provide to the Holders copies of any supplemental indentures executed as part of such issuance.

ARTICLE IV

SATISFACTION AND DISCHARGE; ILLIQUID ASSETS; LIMITATION ON ADMINISTRATIVE EXPENSES

Section 4.1. Satisfaction and Discharge of Indenture. This Indenture shall be discharged and shall cease to be of further effect except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Rated Notes, (iii) rights of Holders of Rated Notes to receive payments of principal thereof and interest that accrued prior to Maturity (and to the extent lawful and enforceable, interest on due and unpaid accrued interest) thereon and the Subordinated Notes to receive Excess Interest and principal payments as provided for under the Priority of Payments, subject to Section 2.7(j), (iv) the rights, obligations and immunities of the Investment Manager hereunder and under the Investment Management Agreement and of the Collateral Administrator under the Collateral Administration Agreement, (v) the rights of Holders as beneficiaries hereof with respect to the property deposited with the Trustee and payable to all or any of them (subject to Section 2.7(j)) and (vi) the rights and immunities of the Trustee hereunder, and the obligations of the Trustee hereunder in connection with the foregoing clauses (i) through (v) and otherwise under this Article IV (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture) when:

(a) (x) either:

(i) all Rated Notes theretofore authenticated and delivered to Holders (other than (A) Rated Notes which have been mutilated, defaced, destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.6 or, (B) Rated Notes for whose payment Money has theretofore irrevocably been deposited in trust and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 7.3) have been delivered to the Trustee for cancellation; or

(ii) all Rated Notes not theretofore delivered to the Trustee for cancellation (A) have become due and payable, or (B) will become due and payable at their Stated Maturity within one year, or (C) are to be called for redemption pursuant to Article IX under an arrangement satisfactory to the Trustee for the giving of notice of redemption by the Applicable Issuers pursuant to Section 9.4 and the Issuer has irrevocably deposited or caused to be deposited with the Trustee, in trust for such purpose, Cash or non-callable

direct obligations of the United States of America (provided that the obligations are entitled to the full faith and credit of the United States of America or are debt obligations which are rated "Aaa" by Moody's and "AAA" by S&P, in an amount sufficient, as verified in writing by a firm of Independent certified public accountants which are nationally recognized) sufficient to pay and discharge the entire indebtedness on such Rated Notes, for principal and interest payable thereon under this Indenture to the date of such deposit (in the case of Rated Notes which have become due and payable), or to their Stated Maturity or Redemption Date, as the case may be, and shall have Granted to the Trustee a valid perfected security interest in such Cash or obligations that is of first priority or free of any adverse claim, as applicable, and shall have furnished an Opinion of Counsel with respect to the creation and perfection of such security interest; *provided* that this subsection (ii) shall not apply if an election to act in accordance with the provisions of Section 5.5(a) shall have been made and not rescinded; or

(y) all Collateral Obligations, Eligible Investments and Equity Securities that are subject to the lien of this Indenture have been sold or otherwise disposed of and the proceeds thereof have been distributed, in each case in accordance with this Indenture; or

(b) the Co-Issuers have paid or caused to be paid all other sums payable by the Co-Issuers hereunder and under the Collateral Administration Agreement and the Investment Management Agreement;

provided that, in each case, the Co-Issuers have delivered to the Trustee Officer's certificates and an Opinion of Counsel (which may rely on information provided by the Trustee or the Collateral Administrator as to the Collateral Obligations, Equity Securities and Eligible Investments (including Cash) included in the Assets and any paid and unpaid obligations of the Co-Issuers), each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the rights and obligations of the Co-Issuers, the Trustee, the Investment Manager and, if applicable, the Holders, as the case may be, under Sections 2.7, 4.2, 5.4(d), 5.9, 5.18, 6.1. 6.3, 6.6, 6.7, 7.1, 7.3, 13.1 and 14.17 shall survive.

Section 4.2. Application of Trust Money. All Cash and obligations deposited with the Trustee pursuant to Section 4.1 shall be held in an Account and applied by it in accordance with the provisions of the Rated Notes and this Indenture, including, without limitation, the Priority of Payments, to the payment of principal and interest (or other amounts with respect to the Subordinated Notes), either directly or through any Paying Agent, as the Trustee may determine; and such Cash and obligations shall be held in an Account.

Section 4.3. Repayment of Amounts Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Rated Notes, all amounts then held by any Paying Agent other than the Trustee under the provisions of this Indenture shall, upon demand of the Co-Issuers, be paid to the Trustee to be held and applied pursuant to Section 7.3 and in accordance with the Priority of Payments and thereupon such Paying Agent shall be released from all further liability with respect to such amounts.

Section 4.4. Disposition of Illiquid Assets. (a) Notwithstanding Article XII (or any other term to the contrary contained herein), if at any time the Assets consists exclusively of Illiquid Assets and/or Eligible Investments (including Cash), the Investment Manager may request bids with respect to each such Illiquid Asset as described below after providing notice to the Holders and requesting that any Holder that wishes to bid on any such Illiquid Asset notify the Trustee (with a copy to the Investment Manager) of such intention within 15 Business Days after the date of such notice. The Trustee shall, after the end of such 15 Business Day period, offer the Illiquid Assets for sale as determined and directed by the Investment Manager (in a manner and according to terms determined by the Investment Manager (including from Persons identified to the Trustee by the Investment Manager) and pursuant to sale documentation provided by the Investment Manager) and, if any Holder so notifies the Trustee that it wishes to bid, such Holder shall be included in the distribution of sale offering or bid solicitation material in connection therewith and thereby given an opportunity to participate with other bidders, if any. The Trustee shall request bids for the sale of each such Illiquid Asset, in accordance with the procedures established by the Investment Manager, from (i) at least three Persons identified to the Trustee by the Investment Manager that make a market in or specialize in obligations of the nature of such Illiquid Asset, (ii) the Investment Manager, (iii) each Holder that so notified the Trustee that it wishes to bid and (iv) in the case of a public sale, any other participating bidders, and the Trustee shall have no responsibility for the sufficiency or acceptability of such procedures for any purpose or for any results obtained. The Trustee shall notify the Investment Manager promptly of the results of such bids. Subject to the requirements of applicable law, (x) if the aggregate amount of the highest bids received (if any) is greater than or equal to U.S.$100,000, the Issuer shall sell each Illiquid Asset to the highest bidder (which may include the Investment Manager and its Affiliates) and (y) if the aggregate amount of the highest bids received is less than U.S.$100,000 or no bids are received, the Trustee shall dispose of the Illiquid Assets as directed by the Investment Manager in its reasonable business judgment, which may include (with respect to each Illiquid Asset) (I) selling it to the highest bidder (which may include the Investment Manager and its Affiliates) if a bid was received; (II) donating it to a charitable organization designated by the Investment Manager or (III) returning it to its issuer or obligor for cancellation.

(b) Notwithstanding the foregoing, the Trustee shall not be under any obligation to dispose of or offer for sale any Illiquid Assets pursuant to clause (a) above if the Trustee is not reasonably satisfied that payment of all expenses, costs and liabilities to be incurred by the Trustee in connection with such disposition or offer, as the case may be, are indemnified or provided for in a manner acceptable to the Trustee. In addition, the Trustee will not dispose of Illiquid Assets in accordance with Section 4.4(a) if directed not to do so by the Issuer or by the Investment Manager on behalf of the Issuer, at any time following notice of such disposal and prior to release, or acceptance of an offer for sale, of such Illiquid Asset, by a Majority of the Controlling Class or a Majority of the Subordinated Notes in accordance with Section 4.4(a); *provided* that arrangements satisfactory to the Trustee have been made to pay for any accrued and unpaid Administrative Expenses and any additional Administrative Expenses (including any dissolution and discharge expenses) reasonably expected to be incurred (after giving effect to Section 4.5). If the Trustee is so directed and no satisfactory arrangements for payment have been made, then the Trustee shall be entitled to disregard such direction and shall have no liability for taking or omitting to take any action in respect of such direction. In any event, the Trustee shall have no liability for the results of any such sale or disposition of Illiquid Assets, including if the proceeds received, if any, are insufficient to pay all outstanding Administrative Expenses in full.

Section 4.5. Limitation on Obligation to Incur Administrative Expenses. If at any time the sum of (i) Eligible Investments (including Cash) and (ii) amounts reasonably expected to be received by the Issuer in Cash during the current Collection Period (as certified by the Investment Manager in its reasonable judgment) is less than the Dissolution Expenses, then notwithstanding any other provision of this Indenture, the Issuer shall no longer be required to incur Administrative Expenses as otherwise required by this Indenture to any Person in respect of services of accountants under Section 10.9 and fees of the Rating Agencies under Section 7.14, failure to pay such amounts or provide or obtain such reports or services shall not constitute a Default hereunder, and the Trustee shall have no liability for any failure to obtain or receive any of the foregoing reports or services. The foregoing shall not, however, limit, supersede or alter any right afforded to the Trustee under this Indenture to refrain from taking action in the absence of its receipt of any such report or service which it reasonably determines is necessary for its own protection.

ARTICLE V

REMEDIES

Section 5.1. Events of Default. "Event of Default," wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) a default in the payment, when due and payable, of (i) any interest on the Class X Notes, the Class A Notes or the Class B Notes or, if there are no Class X Notes, Class A Notes or Class B Notes Outstanding, any Notes of the Controlling Class and, in each case, the continuation of any such default for five Business Days, or (ii) any principal of, or interest or Deferred Interest on, or any Redemption Price in respect of, any Rated Note at its Stated Maturity or on any Redemption Date; *provided* that, in the case of a default resulting from a failure to disburse due to an administrative error or omission by the Investment Manager, the Trustee, the Collateral Administrator, the Administrator, the Registrar or any Paying Agent, such default will not be an Event of Default unless such failure continues for five Business Days after a Trust Officer of the Trustee receives written notice or has actual knowledge of such administrative error or omission (irrespective of whether the cause of such administrative error or omission has been determined);

(b) either of the Co-Issuers or the Assets becomes an investment company required to be registered under the Investment Company Act (and such requirement has not been eliminated after a period of 45 days);

(c) except as otherwise provided in this Section 5.1, a default in the performance, or breach, of any other covenant or other agreement of the Issuer or the Co-Issuer in this Indenture (it being understood, without limiting the generality of the foregoing, that any failure to meet any Concentration Limitation, Collateral Quality Test, Coverage Test or Interest Diversion Test is not an Event of Default), or the failure of any representation or warranty of the Issuer or the Co-Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith to be correct when the same shall have been made, which default or failure has a material adverse effect on the Holders of the Notes, and the continuation of such default, breach or failure for a period of 30 Business Days (or, if such default, breach or failure can be cured only on a Payment Date, the next Payment Date) after notice by the Trustee at the direction of a Majority of the Controlling Class to the Issuer or the Co-Issuer, as applicable, and the Investment Manager, specifying such default, breach or failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(d) the entry of a decree or order by a court having competent jurisdiction adjudging the Issuer or the Co-Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer or the Co-Issuer under the Bankruptcy Law or any other applicable law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Issuer or the Co-Issuer or of any substantial part of its property, respectively, or ordering the winding up or liquidation of its affairs, respectively, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(e) the institution by the Issuer or the Co-Issuer of Proceedings to have the Issuer or Co-Issuer, as the case may be, adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency Proceedings against the Issuer or Co-Issuer, as the case may be, or the filing by the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Law or any other similar applicable law, or the consent by the Issuer or the Co-Issuer to the filing of any such petition or to the appointment in a Proceeding of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or of any substantial part of its property, respectively, or the making by the Issuer or the Co-Issuer of an assignment for the benefit of creditors, or the admission by the Issuer or the Co-Issuer in writing of its inability to pay its debts generally as they become due, or the taking of any action by the Issuer or the Co-Issuer in furtherance of any such action; or

(f) on any Measurement Date on which any Class X Notes or Class A Notes are Outstanding, failure of the percentage equivalent of a fraction, (i) the numerator of which is equal to (1) the sum of (x) the Aggregate Principal Balance of the Collateral Obligations, excluding Defaulted Obligations and (y) without duplication, the amounts on deposit in the Collection Account (including Eligible Investments therein) representing Principal Proceeds plus (2) the Market Value of all Defaulted Obligations and (ii) the denominator of which is equal to the Aggregate Outstanding Amount of the Class A Notes, to equal or exceed 102.0%.

Promptly upon obtaining knowledge of the occurrence of an Event of Default, each of (i) the Co-Issuers, (ii) the Trustee and (iii) the Investment Manager shall notify each other. Upon the occurrence of an Event of Default known to a Trust Officer of the Trustee, the Trustee shall, not later than five Business Days thereafter, notify the Holders, each Paying Agent, each of the Rating Agencies and the Irish Stock Exchange (with respect to Listed Notes so long as the guidelines of such exchange so require) of such Event of Default in writing (unless such Event of Default has been waived as provided in Section 5.14).

Section 5.2. Acceleration of Maturity; Rescission and Annulment. (a) If an Event of Default occurs and is continuing (other than an Event of Default specified in Section 5.1(d) or (e)), the Trustee may (with the written consent of a Majority of the Controlling Class), and shall (upon the written direction of a Majority of the Controlling Class), by notice to the Co-Issuers, each Rating Agency and the Investment Manager, declare the principal of all the Rated Notes to be immediately due and payable, and upon any such declaration such principal, together with all accrued and unpaid interest thereon (including, in the case of the Deferred Interest Notes, any Deferred Interest) through the date of acceleration and other amounts payable hereunder, shall become immediately due and payable. If an Event of Default specified in Section 5.1(d) or (e) occurs, all unpaid principal, together with all accrued and unpaid interest thereon, of all the Rated Notes, and other amounts payable thereunder and hereunder, shall automatically become due and payable without any declaration or other act on the part of the Trustee or any Holder.

(b) At any time after such a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the Money due has been obtained by the Trustee as hereinafter provided in this Article V, a Majority of the Controlling Class by written notice to the Issuer, the Trustee and the Investment Manager, may rescind and annul such declaration and its consequences if:

(i) The Issuer or the Co-Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(A) all unpaid installments of interest and principal then due on the Rated Notes (other than the non-payment of amounts that have become due solely due to acceleration);

(B) to the extent that the payment of such interest is lawful, interest upon any Deferred Interest at the applicable Interest Rate; and

(C) all unpaid taxes and Administrative Expenses of the Co-Issuers and other sums paid or advanced by the Trustee hereunder or by the Collateral Administrator under the Collateral Administration Agreement or hereunder, accrued and unpaid Base Management Fees and any other amounts then payable by the Co-Issuers hereunder prior to such Administrative Expenses and such Base Management Fees; and

(ii) It has been determined that all Events of Default, other than the nonpayment of the interest on or principal of the Rated Notes that has become due solely by such acceleration, have (A) been cured, and a Majority of the Controlling Class by written notice to the Trustee, with a copy to the Investment Manager, has agreed with such determination (which agreement shall not be unreasonably withheld), or (B) been waived as provided in Section 5.14.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

Section 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee. The Applicable Issuers covenant that if a default shall occur in respect of the payment of any principal of or interest when due and payable on any Rated Note, the Applicable Issuers will, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holder of such Rated Note, the whole amount, if any, then due and payable on such Rated Note for principal and interest with interest upon the overdue principal and, to the extent that payments of such interest shall be legally enforceable, upon overdue installments of interest, at the applicable Interest Rate, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel.

If the Issuer or the Co-Issuer fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may, and shall upon direction of a Majority of the Controlling Class, institute a Proceeding for the collection of the sums so due and unpaid, may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Applicable Issuers or any other obligor upon the Rated Notes and collect the amounts adjudged or decreed to be payable in the manner provided by law out of the Assets.

If an Event of Default or Enforcement Event occurs and is continuing, the Trustee may in its discretion, and shall (subject to its rights hereunder, including pursuant to Section 6.3(e)) upon written direction of the Majority of the Controlling Class, proceed to protect and enforce its rights and the rights of the Secured Parties by such appropriate Proceedings as the Trustee shall deem most effectual (if no such direction is received by the Trustee) or as the Trustee may be directed by the Majority of the Controlling Class, to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law.

In case there shall be pending Proceedings relative to the Issuer or the Co-Issuer or any other obligor upon the Rated Notes under the Bankruptcy Law or any other applicable bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer, the Co-Issuer or their respective property or such other obligor or its property, or in case of any other comparable Proceedings relative to the Issuer, the Co-Issuer or other obligor upon the Rated Notes, or the creditors or property of the Issuer, the Co-Issuer or such other obligor, the Trustee, regardless of whether the principal of any Rated Note shall then be due and payable as therein expressed or by declaration or otherwise and regardless of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.3, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Rated Notes upon direction by a Majority of the Controlling Class and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all reasonable expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Rated Noteholders allowed in any Proceedings relative to the Issuer, the Co-Issuer or other obligor upon the Rated Notes or to the creditors or property of the Issuer, the Co-Issuer or such other obligor;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Rated Noteholders upon the direction of a Majority of the Controlling Class, in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency Proceedings or person performing similar functions in comparable Proceedings; and

(c) to collect and receive any amounts or other property payable to or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Holders and of the Trustee on their behalf; and any trustee, receiver or liquidator, custodian or other similar official is hereby authorized by each of the Rated Noteholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Rated Noteholders to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Rated Noteholders, any plan of reorganization, arrangement, adjustment or composition affecting the Rated Notes or any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Rated Noteholders, as applicable, in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

In any Proceedings brought by the Trustee on behalf of the Holders of the Rated Notes (and any such Proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the Holders of the Rated Notes.

Notwithstanding anything in this Section 5.3 to the contrary, the Trustee may not sell or liquidate the Assets or institute Proceedings in furtherance thereof pursuant to this Section 5.3 except according to the provisions specified in Section 5.5(a).

Section 5.4. Remedies. (a) If the maturity of the Rated Notes has been accelerated as provided in Section 5.2(a) and such acceleration and its consequences have not been rescinded and annulled as provided in Section 5.2(b) or if the Rated Notes have become due and payable at Stated Maturity or on any Redemption Date and shall remain unpaid (either such event, an "Enforcement Event"), the Co-Issuers agree that the Trustee may, and shall, upon written direction (with a copy to the Investment Manager) of a Majority of the Controlling Class (subject to the Trustee's rights hereunder, including pursuant to Section 6.3(e)), to the extent permitted by applicable law, exercise one or more of the following rights, privileges and remedies:

(i) institute Proceedings for the collection of all amounts then payable on the Rated Notes or otherwise payable under this Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Assets any amounts adjudged due;

(ii) sell or cause the sale of all or a portion of the Assets or rights or interests therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 5.17;

(iii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Assets;

(iv) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Holders of the Rated Notes hereunder (including exercising all rights of the Trustee under the Account Agreement); and

(v) exercise any other rights and remedies that may be available at law or in equity;

provided that the Trustee may not sell or liquidate the Assets or institute Proceedings in furtherance thereof pursuant to this Section 5.4 except according to the provisions of Section 5.5(a).

The Trustee may, but need not, obtain and rely upon an opinion or advice of an Independent investment banking firm of national reputation (the cost of which shall be payable as an Administrative Expense) in structuring and distributing notes similar to the Rated Notes, which may be the Placement Agent, or other appropriate advisors, as to the feasibility of any action proposed to be taken in accordance with this Section 5.4 and as to the sufficiency of the proceeds and other amounts receivable with respect to the Assets to make the required payments of principal of and interest on the Rated Notes, which opinion or advice shall be conclusive evidence as to such feasibility or sufficiency.

(b) If an Event of Default as described in Section 5.1(c) has occurred and is continuing the Trustee may, and at the direction of the Holders of not less than 25% of the Aggregate Outstanding Amount of the Controlling Class in accordance with Section 5.8(b) shall (subject to the Trustee's rights hereunder, including pursuant to Section 6.3(e)), institute a Proceeding solely to compel performance of the covenant or agreement or to cure the representation or warranty, the breach of which gave rise to the Event of Default under such Section, and enforce any equitable decree or order arising from such Proceeding.

(c) Upon any sale, whether made under the power of sale hereby given or by virtue of judicial Proceedings, any Secured Party may bid for and purchase the Assets or any part thereof and, upon compliance with the terms of sale, may hold, retain, possess or dispose of such property in its or their own absolute right without accountability.

Upon any sale, whether made under the power of sale hereby given or by virtue of judicial Proceedings, the receipt of the Trustee, or of the Officer making a sale under judicial Proceedings, shall be a sufficient discharge to the purchaser or purchasers at any sale for its or their purchase Money, and such purchaser or purchasers shall not be obliged to see to the application thereof.

Any such sale, whether under any power of sale hereby given or by virtue of judicial Proceedings, shall bind the Co-Issuers, the Trustee and the Holders of the Rated Notes, shall operate to divest all right, title and interest whatsoever, either at law or in equity, of each of them in and to the property sold, and shall be a perpetual bar, both at law and in equity, against each of them and their successors and assigns, and against any and all Persons claiming through or under them.

(d) Notwithstanding any other provision of this Indenture, none of the Trustee, the Secured Parties or the beneficial owners or Holders of any Notes may (and the beneficial owners and Holders of each Class of Notes agree, for the benefit of all beneficial owners and Holders of each Class of Notes, that they shall not), prior to the date which is one year (or if longer, any applicable preference period then in effect) plus one day after the payment in full of all Notes, institute against, or join any other Person in instituting against, the Issuer, the Co-Issuer or any Issuer Subsidiary any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation Proceedings, or other Proceedings under Cayman Islands, U.S. federal or state bankruptcy or similar laws. Nothing in this Section 5.4 shall preclude, or be deemed to estop, the Trustee, any Secured Party or any Holder (i) from taking any action prior to the expiration of the aforementioned period in (A) any case or Proceeding voluntarily filed or commenced by the Issuer, the Co-Issuer or any Issuer Subsidiary or (B) any involuntary insolvency Proceeding filed or commenced by a Person other than the Trustee, such Secured Party or such Holder, respectively, or (ii) from commencing against the Issuer, the Co-Issuer or any Issuer Subsidiary or any of their respective properties any legal action which is not a bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation Proceeding.

(e) The Issuer, the Co-Issuer or any Issuer Subsidiary, as applicable, shall, subject to the availability of funds therefor, timely file an answer and any other appropriate pleading objecting to (i) the institution of any Proceeding to have the Issuer, the Co-Issuer or any Issuer Subsidiary, as the case may be, adjudicated as bankrupt or insolvent or (ii) the filing of any petition seeking relief, reorganization, arrangement, adjustment or composition of or in respect of the Issuer, the Co-Issuer or any Issuer Subsidiary, as the case may be, under the Bankruptcy Law or any other applicable law. The reasonable fees, costs, charges and expenses incurred by the Issuer (including reasonable attorneys' fees and expenses) in connection with taking any such action shall be paid as Administrative Expenses.

Section 5.5. Optional Preservation of Assets. (a) If an Enforcement Event has occurred and is continuing (unless the Trustee has commenced exercising remedies pursuant to Section 5.4), then the Investment Manager may continue to direct sales and other dispositions, and purchases, of Collateral Obligations in accordance with and to the extent permitted pursuant to Section 4.4 and Article XII. If an Enforcement Event has occurred and is continuing, the Trustee shall retain the Assets securing the Rated Notes intact (subject to the rights of the Investment Manager pursuant to the preceding sentence), collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Assets and the Notes
in accordance with the Priority of Payments and the provisions of Article X, Article XII and Article XIII, unless:

(i) the Trustee, pursuant to Section 5.5(c), determines that the anticipated proceeds of a sale or liquidation of the Assets (after deducting the anticipated reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due (or, in the case of interest, accrued) and unpaid on the Rated Notes for principal and interest (including accrued and unpaid Deferred Interest), and all other amounts payable prior to payment of principal on such Rated Notes (including amounts due and owing, and amounts anticipated to be due and owing, as Administrative Expenses (without regard to the Administrative Expense Cap) and due and unpaid Base Management Fee) and the Investment Manager and a Majority of the Controlling Class agrees with such determination;

(ii) a Supermajority of each Class of the Rated Notes (voting separately by Class) directs the sale and liquidation of the Assets;

(iii) following the occurrence, and during the continuance of, an Event of Default pursuant to clauses (a), (d), (e) or (f) of Section 5.1, a Majority of the Class A-1 Notes directs the sale and liquidation of the Assets; or

(iv) if no Rated Notes are Outstanding, a Majority of the Subordinated Notes directs the sale and liquidation of the Assets.

Directions by Holders under clauses (ii), (iii) and (iv) above will be effective when delivered to the Issuer, the Trustee and the Investment Manager.

(b) Nothing contained in Section 5.5(a) shall be construed to require the Trustee to sell the Assets if the conditions set forth in clause (i), (ii), (iii) or (iv) of Section 5.5(a) are not satisfied. Nothing contained in Section 5.5(a) shall be construed to require the Trustee to preserve the Assets securing the Rated Notes if prohibited by applicable law.

(c) In determining whether the condition specified in Section 5.5(a)(i) exists, the Trustee shall obtain, with the cooperation and assistance of the Investment Manager, bid prices with respect to each security contained in the Assets from two nationally recognized dealers (as specified by the Investment Manager in writing) at the time making a market in such notes and shall compute the anticipated proceeds of sale or liquidation on the basis of the lower of such bid prices for each such security. In addition, for the purposes of determining issues relating to the execution of a sale or liquidation of the Assets and the execution of a sale or other liquidation thereof in connection with a determination whether the condition specified in Section 5.5(a)(i) exists, the Trustee may retain and rely on an opinion or advice of an Independent investment banking firm of national reputation or other appropriate advisors (the cost of which shall be payable as an Administrative Expense).

The Trustee shall deliver to the Holders and the Investment Manager a report stating the results of any determination required pursuant to Section 5.5(a)(i) no later than 10 days after such determination is made. The Trustee shall make the determinations required by Section 5.5(a)(i) at the written request of a Majority of the Controlling Class at any time during which the second sentence of Section 5.5(a) applies; *provided* that any such request made more frequently than once in any 90-day period shall be at the expense of such requesting party or parties.

Section 5.6. Trustee May Enforce Claims Without Possession of Notes. All rights of action and claims under this Indenture or under any of the Rated Notes may be prosecuted and enforced by the Trustee without the possession of any of the Rated Notes or the production thereof in any trial or other Proceeding relating thereto, and any such action or Proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be applied as set forth in Section 5.7.

Section 5.7. Application of Money Collected. Following the commencement of exercise of remedies by the Trustee pursuant to Section 5.4, any amounts collected by the Trustee with respect to the Notes pursuant to this Article V and any amounts that may then be held or thereafter received by the Trustee with respect to the Notes hereunder shall be applied, subject to Section 13.1 and in accordance with the provisions of Section 11.1(a), at the date or dates fixed by the Trustee. Upon the final distribution of all proceeds of any liquidation effected hereunder, the provisions of Section 4.1(a) shall be deemed satisfied for the purposes of discharging this Indenture pursuant to Article IV.

Section 5.8. Limitation on Suits. No Holder of any Note shall have any right to institute any Proceedings, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder has previously given to the Trustee (with a copy to the Investment Manager) written notice of an Event of Default;

(b) the Holders of not less than 25% of the then Aggregate Outstanding Amount of the Controlling Class shall have made written request to the Trustee to institute Proceedings in respect of such Event of Default in its own name as Trustee hereunder and such Holder or Holders have provided the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities to be incurred in compliance with such request;

(c) the Trustee, for 30 days after its receipt of such notice, request and provision of such indemnity, has failed to institute any such Proceeding; and

(d) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by a Majority of the Controlling Class; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing itself of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of the Notes of the same Class or to obtain or to seek to obtain priority or preference over any other Holders of the Notes of the same Class or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Notes of the same Class subject to and in accordance with Section 13.1 and the Priority of Payments.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity pursuant to this Section 5.8 from two or more groups of Holders of the Controlling Class, each representing less than a Majority of the Controlling Class, the Trustee shall act in accordance with the request specified by the group of Holders with the greatest percentage of the Aggregate Outstanding Amount of the Controlling Class, notwithstanding any other provisions of this Indenture. If all such groups represent the same percentage, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

Section 5.9. Unconditional Rights of Holders to Receive Principal and Interest. (a) Subject to Section 2.7(j), but notwithstanding any other provision of this Indenture, the Holder of any Rated Note shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Rated Note, as such principal, interest and other amounts become due and payable in accordance with the Priority of Payments and Section 13.1, as the case may be, and, subject to the provisions of Section 5.4 and Section 5.8, to institute proceedings for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. Holders of Rated Notes ranking junior to Rated Notes still Outstanding shall have no right to institute Proceedings for the enforcement of any such payment until such time as no Priority Class to such Rated Note remains Outstanding, which right shall be subject to the provisions of Section 5.4(d) and Section 5.8, and shall not be impaired without the consent of any such Holder.

(b) Subject to Section 2.7(j), but notwithstanding any other provision of this Indenture, the Holder of any Subordinated Notes shall have the right, which is absolute and unconditional, to receive payment of the principal of and Excess Interest payable on such Subordinated Notes, as such principal and Excess Interest becomes due and payable in accordance with the Priority of Payments. Holders of Subordinated Notes shall have no right to institute proceedings for the enforcement of any such payment until such time as no Rated Note remains Outstanding, which right shall be subject to the provisions of Sections 5.4(d) and 5.8 to institute proceedings for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Section 5.10. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Co-Issuers, the Trustee and the Holder shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holder shall continue as though no such Proceeding had been instituted.

Section 5.11. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.12. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Holder of Rated Notes to exercise any right or remedy accruing upon any Event of Default or Enforcement Event shall impair any such right or remedy or constitute a waiver of any such Event of Default or Enforcement Event or an acquiescence therein or of a subsequent Event of Default or Enforcement Event. Every right and remedy given by this Article V or by law to the Trustee or to the Holders of the Rated Notes may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of the Rated Notes.

Section 5.13. Control by Majority of Controlling Class. Notwithstanding any other provision of this Indenture, a Majority of the Controlling Class shall have the right, following the occurrence, and during the continuance of, an Event of Default or an Enforcement Event, to cause the institution of and direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture; *provided* that:

(a) such direction shall not conflict with any rule of law or with any express provision of this Indenture;

(b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction; *provided* that subject to Section 6.1, the Trustee need not take any action that it determines might involve it in liability (unless the Trustee has received the indemnity as set forth in (c) below);

(c) the Trustee shall have been provided with indemnity reasonably satisfactory to it; and

(d) notwithstanding the foregoing, any direction to the Trustee to undertake a Sale of the Assets must satisfy the requirements of Section 5.5.

Section 5.14. Waiver of Past Defaults. Prior to the time a judgment or decree for payment of the Money due has been obtained by the Trustee, as provided in this Article V, a Majority of the Controlling Class may on behalf of the Holders of all the Notes waive any past Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default and its consequences, except any such Event of Default or occurrence:

(a) in the payment of the principal of or interest on any Rated Note (which may be waived only with the consent of the Holder of such Rated Note);

(b) in respect of a covenant or provision hereof that under Section 8.2 cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Note materially and adversely affected thereby (which may be waived only with the consent of each such Holder); or

(c) in respect of a representation contained in Section 7.19.

In the case of any such waiver, the Co-Issuers, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereto. The Trustee shall promptly give written notice of any such waiver to each Rating Agency, the Investment Manager and each Holder.

Upon any such waiver, such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereto.

Section 5.15. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Note by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.15 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in Aggregate Outstanding Amount of the Controlling Class, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Rated Note on or after the applicable Stated Maturity (or, in the case of redemption, on or after the applicable Redemption Date).

Section 5.16. Waiver of Stay or Extension Laws. The Co-Issuers covenant (to the extent that they may lawfully do so) that they will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any valuation, appraisement, redemption or marshaling law or rights, in each case wherever enacted, now or at any time hereafter in force, which may affect the covenants, the performance of or any remedies under this Indenture; and the Co-Issuers (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law or rights, and covenant that they will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted or rights created.

Section 5.17. Sale of Assets. (a) The power to effect any sale (a "Sale") of any portion of the Assets pursuant to Sections 5.4 and 5.5 shall not be exhausted by any one or more Sales as to any portion of such Assets remaining unsold, but shall continue unimpaired until the entire Assets shall have been sold or all amounts secured by the Assets shall have been paid. The Trustee may upon notice to the Holders (with a copy to the Investment Manager), and shall, upon direction of a Majority of the Controlling Class, from time to time postpone any Sale by public announcement made at the time and place of such Sale. The Trustee hereby expressly waives its rights to any amount fixed by law as compensation for any Sale; *provided* that the Trustee shall be authorized to deduct the reasonable costs, charges and expenses incurred by it in connection with such Sale from the proceeds thereof notwithstanding the provisions of Section 6.7.

(b) The Trustee may bid for and acquire any portion of the Assets in connection with a public Sale thereof, and may pay all or part of the purchase price by crediting against amounts owing on the Rated Notes or other amounts secured by the Assets, all or part of the net proceeds of such Sale after deducting the reasonable costs, charges and expenses incurred by the Trustee in connection with such Sale notwithstanding the provisions of Section 6.7. The Rated Notes need not be produced in order to complete any such Sale, or in order for the net proceeds of such Sale to be credited against amounts owing on the Rated Notes. The Trustee may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law in accordance with this Indenture.

(c) If any portion of the Assets consists of notes issued without registration under the Securities Act ("Unregistered Notes"), the Trustee may seek an Opinion of Counsel, or, if no such Opinion of Counsel can be obtained and with the consent of a Majority of the Controlling Class, seek a no action position from the Securities and Exchange Commission or any other relevant federal or state regulatory authorities, regarding the legality of a public or private Sale of such Unregistered Notes.

(d) The Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Assets in connection with a Sale thereof, without recourse, representation or warranty. In addition, the Trustee is hereby irrevocably appointed the agent and attorney in fact of the Issuer to transfer and convey its interest in any portion of the Assets in connection with a Sale thereof, and to take all action necessary to effect such Sale. No purchaser or transferee at such a sale shall be bound to ascertain the Trustee's authority, to inquire into the satisfaction of any conditions precedent or see to the application of such Sale proceeds.

Section 5.18. Action on the Notes. The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking or obtaining of or application for any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Trustee or the Holders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Assets or upon any of the assets of the Issuer or the Co-Issuer.

ARTICLE VI

THE TRUSTEE

Section 6.1. Certain Duties and Responsibilities. (a) Except during the occurrence and continuation of an Event of Default known to the Trustee:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; *provided* that in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they substantially conform to the requirements of this Indenture and shall promptly, but in any event within three Business Days in the case of an Officer's certificate furnished by the Investment Manager, notify the party delivering the same if such certificate or opinion does not conform. If a corrected form shall not have been delivered to the Trustee within 15 days after such notice from the Trustee, the Trustee shall so notify the Holders (with a copy to the Investment Manager).

(b) If an Event of Default known to the Trustee has occurred and is continuing, the Trustee shall, prior to the receipt of directions, if any, from a Majority of the Controlling Class, or such other percentage as permitted by this Indenture, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section 6.1;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it shall be proven that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Issuer or the Co-Issuer or the Investment Manager in accordance with this Indenture and/or a Majority (or such other percentage as may be required by the terms hereof) of the Controlling Class (or other Class if required or permitted by the terms hereof), relating to the time, method and place of conducting any Proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers contemplated hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risk or liability is not reasonably assured to it unless such risk or liability relates to the performance of its ordinary services, including providing notices under Article V, under this Indenture; and

(v) in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage (including lost profits) even if the Trustee has been advised of the likelihood of such damages and regardless of such action.

(d) For all purposes under this Indenture, the Trustee shall not be deemed to have notice or knowledge of any Event of Default described in Sections 5.1(b), (c), (d) or (e) unless a Trust Officer assigned to and working in the Corporate Trust Office has actual knowledge thereof or unless written notice of any event which is in fact such an Event of Default or Default is received by the Trustee at the Corporate Trust Office, and such notice states that an Event of Default has occurred and references the Notes generally, the Issuer, the Co-Issuer, the Assets or this Indenture. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to such an Event of Default or a Default, such reference shall be construed to refer only to such an Event of Default or Default of which the Trustee is deemed to have notice as described in this Section 6.1.

(e) The Trustee will deliver all notices to the Holders forwarded to the Trustee by the Issuer or the Investment Manager for such purpose. Upon the Trustee receiving written notice from the Investment Manager that an event constituting "cause" as defined in the Investment Management Agreement has occurred, the Trustee will, not later than three Business Days thereafter, notify the Holders. The Trustee shall have no responsibility to determine whether or not "cause" exists.

(f) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.1.

(g) If within 80 calendar days of delivery of financial information or disbursements (which delivery may be via posting to the Bank's website) the Bank receives written notice of an error or omission related thereto and within five calendar days of the Bank's receipt of such notice the Investment Manager or the Issuer confirms such error or omission, the Bank agrees to use reasonable efforts to correct such error or omission and such use of reasonable efforts shall be the only obligation of the Bank in connection therewith. In no event shall the Bank be obligated to take any action at any time at the request or direction of any Person unless such Person shall have offered to the Bank indemnity reasonably satisfactory to it.

(h) The Trustee shall have no obligation to (i) independently monitor or verify whether any Holder (or beneficial owner) is a Section 13 Banking Entity or (ii) determine whether the Permitted Securities Condition has been satisfied.

Section 6.2. Notice of Default. Promptly (and in no event later than five Business Days) after the occurrence of any Default actually known to a Trust Officer of the Trustee or after any declaration of acceleration has been made or delivered to the Trustee pursuant to Section 5.2, the Trustee shall notify the Investment Manager, each Rating Agency and all Holders of all Defaults hereunder known to the Trustee, unless such Default shall have been cured or waived.

Section 6.3. Certain Rights of Trustee. Except as otherwise provided in Section 6.1:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Issuer or the Co-Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order, as the case may be;

(c) whenever in the administration of this Indenture the Trustee shall (i) deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's certificate or (ii) be required to determine the value of any Assets or funds hereunder or the cash flows projected to be received therefrom, the Trustee may, in the absence of bad faith on its part, rely on reports of nationally recognized accountants, investment bankers or other persons qualified to provide the information required to make such determination, including nationally recognized dealers in notes of the type being valued and securities quotation services;

(d) as a condition to the taking or omitting of any action by it hereunder, the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise or to honor any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have provided to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities which might reasonably be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note or other paper or document, but the Trustee, in its discretion, may, and upon the written direction of a Majority of the Controlling Class shall (subject to the right of the Trustee hereunder to be satisfactorily indemnified), make such further inquiry or investigation into such facts or matters as it may see fit or as it shall be directed, and the Trustee shall be entitled, on reasonable prior notice to the Co-Issuers and the Investment Manager, to examine the books and records relating to the Notes and the Assets, personally or by agent or attorney, during the Co-Issuers' or the Investment Manager's normal business hours; *provided* that the Trustee shall, and shall cause its agents to, hold in confidence all such information, except (i) to the extent disclosure may be required by law by any regulatory, administrative or governmental authority and (ii) to the extent that the Trustee, in its sole discretion, may determine that such disclosure is consistent with its obligations hereunder; *provided*, *further*, that the Trustee may disclose on a confidential basis any such information to its agents, attorneys and auditors in connection with the performance of its responsibilities hereunder;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys; provided that the Trustee shall not be responsible for any misconduct or negligence on the part of any agent appointed, or attorney appointed, with due care by it hereunder;

(h) the Trustee shall not be liable for any action it takes or omits to take in good faith that it reasonably believes to be authorized or within its rights or powers hereunder;

(i) nothing herein shall be construed to impose an obligation on the part of the Trustee to recalculate, evaluate or verify or independently determine the accuracy of any report, certificate or information received from the Issuer or Investment Manager (unless and except to the extent otherwise expressly set forth herein);

(j) to the extent any defined term hereunder, or any calculation required to be made or determined by the Trustee hereunder, is dependent upon or defined by reference to generally accepted accounting principles (as in effect in the United States) ("GAAP"), the Trustee shall be entitled to request and receive (and rely upon) instruction from the Issuer or the Independent accountants appointed by the Issuer pursuant to Section 10.9 (and in the absence of its receipt of timely instruction therefrom, shall be entitled to obtain from an Independent accountant at the expense of the Issuer) as to the application of GAAP in such connection, in any instance;

(k) the Trustee shall not be liable for the actions or omissions of, or any inaccuracies in the records of, the Investment Manager, the Issuer, the Co-Issuer, DTC, Euroclear, Clearstream or any other clearing agency or depository or any Paying Agent (other than the Trustee), and without limiting the foregoing, the Trustee shall not be under any obligation to monitor, evaluate or verify compliance by the Investment Manager with the terms hereof or of the Investment Management Agreement, or to verify or independently determine the accuracy of information received by the Trustee from the Investment Manager (or from any selling institution, agent bank, trustee or similar source) with respect to the Assets;

(l) notwithstanding any term hereof (or any term of the UCC that might otherwise be construed to be applicable to a Securities Intermediary) to the contrary, neither the Trustee nor the Intermediary shall be under a duty or obligation in connection with the acquisition or Grant by the Issuer to the Trustee of any item constituting the Assets, or to evaluate the sufficiency of the documents or instruments delivered to it by or on behalf of the Issuer in connection with its Grant or otherwise, or in that regard to examine any Underlying Instrument, in each case, in order to determine compliance with applicable requirements of and restrictions on transfer in respect of such Assets;

(m) in the event the Bank is also acting in the capacity of Paying Agent, Registrar, Transfer Agent, Calculation Agent or Intermediary, the rights, protections, benefits, immunities and indemnities afforded to the Trustee pursuant to this Article VI shall also be afforded to the Bank acting in such capacities; *provided* that such rights, protections, benefits, immunities and indemnities shall be in addition to any rights, immunities and indemnities provided in the Account Agreement or any other documents to which the Bank in such capacity is a party;

(n) any permissive right of the Trustee to take or refrain from taking actions enumerated in this Indenture shall not be construed as a duty;

(o) to the extent permitted by applicable law, the Trustee shall not be required to give any bond or surety in respect of the execution of this Indenture or otherwise;

(p) the Trustee shall not be deemed to have notice or knowledge of any matter unless a Trust Officer has actual knowledge thereof or unless written notice thereof is received by the Trustee at the Corporate Trust Office and such notice references the Notes generally, the Issuer, the Co-Issuer or this Indenture;

(q) the Trustee shall not be responsible for delays or failures in performance resulting from circumstances beyond its control (such circumstances include but are not limited to acts of God, strikes, lockouts, riots, acts of war, loss or malfunctions of utilities, computer (hardware or software) or communications services);

(r) in making or disposing of any investment permitted by this Indenture, the Trustee is authorized to deal with itself (in its individual capacity) or with any one or more of its Affiliates, in each case on an arm's-length basis, whether it or such Affiliate is acting as a subagent of the Trustee or for any third person or dealing as principal for its own account. If otherwise qualified, obligations of the Bank or any of its Affiliates shall qualify as Eligible Investments hereunder;

(s) the Trustee or its Affiliates are permitted to receive additional compensation that could be deemed to be in the Trustee's economic self-interest for (i) serving as investment adviser, administrator, shareholder, servicing agent, custodian or subcustodian with respect to certain of the Eligible Investments, (ii) using Affiliates to effect transactions in certain Eligible Investments and (iii) effecting transactions in certain Eligible Investments. Such compensation is not payable or reimbursable under Section 6.7; and

(t) the Trustee shall have no duty (i) to see to any recording, filing, or depositing of this Indenture or any supplemental indenture or any financing statement or continuation statement evidencing a security interest, or to see to the maintenance of any such recording, filing or depositing or to any rerecording, refiling or redepositing of any thereof or (ii) to maintain any insurance.

Section 6.4. Not Responsible for Recitals or Issuance of Rated Notes. The recitals contained herein and in the Rated Notes, other than the Certificate of Authentication thereon, shall be taken as the statements of the Applicable Issuers; and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or sufficiency of this Indenture (except as may be made with respect to the validity of the Trustee's obligations hereunder), the Assets or the Rated Notes. The Trustee shall not be accountable for the use or application by the Co-Issuers of the Rated Notes or the proceeds thereof or any Money paid to the Co-Issuers pursuant to the provisions hereof.

Section 6.5. May Hold Rated Notes. The Trustee, any Paying Agent, Registrar or any other agent of the Co-Issuers, in its individual or any other capacity, may become the owner or pledgee of Rated Notes and may otherwise deal with the Co-Issuers or any of their Affiliates with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Section 6.6. Money Held in Trust. Money held by the Trustee hereunder shall be held in trust to the extent required herein. The Trustee shall be under no liability for interest on any Money received by it hereunder except to the extent of income or other gain on investments which are deposits in or certificates of deposit of the Bank in its commercial capacity and income or other gain actually received by the Trustee on Eligible Investments.

Section 6.7. Compensation and Reimbursement. (a) The Issuer agrees:

(i) to pay the Trustee on each Payment Date reasonable compensation, as set forth in a separate fee schedule, for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(ii) except as otherwise expressly provided herein, to reimburse the Trustee in a timely manner upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture or other Transaction Document (including, without limitation, securities transaction charges and the reasonable compensation and expenses and disbursements of its agents and legal counsel and of any accounting firm or investment banking firm employed by the Trustee pursuant to Section 5.4, 5.5, 6.3(c) or 10.7, except any such expense, disbursement or advance as may be attributable to its negligence, willful misconduct or bad faith) but with respect to securities transaction charges, only to the extent any such charges have not been waived during a Collection Period due to the Trustee's receipt of a payment from a financial institution with respect to certain Eligible Investments, as specified by the Investment Manager;

(iii) to indemnify the Trustee and its Officers, directors, employees and agents for, and to hold them harmless against, any loss, liability or expense (including reasonable attorney's fees and costs) incurred without negligence, willful misconduct or bad faith on their part, arising out of or in connection with the acceptance or administration of this trust or the performance of duties hereunder, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder and under any other agreement or instrument related hereto; and

(iv) to pay the Trustee reasonable additional compensation together with its expenses (including reasonable counsel fees) for any collection or enforcement action taken pursuant to Section 6.13 or Article V.

(b) The Trustee shall receive amounts pursuant to this Section 6.7 and any other amounts payable to it under this Indenture only as provided in Sections 11.1(a)(i), (ii) and (iii) and only to the extent that funds are available for the payment thereof. Subject to Section 6.9, the Trustee shall continue to serve as Trustee under this Indenture notwithstanding the fact that the Trustee shall not have received amounts due it hereunder; *provided* that nothing herein shall impair or affect the Trustee's rights under Section 6.9. No direction by the Holders shall affect the right of the Trustee to collect amounts owed to it under this Indenture. If on any date when a fee or expense shall be payable to the Trustee pursuant to this Indenture insufficient funds are available for the payment thereof, any portion of a fee not so paid shall be deferred and payable on such later date on which a fee shall be payable and sufficient funds are available therefor.

(c) The Trustee hereby agrees not to cause the filing of a petition in bankruptcy with respect to the Issuer, the Co-Issuer or any Issuer Subsidiary until at least one year (or if longer the applicable preference period then in effect) *plus* one day, after the payment in full of all Rated Notes issued under this Indenture.

(d) The Issuer's payment obligations to the Trustee under this Section 6.7 shall be secured by the lien of this Indenture, and shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of a Default or an Event of Default under Section 5.1(d) or (e), the expenses are intended to constitute expenses of administration under Bankruptcy Law or any other applicable federal or state bankruptcy, insolvency or similar law.

Section 6.8. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be an Independent organization or entity organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least U.S.$200,000,000, subject to supervision or examination by federal or state authority, having a rating of at least "Baa1" by Moody's and at least "BBB+" by S&P and having an office within the United States. If such organization or entity publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.8, the combined capital and surplus of such organization or entity shall be deemed to be its combined capital and surplus as set forth in its most recent published report of condition. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.8, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VI.

Section 6.9. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article VI shall become effective until the acceptance of appointment by the successor Trustee under Section 6.10.

(b) The Trustee may resign at any time by giving not less than 30 days' written notice thereof to the Co-Issuers, the Investment Manager, the Holders and each Rating Agency. Upon receiving such notice of resignation, the Co-Issuers shall promptly appoint a successor trustee or trustees satisfying the requirements of Section 6.8 by written instrument, in duplicate, executed by an Authorized Officer of the Issuer and an Authorized Officer of the Co-Issuer, one copy of which shall be delivered to the Trustee so resigning and one copy to the successor Trustee or Trustees, together with a copy to each Holder and the Investment Manager; *provided* that such successor Trustee shall be appointed only upon the written consent of a Majority of the Rated Notes of each Class or, at any time when an Event of Default or Enforcement Event has occurred and is continuing or when a successor Trustee has been appointed pursuant to Section 6.9(e), by an Act of a Majority of the Controlling Class. If no successor Trustee shall have been appointed and an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Holder, on behalf of itself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a successor Trustee satisfying the requirements of Section 6.8.

(c) The Trustee may be removed at any time by Act of a Majority of each Class of Rated Notes or, at any time when an Event of Default or Enforcement Event has occurred and is continuing by an Act of a Majority of the Controlling Class, delivered to the Trustee and to the Co-Issuers.

(d) If at any time:

(i) the Trustee shall cease to be eligible under Section 6.8 and shall fail to resign after written request therefor by the Co-Issuers or by any Holder; or

(ii) the Trustee shall become incapable of acting or shall be adjudged as bankrupt or insolvent or a receiver or liquidator of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case (subject to Section 6.9(a)), (A) the Co-Issuers, by Issuer Order, may remove the Trustee, or (B) subject to Section 5.15, any Holder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any reason (other than resignation), the Co-Issuers, by Issuer Order, shall promptly appoint a successor Trustee. If the Co-Issuers shall fail to appoint a successor Trustee within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee may be appointed by a Majority of the Controlling Class by written instrument delivered to the Issuer and the retiring Trustee. The successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede any successor Trustee proposed by the Co-Issuers. If no successor Trustee shall have been so appointed by the Co-Issuers or a Majority of the Controlling Class and shall have accepted appointment in the manner hereinafter provided, subject to Section 5.15, any Holder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Co-Issuers shall give prompt notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by providing notice of such event to the Investment Manager, to each Rating Agency, the Subordinated Note Paying Agent

and to the Holders of the Rated Notes. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office. If the Co-Issuers fail to provide such notice within ten days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be given at the expense of the Co-Issuers.

(g) If the Bank shall resign or be removed as Trustee, the Bank shall also resign or be removed as Paying Agent, Calculation Agent, Registrar and any other capacity in which the Bank is then acting pursuant to this Indenture or any other Transaction Document.

Section 6.10. Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall meet the requirements of Section 6.8 and shall execute, acknowledge and deliver to the Co-Issuers and the retiring Trustee an instrument accepting such appointment. Upon delivery of the required instruments, the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of the retiring Trustee; but, on request of the Co-Issuers or a Majority of any Class of Rated Notes or the successor Trustee, such retiring Trustee shall, upon payment of its charges then unpaid, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and Money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Co-Issuers shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

Section 6.11. Merger, Conversion, Consolidation or Succession to Business of Trustee. Any organization or entity into which the Trustee may be merged or converted or with which it may be consolidated, or any organization or entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any organization or entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, *provided* that such organization or entity shall be otherwise qualified and eligible under this Article VI, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any of the Rated Notes has been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Rated Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Rated Notes.

Section 6.12. Co-Trustees. At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any part of the Assets may at the time be located, the Co-Issuers and the Trustee shall have power to appoint one or more Persons satisfying the requirements of Section 6.8 to act as co-trustee, jointly with the Trustee, of all or any part of the Assets, with the power to file such proofs of claim and take such other actions pursuant to Section 5.6 herein and to make such claims and enforce such rights of action on behalf of the Holders, as such Holders themselves may have the right to do, subject to the other provisions of this Section 6.12.

The Co-Issuers shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint a co-trustee. If the Co-Issuers do not join in such appointment within 15 days after the receipt by them of a request to do so, the Trustee shall have the power to make such appointment.

Should any written instrument from the Co-Issuers be required by any co-trustee so appointed, more fully confirming to such co-trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Co-Issuers. The Co-Issuers agree to pay as Administrative Expenses, to the extent funds are available therefor under the Priority of Payments, for any reasonable fees and expenses in connection with such appointment.

Every co-trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(a) the Rated Notes shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, Cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised, solely by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by the appointment of a co-trustee shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee jointly as shall be provided in the instrument appointing such co-trustee;

(c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Co-Issuers evidenced by an Issuer Order, may accept the resignation of or remove any co-trustee appointed under this Section 6.12, and in case an Event of Default or Enforcement Event has occurred and is continuing, the Trustee shall have the power to accept the resignation of, or remove, any such co-trustee without the concurrence of the Co-Issuers. A successor to any co-trustee so resigned or removed may be appointed in the manner provided in this Section 6.12;

(d) no co-trustee hereunder shall be personally liable by reason of any act or omission of the Trustee hereunder;

(e) the Trustee shall not be liable by reason of any act or omission of a co-trustee; and

(f) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each co-trustee.

The Issuer shall notify each Rating Agency and the Investment Manager of the appointment of a co-trustee hereunder.

Section 6.13. Certain Duties of Trustee Related to Delayed Payment of Proceeds. In the event that the Trustee shall not have received a payment with respect to any Asset on its Due Date, (a) the Trustee shall promptly notify the Issuer and the Investment Manager in writing and (b) unless within three Business Days (or the end of the applicable grace period for such payment, if any) after such notice (x) such payment shall have been received by the Trustee or

(y) the Issuer, in its absolute discretion (but only to the extent permitted by Section 10.2(a)), shall have made provision for such payment satisfactory to the Trustee in accordance with Section 10.2(a), the Trustee shall, not later than the Business Day immediately following the last day of such period and in any case upon request by the Investment Manager, request the issuer of such Asset, the trustee under the related Underlying Instrument or paying agent designated by either of them, as the case may be, to make such payment not later than three Business Days after the date of such request. In the event that such payment is not made within such time period, the Trustee, subject to the provisions of clause (iv) of Section 6.1(c), shall take such action as the Investment Manager shall direct. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture. In the event that the Issuer or the Investment Manager requests a release of an Asset and/or delivers an additional Collateral Obligation in connection with any such action under the Investment Management Agreement, such release and/or substitution shall be subject to Section 10.8 and Article XII, as the case may be. Notwithstanding any other provision hereof, the Trustee shall deliver to the Issuer or its designee any payment with respect to any Asset or any additional Collateral Obligation received after the Due Date thereof to the extent the Issuer previously made provisions for such payment satisfactory to the Trustee in accordance with this Section 6.13 and such payment shall not be deemed part of the Assets.

Section 6.14. Authenticating Agents. Upon the request of the Co-Issuers, the Trustee shall, and if the Trustee so chooses the Trustee may, appoint one or more Authenticating Agents with power to act on its behalf and subject to its direction in the authentication of Rated Notes in connection with issuance, transfers and exchanges under Sections 2.4, 2.5, 2.6 and 8.5, as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by such Sections to authenticate such Rated Notes. For all purposes of this Indenture, the authentication of Rated Notes by an Authenticating Agent pursuant to this Section 6.14 shall be deemed to be the authentication of Rated Notes by the Trustee.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Issuer (with a copy to the Investment Manager). The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Co-Issuers (with a copy to the Investment Manager). Upon receiving such notice of resignation or upon such a termination, the Trustee shall promptly appoint a successor Authenticating Agent and shall give written notice of such appointment to the Co-Issuers (with a copy to the Investment Manager).

Unless the Authenticating Agent is also the same entity as the Trustee, the Issuer agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services, and reimbursement for its reasonable expenses relating thereto as an Administrative Expense. The provisions of Sections 2.8, 6.4 and 6.5 shall be applicable to any Authenticating Agent.

Section 6.15. Withholding. If any withholding tax is imposed on the Issuer's payment (or allocations of income) under the Notes by law or pursuant to the Issuer's agreement with a governmental authority, such tax shall reduce the amount otherwise distributable to the relevant Holder. The Trustee or any Paying Agent is hereby authorized and directed to retain from amounts otherwise distributable to any Holder sufficient funds for the payment of any tax that is legally owed or required to be withheld by the Issuer by law or pursuant to the Issuer's agreement with a governmental authority (but such authorization shall not prevent the Trustee or such Paying Agent from contesting any such tax in appropriate proceedings and withholding payment of such tax, if permitted by law, pending the outcome of such proceedings) and to timely remit such amounts to the appropriate taxing authority. The amount of any withholding tax imposed by law or pursuant to the Issuer's agreement with a governmental authority with respect to any Note shall be treated as Cash distributed to the relevant Holder at the time it is withheld by the Trustee or Paying Agent. If there is a possibility that withholding tax is payable with respect to a distribution, the Paying Agent or the Trustee may, in its sole discretion, withhold such amounts in accordance with this Section 6.15. If any Holder or beneficial owner wishes to apply for a refund of any such withholding tax, the Trustee or such Paying Agent shall reasonably cooperate with such Person in providing readily available information so long as such Person agrees to reimburse the Trustee for any out-of-pocket expenses incurred. Nothing herein shall impose an obligation on the part of the Trustee or any Paying Agent to determine the amount of any tax or withholding obligation on the part of the Issuer or in respect of the Notes.

Section 6.16. Representations and Warranties of the Bank. The Bank hereby represents and warrants as follows:

(a) Organization. The Bank has been duly organized and is validly existing as a limited purpose national banking association with trust powers under the laws of the United States and has the power to conduct its business and affairs as a trustee, paying agent, registrar, transfer agent, custodian, calculation agent and securities intermediary.

(b) Authorization; Binding Obligations. The Bank has the corporate power and authority to perform the duties and obligations of Trustee, Paying Agent, Registrar, Transfer Agent, Calculation Agent and Intermediary. The Bank has taken all necessary corporate action to authorize the execution, delivery and performance of this Indenture, and all of the documents required to be executed by the Bank pursuant hereto. This Indenture has been duly authorized, executed and delivered by the Bank and constitutes the legal, valid and binding obligation of the Bank enforceable in accordance with its terms subject, as to enforcement, (i) to the effect of bankruptcy, insolvency or similar laws affecting generally the enforcement of creditors' rights as such laws would apply in the event of any bankruptcy, receivership, insolvency or similar event applicable to the Bank and (ii) to general equitable principles (whether enforcement is considered in a proceeding at law or in equity).

(c) Eligibility. The Bank is eligible under Section 6.8 to serve as Trustee hereunder.

(d) No Conflict. Neither the execution, delivery and performance of this Indenture, nor the consummation of the transactions contemplated by this Indenture, (i) is prohibited by, or requires the Bank to obtain any consent, authorization, approval or registration under, any law, statute, rule, regulation, judgment, order, writ, injunction or decree that is binding upon the Bank or any of its properties or assets, or (ii) will violate any provision of, result in any default or acceleration of any obligations under, result in the creation or imposition of any lien pursuant to, or require any consent under, any material agreement to which the Bank is a party or by which it or any of its property is bound.

ARTICLE VII

COVENANTS

Section 7.1. Payment of Principal and Interest. The Applicable Issuers will duly and punctually pay the principal of and interest on the Rated Notes, in accordance with the terms of such Rated Notes and this Indenture pursuant to the Priority of Payments. The Issuer will, to the extent funds are available pursuant to the Priority of Payments, duly and punctually pay all required distributions on the Subordinated Notes to the Subordinated Note Paying Agent, in accordance with the Subordinated Notes, the Amended and Restated Subordinated Note Paying Agency Agreement and this Indenture.

The Issuer shall, subject to the Priority of Payments, reimburse the Co-Issuer for any amounts paid by the Co-Issuer pursuant to the terms of the Notes or this Indenture. The Co-Issuer shall not reimburse the Issuer for any amounts paid by the Issuer pursuant to the terms of the Notes or this Indenture.

Amounts properly withheld under the Code or other applicable law or pursuant to the Issuer's agreement with a governmental authority by any Person from a payment under any Rated Note shall be considered as having been paid by the Issuer to the relevant Holder for all purposes of this Indenture.

Section 7.2. Maintenance of Office or Agency. The Co-Issuers hereby appoint the Trustee as a Paying Agent for payments on the Rated Notes and the Co-Issuers hereby appoint the Trustee at its applicable Corporate Trust Office, as the Co-Issuers' agent where Rated Notes may be surrendered for registration of transfer or exchange. The Co-Issuers may at any time and from time to time appoint additional Paying Agents; *provided* that no Paying Agent shall be appointed in a jurisdiction which subjects payments on the Rated Notes to withholding tax solely as a result of such Paying Agent's activities or its location. If at any time the Co-Issuers shall fail to maintain the appointment of a Paying Agent, or shall fail to furnish the Trustee with the address thereof, presentations and surrenders may be made (subject to the limitations described in the preceding sentence), and Rated Notes may be presented and surrendered for payment, to the Trustee at its main office.

The Co-Issuers have appointed National Corporate Research, Ltd. as their agent upon whom process or demands may be served in any action arising out of or based on this Indenture or the transactions contemplated hereby (the "Process Agent"). The Co-Issuers may at any time and from time to time vary or terminate the appointment of such Process Agent or

appoint an additional Process Agent; *provided* that the Co-Issuers will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices and demands to or upon the Co-Issuers in respect of the Notes and this Indenture may be served. If at any time the Co-Issuers shall fail to maintain any required office or agency in the Borough of Manhattan, The City of New York, or shall fail to furnish the Trustee with the address thereof, notices and demands may be served on the Issuer or the Co-Issuer by mailing a copy thereof by registered or certified mail or by overnight courier, postage prepaid, to the Issuer or the Co-Issuer, respectively, at its address specified in Section 14.3 for notices.

Section 7.3. Amounts for Payments to be Held in Trust. All payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Payment Account shall be made on behalf of the Issuer by the Trustee or a Paying Agent with respect to payments on the Notes.

When the Applicable Issuers shall have a Paying Agent that is not also the Registrar, they shall furnish, or cause the Registrar to furnish, no later than the fifth calendar day after each Record Date a list, if necessary, in such form as such Paying Agent may reasonably request, of the names and addresses of the Holders of the certificate numbers of individual Notes held by each such Holder.

Whenever the Applicable Issuers shall have a Paying Agent other than the Trustee, they shall, on or before the Business Day next preceding each Payment Date and any Redemption Date, as the case may be, direct the Trustee to deposit on such Payment Date or such Redemption Date, as the case may be, with such Paying Agent, if necessary, an aggregate sum sufficient to pay the amounts then becoming due (to the extent funds are then available for such purpose in the Payment Account), such sum to be held in trust for the benefit of the Persons entitled thereto and (unless such Paying Agent is the Trustee) the Applicable Issuers shall promptly notify the Trustee, with a copy to the Investment Manager, of its action or failure so to act. Any amounts deposited with a Paying Agent (other than the Trustee) in excess of an amount sufficient to pay the amounts then becoming due on the Rated Notes with respect to which such deposit was made shall be paid over by such Paying Agent to the Trustee for application in accordance with Article X.

The initial Paying Agent shall be as set forth in Section 7.2. Any additional or successor Paying Agents shall be appointed by Issuer Order with written notice thereof to the Trustee, with a copy to the Investment Manager; *provided* that so long as the Rated Notes of any Class are rated by a Rating Agency, with respect to any additional or successor Paying Agent, such Paying Agent has (i) a long-term debt rating of "A" and a short-term debt rating "A-1" (or, if it has no short-term rating, a long-term rating of "A+" or higher) by S&P and (ii) a long-term debt rating of "A1" or higher or a short-term debt rating of "P-1" by Moody's. If such successor Paying Agent ceases to have such ratings, the Co-Issuers shall remove such Paying Agent and appoint a successor Paying Agent within 30 days. The Co-Issuers shall not appoint any Paying Agent that is not, at the time of such appointment, a depository institution or trust company subject to supervision and examination by federal and/or state and/or national banking authorities. The Co-Issuers shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee and if the Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 7.3, that such Paying Agent will:

(a) allocate all sums received for payment to the Holders for which it acts as Paying Agent on each Payment Date and any Redemption Date among such Holders in the proportion specified in the applicable Distribution Report to the extent permitted by applicable law;

(b) hold all sums held by it for the payment of amounts due with respect to the Rated Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(c) if such Paying Agent is not the Trustee, immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by it in trust for the payment of Rated Notes if at any time it ceases to meet the standards set forth above required to be met by a Paying Agent at the time of its appointment;

(d) if such Paying Agent is not the Trustee, immediately give the Trustee, with a copy to the Investment Manager, notice of any default by the Issuer or the Co-Issuer (or any other obligor upon the Notes) in the making of any payment required to be made; and

(e) if such Paying Agent is not the Trustee, during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Co-Issuers may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Issuer Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Co-Issuers or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Co-Issuers or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such Money.

Except as otherwise required by applicable law, any amounts deposited with the Trustee or any Paying Agent in trust for any payment on any Note and remaining unclaimed for two years after such amount has become due and payable shall be paid to the Issuer on Issuer Order; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment of such amounts (but only to the extent of the amounts so paid to the Issuer) and all liability of the Trustee or such Paying Agent with respect to such trust Money shall thereupon cease. The Trustee or such Paying Agent, before being required to make any such release of payment, may, but shall not be required to, adopt and employ, at the expense of the Issuer any reasonable means of notification of such release of payment.

Section 7.4. Existence of Co-Issuers. (a) The Issuer and the Co-Issuer shall, to the maximum extent permitted by applicable law, maintain in full force and effect their existence and rights as companies incorporated or organized under the laws of the Cayman Islands and the State of Delaware, respectively, and shall obtain and preserve their qualification to do business

as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of this Indenture, the Notes, or any of the Assets; *provided* that (x) the Issuer shall be entitled to change its jurisdiction of incorporation from the Cayman Islands to any other jurisdiction reasonably selected by the Issuer so long as (i) the Issuer has received a legal opinion (upon which the Trustee may conclusively rely) to the effect that such change is not disadvantageous in any material respect to the Holders, (ii) written notice of such change shall have been given to the Trustee by the Issuer, which notice shall be forwarded by the Trustee to the Holders, the Investment Manager and each Rating Agency and (iii) on or prior to the 15th Business Day following receipt of such notice the Trustee shall not have received written notice from a Majority of the Controlling Class objecting to such change; and (y) the Issuer shall be entitled to take any action required by this Indenture within the United States notwithstanding any provision of this Indenture requiring the Issuer to take such action outside of the United States so long as prior to taking any such action the Issuer receives a legal opinion from nationally recognized legal counsel to the effect that it is not necessary to take such action outside of the United States or any political subdivision thereof in order to prevent the Issuer from becoming subject to U.S. federal, state or local income taxes on a net income basis or any material other taxes to which the Issuer would not otherwise be subject.

(b) The Issuer and the Co-Issuer shall ensure that all corporate or other formalities regarding their respective existences (including holding regular board of directors' and shareholders', or other similar, meetings to the extent required by applicable law) are followed. Neither the Issuer nor the Co-Issuer shall take any action, or conduct its affairs in a manner, that is likely to result in its separate existence being ignored or in its assets and liabilities being substantively consolidated with any other Person in a bankruptcy, reorganization or other insolvency proceeding. Without limiting the foregoing, (i) the Issuer shall not have any subsidiaries (other than the Co-Issuer and any Issuer Subsidiaries), (ii) the Co-Issuer shall not have any subsidiaries and (iii) except to the extent contemplated in the Administration Agreement or the Issuer's declaration of trust by MaplesFS Limited, (x) the Issuer and the Co-Issuer shall not (A) have any employees (other than their respective directors and officers, to the extent they are employees), (B) except as contemplated by the Investment Management Agreement, the Memorandum and Articles, the Registered Office Agreement or the Administration Agreement, engage in any transaction with any shareholder that would constitute a conflict of interest or (C) pay dividends other than in accordance with the terms of this Indenture and the Memorandum and Articles and (y) the Issuer shall (A) maintain books and records separate from any other Person, (B) maintain its accounts separate from those of any other Person, (C) not commingle its assets with those of any other Person, (D) conduct its own business in its own name, (E) maintain separate financial statements (if any), (F) pay its own liabilities out of its own funds, (G) maintain an arm's length relationship with its Affiliates, (H) use separate stationery, invoices and checks, (I) hold itself out as a separate Person and (J) correct any known misunderstanding regarding its separate identity.

(c) With respect to any Issuer Subsidiary:

(i) the Issuer shall not permit such Issuer Subsidiary to incur any indebtedness;

(ii) the constitutive documents of such Issuer Subsidiary shall provide that (A) recourse with respect to the costs, expenses or other liabilities of such Issuer Subsidiary shall be solely to the assets of such Issuer Subsidiary and no creditor of such Issuer Subsidiary shall have any recourse whatsoever to the Issuer or its assets except to the extent otherwise required under applicable law, (B) the activities and business purposes of such Issuer Subsidiary shall be limited to holding Issuer Subsidiary Assets and activities reasonably incidental thereto (including holding interests in other Issuer Subsidiaries), (C) such Issuer Subsidiary will not create, incur, assume or permit to exist any lien (other than a lien arising by operation of law), charge or other encumbrance on any of its assets, or sell, transfer, exchange or otherwise dispose of any of its assets, or assign or sell any income or revenues or rights in respect thereof, (D) such Issuer Subsidiary will be subject to the limitations on powers set forth in the organizational documents of the Issuer, (E) if such Issuer Subsidiary is a foreign corporation for U.S. federal income tax purposes, such Issuer Subsidiary shall file a U.S. federal income tax return reporting all income effectively connected with the conduct of a trade or business within the United States by the Issuer Subsidiary, if any, arising as a result of owning Issuer Subsidiary Assets, (F) after paying Taxes and expenses payable by such Issuer Subsidiary or setting aside adequate reserves for the payment of such Taxes and expenses, such Issuer Subsidiary will distribute 100% of the Cash proceeds of the assets acquired by it (net of such Taxes, expenses and reserves), (G) such Issuer Subsidiary will not form or own any subsidiary or any interest in any other entity other than interests in another Issuer Subsidiary or Issuer Subsidiary Assets and (H) such Issuer Subsidiary will not acquire or hold title to any real property or a controlling interest in any entity that owns real property;

(iii) the constitutive documents of such Issuer Subsidiary shall provide that such Issuer Subsidiary will (A) maintain books and records separate from any other Person, (B) maintain its accounts separate from those of any other Person, (C) not commingle its assets with those of any other Person, (D) conduct its own business in its own name, (E) maintain separate financial statements (if any), (F) pay its own liabilities out of its own funds; provided that the Issuer may pay expenses of such Issuer Subsidiary to the extent that collections on the assets held by such Issuer Subsidiary are insufficient for such purpose, (G) observe all corporate formalities and other formalities in its by-laws and its certificate of incorporation, (H) maintain an arm’s length relationship with its Affiliates, (I) not have any employees, (J) not guarantee or become obligated for the debts of any other person (other than the Issuer) or hold out its credit as being available to satisfy the obligations of others (other than the Issuer), (K) not acquire obligations or securities of the Issuer, (L) allocate fairly and reasonably any overhead for shared office space, (M) use separate stationery, invoices and checks, (N) not pledge its assets for the benefit of any other Person or make any loans or advance to any Person, (O) hold itself out as a separate Person, (P) correct any known misunderstanding regarding its separate identity and (Q) maintain adequate capital in light of its contemplated business operations;

(iv) the constitutive documents of such Issuer Subsidiary shall provide that the business of such Issuer Subsidiary shall be managed by or under the direction of a board of at least one director (or, if such Issuer Subsidiary is a limited liability company that does not have a board of directors, a manager whose vote is required for the initiation of any bankruptcy or other insolvency proceeding) and that at least one such director (or manager) shall be a person who is not at the time of appointment and for the five years prior thereto has not been (A) a direct or indirect legal or beneficial owner of the Investment Manager, such Issuer Subsidiary or any of their respective Affiliates (excluding *de minimis* ownership), (B) a creditor, supplier, officer, manager, or contractor of the Investment Manager, such Issuer Subsidiary or any of their respective Affiliates or (C) a person who controls (whether directly, indirectly or otherwise) the Investment Manager, such Issuer Subsidiary or any of their respective Affiliates or any creditor, supplier, officer, manager or contractor of the Investment Manager, such Issuer Subsidiary or any of their respective Affiliates;

(v) the constitutive documents of such Issuer Subsidiary shall provide that, so long as the Issuer Subsidiary is owned by the Issuer, upon the occurrence of the earliest of the date on which the Aggregate Outstanding Amount of each Class of Rated Notes is to be paid in full or the date of any voluntary or involuntary dissolution, liquidation or winding-up of the Issuer or the Co-Issuer, (x) the Issuer shall sell or otherwise dispose of all of its equity interests in such Issuer Subsidiary within a reasonable time or (y) such Issuer Subsidiary shall (A) sell or otherwise dispose of all of its property or, to the extent such Issuer Subsidiary is unable to sell or otherwise dispose of such property within a reasonable time, distribute such property in kind to its stockholders, (B) make provision for the filing of a tax return and any action required in connection with winding up such Issuer Subsidiary, (C) liquidate and (D) distribute the proceeds of liquidation to its stockholders; and

(vi) to the extent payable by the Issuer, with respect to any Issuer Subsidiary, any expenses related to such Issuer Subsidiary will be considered Administrative Expenses and will be payable as Administrative Expenses.

(d) Notwithstanding any other provision of this Indenture, the Co-Issuers and the Trustee agree, for the benefit of all Holders of each Class of Notes, not to institute against any Issuer Subsidiary any proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law, or a petition for its winding-up or liquidation (other than, in the case of the Issuer, a winding-up or liquidation of an Issuer Subsidiary that no longer holds any assets), until the payment in full of all Notes and the expiration of a period equal to one year (or, if longer, the applicable preference period then in effect) plus one day, following such payment in full.

Section 7.5. Protection of Assets. (a) The Issuer (or the Investment Manager on its behalf) will cause the taking of such action as is reasonably necessary in order to maintain the perfection and priority of the security interest of the Trustee in the Assets; *provided* that the Issuer (or the Investment Manager on its behalf) shall be entitled to rely on any Opinion of Counsel delivered pursuant to Section 7.6 and any Opinion of Counsel with respect to the same subject matter delivered pursuant to Section 3.1(a)(iii) and (iv) to determine what actions are reasonably necessary, and shall be fully protected in so relying on such an Opinion of Counsel, unless the Issuer (or the Investment Manager on its behalf) has actual knowledge that the procedures described in any such Opinion of Counsel are no longer adequate to maintain such

perfection and priority. The Issuer shall from time to time execute and deliver all such supplements and amendments hereto and file or authorize the filing of all such Financing Statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action as may be necessary or advisable or desirable to secure the rights and remedies of the Holders of the Notes hereunder and to:

(i) Grant more effectively all or any portion of the Assets;

(ii) maintain, preserve and perfect any Grant made or to be made by this Indenture including, without limitation, the first priority nature of the lien or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations);

(iv) enforce any of the Assets or other instruments or property included in the Assets;

(v) preserve and defend title to the Assets and the rights therein of the Trustee and the Holders of the Rated Notes in the Assets against the claims of all Persons and parties; or

(vi) pay or cause to be paid any and all taxes levied or assessed upon all or any part of the Assets.

The Issuer will make an entry of the security interest created by this Indenture in its Register of Mortgages and Charges.

The Issuer hereby designates the Trustee as its agent and attorney in fact to prepare and file any Financing Statement, continuation statement and all other instruments, and take all other actions, required pursuant to this Section 7.5. Such designation shall not impose upon the Trustee, or release or diminish, the Issuer's obligations under this Section 7.5. The Issuer further authorizes and shall cause the Issuer's United States counsel to file without the Issuer's signature a Financing Statement that names the Issuer as debtor and the Trustee, on behalf of the Secured Parties, as secured party and that describes "all assets" of the Issuer as the Assets in which the Trustee has a Grant.

(b) The Trustee shall not, except in accordance with this Indenture, permit the removal of any portion of the Assets or transfer any such Assets from the Account to which it is credited, or cause or permit any change in the Delivery made pursuant to Section 3.2 with respect to any Assets, if, after giving effect thereto, the jurisdiction governing the perfection of the Trustee's security interest in such Assets is different from the jurisdiction governing the perfection at the time of delivery of the most recent Opinion of Counsel pursuant to Section 7.6 (or, if no Opinion of Counsel has yet been delivered pursuant to Section 7.6, the Opinion of Counsel delivered at the Closing Date pursuant to Section 3.1(a)(iii)) unless the Trustee shall have received an Opinion of Counsel to the effect that the lien and security interest created by this Indenture with respect to such property and the priority thereof will continue to be maintained after giving effect to such action or actions.

Section 7.6. Opinions as to Assets. So long as the Rated Notes are Outstanding, on or before March 31 in each calendar year, commencing in 2015, the Issuer shall furnish to the Trustee and Moody's an Opinion of Counsel relating to the security interest granted by the Issuer to the Trustee, stating that, as of the date of such opinion, the lien and security interest created by this Indenture with respect to the Assets remain in effect and that no further action (other than as specified in such opinion) needs to be taken to ensure the continued effectiveness of such lien over the next year.

Section 7.7. Performance of Obligations. (a) The Co-Issuers, each as to itself, shall not take any action, and will use their best efforts not to permit any action to be taken by others, that would release any Person from any of such Person's covenants or obligations under any instrument included in the Assets, except in the case of enforcement action taken with respect to any Defaulted Obligation in accordance with the provisions hereof and actions by the Investment Manager under the Investment Management Agreement and in conformity with this Indenture or as otherwise required hereby.

(b) The Applicable Issuers may, with the prior written consent of a Majority of each Class of Rated Notes (except in the case of the Investment Management Agreement and the Collateral Administration Agreement, in which case no consent shall be required), contract with other Persons, including the Investment Manager, the Trustee and the Collateral Administrator for the performance of actions and obligations to be performed by the Applicable Issuers hereunder and under the Investment Management Agreement by such Persons. Notwithstanding any such arrangement, the Applicable Issuers shall remain primarily liable with respect thereto. In the event of such contract, the performance of such actions and obligations by such Persons shall be deemed to be performance of such actions and obligations by the Applicable Issuers; and the Applicable Issuers will punctually perform, and use their best efforts to cause the Investment Manager, the Trustee, the Collateral Administrator and such other Person to perform, all of their obligations and agreements contained in the Investment Management Agreement, this Indenture, the Collateral Administration Agreement or any such other agreement.

(c) The Issuer shall notify each Rating Agency (with a copy to the Investment Manager) within 10 Business Days after any material breach of any Transaction Document, following any applicable cure period for such breach.

(d) The Issuer shall, on the Closing Date, deposit Cash with the Legacy Custodian in an amount equal to the Closing Date Deposit and shall, on October 21, 2013, cause the Legacy Custodian to apply the Closing Date Deposit to the payment in full of all Legacy Rated Noteholders as required under the terms of the Original Indenture.

Section 7.8. Negative Covenants. (a) The Issuer will not and, with respect to clauses (ii), (iii), (iv) and (vi) through (xi) and (xiii) the Co-Issuer will not, in each case from and after the Closing Date:

(i) sell, transfer, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (or permit such to occur or suffer such to exist), any part of the Assets, except as expressly permitted by this Indenture and the Investment Management Agreement;

(ii) claim any credit on, make any deduction from, or dispute the enforceability of payment of the principal or interest payable (or any other amount) in respect of the Notes (other than amounts withheld or deducted in accordance with the Code or any applicable laws of the Cayman Islands or other applicable jurisdiction);

(iii) incur or assume or guarantee any indebtedness, other than the Notes, this Indenture and the transactions contemplated hereby;

(iv) (A) permit the validity or effectiveness of this Indenture or any Grant hereunder to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to this Indenture or the Notes except as may be permitted hereby or by the Investment Management Agreement, (B) except as permitted by this Indenture, permit any lien, charge, adverse claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture) to be created on or extend to or otherwise arise upon or burden any part of the Assets, any interest therein or the proceeds thereof, or (C) except as permitted by this Indenture, take any action that would permit the lien of this Indenture not to constitute a valid first priority security interest in the Assets;

(v) amend the Investment Management Agreement except pursuant to the terms thereof;

(vi) dissolve or liquidate in whole or in part, except as permitted hereunder or required by applicable law;

(vii) other than as otherwise expressly provided herein, pay any distributions other than in accordance with the Priority of Payments;

(viii) permit the formation of any subsidiaries (other than, in the case of the Issuer, the Co-Issuer and Issuer Subsidiaries);

(ix) conduct business under any name other than its own;

(x) have any employees (other than directors and officers, to the extent they are employees);

(xi) fail to maintain an independent director under the Co-Issuer’s certificate of incorporation;

(xii) sell, transfer, exchange or otherwise dispose of Assets, or enter into an agreement or commitment to do so or enter into or engage in any business with respect to any part of the Assets, except as expressly permitted by both this Indenture and the Investment Management Agreement; and

(xiii) (i) in the case of the Issuer, transfer its equity interest in the Co-Issuer so long as any Rated Notes are Outstanding or (ii) in the case of the Co-Issuer, permit the transfer of any of its equity interests so long as any Rated Notes are Outstanding.

(b) The Co-Issuer will not invest any of its assets in "securities" as such term is defined in the Investment Company Act, and will keep all of its assets in Cash.

(c) Neither the Issuer nor the Co-Issuer will be party to any agreements under which it has a future payment obligation without including customary "non-petition" and "limited recourse" provisions therein (and shall not amend or eliminate such provisions in any agreement to which it is party), except for any agreements related to the purchase and sale of any Collateral Obligations or Eligible Investments which contain customary (as determined by the Investment Manager in its sole discretion) purchase or sale terms or which are documented using customary (as determined by the Investment Manager in its sole discretion) loan trading documentation.

(d) The Issuer shall not enter into any agreement amending, modifying or terminating any Transaction Document without notifying each Rating Agency (with a copy to the Investment Manager).

(e) The Issuer may not acquire any of the Notes (including any Notes surrendered or abandoned). This Section 7.8(f) shall not be deemed to limit an optional, special or mandatory redemption pursuant to the terms of this Indenture.

(f) Notwithstanding anything to the contrary contained herein, the Issuer shall not, and shall use commercially reasonable efforts to ensure that the Investment Manager acting on the Issuer's behalf does not, acquire or own any asset, conduct any activity or take any action unless the acquisition or ownership of such asset, the conduct of such activity or the taking of such action, as the case may be, would not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes. The requirements of this Section 7.8(f) shall be deemed to be satisfied if the requirements of Section 7.8(g) below are satisfied, so long as the Issuer does not have actual knowledge that there has been a change in U.S. federal income tax law or the interpretation thereof that could cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes notwithstanding the satisfaction of such requirements.

(g) In furtherance and not in limitation of Section 7.8(f), notwithstanding anything to the contrary contained herein, the Issuer shall comply with all of the provisions of the Tax Guidelines unless, with respect to a particular transaction, the Issuer, the Investment Manager and the Trustee have received advice of Winston & Strawn LLP, or a written opinion of other tax counsel of nationally recognized standing in the United States experienced in such matters, to the effect that the Issuer's contemplated activities will not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes. The Tax Guidelines may be waived, amended, eliminated, modified or supplemented

(without execution of a supplemental indenture) if the Issuer, the Investment Manager and the Trustee have received advice of Winston & Strawn LLP, or a written opinion of other tax counsel of nationally recognized standing in the United States experienced in such matters, to the effect that the Issuer's contemplated activities will not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes. For the avoidance of doubt, in the event advice of Winston & Strawn LLP, or an opinion of other tax counsel, as described above has been obtained in accordance with the terms hereof, no consent of any holder of Notes or satisfaction of the Rating Agency Confirmation shall be required in order to comply with this Section 7.8(g) in connection with the waiver, amendment, elimination, modification or supplementation of the Tax Guidelines contemplated by such advice or opinion.

Section 7.9. Statement as to Compliance. On or before March 31 in each calendar year commencing in 2015, or immediately if there has been a Default under this Indenture and prior to the issuance of any Additional Notes pursuant to Section 2.13, the Issuer shall deliver to the Trustee and the Administrator (to be forwarded by the Trustee or the Administrator, as applicable, to the Investment Manager, each Holder making a written request therefor and each Rating Agency) an Officer's certificate of the Issuer that, having made reasonable inquiries of the Investment Manager, and to the best of the knowledge, information and belief of the Issuer, there did not exist, as at a date not more than five days prior to the date of the certificate, nor had there existed at any time prior thereto since the date of the last certificate (if any), any Default hereunder or, if such Default did then exist or had existed, specifying the same and the nature and status thereof, including actions undertaken to remedy the same, and that the Issuer has complied with all of its obligations under this Indenture or, if such is not the case, specifying those obligations with which it has not complied.

Section 7.10. Co-Issuers May Consolidate, etc. Only on Certain Terms. Neither the Issuer nor the Co-Issuer (the "Merging Entity") shall consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person, unless permitted by Cayman Islands law (in the case of the Issuer) or United States and Delaware law (in the case of the Co-Issuer) and unless:

(a) the Merging Entity shall be the surviving corporation, or the Person (if other than the Merging Entity) formed by such consolidation or into which the Merging Entity is merged or to which all or substantially all of the assets of the Merging Entity are transferred (the "Successor Entity") (A) if the Merging Entity is the Issuer, shall be a company incorporated and existing under the laws of the Cayman Islands or such other jurisdiction approved by a Majority of the Controlling Class (*provided* that no such approval shall be required in connection with any such transaction undertaken solely to effect a change in the jurisdiction of incorporation pursuant to Section 7.4, and (B) in any case shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee and each Holder, the due and punctual payment of the principal of and interest on all Rated Notes and the performance and observance of every covenant of this Indenture on its part to be performed or observed, all as provided herein;

(b) each Rating Agency shall have been notified in writing of such consolidation or Rating Agency Confirmation shall have been obtained from Moody's;

(c) if the Merging Entity is not the Successor Entity, the Successor Entity shall have agreed with the Trustee (i) to observe the same legal requirements for the recognition of such formed or surviving corporation as a legal entity separate and apart from any of its Affiliates as are applicable to the Merging Entity with respect to its Affiliates and (ii) not to consolidate or merge with or into any other Person or transfer or convey the Assets or all or substantially all of its assets to any other Person except in accordance with the provisions of this Section 7.10;

(d) if the Merging Entity is not the Successor Entity, the Successor Entity shall have delivered to the Trustee and each Rating Agency an Officer's certificate and an Opinion of Counsel each stating that such Person is duly organized, validly existing and in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in subsection (a) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligations; that such Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); if the Merging Entity is the Issuer, that, immediately following the event which causes such Successor Entity to become the successor to the Issuer, (i) such Successor Entity has title, free and clear of any lien, security interest or charge, other than the lien and security interest of this Indenture, to the Assets securing all of the Rated Notes, (ii) the Trustee continues to have a valid perfected first priority security interest in the Assets securing all of the Rated Notes and (iii) such Successor Entity will not be subject to U.S. net income tax or be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes; and in each case as to such other matters as the Trustee or any Holder may reasonably require; provided that nothing in this clause (d) shall imply or impose a duty on the Trustee to require such other documents;

(e) immediately after giving effect to such transaction, no Default, Event of Default or Enforcement Event has and is continuing;

(f) the Merging Entity shall have notified the Investment Manager of such consolidation, merger, transfer or conveyance and shall have delivered to the Trustee and each Holder an Officer's certificate and an Opinion of Counsel each stating that such consolidation, merger, transfer or conveyance and such supplemental indenture comply with this Article VII and that all conditions precedent in this Article VII relating to such transaction have been complied with and that such consolidation, merger, transfer or conveyance will not cause the Issuer to be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes or subject to U.S. net income tax and will not cause any Class of Rated Notes to be deemed retired and reissued;

(g) the Merging Entity shall have delivered to the Trustee an Opinion of Counsel stating that after giving effect to such transaction, neither of the Co-Issuers (or, if applicable, the Successor Entity) will be required to register as an investment company under the Investment Company Act; and

(h) after giving effect to such transaction, the outstanding stock of the Merging Entity (or, if applicable, the Successor Entity) will not be beneficially owned within the meaning of the Investment Company Act by any U.S. Person.

Section 7.11. Successor Substituted. Upon any consolidation or merger, or transfer or conveyance of all or substantially all of the assets of the Issuer or the Co-Issuer, in accordance with Section 7.10 in which the Merging Entity is not the surviving corporation, the Successor Entity shall succeed to, and be substituted for, and may exercise every right and power of, the Merging Entity under this Indenture with the same effect as if such Person had been named as the Issuer or the Co-Issuer, as the case may be, herein. In the event of any such consolidation, merger, transfer or conveyance, the Person named as the "Issuer" or the "Co-Issuer" in the first paragraph of this Indenture or any successor which shall theretofore have become such in the manner prescribed in this Article VII may be dissolved, wound up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker on all the Rated Notes and from its obligations under this Indenture.

Section 7.12. No Other Business. The Issuer shall not have any employees (other than its directors and officers, to the extent they are employees) and shall not engage in any business or activity other than issuing, paying and redeeming the Rated Notes and any additional notes issued pursuant to this Indenture, acquiring, holding, selling, exchanging, redeeming and pledging, solely for its own account, Collateral Obligations and Eligible Investments, acquiring, holding, selling, exchanging, redeeming and pledging shares in Issuer Subsidiaries and other activities incidental thereto, including entering into the Placement Agency Agreement and the Transaction Documents to which it is a party. The Issuer shall not hold itself out as originating loans, lending funds, making a market in loans or other assets or selling loans or other assets to customers or as willing to enter into, assume, offset, assign or otherwise terminate positions in derivative financial instruments with customers. The Co-Issuer shall not engage in any business or activity other than co-issuing and selling the Co-Issued Notes and any additional rated notes co-issued pursuant to this Indenture and other activities incidental thereto, including entering into the Placement Agency Agreement and the Transaction Documents to which it is a party. The Issuer and the Co-Issuer may amend, or permit the amendment of, the Memorandum and Articles of the Issuer and the certificate of incorporation and the by-laws of the Co-Issuer, respectively only with Rating Agency Confirmation with respect to Moody's and notice to S&P.

Section 7.13. Maintenance of Listing. So long as any Listed Notes remain Outstanding, the Co-Issuers shall use all reasonable efforts to maintain the listing of such Notes on the Irish Stock Exchange.

Section 7.14. Ratings; Review of Credit Estimates. (a) The Applicable Issuers shall promptly notify the Trustee and the Investment Manager in writing (and the Trustee shall promptly provide the Holders with a copy of such notice) if at any time the rating of any such Class of Rated Notes has been, or is known will be, changed or withdrawn.

(b) The Issuer shall obtain and pay for (i) an annual review of any Collateral Obligation which has a Moody's Rating derived (under clause (b) of the definition thereof in Schedule 4) as set forth in clause (c)(ii) of the definition of the term Moody's Derived Rating in Schedule 4 and any DIP Collateral Obligation, (ii) an annual review of any Collateral Obligation with a credit estimate from Moody's, (iii) upon the occurrence of a Specified Amendment, a review of any Collateral Obligation with a credit estimate from Moody's and (iv) an annual review of any Collateral Obligation with an S&P Rating derived as set forth in clause (iii)(b) of the part of the definition of the term S&P Rating.

(c) The Issuer will obtain an annual review of any rating estimate with respect to a Collateral Obligation. In addition, the Issuer will notify S&P of any of the following with respect to a Collateral Obligation with a rating estimate from S&P: (i) nonpayment of interest or principal, (ii) rescheduling of any interest or principal in any part of the capital structure, (iii) any breach of covenant, (iv) any restructuring of debt (including proposed debt), (v) the occurrence of significant transactions (sale or acquisitions of assets), and (vi) changes in payment terms—that is, the addition of payment-in-kind terms, changes in maturity dates, and changes in coupon rates (each, a "Material Event").

Section 7.15. Reporting. At any time when the Co-Issuers are not subject to Section 13 or 15(d) of the Exchange Act and are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, upon the written request of a Holder or, upon the written request to the Trustee in the form of Exhibit D, a beneficial owner of a Note, the Applicable Issuers shall promptly furnish or cause to be furnished Rule 144A Information to such Holder or beneficial owner, to a prospective purchaser of such Note designated by such Holder or beneficial owner, or to the Trustee for delivery upon an Issuer Order to such Holder or beneficial owner or a prospective purchaser designated by such Holder or beneficial owner, as the case may be, in order to permit compliance by such Holder or beneficial owner with Rule 144A under the Securities Act in connection with the resale of such Note. "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

Section 7.16. Calculation Agent. (a) The Issuer hereby agrees that for so long as any Floating Rate Notes remain Outstanding there will at all times be an agent appointed (which does not control or is not controlled or under common control with the Issuer or its Affiliates or the Investment Manager or its Affiliates) to calculate LIBOR in respect of each Interest Accrual Period in accordance with the terms of Exhibit C hereto (the "Calculation Agent"). The Issuer hereby appoints the Collateral Administrator as the Calculation Agent. The Calculation Agent may be removed by the Issuer or the Investment Manager, on behalf of the Issuer, at any time. If the Calculation Agent is unable or unwilling to act as such or is removed by the Issuer or the Investment Manager, on behalf of the Issuer, the Issuer or the Investment Manager, on behalf of the Issuer, will promptly appoint a replacement Calculation Agent which does not control or is not controlled by or under common control with the Issuer or its Affiliates or the Investment Manager or its Affiliates. The Calculation Agent may not resign its duties or be removed without a successor having been duly appointed.

(b) The Calculation Agent shall be required to agree (and the Collateral Administrator as Calculation Agent does hereby agree) that, as soon as possible after 11:00 a.m. London time on each Interest Determination Date, but in no event later than 11:00 a.m. New York time on the London Banking Day immediately following each Interest Determination Date, the Calculation Agent will calculate the Interest Rate applicable to each Class of Floating Rate

Notes during the related Interest Accrual Period and the Note Interest Amount (in each case, rounded to the nearest cent, with half a cent being rounded upward) payable on the related Payment Date in respect of such Class and the related Interest Accrual Period. At such time, the Calculation Agent will communicate such rates and amounts to the Co-Issuers, the Trustee, each Paying Agent, the Investment Manager, Euroclear, Clearstream and, if applicable, the Irish Stock Exchange. The Calculation Agent will also specify to the Co-Issuers the quotations upon which the foregoing rates and amounts are based, and in any event the Calculation Agent shall notify the Co-Issuers (with a copy to the Investment Manager) before 5:00 p.m. (New York time) on every Interest Determination Date if it has not determined and is not in the process of determining any such Interest Rate or Note Interest Amount together with its reasons therefor. The Calculation Agent's determination of the foregoing rates and amounts for any Interest Accrual Period will (in the absence of manifest error) be final and binding upon all parties.

Section 7.17. Certain Tax Matters. (a) The Issuer and the Co-Issuer will treat the Issuer, the Co-Issuer and the Notes as described in the "Certain U.S. Federal Income Tax Considerations" section of the Offering Memorandum for all U.S. federal, state and local income tax purposes and will take no action inconsistent with such treatment unless required by law.

(b) The Issuer and Co Issuer shall prepare and file, and the Issuer shall cause each Issuer Subsidiary to prepare and file, or in each case shall hire accountants and the accountants shall cause to be prepared and filed (and, where applicable, delivered to the Issuer or Holders) for each taxable year of the Issuer, the Co Issuer and the Issuer Subsidiary the federal, state and local income tax returns and reports as required under the Code, or any tax returns or information tax returns required by any governmental authority which the Issuer, the Co Issuer or the Issuer Subsidiary are required to file (and, where applicable, deliver), and shall provide to each Holder any information that such Holder reasonably requests in order for such Holder to comply with its U.S. federal, state or local tax and information return and reporting obligations; *provided* that neither the Issuer nor the Co-Issuer shall file, or cause to be filed, any income or franchise tax return in the United States or any state of the United States unless it shall have obtained advice of Winston & Strawn LLP, or a written opinion of other nationally recognized U.S. tax counsel experienced in such matters, prior to such filing to the effect that, under the laws of such jurisdiction, the Issuer or Co-Issuer (as applicable) is required to file such income or franchise tax return.

(c) Notwithstanding any provision herein to the contrary, the Issuer shall take, and shall cause any Issuer Subsidiary to take, any and all actions that may be necessary or appropriate to ensure that the Issuer or such Issuer Subsidiary satisfies any and all reporting, withholding and tax payment obligations under Code Sections 1441, 1445, 1446, 1471, 1472, or any other provision of the Code or other applicable law. Without limiting the generality of the foregoing, each of the Issuer and any Issuer Subsidiary may withhold any amount that it or any advisor retained by the Trustee on its behalf determines is required to be withheld from any amounts otherwise distributable to any Person. In addition, the Issuer shall, and shall cause each Issuer Subsidiary to, cause to be delivered any properly completed and executed documentation, agreements, and certifications to each issuer, counterparty, paying agent, and/or any applicable taxing authority, and enter into any agreements with a taxing authority or other governmental authority, as necessary to avoid or reduce the withholding, deduction, or imposition of U.S. income or withholding tax.

(d) Upon the Trustee's receipt of a request of a Holder delivered in accordance with the notice procedures of Section 14.3, for the information described in United States Treasury Regulations Section 1.1275 3(b)(i) that is applicable to such Holder, the Trustee shall forward such request to the Issuer and the Issuer shall cause its Independent accountants to provide promptly to the Trustee and such requesting Holder all of such information. Any issuance of additional notes or replacement notes shall be accomplished in a manner that shall allow the Independent accountants of the Issuer to accurately calculate original issue discount income to holders of Notes (including such additional notes or replacement notes).

(e) Prior to the time that:

(i) the Issuer would acquire or receive (A) a Letter of Credit Letter of Credit Reimbursement Obligation or (B) any asset in connection with a workout or restructuring of a Collateral Obligation that, in either case, could cause the Issuer to be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes, or

(ii) any Collateral Obligation is modified in a manner that could cause the Issuer to be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes,

the Issuer will either (x) organize an Issuer Subsidiary and contribute to the Issuer Subsidiary the right to receive such Letter of Credit Reimbursement Obligation or asset or the Collateral Obligation that is the subject of the workout, restructuring, or modification, (y) contribute to an existing Issuer Subsidiary the right to receive such Letter of Credit Reimbursement Obligation or asset or the Collateral Obligation that is the subject of the workout, restructuring, or modification, or (z) sell the right to receive such Letter of Credit Reimbursement Obligation or asset or the Collateral Obligation that is the subject of the workout, restructuring, or modification, in each case unless the Issuer receives advice of Winston & Strawn LLP, or a written opinion of other nationally recognized U.S. tax counsel experienced in such matters, to the effect that the acquisition, ownership, and disposition of such Letter of Credit Reimbursement Obligation or asset, or that the workout, restructuring, or modification of such Collateral Obligation (as the case may be), will not cause the Issuer to be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes or otherwise subject to U.S. federal income tax on a net income basis.

(f) Notwithstanding Section 7.17(e), the Issuer shall not acquire any Collateral Obligation if a restructuring or workout of such Collateral Obligation is in process and if such restructuring or workout could reasonably result in the Issuer being treated as engaged in a trade or business in the United States or subject to U.S. federal tax on a net income basis.

(g) Notwithstanding anything to the contrary contained herein, the Issuer shall not dispose of any interest in an Issuer Subsidiary, and no Issuer Subsidiary shall make any distributions to the Issuer, if (A) such interest is a "United States real property interest," as defined in Section 897(c) of the Code, and (B) the Issuer would be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes as a result of such disposition or distribution.

(h) No more than 50% of the debt obligations (as determined for U.S. federal income tax purposes) held by the Issuer may at any time consist of real estate mortgages as determined for purposes of Section 7701(i) of the Code unless, based on advice of Winston & Strawn LLP, or a written opinion of other nationally recognized U.S. tax counsel experienced in such matters, the ownership of such debt obligations will not cause the Issuer to be treated as a taxable mortgage pool for U.S. federal income tax purposes.

(i) The Co-Issuer has not and will not elect to be treated as other than a disregarded entity for U.S. federal, state or local tax purposes.

Section 7.18. Collateral Quality Tests.

(a) Minimum Diversity Score/Maximum Rating/Minimum Spread Matrix. The Investment Manager shall elect the Matrix Combination that shall apply to the Collateral Obligations for purposes of determining compliance with the Moody's Diversity Test, the Maximum Moody's Rating Factor Test and the Minimum Floating Spread Test (collectively, the "Matrix Tests"), and if such Matrix Combination chosen to apply as of the Closing Date, the Investment Manager will so notify the Trustee. Thereafter, at any time on written notice of one Business Day to the Trustee, the Collateral Administrator and the Rating Agencies, the Investment Manager may elect a different Matrix Combination to apply; *provided* that if: (i) the Collateral Obligations are currently in compliance with the Matrix Combination then applicable, the Collateral Obligations comply with the Matrix Combination to which the Investment Manager desires to change or (ii) the Collateral Obligations are not currently in compliance with the Matrix Combination then applicable and would not be in compliance with any potential Matrix Combination, the Investment Manager has selected a Matrix Combination that will not (A) increase the level of non-compliance of any Matrix Test or (B) cause the non-compliance with any Matrix Test; *provided* that if subsequent to such election the Collateral Obligations comply with any Matrix Combination, the Investment Manager shall elect a Matrix Combination with respect to which the Collateral Obligations are in compliance. If the Investment Manager does not notify the Trustee and the Collateral Administrator that it will alter the Matrix Combination chosen in the manner set forth above, the Matrix Combination chosen shall continue to apply.

(b) Weighted Average S&P Recovery Rate. The Investment Manager shall elect the Weighted Average S&P Recovery Rate that shall apply to the Collateral Obligations for purposes of determining compliance with the Minimum Weighted Average S&P Recovery Rate Test, and if such Weighted Average S&P Recovery Rate differs from the Weighted Average S&P Recovery Rate chosen to apply as of the Closing Date, the Investment Manager will so notify the Trustee and the Collateral Administrator. Thereafter, at any time on written notice to the Trustee, the Collateral Administrator and S&P, the Investment Manager may elect a different Weighted Average S&P Recovery Rate to apply to the Collateral Obligations; *provided* that, if: (i) the Collateral Obligations are currently in compliance with the Weighted Average S&P Recovery Rate case then applicable to the Collateral Obligations, the Collateral Obligations comply with the Weighted Average S&P Recovery Rate case to which the Investment Manager desires to change or (ii) the Collateral Obligations are not currently in compliance with the Weighted Average S&P Recovery Rate case then applicable to the Collateral Obligations and would not be in compliance with any other Weighted Average S&P Recovery Rate case, the

Weighted Average S&P Recovery Rate to apply to the Collateral Obligations shall be the lowest Weighted Average S&P Recovery Rate in Section 2 of Schedule 5. If the Investment Manager does not notify the Trustee and the Collateral Administrator that it will alter the Weighted Average S&P Recovery Rate chosen in the manner set forth above, the Weighted Average S&P Recovery Rate chosen shall continue to apply.

(c) The Investment Manager on behalf of the Issuer shall make reasonable commercial efforts in accordance with the standard of care under the Investment Management Agreement to invest, within 60 days after the Closing Date, all Principal Proceeds held by the Issuer as of the Closing Date in additional Collateral Obligations that satisfy the Ratings Criteria such that the Aggregate Principal Balance is no less than the Target Initial Par Amount.

Section 7.19. Representations Relating to Security Interests in the Assets. (a) The Issuer hereby represents and warrants that, as of the Closing Date (which representations and warranties shall survive the execution of this Indenture and be deemed to be repeated on each date on which an Asset is Granted to the Trustee hereunder):

(i) The Issuer owns such Asset free and clear of any lien, claim or encumbrance of any person, other than such as are created under, or permitted by, this Indenture.

(ii) Other than the security interest Granted to the Trustee pursuant to this Indenture, except as permitted by this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Assets. The Issuer has not authorized the filing of and is not aware of any Financing Statements against the Issuer that include a description of collateral covering the Assets other than any Financing Statement relating to the security interest granted to the Trustee hereunder or that has been terminated; the Issuer is not aware of any judgment, PBGC liens or tax lien filings against the Issuer.

(iii) All Assets constitute Cash, accounts (as defined in Article 9 of the UCC), Instruments, general intangibles (as defined in Article 9 of the UCC), Uncertificated Notes (as defined in Article 8 of the UCC), Certificated Notes or security entitlements to financial assets resulting from the crediting of financial assets to a "securities account" (as defined in Article 8 of the UCC).

(iv) All Accounts constitute "securities accounts" within the meaning of Section 8-501(a) of the UCC.

(v) This Indenture creates a valid and continuing security interest (as defined in Article 1 of the UCC) in such Assets in favor of the Trustee, for the benefit and security of the Secured Parties, which security interest is prior to all other liens, claims and encumbrances (except as permitted otherwise in this Indenture), and is enforceable as such against creditors of and purchasers from the Issuer.

(vi) The Issuer has caused or will have caused, within ten days after the Closing Date, the filing of all appropriate Financing Statements in the proper office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Instruments granted to the Trustee, for the benefit and security of the Secured Parties.

(vii) None of the Instruments that constitute or evidence the Assets has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Trustee, for the benefit of the Secured Parties.

(viii) The Issuer has received all consents and approvals required by the terms of the Assets to the pledge hereunder to the Trustee of its interest and rights in the Assets.

(ix) All Assets other than the Accounts have been credited to one or more Accounts (other than any "general intangibles" within the meaning of the applicable Uniform Commercial Code and any instruments evidencing debt underlying a participation held by a collateral agent).

(x) (A) The Issuer has delivered to the Trustee a fully executed Account Agreement pursuant to which the Intermediary has agreed to comply with all instructions originated by the Trustee relating to the Accounts without further consent by the Issuer or (B) the Issuer has taken all steps necessary to cause the Intermediary to identify in its records the Trustee as the person having a security entitlement against the Intermediary in each of the Accounts.

(xi) The Accounts are not in the name of any Person other than the Trustee. The Issuer has not consented to the Intermediary to comply with the Entitlement Order of any Person other than the Trustee.

(b) The Issuer agrees to notify the Rating Agencies, with a copy to the Investment Manager, promptly if it becomes aware of the breach of any of the representations and warranties contained in this Section 7.19 and shall not waive any of the representations and warranties in this Section 7.19 or any breach thereof.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.1. Supplemental Indentures Without Consent of Holders. (a) Without the consent of any Holder, the Co-Issuers, when authorized by Resolutions, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(i) to evidence the succession of another Person to the Issuer or the Co-Issuer and the assumption by any such successor Person of the covenants of the Issuer or the Co-Issuer herein and in the Notes;

(ii) to add to the covenants of the Co-Issuers or the Trustee for the benefit of the Secured Parties;

(iii) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Rated Notes;

(iv) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Sections 6.9, 6.10 and 6.12;

(v) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations, whether pursuant to Section 7.5 or otherwise) or to subject to the lien of this Indenture any additional property;

(vi) to modify the restrictions on and procedures for resales and other transfers of Rated Notes to reflect any changes in ERISA or other applicable law or regulation (or the interpretation thereof) or to enable the Co-Issuers to rely upon any exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder;

(vii) to make such changes as shall be necessary or advisable in order for the Listed Notes to be or remain listed on an exchange, including the Irish Stock Exchange;

(viii) otherwise to correct any manifest errors in this Indenture or to conform the provisions of this Indenture to the Offering Memorandum or, with the consent of the Controlling Class, to correct any inconsistency or cure any ambiguity or omission in this Indenture;

(ix) to take any action advisable, necessary or helpful to (A) prevent the Issuer or any Issuer Subsidiary from becoming subject to (or to otherwise minimize) withholding or other taxes, fees or assessments (including by complying with FATCA), (B) reduce the risk that the Issuer may be treated as a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, or (C) reduce the risk that the Issuer may be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes or that the Issuer or any Holder of Subordinated Notes may otherwise be subject to U.S. federal, state or local income tax on a net income basis;

(x) at any time during the Reinvestment Period, to facilitate the issuance by the Co-Issuers in accordance with Section 9.1 (for which any required consent has been obtained) of replacement notes in connection with a Refinancing;

(xi) to accommodate the issuance of any Rated Notes in book-entry form through the facilities of DTC or otherwise;

(xii) to change the name of the Issuer or the Co-Issuer in connection with any change in name or identity of the Investment Manager or as otherwise required pursuant to a contractual obligation or to avoid the use of a trade name or trademark in respect of which the Issuer or the Co-Issuer does not have a license;

(xiii) to amend, modify or otherwise accommodate changes to this Indenture to comply with any rule or regulation enacted by any regulatory agency of the U.S. federal government after the Closing Date that is applicable to the Rated Notes;

(xiv) to modify the Rule 17g-5 Procedures;

(xv) (A) to enter into any additional agreements not expressly prohibited by this Indenture, upon consent of a Majority of the Controlling Class, or (B) to modify this Indenture or the Notes in a manner that does not materially and adversely affect any Class of Notes; or

(xvi) to change the Minimum Denomination of any Class of Rated Notes; or

(xvii) subject to the approval of a Majority of the Subordinated Notes, to make such changes as are necessary to permit the Applicable Issuers at any time prior to December 23, 2016, to issue Additional Notes of any one or more existing Classes in accordance with Section 2.13.

(b) In addition, the Co-Issuers and the Trustee may enter into supplemental indentures to (A) evidence any waiver by S&P of Rating Agency Confirmation from S&P required hereunder or (B) conform to ratings criteria and other guidelines relating generally to collateral debt obligations published by any Rating Agency, including any alternative methodology published by any Rating Agency; *provided* that this Section 8.1(b) shall be subject to Sections 8.3(d) and 8.3(h).

(c) Any supplemental indenture entered into for a purpose other than the purposes set forth in this Section 8.1 must be executed pursuant to Section 8.2 with the consent of the percentage of Holders specified therein.

Section 8.2. Supplemental Indentures With Consent of Holders. (a) With the consent of a Majority of each Class materially and adversely affected thereby, if any, and subject to clauses (b) through (d) below, the Trustee and the Co-Issuers may execute one or more indentures supplemental hereto to add any provisions to, or change in any manner or eliminate any of the provisions of, this Indenture or modify in any manner the rights of the Holders of the Notes of any Class under this Indenture; *provided* that notwithstanding anything in this Indenture to the contrary, no such supplemental indenture shall, without the consent of Holders of 100% of each Class materially and adversely affected thereby:

(i) with respect to the Rated Notes change the Stated Maturity of the principal of or the due date of any installment of interest on any Rated Note, reduce the principal amount thereof or the rate of interest thereon or the Redemption Price with respect to any Rated Note, or change the earliest date on which Rated Notes of any Class may be redeemed, change the provisions of this Indenture relating to the application of proceeds of any Assets to the payment of principal of or interest on the Rated Notes or distributions on the Subordinated Notes (other than, following a redemption in full of the

Rated Notes, an amendment to permit distributions to Holders of Subordinated Notes on dates other than Payment Dates) or change any place where, or the coin or currency in which, Rated Notes or the principal thereof or interest or any distribution thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable Redemption Date);

(ii) reduce or increase the percentage of the Aggregate Outstanding Amount of Holders of each Class whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder or their consequences provided for in this Indenture;

(iii) impair or adversely affect the Assets except as otherwise permitted in this Indenture;

(iv) except as otherwise permitted by this Indenture, permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Assets or terminate such lien on any property at any time subject hereto or deprive the Holder of any Note of the security afforded by the lien of this Indenture;

(v) reduce or increase the percentage of the Aggregate Outstanding Amount of Holders of any Class of Rated Notes whose consent is required to request the Trustee to preserve the Assets or rescind the Trustee's election to preserve the Assets pursuant to Section 5.5 or to sell or liquidate the Assets pursuant to Section 5.4 or 5.5;

(vi) modify any of the provisions of this Indenture with respect to entering into supplemental indentures, except to increase the percentage of Outstanding Notes the consent of the Holders of which is required for any such action or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Note Outstanding and affected thereby;

(vii) modify the definition of the term Controlling Class, the definition of the term Outstanding or the Priority of Payments set forth in Section 11.1(a); or

(viii) modify any of the provisions of this Indenture in such a manner as to affect the rights of the Noteholders to the benefit of any provisions for the redemption of such Rated Notes contained herein.

(b) With the consent of the Investment Manager and a Majority of the Controlling Class, the Trustee and the Co-Issuers may execute one or more indentures supplemental hereto to modify the definition of the term Concentration Limitations, Credit Improved Obligation, Credit Risk Obligation, Defaulted Obligation or Equity Security, the restrictions on the sales of Collateral Obligations set forth in Section 12.1 or the Investment Criteria.

(c) With the consent of the Investment Manager and a Majority of the Controlling Class, the Trustee and the Co-Issuers may execute one or more indentures supplemental hereto to modify the Collateral Quality Test or the definitions related thereto (including, for the avoidance of doubt, the Minimum Diversity Score/Maximum Rating/Minimum Spread Matrix), except that such consent will not be required if (i) the Trustee has received a certificate from the Investment Manager that the proposed supplemental indenture conforms the provisions of this Indenture to changes in a Rating Agency's published criteria or (ii) the modifications are to correct ambiguities, errors (including typographical errors), mistakes or inconsistencies with respect to the Collateral Quality Test or the definitions related thereto, unless, in each case, a Majority of the Controlling Class or a Majority of the Subordinated Notes has provided written notice to the Trustee (who will forward such notice to the Investment Manager) at least one Business Day prior to the proposed execution date of such supplemental indenture that such Class objects to such determination.

(d) With the consent of the Investment Manager, a Majority of the Controlling Class and a Majority of the Subordinated Notes, the Trustee and the Co-Issuers may execute one or more indentures supplemental hereto to modify the Management Fee; *provided* that the Base Management Fee may not be increased without the consent of Holders of 100% of each Class.

(e) Notwithstanding anything herein to the contrary and in addition to any other requirements of this Section 8.2, no modification or amendment to the definitions of "Concentration Limitations," "Eligible Investments," "Participation Interest," "Permitted Securities Condition," "Section 13 Banking Entity" or "Volcker Rule" will be effective unless the prior written approval of a supermajority (66 2/3% based on the Aggregate Outstanding Amount of Notes held by the Section 13 Banking Entities) of the Section 13 Banking Entities (voting as a single class) is obtained.

Section 8.3. Execution of Supplemental Indentures. (a) The Trustee shall join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise, except to the extent required by law.

(b) In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article VIII or the modifications thereby of the trusts created by this Indenture, the Trustee will be entitled to receive, and (subject to Sections 6.1 and 6.3) will be fully protected in relying in good faith upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and that all conditions precedent thereto have been complied with.

(c) At the cost of the Co-Issuers, for so long as any Rated Notes shall remain Outstanding, not later than 15 Business Days prior to the execution of any proposed supplemental indenture pursuant to Section 8.1(a)(xv) or Section 8.2, the Trustee will provide to the Investment Manager, the Collateral Administrator, the Rating Agencies and the Holders a notice attaching a copy of such supplemental indenture and request (A) with respect to any supplemental indenture pursuant to Section 8.1(a)(xv)(A), consent of a Majority of the Controlling Class and (B) with respect to any supplemental indenture pursuant to Section 8.1(a)(xv)(B), consent of a Majority of each Class of Notes materially and adversely affected

thereby, which consent is required not less than one Business Day prior to the proposed execution date of such supplemental indenture. Any consent given to a proposed supplemental indenture by the Holder of any Rated Notes will be irrevocable and binding on all future Holders or beneficial owners of that Rated Note, irrespective of the execution date of the supplemental indenture.

(d) Notwithstanding any provision of Section 8.1 or Section 8.2 to the contrary, if any supplemental indenture permits the Issuer to enter into a Synthetic Security or other hedge, swap or derivative transaction, the Co-Issuers and the Trustee shall not enter into such supplemental indenture unless (x) either (A) the Permitted Securities Condition is satisfied, or (B) the Co-Issuers obtain written advice of counsel and a certification from the Investment Manager that (1) the written terms of the derivative directly relate to the Collateral Obligations and the Notes and (2) such derivative reduces the interest rate and/or foreign exchange risks related to the Collateral Obligations and the Notes, (y) the Co-Issuers obtain written advice of counsel that such Hedge Agreement will not cause any person to be required to register as a "commodity pool operator" (within the meaning of the Commodity Exchange Act) with the Commodity Futures Trading Commission in connection with the Issuer and (z) a Rating Agency Confirmation (with respect to Moody's only) has been obtained.

(e) At the cost of the Co-Issuers, the Trustee shall provide to the Investment Manager, the Collateral Administrator, the Rating Agencies and the Holders a copy of any executed supplemental indenture after its execution. Any failure of the Trustee to supply such copy will not, however, in any way impair or affect the validity of any such supplemental indenture.

(f) It shall not be necessary for any Act of Holders to approve the particular form of any proposed supplemental indenture, but it shall be sufficient, if the consent of any Holders to such proposed supplemental indenture is required, that such Act shall approve the substance thereof.

(g) The Investment Manager shall not be bound to follow any amendment or supplement to this Indenture unless it has received written notice of such supplement and a copy of such supplement from the Issuer or the Trustee. The Issuer agrees that it shall not permit to become effective any supplement or modification to this Indenture which would, as reasonably determined by the Investment Manager, (i) increase the duties or liabilities of, reduce or eliminate any right or privilege of (including as a result of an effect on the amount or priority of any fees or other amounts payable to the Investment Manager), or adversely change the economic consequences to, the Investment Manager, (ii) modify the restrictions on the Sales of Collateral Obligations or (iii) materially expand or restrict the Investment Manager's discretion, and the Investment Manager shall not be bound thereby unless the Investment Manager shall have consented in advance thereto in writing. The Trustee will not be obligated to enter into any amendment or supplement that, as determined by the Trustee, adversely affects its duties, obligations, liabilities or protections under this Indenture. No amendment to this Indenture will be effective against the Collateral Administrator if such amendment would adversely affect the Collateral Administrator, including, without limitation, any amendment or supplement that would increase the duties or liabilities of, or adversely change the economic consequences to, the Collateral Administrator, unless the Collateral Administrator otherwise consents in writing.

(h) If a Majority of any Class has provided notice to the Trustee (with a copy to the Investment Manager) within the ten (10) Business Day period beginning on the date of the delivery to the Noteholders of a proposed supplemental indenture pursuant to Section 8.1(a)(xv)(B), Section 8.2(a), 8.2(b) or, in circumstances where the consent of a Majority of the Controlling Class is required, 8.2(c) that such Class would be materially and adversely affected thereby, the Trustee and the Co-Issuers shall not enter into such supplemental indenture unless consent is obtained from the percentage of Holders of such Class specified in Section 8.1(a)(xv)(B) or 8.2(a), as applicable, or a Majority of the Holders of such Class if a percentage is not specified in such section. The Trustee shall not enter into any supplemental indenture pursuant to Section 8.1(a)(xv)(A) without the consent of a Majority of the Controlling Class.

(i) Notwithstanding anything to the contrary herein, no supplemental indenture or other modification or amendment of this Indenture may become effective without the consent of the Holders of all Notes of each Class Outstanding unless such supplemental indenture or other modification or amendment will not, in the reasonable judgment of the Issuer in consultation with legal counsel experienced in such matters, as certified by the Issuer to the Trustee (upon which certification the Trustee may conclusively rely), (A) result in the Issuer being treated as engaged in a trade or business within the United States, or (B) have a material adverse effect on the tax treatment of the Issuer or the tax consequences to the holders of any Class of Rated Notes Outstanding at the time of such supplemental indenture or other modification or amendment, as described in the Offering Memorandum under the heading "*Certain U.S. Federal Income Tax Considerations*."

Section 8.4. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article VIII, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Rated Notes theretofore and thereafter authenticated and delivered hereunder shall be bound thereby.

Section 8.5. Reference in Rated Notes to Supplemental Indentures. Rated Notes authenticated and delivered, including as part of a transfer, exchange or replacement pursuant to Article II of Rated Notes originally issued hereunder, after the execution of any supplemental indenture pursuant to this Article VIII may, and if required by the Issuer shall, bear a notice in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Applicable Issuers shall so determine, new Rated Notes, so modified as to conform in the opinion of the Co-Issuers to any such supplemental indenture, may be prepared and executed by the Applicable Issuers and authenticated and delivered by the Trustee in exchange for Outstanding Rated Notes.

ARTICLE IX

REDEMPTION OF RATED NOTES

Section 9.1. Mandatory Redemption. If a Coverage Test is not satisfied on any Determination Date on which such Coverage Test is applicable or the Interest Diversion Test is not satisfied on any Determination Date during the Reinvestment Period, the Issuer shall apply available amounts in the Payment Account pursuant to the Priority of Payments on the related Payment Date to make payments in accordance with the Note Payment Sequence to the extent necessary to achieve compliance with such Coverage Tests or Interest Diversion Test, as the case may be.

Section 9.2. Optional Redemption. (a) The Applicable Issuers shall, on any Business Day occurring after the Non-Call Period, (i) if directed by a Majority of the Subordinated Notes, redeem all of the Rated Notes (in whole but not in part) from Sale Proceeds and/or Refinancing Proceeds or (ii) if directed by the Investment Manager, redeem one or more Classes (in whole but not in part) of Rated Notes from Refinancing Proceeds so long as a Majority of the Subordinated Notes has not objected within 10 Business Days' notice of such proposed Refinancing. In connection with any such redemption, the Rated Notes shall be redeemed at the applicable Redemption Prices. Direction of an Optional Redemption must be provided in accordance with Section 9.4.

(b) Upon receipt of a direction of redemption of each Class of Rated Notes (in whole but not in part) pursuant to Section 9.2(a)(i), the Investment Manager shall direct the sale (and the manner thereof), acting in a commercially reasonable manner to maximize the proceeds of such sale, of all or part of the Collateral Obligations and other Assets in an amount sufficient that the proceeds from such sale and all other funds available for such purpose (including Refinancing Proceeds) will be at least sufficient to pay the Redemption Prices of the Rated Notes, all amounts senior in right of payment to the Rated Notes, all accrued and unpaid Management Fees (unless waived by the Investment Manager) and all accrued and unpaid Administrative Expenses (regardless of the Administrative Expense Cap) (collectively, the "Required Redemption Amount"). If such proceeds of such sale and all other funds available for such purpose would not be at least equal to the Required Redemption Amount, the Rated Notes may not be redeemed. The Investment Manager, in its sole discretion, may affect the sale of all or any part of the Collateral Obligations or other Assets through the direct sale of such Collateral Obligations or other Assets or by participation or other arrangement.

(c) [RESERVED.]

(d) In addition to (or in lieu of) a sale of Collateral Obligations and/or Eligible Investments in the manner provided in Section 9.2(b), all Classes of Rated Notes may, after the Non-Call Period, be redeemed in whole from Refinancing Proceeds and Sale Proceeds or one or more Classes of Rated Notes may be redeemed in whole from Refinancing Proceeds as provided in Section 9.2(a)(ii) by a Refinancing; *provided* that the terms of such Refinancing must be acceptable to the Investment Manager and a Majority of the Subordinated Notes and such Refinancing otherwise satisfies the conditions described below.

(e) In the case of a Refinancing upon a redemption of all of the Rated Notes pursuant to Section 9.2(a)(i), such Refinancing will be effective only if (i) the Refinancing Proceeds, all Sale Proceeds from the sale of Collateral Obligations and Eligible Investments in accordance with the procedures set forth herein, and all other available funds will be at least equal to the Required Redemption Amount, including the reasonable fees, costs, charges and expenses incurred by the Co-Issuers, the Trustee and the Collateral Administrator (including reasonable attorneys' fees and expenses) in connection with such Refinancing, (ii) the Sale Proceeds, Refinancing Proceeds and other available funds are used (to the extent necessary) to

make such redemption, (iii) the agreements relating to the Refinancing contain limited recourse and non-petition provisions equivalent to those contained in Section 5.4(d) and Section 2.7(j), (iv) advice of Winston & Strawn LLP, or a written opinion of other tax counsel of nationally recognized standing in the United States experienced in such matters, shall be delivered to the Trustee to the effect that the Refinancing will not cause the Issuer to be treated as a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes and (v) to the extent required by the U.S. Risk Retention Rules (as defined below), (a) the Investment Manager or a majority-owned affiliate (as such term is defined in the U.S. Risk Retention Rules) of the Investment Manager will hold securities of the Issuer in an amount that would satisfy the U.S. Risk Retention Rules and (b) the Investment Manager has committed in writing to the Issuer that it will provide any applicable disclosures required under the U.S. Risk Retention Rules regarding the securities of the Issuer held by it or held by a majority-owned affiliate (as such term is defined in the U.S. Risk Retention Rules) of the Investment Manager. "**U.S. Risk Retention Rules**" means the joint final rules implementing the credit risk retention requirements of Section 941 of Dodd- Frank Act adopted by the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Department of Housing and Urban Development, and the Federal Housing Finance Agency and published in the Federal Register on December 24, 2014.

(f) In the case of a Refinancing of one or more (but not all) Classes of Rated Notes pursuant to Section 9.2(a)(ii), such Refinancing will be effective only if: (i) the Issuer provides notice to each Rating Agency, (ii) the Refinancing Proceeds together with the Partial Redemption Interest Proceeds will be at least sufficient to pay in full the aggregate Redemption Prices of the entire Class or Classes of Rated Notes subject to Refinancing, (iii) the Refinancing Proceeds are used (to the extent necessary) to make such redemption, (iv) the agreements relating to the Refinancing contain limited recourse and non-petition provisions equivalent to those contained in Section 5.4(d) and Section 2.7(j), (v) the aggregate principal amount of any obligations providing the Refinancing is equal to the Aggregate Outstanding Amount of the Rated Notes being redeemed with the proceeds of such obligations, (vi) the stated maturity of each class of obligations providing the Refinancing is the same as the corresponding Stated Maturity of each Class of Rated Notes being refinanced, (vii) the reasonable fees, costs, charges and expenses incurred in connection with such Refinancing have been paid or will be adequately provided for, (viii) the interest rate of any obligations providing the Refinancing will not be greater than the interest rate of the Rated Notes subject to such Refinancing, (ix) the obligations providing the Refinancing are subject to the Priority of Payments and do not rank higher in priority pursuant to the Priority of Payments than the Class of Rated Notes being refinanced, (x) the voting rights, consent rights, redemption rights and all other rights of the obligations providing the Refinancing are the same as the rights of the corresponding Class of Rated Notes being refinanced, (xi) advice of Winston & Strawn LLP, or a written opinion of other tax counsel of nationally recognized standing in the United States experienced in such matters, shall be delivered to the Trustee to the effect that the Refinancing will not cause the Issuer to be treated as a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes and (xii) to the extent required by the U.S. Risk Retention Rules, (a) the Investment Manager or a majority-owned affiliate (as such term is defined in the U.S. Risk Retention Rules) of the Investment Manager will hold securities of the Issuer in an amount that would satisfy the U.S. Risk Retention Rules and (b) the Investment Manager has committed in writing to the Issuer that

it will provide any applicable disclosures required under the U.S. Risk Retention Rules regarding the securities of the Issuer held by it or held by a majority-owned affiliate (as such term is defined in the U.S. Risk Retention Rules) of the Investment Manager. Fees, costs, charges and expenses incurred in connection with such Refinancing will be Administrative Expenses and may be paid under the Priority of Payments, from proceeds in the Ongoing Expense Smoothing Account.

(g) To implement a Refinancing, the Issuer and, at the direction of the Investment Manager, the Trustee shall amend this Indenture to the extent necessary to reflect the terms of the Refinancing and no further consent for such amendments shall be required from the Holders other than Holders of the Subordinated Notes directing the redemption. The Trustee shall not be obligated to enter into any amendment that, as determined by the Trustee, adversely affects its duties, obligations, liabilities or protections hereunder, and the Trustee shall be entitled to conclusively rely upon an Officer's certificate and, as to matters of law, an Opinion of Counsel (which may be supported as to factual (including financial and capital markets) matters by any relevant certificates and other documents necessary or advisable in the judgment of counsel delivering such Opinion of Counsel) provided by the Issuer to the effect that such amendment meets the requirements specified above and is permitted under this Indenture (except that such Officer or counsel shall have no obligation to certify or opine as to the sufficiency of the Refinancing Proceeds).

Section 9.3. Tax Redemption. (a) The Rated Notes shall be redeemed in whole but not in part (any such redemption, a "Tax Redemption") at the written direction (delivered to the Trustee, with a copy to the Investment Manager) of (x) a Majority of any Affected Class or (y) a Majority of the Subordinated Notes, following (I) the occurrence and continuation of a Tax Event that results or will result in the nonpayment of 5.0% or more of scheduled distributions for any Collection Period, or (II) the occurrence and continuation of a Tax Event resulting in a tax or "gross-up" burden on the Issuer in an aggregate amount in any Collection Period in excess of U.S.$ 1,000,000.

(b) Upon its receipt of such written direction directing a Tax Redemption, the Trustee shall promptly notify the Holders and each Rating Agency thereof.

(c) If an Officer of the Investment Manager obtains actual knowledge of the occurrence of a Tax Event, the Investment Manager shall promptly notify the Issuer, the Collateral Administrator and the Trustee thereof, and upon receipt of such notice the Trustee shall promptly notify the Holders and each Rating Agency thereof.

Section 9.4. Redemption Procedures. (a) In the event of any redemption pursuant to Section 9.2, the written direction of the Holders of the Subordinated Notes required thereby or the Investment Manager, as applicable, shall be provided to the Issuer and the Trustee (with a copy to the Investment Manager, if applicable) not later than 30 Business Days prior to the Business Day on which such redemption is to be made, or such shorter period as the Investment Manager may agree (which date shall be designated in such notice). The Issuer (or, upon an Issuer Order, the Trustee in the name and at the expense of the Co-Issuers) shall notify the Holders and each Rating Agency, with a copy to the Investment Manager, at least 10 Business Days prior to the Redemption Date of such Redemption Date, the applicable Record

Date, the principal amount of Rated Notes to be redeemed on such Redemption Date and the applicable Redemption Prices. In the event of any redemption pursuant to Section 9.3, a notice of redemption shall be provided not later than five Business Days prior to the applicable Redemption Date, to each Holder of Rated Notes and each Rating Agency.

(b) All notices of redemption delivered pursuant to Section 9.4(a) shall state:

(i) the applicable Redemption Date;

(ii) the Redemption Prices of the Rated Notes to be redeemed;

(iii) that all of the Rated Notes to be redeemed are to be redeemed in full and that interest on such Rated Notes shall cease to accrue on the Redemption Date specified in the notice; and

(iv) the place or places where Certificated Notes are to be surrendered for payment of the Redemption Prices.

The Issuer may withdraw any such notice of redemption delivered pursuant to Section 9.2, following good faith efforts by the Issuer and the Investment Manager to facilitate such redemption, on any day up to and including the day that is one Business Day prior to the proposed Redemption Date by written notice to the Trustee. A Majority of the Subordinated Notes will have the option to direct the withdrawal of any such notice of redemption delivered pursuant to Section 9.2 on or prior to the sixth Business Day prior to the proposed Redemption Date by written notice to the Issuer, the Trustee and the Investment Manager, *provided* that neither the Issuer nor the Investment Manager has entered into a binding agreement in connection with the sale of any portion of the Assets or taken any other actions in connection with the liquidation of any portion of the Assets pursuant to such notice of redemption. The Trustee will provide notice, in the name and at the expense of the Co-Issuers, to the Holders, the Investment Manager and each Rating Agency of the withdrawal of any notice of redemption.

Notice of redemption pursuant to Section 9.2 or 9.3 shall be given by the Issuer or, upon an Issuer Order, by the Trustee in the name and at the expense of the Co-Issuers. Failure to give notice of redemption, or any defect therein, to any Holder of any Rated Note selected for redemption shall not impair or affect the validity of the redemption of any other Rated Notes.

(c) Unless Refinancing Proceeds are being used to redeem the Rated Notes, in the event of any redemption pursuant to Section 9.2 or 9.3, no Rated Notes may be optionally redeemed unless (i) at least five Business Days before the scheduled Redemption Date the Investment Manager shall have furnished to the Trustee an Officer's Certificate from the Investment Manager on behalf of the Issuer stating that it has entered into a binding agreement or agreements with a financial or other institution or institutions whose short-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) are rated, or guaranteed by a Person whose short-term unsecured obligations are rated, at least "P-1" by Moody's to purchase (directly or by participation or other arrangement) from the Issuer, not later than the Business Day immediately preceding the scheduled Redemption Date in immediately available funds, all or part of the Assets at a purchase price at

least equal to the Required Redemption Amount and redeem all of the Rated Notes on the scheduled Redemption Date at the applicable Redemption Prices (or in the case of any Class of Rated Notes, such lesser amount that the Holders of such Class have elected to receive, where Holders of such Class have elected to receive less than 100% of the Redemption Price that would otherwise be payable to the Holders of such Class), (ii) at least five Business Days before the scheduled Redemption Date, the Issuer shall have received proceeds of disposition of all or part of the Assets at least equal to the Required Redemption Amount, or (iii) prior to selling any Collateral Obligations and/or Eligible Investments, the Investment Manager shall certify to the Trustee that, in its judgment, the aggregate sum of (A) expected proceeds from the sale or payment of Eligible Investments, and (B) for each Collateral Obligation, the product of its Principal Balance and its Market Value and its Applicable Advance Rate, shall be at least equal to the Required Redemption Amount. Any certification delivered by the Investment Manager pursuant to this Section 9.4(c) shall include (1) the prices of, and expected proceeds from, the sale (directly or by participation or other arrangement) or payment of any Collateral Obligations and/or Eligible Investments and (2) all calculations required by this Section 9.4(c). Any Holder, the Investment Manager or any of the Investment Manager's Affiliates shall have the right, subject to the same terms and conditions afforded to other bidders, to bid on Assets to be sold as part of an Optional Redemption or a Tax Redemption.

Section 9.5. Rated Notes Payable on Redemption Date. (a) Notice of redemption pursuant to Section 9.4 having been given as aforesaid, the Rated Notes to be redeemed shall, on the Redemption Date, subject to Section 9.4(c) and the Issuer's right to withdraw any notice of redemption pursuant to Section 9.4(b), become due and payable at the Redemption Prices therein specified, and from and after the Redemption Date (unless the Issuer shall default in the payment of the Redemption Prices and accrued interest) all such Rated Notes that are Rated Notes shall cease to bear interest on the Redemption Date. Holders of Certificated Notes, upon final payment on such Note to be so redeemed, shall present and surrender such Note at the place specified in the notice of redemption on or prior to such Redemption Date; provided that in the absence of notice to the Applicable Issuers or the Trustee that the applicable Note has been acquired by a Protected Purchaser, such final payment shall be made without presentation or surrender, if the Trustee and the Applicable Issuers shall have been furnished such security or indemnity as may be required by them to save each of them harmless and an undertaking thereafter to surrender such certificate. Payments of interest on Rated Notes and payments in respect of the Subordinated Notes so to be redeemed which are payable on or prior to the Redemption Date shall be payable to the Holders, or one or more predecessor Notes, registered as such at the close of business on the relevant Record Date according to the terms and provisions of Section 2.7(f).

(b) If any Rated Note called for redemption shall not be paid upon surrender thereof for redemption, the principal thereof shall, until paid, bear interest from the Redemption Date at the applicable Interest Rate for each successive Interest Accrual Period such Rated Note remains Outstanding; *provided* that the reason for such non-payment is not the fault of such Holder.

Section 9.6. Special Redemption. Principal payments on the Rated Notes shall be made in accordance with the Priority of Payments on any Payment Date during the Reinvestment Period, if the Investment Manager notifies the Trustee at least five Business Days prior to the applicable Special Redemption Date that it has been unable, for a period of at least 20 consecutive Business Days, to identify additional Collateral Obligations that are deemed appropriate by the Investment Manager and which would satisfy the Investment Criteria in sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Collection Account that are to be invested in additional Collateral Obligations (a "Special Redemption"). Any such notice shall be based upon the Investment Manager having attempted, in accordance with the standard of care set forth in the Investment Management Agreement, to identify additional Collateral Obligations as described above. On the first Payment Date (and all subsequent Payment Dates) following the Collection Period in which such notice is given (a "Special Redemption Date"), the amount in the Collection Account representing Principal Proceeds which the Investment Manager has determined cannot be reinvested in additional Collateral Obligations will be applied in accordance with the Priority of Payments. Notice of payments pursuant to this Section 9.6 shall be given not less than three Business Days prior to the applicable Special Redemption Date to each Holder of Rated Notes and to each Rating Agency (with a copy to the Investment Manager). In addition, with respect to Listed Notes so long as the guidelines of such exchange so require, notice of Special Redemption to the Irish Stock Exchange.

ARTICLE X

ACCOUNTS, ACCOUNTING AND RELEASES

Section 10.1. Collection of Money. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all Money and other property payable to or receivable by the Trustee pursuant to this Indenture, including all payments due on the Assets, in accordance with the terms and conditions of such Assets. The Trustee shall segregate and hold all such Money and property received by it in trust for the Holders of the Rated Notes and shall apply it as provided in this Indenture. Each Account shall be an Eligible Account. All Cash deposited in the Accounts shall be invested only in Eligible Investments or Collateral Obligations in accordance with the terms of this Indenture. To avoid the consolidation of the Assets of the Issuer with the general assets of the Bank under any circumstances, the Trustee shall comply, and shall cause the Intermediary to comply, with all law applicable to it as a national bank with trust powers holding segregated trust assets in a fiduciary capacity; *provided* that the foregoing shall not be construed to prevent the Trustee or Intermediary from investing the Assets of the Issuer in Eligible Investments described in clause (ii) of the definition thereof that are obligations of the Bank.

Section 10.2. Collection Account. (a) In accordance with this Indenture and the Account Agreement, the Trustee shall, prior to the Closing Date, establish at the Intermediary two non-interest bearing segregated trust accounts, one of which will be designated the "Interest Collection Account" and one of which will be designated the "Principal Collection Account" (and which together will comprise the Collection Account), each held in the name of the Trustee, for the benefit of the Secured Parties and each of which shall be maintained with the Intermediary in accordance with the Account Agreement. The Trustee shall from time to time deposit into the Interest Collection Account, in addition to the deposits required pursuant to

Section 10.6(a), immediately upon receipt thereof or upon transfer from the Expense Reserve Account or the LC Reserve Account, all Interest Proceeds (unless simultaneously reinvested in additional Collateral Obligations in accordance with Article XII). The Trustee shall deposit immediately upon receipt thereof or upon transfer from the Expense Reserve Account, Revolver Funding Account or LC Reserve Account all other amounts remitted to the Collection Account into the Principal Collection Account, including in addition to the deposits required pursuant to Section 10.6(a), (i) any funds designated as Principal Proceeds by the Investment Manager in accordance with this Indenture and (ii) all other Principal Proceeds (unless simultaneously reinvested in additional Collateral Obligations in accordance with Article XII or in Eligible Investments). The Issuer may, but under no circumstances shall be required to, deposit from time to time into the Collection Account, in addition to any amount required hereunder to be deposited therein, such amounts received from external sources for the benefit of the Secured Parties (other than payments on or in respect of the Collateral Obligations, Eligible Investments or other existing Assets) as the Issuer deems, in its sole discretion, to be advisable and to designate them as Interest Proceeds or Principal Proceeds. All amounts deposited from time to time in the Collection Account pursuant to this Indenture shall be held by the Trustee as part of the Assets and shall be applied to the purposes herein provided. Subject to Section 10.2(d), amounts in the Collection Account shall be reinvested pursuant to Section 10.6(a).

(b) The Trustee, within one Business Day after receipt of any distribution or other proceeds in respect of the Assets which are not Cash, shall so notify the Issuer (with a copy to the Investment Manager), and the Issuer (or the Investment Manager on its behalf) shall use its commercially reasonable efforts to, within five Business Days after receipt of such notice from the Trustee (or as soon as practicable thereafter), sell such distribution or other proceeds for Cash in an arm's length transaction and deposit the proceeds thereof in the Collection Account; *provided* that, subject to the requirements of Section 12.1, the Issuer (i) need not sell such distributions or other proceeds if it delivers an Issuer Order or an Officer's certificate to the Trustee certifying that such distributions or other proceeds constitute Collateral Obligations or Eligible Investments or (ii) may otherwise retain such distribution or other proceeds for up to two years from the date of receipt thereof if it delivers an Officer's certificate to the Trustee certifying that (x) it will sell such distribution within such two-year period and (y) retaining such distribution is not otherwise prohibited by this Indenture.

(c) At any time when reinvestment is permitted pursuant to Article XII, the Investment Manager on behalf of the Issuer may by Issuer Order direct the Trustee to, and upon receipt of such Issuer Order the Trustee shall, withdraw funds on deposit in the Principal Collection Account representing Principal Proceeds (together with Interest Proceeds but only to the extent used to pay for accrued interest on an additional Collateral Obligation) and reinvest such funds in additional Collateral Obligations or exercise a warrant held in the Assets, in each case in accordance with the requirements of Article XII and such Issuer Order. At any time, the Investment Manager on behalf of the Issuer may by Issuer Order direct the Trustee to, and upon receipt of such Issuer Order the Trustee shall, withdraw funds on deposit (i) in the Principal Collection Account representing Principal Proceeds and deposit such funds in the Revolver Funding Account to meet funding requirements on Delayed Drawdown Collateral Obligations or Revolving Collateral Obligations and (ii) in the Interest Collection Account representing Interest Proceeds and deposit such funds in the LC Funding Account to satisfy the requirements of Section 10.5.

(d) The Investment Manager on behalf of the Issuer may by Issuer Order direct the Trustee to, and upon receipt of such Issuer Order the Trustee shall, pay from amounts on deposit in the Collection Account on any Business Day during any Interest Accrual Period (i) any amount required to exercise a warrant or right to acquire notes held in the Assets in accordance with the requirements of Article XII and such Issuer Order, and (ii) from Interest Proceeds only, any Administrative Expenses (such payments to be counted against the Administrative Expense Cap for the applicable period and to be subject to the order of priority as stated in the definition of Administrative Expenses); *provided* that the aggregate Administrative Expenses paid pursuant to this Section 10.2(d) during any Collection Period shall not exceed the Administrative Expense Cap for the related Payment Date. The Trustee shall not be obligated to make such payment if, in the reasonable determination of the Trustee, such payment would leave insufficient funds, taking into account the Administrative Expense Cap, for payments anticipated to be or become due or payable on the next Payment Date that are given a higher priority in the definition of Administrative Expenses.

Section 10.3. Transaction Accounts

(a) Payment Account. In accordance with this Indenture and the Account Agreement, the Trustee shall, prior to the Closing Date, establish at the Intermediary a single, segregated non-interest bearing trust account held in the name of the Trustee, for the benefit of the Secured Parties, which shall be designated as the "Payment Account," which shall be maintained with the Intermediary in accordance with the Account Agreement. Except as provided in Section 11.1(a), the only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, the Payment Account shall be to pay amounts due and payable under the Priority of Payments. The Co-Issuers shall not have any legal, equitable or beneficial interest in the Payment Account other than in accordance with the Priority of Payments. Amounts in the Payment Account shall remain uninvested.

(b) Custodial Account. In accordance with this Indenture and the Account Agreement, the Trustee shall, on or prior to the Closing Date, establish at the Intermediary a single, segregated non-interest bearing trust account held in the name of the Trustee, for the benefit of the Secured Parties, which shall be designated as the "Custodial Account," which shall be maintained with the Intermediary in accordance with the Account Agreement. All Collateral Obligations, Equity Securities and equity interests in Issuer Subsidiaries shall be credited to the Custodial Account as provided herein. The only permitted withdrawals from the Custodial Account shall be in accordance with the provisions of this Indenture. The Trustee agrees to give the Co-Issuers, with a copy to the Investment Manager, immediate notice if (to the actual knowledge of a Trust Officer of the Trustee) the Custodial Account or any assets or securities on deposit therein, or otherwise to the credit of the Custodial Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Co-Issuers shall not have any legal, equitable or beneficial interest in the Custodial Account other than in accordance with this Indenture and the Priority of Payments.

(c) Expense Reserve Account. In accordance with this Indenture and the Account Agreement, the Trustee shall, prior to the Closing Date, establish at the Intermediary a single, segregated non-interest bearing trust account held in the name of the Trustee, for the benefit of the Secured Parties, which shall be designated as the "Expense Reserve Account,"

which shall be maintained with the Intermediary in accordance with the Account Agreement. The Issuer hereby directs the Trustee to deposit to the Expense Reserve Account the amount specified in Section 3.1(a)(xii). On any Business Day from the Closing Date to and including the Determination Date relating to the first Payment Date following the Closing Date, the Trustee shall apply funds from the Expense Reserve Account, as directed by the Investment Manager, to pay expenses of the Co-Issuers incurred in connection with the establishment of the Co-Issuers, the structuring and consummation of the Offering and the issuance of the Rated Notes. By the Determination Date relating to the first Payment Date following the Closing Date, all funds in the Expense Reserve Account (after deducting any expenses paid on such Determination Date) will be deposited in the Collection Account as Interest Proceeds and/or Principal Proceeds (in the respective amounts directed by the Investment Manager in its sole discretion). On any Business Day after the Determination Date relating to the first Payment Date following the Closing Date, the Trustee shall apply funds from the Expense Reserve Account (except as provided in the next sentence), as a deposit to the Collection Account as Principal Proceeds. Any income earned on amounts deposited in the Expense Reserve Account will be deposited in the Interest Collection Account as Interest Proceeds as it is paid.

(d) Ongoing Expense Smoothing Account. The Trustee will, prior to the Closing Date, establish at the Intermediary a single, segregated non-interest bearing trust account held in the name of the Trustee for the benefit of the Secured Parties which will be designated as the "Ongoing Expense Smoothing Account." The Trustee shall transfer funds to the Ongoing Expense Smoothing Account, in the amounts and as directed by the Investment Manager, on each Payment Date as described under Section 11.1(a)(i). The Trustee shall apply funds from the Ongoing Expense Smoothing Account, in the amounts and as directed by the Investment Manager, to pay Administrative Expenses in the order of priority contained in the definition thereof on or between Payment Dates (without regard to the Administrative Expense Cap) including without limitation, Administrative Expenses incurred in connection with a Refinancing. Any income earned on amounts on deposit in the Ongoing Expense Smoothing Account shall be deposited in the Interest Collection Account as Interest Proceeds as it is paid.

(e) The Trustee shall transfer to the Payment Account, from the Collection Account for application pursuant to Section 11.(a), on the Business Day immediately preceding each Payment Date, the amount set forth to be so transferred in the Distribution Report for such Payment Date.

Section 10.4. The Revolver Funding Account. The Issuer hereby directs the Trustee to deposit to the Revolver Funding Account the amount specified in Section 3.1(a)(xii). Upon the purchase of any Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation, funds in an amount equal to the undrawn portion of such obligation shall be withdrawn first from the Ramp-Up Account and, if necessary, from the Principal Collection Account, as directed by the Investment Manager, and deposited by the Trustee pursuant to such direction in a single, segregated non-interest bearing trust account established at the Intermediary and held in the name of the Trustee for the benefit of the Secured Parties (the "Revolver Funding Account"); *provided* that, if such Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation is a Participation Interest with respect to which the Selling Institution requires funds to be deposited with the Selling Institution or its custodian in an amount equal to any portion of the undrawn amount of such obligation as collateral for the funding obligations

under such obligation (such funds, the "Selling Institution Collateral"), the Investment Manager on behalf of the Issuer shall direct the Trustee to (and pursuant to such direction the Trustee shall) deposit such funds in the amount of the Selling Institution Collateral with such Selling Institution or custodian rather than in the Revolver Funding Account, subject to the following sentence. Any such deposit of Selling Institution Collateral shall satisfy the following requirement (as determined and directed by the Investment Manager): either (a)(i) the aggregate amount of Selling Institution Collateral deposited with such Selling Institution or its custodian (unless such Selling Institution Collateral is deposited in an Eligible Account) under all Participation Interests shall not have an Aggregate Principal Balance in excess of 5.0% of the Collateral Principal Amount and (ii) shall not remain on deposit with such Selling Institution or custodian for more than 30 calendar days after such Selling Institution first fails to satisfy the rating requirements set out in the Third Party Credit Exposure Limits (and the terms of each such deposit shall permit the Issuer to withdraw the Selling Institution Collateral if such Selling Institution fails at any time to satisfy the rating requirements set out in the Third Party Credit Exposure Limits); or (b) such Selling Institution Collateral shall be deposited in an Eligible Account.

The Trustee will deposit the amount specified in Section 3.1(a)(xii) to the Revolver Funding Account to be reserved for unfunded funding obligations under the Delayed Drawdown Collateral Obligations and Revolving Collateral Obligations purchased on or before the Closing Date. Upon initial purchase of any Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation, funds deposited in the Revolver Funding Account in respect of such Collateral Obligation and Selling Institution Collateral deposited with the Selling Institution in respect of such Collateral Obligation will be treated as part of the purchase price therefor. Amounts on deposit in the Revolver Funding Account will be invested in overnight funds that are Eligible Investments selected by the Investment Manager pursuant to Section 10.6 and earnings from all such investments will be deposited in the Interest Collection Account as Interest Proceeds.

Funds shall be deposited in the Revolver Funding Account upon the purchase of any Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation and upon the receipt by the Issuer of any Principal Proceeds with respect to a Revolving Collateral Obligation as directed by the Investment Manager such that the amount of funds on deposit in the Revolver Funding Account shall be equal to or greater than the aggregate amount of unfunded funding obligations (disregarding the portion, if any, of any such unfunded funding obligations that is collateralized by Selling Institution Collateral) under all such Delayed Drawdown Collateral Obligations and Revolving Collateral Obligations then included in the Assets, as determined by the Investment Manager.

Any funds in the Revolver Funding Account (other than earnings from Eligible Investments therein) will be available solely to cover any drawdowns on the Delayed Drawdown Collateral Obligations and Revolving Collateral Obligations; *provided* that any excess of (i) the amounts on deposit in the Revolver Funding Account over (ii) the sum of the unfunded funding obligations (disregarding the portion, if any, of any such unfunded funding obligations that is collateralized by Selling Institution Collateral) under all Delayed Drawdown Collateral Obligations and Revolving Collateral Obligations (which excess may occur for any reason, including upon (A) the sale or maturity of a Delayed Drawdown Collateral Obligation or

Revolving Collateral Obligation, (B) the occurrence of an event of default with respect to any such Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation or (C) any other event or circumstance which results in the irrevocable reduction of the undrawn commitments under such Delayed Drawdown Collateral Obligation or Revolving Collateral Obligation) may be transferred by the Trustee (at the written direction of the Investment Manager on behalf of the Issuer) from time to time as Principal Proceeds to the Principal Collection Account.

Section 10.5. LC Reserve Account. The Issuer shall cause each Issuer Subsidiary that holds a Letter of Credit Reimbursement Obligation to, if the Issuer has not received advice of Winston & Strawn LLP, or an opinion of other nationally recognized U.S. tax counsel experienced in such matters, to the effect that the Issuer Subsidiary should not or will not be subject to U.S. federal income tax on a net income basis with respect to any fees it receives in respect of such Letter of Credit Reimbursement Obligation and any gain it recognizes on the disposition of such Letter of Credit Reimbursement Obligation, deposit an amount equal to the highest marginal tax rate specified in Section 11(b) of the Code (or any successor provisions) multiplied by all of such fees and gain, less any amounts withheld in respect of taxes on such fees or from the purchase price (as the case may be), into a single, segregated non-interest bearing trust account established at the Intermediary and held in the name of the Trustee, for the benefit of the Secured Parties (the "LC Reserve Account"). If an Issuer Subsidiary receives the advice or opinion described in the foregoing sentence, the Issuer Subsidiary shall instead deposit an amount equal to 30% of all such fees (and shall not deposit any amount in respect of such gain) into the LC Reserve Account, less any amounts withheld in respect of taxes on such fees, unless the Issuer Subsidiary receives advice of Winston & Strawn LLP, or an opinion of other nationally recognized U.S. tax counsel experienced in such matters, to the effect that such fees should not or will not be subject to U.S. federal withholding tax, in which case the Issuer Subsidiary shall not be required to deposit any amounts into the LC Reserve Account. Amounts deposited into the LC Reserve Account will be invested by the Trustee in Eligible Investments as directed by the Investment Manager. The Issuer shall (or shall cause the Issuer Subsidiary to) withdraw funds from the LC Reserve Account to pay (or to provide for the payments of) the related taxes when due. The Issuer, at its discretion, may also (or may cause the Issuer Subsidiary to) withdraw funds from the LC Reserve Account at any time or times and apply them as Interest Proceeds or Principal Proceeds (as applicable) (i) if and to the extent that the Issuer receives advice of Winston & Strawn LLP, or an opinion of other nationally recognized U.S. tax counsel experienced in such matters, to the effect that the Issuer Subsidiary should not or will not be subject to U.S. withholding or income tax with respect to the fees or gain from which such funds were reserved, (ii) at Stated Maturity, or (iii) on a Redemption Date in connection with an Optional Redemption (other than pursuant to a Refinancing) or a Tax Redemption. The Issuer shall provide to each
Rating Agency a copy of any opinion obtained pursuant to clause (i) of the immediately preceding sentence.

Section 10.6. Reinvestment of Funds in Accounts; Reports by Trustee. (a) By Issuer Order (which may be in the form of standing instructions), the Issuer (or the Investment Manager on behalf of the Issuer) shall at all times direct the Trustee to, and, upon receipt of such Issuer Order, the Trustee shall, invest all funds on deposit in the Collection Account, the Revolver Funding Account, the LC Reserve Account, the Expense Reserve Account and the Ongoing Expense Smoothing Account as so directed in Eligible Investments having stated

maturities no later than the earlier of the date that is 60 days after its Delivery and the Business Day preceding the next Payment Date (or such shorter maturities expressly provided herein). If at a time when no Event of Default has occurred and is continuing (regardless of any acceleration of the maturity of the Rated Notes), the Issuer shall not have given any such investment directions, the Trustee shall seek instructions from the Investment Manager within three Business Days after transfer of any funds to such accounts. If the Trustee does not thereafter receive written instructions from the Investment Manager within five Business Days after transfer of such funds to such accounts, it shall invest and reinvest the funds held in such accounts, as fully as practicable, but only in one or more Eligible Investments of the type described in clause (g) of the definition of Eligible Investments maturing no later than the Business Day immediately preceding the next Payment Date (or such shorter maturities expressly provided herein). If at a time when an Event of Default has occurred and is continuing, the Issuer shall not have given such investment directions to the Trustee for three consecutive days, the Trustee shall invest and reinvest such amounts as fully as practicable in Eligible Investments of the type described in clause (g) of the definition of Eligible Investments maturing not later than the earlier of (i) 30 days after the date of such investment (unless putable at par to the issuer thereof) or (ii) the Business Day immediately preceding the next Payment Date (or such shorter maturities expressly provided herein). Except to the extent expressly provided otherwise herein, all interest and other income from such investments shall be deposited in the Interest Collection Account, any gain realized from such investments shall be credited to the Principal Collection Account upon receipt, and any loss resulting from such investments shall be charged to the Principal Collection Account. The Trustee shall not in any way be held liable by reason of any insufficiency of such accounts which results from any loss relating to any such investment, *provided* that nothing herein shall relieve the Bank of (i) its obligations or liabilities under any security or obligation issued by the Bank or any Affiliate thereof or (ii) liability for any loss resulting from gross negligence, willful misconduct or fraud on the part of the Bank or any Affiliate thereof. Except as expressly provided herein, the Trustee shall not otherwise be under any duty to invest (or pay interest on) amounts held hereunder from time to time. Notwithstanding the foregoing, any Eligible Investments that are issued by the Trustee in its capacity as a banking institution may mature on such Payment Date.

(b) The Trustee agrees to give the Issuer, with a copy to the Investment Manager, immediate notice if any Trust Officer has actual knowledge that any Account or any funds on deposit in any Account, or otherwise to the credit of an Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process.

(c) The Trustee shall supply, in a timely fashion, to the Co-Issuers, each Rating Agency and the Investment Manager any information regularly maintained by the Trustee that the Co-Issuers, the Rating Agencies or the Investment Manager may from time to time reasonably request with respect to the Assets, the Accounts and the other Assets and provide any other requested information reasonably available to the Trustee by reason of its acting as Trustee hereunder and required to be provided by Section 10.7 or to permit the Investment Manager to perform its obligations under the Investment Management Agreement or the Issuer's obligations hereunder that have been delegated to the Investment Manager. The Trustee shall promptly forward to the Investment Manager copies of notices and other writings received by it from the issuer of any Collateral Obligation or from any Clearing Agency with respect to any Collateral Obligation which notices or writings advise the holders of such Collateral Obligation of any

rights that the holders might have with respect thereto (including, without limitation, requests to vote with respect to amendments or waivers and notices of prepayments and redemptions) as well as all periodic financial reports received from such issuer and Clearing Agencies with respect to such issuer.

(d) In addition to any credit, withdrawal, transfer or other application of funds with respect to any Account set forth in Article X, any credit, withdrawal, transfer or other application of funds with respect to any Account authorized elsewhere in this Indenture is hereby authorized.

(e) Any account established under this Indenture may include any number of subaccounts deemed necessary or advisable by the Trustee in the administration of the accounts.

Section 10.7. Accountings.

(a) Monthly. Not later than the 15th calendar day (or, if such day is not a Business Day, the next succeeding Business Day) of each calendar month (other than a month in which a Payment Date occurs) and commencing in January 2014, the Issuer shall compile and make available (or cause to be compiled and made available) to each Rating Agency, the Trustee, the Investment Manager, the Placement Agent and, upon written request therefor, to any Holder and, upon written notice to the Trustee in the form of Exhibit D, any beneficial owner of a Note, a monthly report on a trade date basis (each such report a "Monthly Report"). As used herein, the "Monthly Report Determination Date" with respect to any calendar month will be the eighth Business Day prior to the 15th calendar day of such calendar month. The Monthly Report will contain the following information with respect to the Collateral Obligations and Eligible Investments included in the Assets, and shall be determined as of the Monthly Report Determination Date for such calendar month:

(i) Aggregate Principal Balance of Collateral Obligations and Eligible Investments representing Principal Proceeds.

(ii) Adjusted Collateral Principal Amount of Collateral Obligations.

(iii) Collateral Principal Amount of Collateral Obligations.

(iv) A list of Collateral Obligations, including, with respect to each such Collateral Obligation, the following information:

(A) The obligor thereon (including the issuer ticker, if any);

(B) The CUSIP or security identifier thereof;

(C) The Principal Balance thereof (other than any accrued interest that was purchased with Principal Proceeds (but excluding any capitalized interest));

(D) The percentage of the aggregate Collateral Principal Amount represented by such Collateral Obligation;

(E) The related interest rate or spread;

(F) The LIBOR floor, if any (as provided by or confirmed with the Investment Manager);

(G) Any Collateral Obligations subject to a LIBOR floor;

(H) The stated maturity thereof;

(I) The related Moody's Industry Classification;

(J) The related S&P Industry Classification;

(K) The Moody's Rating (and, in the event of a downgrade or withdrawal of the applicable Moody's Rating, the prior rating and the date such Moody's Rating was changed) and an indication as to whether such Moody's Rating is a Moody's Derived Rating; *provided* that if such rating is based on a credit estimate by Moody's, only the date on which the most recent estimate was obtained shall be reported;

(L) The Moody's Default Probability Rating;

(M) The S&P Rating, unless such rating is based on a credit estimate or is a private or confidential rating from S&P;

(N) The country of Domicile;

(O) An indication as to whether each such Collateral Obligation is (1) a Senior Secured Loan, (2) a Second Lien Loan, (3) a Senior Secured Bond, (4) a Senior Secured Floating Rate Note, (5) a Senior Unsecured Bond, (6) an Unsecured Loan, (7) a Participation Interest (indicating the related Selling Institution and its ratings by each Rating Agency), (8) a Letter of Credit Reimbursement Obligation (indicating the LC Commitment Amount thereunder, the related LOC Agent Bank and its ratings by each Rating Agency), (9) a Delayed Drawdown Collateral Obligation, (10) a Revolving Collateral Obligation, (11) a Fixed Rate Obligation, (12) a Current Pay Obligation, (13) a DIP Collateral Obligation, (14) a Discount Obligation, (15) a Discount Obligation purchased in the manner described in clause (y) of the proviso to the definition of Discount Obligation, (16) a Deferrable Security, (17) a Cov-Lite Loan or (18) a First Lien Last Out Loan;

(P) With respect to each Collateral Obligation that is a Discount Obligation purchased in the manner described in clause (y) of the proviso to the definition Discount Obligation,

(I) the identity of the Collateral Obligation (including whether such Collateral Obligation was classified as a Discount Obligation at the time of its original purchase) the proceeds of whose sale are used to purchase the purchased Collateral Obligation;

(II) the purchase price (as a percentage of par) of the purchased Collateral Obligation and the sale price (as a percentage of par) of the Collateral Obligation the proceeds of whose sale are used to purchase the purchased Collateral Obligation;

(III) the Moody's Default Probability Rating assigned to the purchased Collateral Obligation and the Moody's Default Probability Rating assigned to the Collateral Obligation the proceeds of whose sale are used to purchase the purchased Collateral Obligation; and

(IV) the Aggregate Principal Balance of Collateral Obligations that have been excluded from the definition of Discount Obligation and relevant calculations indicating whether such amount is in compliance with the limitations described in the proviso to the definition of Discount Obligation;

(Q) The Moody's Recovery Rate;

(R) The S&P Recovery Rate;

(S) The Market Value of such Collateral Obligation, if such Market Value was calculated based on a bid price determined by a loan or bond pricing service, and the name of such loan or bond pricing service (including such disclaimer language as a loan or bond pricing service may from time to time require, as provided by the Investment Manager to the Trustee and the Collateral Administrator);

(T) The purchase price (as a percentage of par) of such Collateral Obligation; and

(U) (x) Whether the settlement date with respect to such Collateral Obligation has occurred and (y) such settlement date, if it has occurred.

(v) If the Monthly Report Determination Date occurs on or prior to the last day of the Reinvestment Period, for each of the limitations and tests specified in the definitions of Concentration Limitations and Collateral Quality Test, (1) the result, (2) the related minimum or maximum test level (including any Moody's Weighted Average Recovery Adjustment and Excess Weighted Average Floating Spread, if applicable, indicating to which test such Moody's Weighted Average Recovery Adjustment was allocated) and (3) a determination as to whether such result satisfies the related test.

(vi) The calculation of each of the following:

(A) Each Interest Coverage Ratio (and setting forth the percentage required to satisfy each Interest Coverage Test); and

(B) Each Overcollateralization Ratio (and setting forth the percentage required to satisfy each Overcollateralization Ratio Test and the Interest Diversion Test).

(vii) The calculation specified in Section 5.1(f).

(viii) For each Account, a schedule showing the beginning balance, each credit or debit specifying the nature, source and amount, and the ending balance.

(ix) A schedule showing for each of the following the beginning balance, the amount of Interest Proceeds received from the date of determination of the immediately preceding Monthly Report, and the ending balance for the current Measurement Date:

(A) Interest Proceeds from Collateral Obligations; and

(B) Interest Proceeds from Eligible Investments.

(x) Purchases, prepayments, and sales:

(A) The identity, Principal Balance (other than any accrued interest that was purchased with Principal Proceeds (but excluding any capitalized interest)), Principal Proceeds and Interest Proceeds received, and date for (X) each Collateral Obligation that was released for sale or other disposition pursuant to Section 12.1 since the last Monthly Report Determination Date and (Y) each prepayment or redemption of a Collateral Obligation, and in the case of (X), whether such Collateral Obligation was a Credit Risk Obligation or a Credit Improved Obligation, and whether the sale of such Collateral Obligation was a Discretionary Sale;

(B) The identity, Principal Balance (other than any accrued interest that was purchased with Principal Proceeds (but excluding any capitalized interest)), and Principal Proceeds and Interest Proceeds expended to acquire each Collateral Obligation acquired pursuant to Section 12.2 since the last Monthly Report Determination Date; and

(C) The identity and Principal Balance (other than any accrued interest that is expected to be purchased with Principal Proceeds (but excluding any capitalized interest)) of each Collateral Obligation that the Issuer has committed to purchase for which the settlement date has not yet occurred.

(xi) The identity of each Defaulted Obligation, the Moody’s and S&P Collateral Value and Market Value of each such Defaulted Obligation and date of default thereof.

(xii) The identity of each Collateral Obligation with an S&P Rating of “CCC+” or below and/or a Moody’s Default Probability Rating of “Caa1” or below and the Market Value of each such Collateral Obligation.

(xiii) The identity of each Deferring Security, the Moody's and S&P Collateral Value and Market Value of each Deferring Security, and the date on which interest was last paid in full in Cash thereon.

(xiv) The identity of each Current Pay Obligation, the Market Value of each such Current Pay Obligation, and the percentage of the Collateral Principal Amount comprised of Current Pay Obligations.

(xv) The percentage of the Collateral Principal Amount comprised of Collateral Obligations that pay interest less frequently than quarterly.

(xvi) The Aggregate Principal Balance, measured cumulatively from the Closing Date onward, of all Collateral Obligations that would have been acquired through a Distressed Exchange but for the operation of the proviso in the definition of Distressed Exchange.

(xvii) The Weighted Average Moody's Rating Factor and the Adjusted Weighted Average Moody's Rating Factor.

(xviii) Whether any Trading Plans were entered into since the last Monthly Report Determination Date and the identity of any Assets acquired and/or disposed of in connection with each such Trading Plan.

(xix) If the Investment Manager has engaged in any Trading Plans during the prior month, the Collateral Obligations purchased and/or sold and the purchase prices or Sale Proceeds generated in connection therewith, as applicable, and any other material details with respect to any such Trading Plans.

(xx) The identity, maturity and ratings of each Eligible Investment.

(xxi) The Weighted Average Floating Spread.

(xxii) The Weighted Average Life.

(xxiii) The identity of each Issuer Subsidiary and the property held therein.

(xxiv) Such other information as any Rating Agency or the Investment Manager may reasonably request.

Upon receipt of each Monthly Report, (a) the Trustee shall if the relevant Monthly Report Determination Date occurred on or prior to the last day of the Reinvestment Period, notify S&P, with a copy to the Investment Manager, if such Monthly Report indicates that the S&P CDO Monitor Test has not been satisfied as of the relevant Measurement Date and (b) the Investment Manager shall compare the information contained in such Monthly Report to the information contained in its records with respect to the Assets and shall, within three Business Days after receipt of such Monthly Report, notify the Issuer, the Collateral Administrator, the Rating Agencies and the Trustee if the information contained in the Monthly Report does not conform to the information maintained by the Investment Manager with respect to the Assets. In the

event that any discrepancy exists, the Trustee and the Issuer, or the Investment Manager on behalf of the Issuer, shall attempt to resolve the discrepancy. If such discrepancy cannot be promptly resolved, the Trustee shall within five Business Days notify the Investment Manager who shall, on behalf of the Issuer, request that the Independent accountants appointed by the Issuer pursuant to Section 10.9 perform agreed upon procedures with respect to such Monthly Report and the Trustee's records to determine the cause of such discrepancy. If such agreed upon procedures reveal an error in the Monthly Report or the Investment Manager's records, the Monthly Report or the Investment Manager's records shall be revised accordingly and, as so revised, shall be utilized in making all calculations pursuant to this Indenture and notice of any error in the Monthly Report shall be sent as soon as practicable by the Issuer to all recipients of such report which may be accomplished by making a notation of such error in the subsequent Monthly Report.

The Trustee is hereby authorized and directed to make each Transaction Document, Monthly Report and Distribution Report available to Intex Solutions, Inc. and Bloomberg L.P., as well as to any third party vendors selected by the Investment Manager to receive copies of the Monthly Reports and Distributions Reports by granting access to the Trustee's website.

(b) Payment Date Accounting. The Issuer shall compile and make available (or cause to be compiled and made available) an accounting (each, a "Distribution Report"), determined as of the close of business on each Determination Date preceding a Payment Date, to the Trustee, the Investment Manager, the Placement Agent, each Rating Agency, any Holder and, upon written notice to the Trustee in the form of Exhibit D, any beneficial owner of a Note, not later than the Business Day preceding the related Payment Date. The Distribution Report shall contain the following information:

(i) the information required to be in the Monthly Report pursuant to Section 10.7(a);

(ii) (a) the Aggregate Outstanding Amount of the Rated Notes of each Class at the beginning of the Interest Accrual Period and such amount as a percentage of the original Aggregate Outstanding Amount of the Rated Notes of such Class, (b) the amount of principal payments to be made on the Rated Notes of each Class on the next Payment Date, the amount of any Deferred Interest on each Class of Deferred Interest Notes and the Aggregate Outstanding Amount of the Rated Notes of each Class after giving effect to the principal payments, if any, on the next Payment Date and such amount as a percentage of the original Aggregate Outstanding Amount of the Rated Notes of such Class, and (c) the amount of distributions to be paid on the Subordinated Notes on the next Payment Date;

(iii) the Interest Rate and accrued interest for each Class of Rated Notes for such Payment Date;

(iv) the amounts payable pursuant to each clause of Section 11.1(a)(i), each clause of Section 11.1(a)(ii) and each clause of Section 11.1(a)(iii), as applicable, on the related Payment Date;

(v) for the Collection Account:

(A) the Balance on deposit in the Collection Account at the end of the related Collection Period (or, with respect to the Interest Collection Account, the next Business Day);

(B) the amounts payable from the Collection Account to the Payment Account, in order to make payments pursuant to Section 11.1(a)(i) and Section 11.1(a)(ii) on the next Payment Date (net of amounts which the Investment Manager intends to reinvest in additional Collateral Obligations pursuant to Article XII); and

(C) the Balance remaining in the Collection Account immediately after all payments and deposits to be made on such Payment Date; and

(vi) the estimated amount of Dissolution Expenses and the Principal Balances of the remaining Collateral Obligations as of the Determination Date (excluding Defaulted Securities, Equity Securities and Illiquid Assets);

(vii) such other information as the Investment Manager may reasonably request.

Each Distribution Report shall constitute instructions to the Trustee to withdraw funds from the Payment Account and pay or transfer such amounts set forth in such Distribution Report in the manner specified and in accordance with the priorities established in Section 11.1 and Article XIII.

(c) Interest Rate Notice. The Trustee shall include in the Monthly Report a notice setting forth the Interest Rate for each Class of Floating Rate Notes for the Interest Accrual Period preceding the next Payment Date.

(d) Failure to Provide Accounting. If the Trustee shall not have received any accounting provided for in this Section 10.7 on the first Business Day after the date on which such accounting is due to the Trustee, the Trustee shall notify the Investment Manager who shall use all reasonable efforts to obtain such accounting by the applicable Payment Date. To the extent the Investment Manager is required to provide any information or reports pursuant to this Section 10.7 as a result of the failure of the Issuer to provide such information or reports, the Investment Manager shall be entitled to retain an Independent certified public accountant in connection therewith and the reasonable costs incurred by the Investment Manager for such Independent certified public accountant shall be paid by the Issuer.

(e) Required Content of Certain Reports. Each Monthly Report and each Distribution Report sent to any Holder or beneficial owner of an interest in a Note shall contain, or be accompanied by, the following notices:

The Notes may be beneficially owned only by Persons that (a) (i) are not U.S. persons (within the meaning of Regulation S under the United States Securities Act of 1933, as amended) and are purchasing their beneficial interest in an offshore transaction or (ii) are (A) Qualified Institutional Buyers and (B) Qualified Purchasers (or corporations, partnerships, limited liability companies or other entities (other than trusts) each shareholder, partner, member or other equity owner of which is either a Qualified Purchaser) and (b) can make the representations set forth in Section 2.5 of this Indenture or the appropriate Exhibit thereto. Beneficial ownership interests in the Rule 144A Global Notes may be transferred only to a Person that is both a Qualified Institutional Buyer and a Qualified Purchaser and that can make the representations referred to in clause (b) of the preceding sentence. The Issuer has the right to compel any beneficial owner of an interest in Rule 144A Global Notes that does not meet the qualifications set forth in the preceding sentence to sell its interest in such Notes, or may sell such interest on behalf of such owner, pursuant to Section 2.11.

Each holder receiving this report agrees to keep all non-public information herein confidential and not to use such information for any purpose other than its evaluation of its investment in the Notes, *provided* that any holder may provide such information on a confidential basis to any prospective purchaser of such holder's Notes that is permitted by the terms of this Indenture to acquire such holder's Notes and that agrees to keep such information confidential in accordance with the terms of this Indenture.

(f) Distribution of Reports and Documents. The Trustee will make the Monthly Report, the Distribution Report, this Indenture and the Investment Management Agreement available through the Trustee's Website. Parties that are unable to use the above distribution option are entitled to have a paper copy mailed to them by first class mail. The Trustee shall have the right to change the way such statements and documents are distributed in order to make such distribution more convenient and/or more accessible to the above parties and the Trustee shall provide timely and adequate notification to all above parties regarding any such changes. As a condition to access to the Trustee's Website, the Trustee may require registration and the acceptance of a disclaimer. The Trustee shall be entitled to rely on but shall not be responsible for the content or accuracy of any information provided in the Monthly Report and the Distribution Report which the Trustee disseminates in accordance with this Indenture and may affix thereto any disclaimer it deems appropriate in its reasonable discretion.

Section 10.8. Release of Assets. (a) The Investment Manager may, by Issuer Order delivered to the Trustee no later than the settlement date of any sale of an obligation (or, in the case of physical settlement, no later than the Business Day preceding such date), certifying with respect to settlements that the applicable conditions set forth in Article XII have been met, direct the Trustee to deliver such obligation against receipt of payment therefor.

(b) The Investment Manager may, by Issuer Order delivered to the Trustee no later than the settlement date of any redemption or payment in full of a Collateral Obligation or Eligible Investment (or, in the case of physical settlement, no later than the Business Day preceding such date) certifying that such obligation is being redeemed or paid in full, direct the Trustee or, at the Trustee's instruction, the Intermediary, to deliver such obligation, if in physical form, duly endorsed, or, if such obligation is a Clearing Corporation Security, to cause it to be presented (or in the case of a general intangible or a participation, cause such actions as are necessary to transfer such obligation to the designated transferee free of liens, claims or encumbrances created by this Indenture), to the appropriate paying agent therefor on or before the date set for redemption or payment, in each case against receipt of the redemption price or payment in full thereof.

(c) Subject to Article XII, the Investment Manager may, by Issuer Order delivered to the Trustee no later than the settlement date of an exchange, tender or sale (or, in the case of physical settlement, no later than the Business Day preceding such date), certifying that a Collateral Obligation is subject to a tender offer, voluntary redemption, exchange offer, conversion or other similar action (an "Offer") and setting forth in reasonable detail the procedure for response to such Offer, direct the Trustee or, at the Trustee's instructions, the Intermediary, to deliver such obligation, if in physical form, duly endorsed, or, if such obligation is a Clearing Corporation Security, to cause it to be delivered, in accordance with such Issuer Order, in each case against receipt of payment therefor.

(d) The Trustee shall deposit any proceeds received by it from the disposition of a Collateral Obligation or Eligible Investment in the Collection Account, unless such proceeds are simultaneously applied to the purchase of Collateral Obligations or Eligible Investments.

(e) The Trustee shall, (i) upon receipt of an Issuer Order, release any Illiquid Assets sold, distributed or disposed of pursuant to Article IV, and (ii) upon receipt of an Issuer Order at such time as there are no Notes Outstanding and all obligations of the Co-Issuers hereunder have been satisfied, release the Assets.

(f) The Trustee shall, upon receipt of an Issuer Order, release from the lien of this Indenture any Equity Security or Collateral Obligation being transferred to an Issuer Subsidiary and deliver it to such Issuer Subsidiary.

(g) Following delivery of any obligation pursuant to clauses (a) through (c) and (e) through (f), such obligation shall be released from the lien of this Indenture without further action by the Trustee or the Issuer.

Section 10.9. Appointment of Independent Accountants. (a) Prior to the delivery of any reports of accountants required to be prepared pursuant to the terms hereof, the Issuer shall appoint one or more firms of Independent certified public accountants of recognized international reputation for purposes of reviewing and delivering the reports or certificates of such accountants required by this Indenture, which may be the firm of Independent certified public accountants that performs accounting services for the Issuer or the Investment Manager. The Issuer may remove any firm of Independent certified public accountants at any time without the consent of any Holder. Upon any resignation by such firm or removal of such firm by the Issuer, the Issuer (or the Investment Manager on behalf of the Issuer) shall promptly appoint by Issuer Order delivered to the Trustee a successor thereto that shall also be a firm of Independent certified public accountants of recognized international reputation, which may be a firm of Independent certified public accountants that performs accounting services for the Issuer or the Investment Manager. If the Issuer shall fail to appoint a successor to a firm of Independent certified public accountants which has resigned within 30 days after such resignation, the Issuer shall promptly notify the Trustee, with a copy to the Investment Manager, of such failure in writing. If the Issuer shall not have appointed a successor within ten days thereafter, the Trustee shall promptly notify the Investment Manager, who shall appoint a successor firm of

Independent certified public accountants of recognized international reputation. The fees of such Independent certified public accountants and its successor shall be payable by the Issuer. Neither the Trustee nor the Collateral Administrator shall have any responsibility to the Issuer or the Secured Parties hereunder to make any inquiry or investigation as to, and shall have no obligation in respect of, the terms of any engagement of Independent accountants by the Issuer (or the Investment Manager on behalf of the Issuer); *provided* that the Issuer hereby directs the Trustee to execute any acknowledgment or other agreement with the Independent accountants required for the Trustee to receive any of the reports or instructions provided for herein, which acknowledgment or agreement may include, among other things, (i) acknowledgements with respect to the sufficiency of the agreed upon procedures to be performed by the Independent accountants by the Issuer, (ii) releases of claims (on behalf of itself and the Holders) and other acknowledgments of limitations of liability in favor of the Independent accountants, or (iii) restrictions or prohibitions on the disclosure of information or documents provided to it by such firm of Independent accountants (including to the Holders). It is understood and agreed that the Trustee will deliver such acknowledgement or other agreement in conclusive reliance on the foregoing direction of the Issuer, and the Trustee shall make no inquiry or investigation as to, and shall have no obligation in respect of, the sufficiency, validity or correctness of such procedures. Notwithstanding the foregoing, in no event shall the Trustee be required to execute any agreement in respect of the Independent accountants that the Trustee determines adversely affects it in its individual capacity.

(b) To the extent a beneficial owner or Holder of a Rated Note requests the yield to maturity in respect of the relevant Rated Note in order to determine any "original issue discount" in respect thereof (which in the case of any beneficial owner will be substantially in the form of Exhibit D), the Trustee shall request that the firm of Independent certified public accountants appointed by the Issuer calculate such yield to maturity and, subject to the foregoing, will provide such information to the Holder or beneficial owner. The Trustee shall have no responsibility to calculate the yield to maturity or to verify the accuracy of such Independent certified public accountants' calculation. In the event that the firm of Independent certified public accountants fails to calculate such yield to maturity, the Trustee shall have no responsibility to provide such information to the beneficial owner or Holder of a Rated Note.

(c) Upon the written request of the Trustee, or any Holder of a Subordinated Note, the Issuer will cause the firm of Independent certified public accountants appointed pursuant to Section 10.9(a) to provide any Holder of Subordinated Notes with all of the information required to be provided by the Issuer pursuant to Section 7.17 or assist the Issuer in the preparation thereof.

Section 10.10. Reports to Rating Agencies and Additional Recipients. In addition to the information and reports specifically required to be provided to each Rating Agency pursuant to the terms of this Indenture, the Issuer shall provide each Rating Agency with all information or reports delivered to the Trustee hereunder, and such additional information as either Rating Agency may from time to time reasonably request (including (w) notification to Moody's and S&P of any modification of any loan document relating to a DIP Collateral Obligation or any release of collateral thereunder not permitted by such loan documentation, (x) notification to Moody's or S&P, as applicable, of any Specified Amendment, which notices to the applicable Rating Agency shall include a copy of such Specified Amendment and a brief

summary of its purpose, (y) notification to S&P of any Material Event with respect to any Collateral Obligation with an S&P Rating determined under clause (iii)(b) or (iii)(c) of the definition thereof, whether or not a credit estimate has been requested from S&P, and (z) any additional information reasonably requested by S&P regarding a Collateral Obligation with an S&P Rating determined under clause (iii)(c) of the definition thereof). Notwithstanding the foregoing, certificates, letters or reports prepared by the accountants pursuant to this Indenture will not be provided to the Rating Agencies.

Section 10.11. Procedures Relating to the Establishment of Accounts Controlled by the Trustee. Notwithstanding anything else contained herein, the Trustee agrees that with respect to each of the Accounts, it will cause the Intermediary establishing such accounts to enter into an Account Agreement prepared by, or on behalf of, the Issuer and, if the Intermediary is the Bank, shall cause the Bank to comply with the provisions of such Account Agreement. The Trustee may open such subaccounts of any such Account as it deems necessary or appropriate for convenience of administration.

Section 10.12. Section 3(c)(7) Procedures

(a) DTC Actions. The Issuer will direct DTC to take the following steps in connection with the Global Notes (or such other appropriate steps regarding legends of restrictions on the Global Notes under Section 3(c)(7) of the Investment Company Act and Rule 144A as may be customary under DTC procedures at any given time):

(i) The Issuer will direct DTC to include the marker “3c7” in the DTC 20-character security descriptor and the 48-character additional descriptor for the Global Notes.

(ii) The Issuer will direct DTC to cause each physical deliver order ticket that is delivered by DTC to purchasers to contain the 20-character security descriptor. The Issuer will direct DTC to cause each deliver order ticket that is delivered by DTC to purchasers in electronic form to contain a “3c7” indicator and a related user manual for participants. Such user manual will contain a description of the relevant restrictions imposed by Section 3(c)(7).

(iii) On or prior to the Closing Date, the Issuer will instruct DTC to send a Section 3(c)(7) notice to all DTC participants in connection with the offering of the Global Notes.

(iv) In addition to the obligations of the Registrar set forth in Section 2.5, the Issuer will from time to time (upon the request of the Trustee) make a request to DTC to deliver to the Issuer a list of all DTC participants holding an interest in the Global Notes.

(b) Bloomberg Screens, etc. The Issuer will from time to time request all third-party vendors to include on screens maintained by such vendors with respect to Global Notes appropriate legends regarding Rule 144A and all available Section 3(c)(7) legends.

ARTICLE XI

APPLICATION OF MONIES

Section 11.1. Disbursements of Amounts from Payment Account. (a) Notwithstanding any other provision in this Indenture, but subject to the other subsections of this Section 11.1 and to Section 13.1, on each Payment Date, the Trustee shall disburse amounts transferred from the Collection Account to the Payment Account pursuant to Section 10.2 in accordance with the following priorities (subject to the preceding clauses of this sentence).

(i) On each Payment Date, unless an Enforcement Event has occurred and is continuing, Interest Proceeds on deposit in the Collection Account, to the extent received on or before the related Determination Date (or if such Determination Date is not a Business Day, the next succeeding Business Day) and that are transferred into the Payment Account, shall be applied in the following order of priority (the "Priority of Interest Proceeds"):

(A) (1) first, to the payment of taxes, governmental fees and registered office fees owing by the Issuer or the Co-Issuer, if any, and (2) second, to the payment of the accrued and unpaid Administrative Expenses, in the priority stated in the definition thereof, up to the Administrative Expense Cap; *provided* that on any Payment Date, the Investment Manager may, in its discretion, direct the Trustee to deposit to the Ongoing Expense Smoothing Account an amount equal to the lesser of (x) the Ongoing Expense Smoothing Shortfall and (y) the Ongoing Expense Excess Amount;

(B) to the payment of the Base Management Fee due and payable (including any accrued and unpaid interest thereon) to the Investment Manager; *provided* that such accrued and unpaid interest shall be paid solely to the extent that, after giving effect on a *pro forma* basis to such payment, sufficient Interest Proceeds remain to pay in full all amounts due under clauses (C), (D) and (E) below;

(C) first, to the payment *pro rata* of (1) the sum of (x) accrued and unpaid interest on the Class X Notes, (y) the Class X Scheduled Amortization Amount for such Payment Date and (z) any accrued and unpaid Class X Scheduled Amortization Amounts from prior Payment Dates; and (2) accrued and unpaid interest on the Class A-1 Notes; and then, second, to the payment of accrued and unpaid interest on the Class A-2 Notes;

(D) to the payment of accrued and unpaid interest on the Class B Notes;

(E) if either of the Class A/B Coverage Tests is not satisfied on the related Determination Date, to make payments in accordance with the Note Payment Sequence to the extent necessary to cause each Class A/B Coverage Test to be satisfied on a *pro forma* basis after giving effect to all payments pursuant to this clause (E);

(F) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class C Notes;

(G) if either of the Class C Coverage Tests is not satisfied on the related Determination Date, to make payments in accordance with the Note Payment Sequence to the extent necessary to cause each Class C Coverage Test to be satisfied on a pro forma basis after giving effect to all payments pursuant to this clause (G);

(H) to the payment of any Deferred Interest on the Class C Notes;

(I) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class D Notes;

(J) if either of the Class D Coverage Tests is not satisfied on the related Determination Date, to make payments in accordance with the Note Payment Sequence to the extent necessary to cause each Class D Coverage Test to be satisfied on a pro forma basis after giving effect to all payments pursuant to this clause (J);

(K) to the payment of any Deferred Interest on the Class D Notes;

(L) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class E Notes;

(M) if either of the Class E Coverage Tests is not satisfied on the related Determination Date, to make payments in accordance with the Note Payment Sequence to the extent necessary to cause each Class E Coverage Tests to be satisfied on a pro forma basis after giving effect to all payments pursuant to this clause (M);

(N) to the payment of any Deferred Interest on the Class E Notes;

(O) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class F Notes;

(P) to the payment of any Deferred Interest on the Class F Notes;

(Q) to the payment (in the same manner and order of priority stated in the definition thereof) of any Administrative Expenses not paid pursuant to clause (A)(2) above due to the Administrative Expense Cap;

(R) to the payment of the Subordinated Management Fee due and payable (including any accrued and unpaid interest thereon) to the Investment Manager;

(S) if no Class A Notes or Class B Notes are then outstanding, to the payment of principal of the Class X Notes until such amount has been paid in full;

(T) if the Interest Diversion Test is not satisfied on the related Determination Date, the lesser of (x) 50% of the Interest Proceeds then available and (y) the amount required to cause such test to be satisfied shall be applied to (i) if the related Payment Date is during the Reinvestment Period, the purchase of additional Collateral Obligations or for deposit into the Collection Account as Principal Proceeds for investment in Eligible Investments pending the purchase of additional Collateral Obligations at a later date (but only during the Reinvestment period) or (ii) if the related Payment Date is after the last day of the Reinvestment Period, to make payments in accordance with the Note Payment Sequence;

(U) to pay the Holders of the Subordinated Notes until the Subordinated Notes have realized the Incentive Management Fee Target Return; and

(V) any remaining Interest Proceeds to be paid (x) 20% to the Investment Manager as part of the Incentive Management Fee payable on such Payment Date; and (y) 80% to the Holders of the Subordinated Notes.

For purposes of calculating the amount of any Interest Proceeds to be applied to satisfy any Coverage Test on any Distribution Date occurring after the Reinvestment Period in accordance with the Priority of Interest Proceeds, the principal of each Class of Rated Notes shall be reduced by (i) the amount of Principal Proceeds transferred to the Payment Account in accordance with this Indenture to be applied on such Payment Date to repay principal of such Class of Rated Notes pursuant to the Priority of Principal Proceeds and (ii) the amount of Interest Proceeds to be applied on such Payment Date to repay principal of such Class of Rated Notes as set forth in the Priority of Interest Proceeds.

(ii) On each Payment Date, unless an Enforcement Event has occurred and is continuing, Principal Proceeds on deposit in the Collection Account that are received on or before the related Determination Date and that are transferred to the Payment Account (which will not include (i) amounts required to meet funding requirements with respect to Delayed Drawdown Collateral Obligations and Revolving Collateral Obligations that are deposited in the Revolver Funding Account, (ii) during the Reinvestment Period, Principal Proceeds that will be used to reinvest in Collateral Obligations that the Issuer has already committed to purchase, and (iii) amounts that the Issuer is entitled to reinvest in accordance with the Investment Criteria described herein, during the Reinvestment Period which amounts may be retained in the Collection Account for subsequent reinvestment) shall be applied in the following order of priority (the "Priority of Principal Proceeds"):

(A) to pay the amounts referred to in clauses (A) through (D) of the Priority of Interest Proceeds (and in the same manner and order of priority stated therein), but only to the extent not paid in full thereunder;

(B) to pay the amounts referred to in clause (E) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent necessary to cause the Class A/B Coverage Tests to be met as of the related Determination Date on a *pro forma* basis after giving effect to any payments made through this clause (B);

(C) to pay the amounts referred to in clause (F) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class C Notes are the Controlling Class;

(D) to pay the amounts referred to in clause (G) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent necessary to cause the Class C Coverage Tests to be met as of the related Determination Date on a *pro forma* basis after giving effect to any payments made through this clause (D);

(E) to pay the amounts referred to in clause (H) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class C Notes are the Controlling Class;

(F) to pay the amounts referred to in clause (I) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class D Notes are the Controlling Class;

(G) to pay the amounts referred to in clause (J) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent necessary to cause the Class D Coverage Tests to be met as of the related Determination Date on a *pro forma* basis after giving effect to any payments made through this clause (G);

(H) to pay the amounts referred to in clause (K) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class D Notes are the Controlling Class;

(I) to pay the amounts referred to in clause (L) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class E Notes are the Controlling Class;

(J) to pay the amounts referred to in clause (M) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent necessary to cause the Class E Coverage Tests to be met as of the related Determination Date on a *pro forma* basis after giving effect to any payments made through this clause (J);

(K) to pay the amounts referred to in clause (N) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class E Notes are the Controlling Class;

(L) to pay the amounts referred to in clause (O) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class F Notes are the Controlling Class;

(M) to pay the amounts referred to in clause (P) of the Priority of Interest Proceeds, but only to the extent not paid in full thereunder and to the extent that the Class F Notes are the Controlling Class;

(N) (1) if such Payment Date is a Redemption Date (other than in respect of (x) a Special Redemption or (y) a Partial Redemption Date), to make payments in accordance with the Note Payment Sequence, and (2) if such Payment Date is a Redemption Date in respect of a Special Redemption, to make payments in the amount, if any, of the Principal Proceeds that the Investment Manager has determined cannot be practicably reinvested in additional Collateral Obligations, in accordance with the Note Payment Sequence;

(O) during the Reinvestment Period, to the Collection Account as Principal Proceeds to invest in Eligible Investments (pending the purchase of additional Collateral Obligations) and/or to the purchase of additional Collateral Obligations;

(P) to make payments in accordance with the Note Payment Sequence;

(Q) to pay the amounts referred to in clause (Q) of the Priority of Interest Proceeds only to the extent not already paid;

(R) to pay the amounts referred to in clause (R) of the Priority of Interest Proceeds only to the extent not already paid (in the same manner and order of priority stated therein);

(S) after giving effect to clause (U) of the Priority of Interest Proceeds, to pay the Holders of the Subordinated Notes until the Subordinated Notes have realized the Incentive Management Fee Target Return; and

(T) any remaining proceeds to be paid (x) 20% to the Investment Manager as part of the Incentive Management Fee payable on such Payment Date; and (y) 80% to the Holders of the Subordinated Notes.

(iii) Notwithstanding the provisions of the foregoing Sections 11.1(a)(i) and 11.1(a)(ii), in the case of any Enforcement Event that has occurred and is continuing, on each date or dates fixed by the Trustee pursuant to Section 5.7, proceeds in respect of the Assets will be applied in the following order of priority (the "Special Priority of Payments"):

(A) (1) first, to the payment of taxes, governmental fees and registered office fees owing by the Issuer or the Co-Issuer, if any, and (2) second, to the payment of the accrued and unpaid Administrative Expenses, in the priority stated in the definition thereof, up to the Administrative Expense Cap (*provided* that following the commencement of liquidation of the Assets pursuant to Section 5.5(a), the Administrative Expense Cap shall be disregarded);

(B) to the payment of the Base Management Fee due and payable (including any accrued and unpaid interest thereon) to the Investment Manager;

(C) to the payment *pro rata* of (1) the sum of (x) accrued and unpaid interest on the Class X Notes, (y) the Class X Scheduled Amortization Amount for such Payment Date and (z) any accrued and unpaid Class X Scheduled Amortization Amounts from prior Payment Dates; and (2) accrued and unpaid interest on the Class A-1 Notes;

(D) first, to the payment of principal, *pro rata*, of the Class X Notes and the Class A-1 Notes; and then, to the payment of accrued and unpaid interest on, and then, to the payment of principal of the Class A-2 Notes;

(E) to the payment of accrued and unpaid interest on the Class B Notes;

(F) to the payment of principal of the Class B Notes;

(G) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class C Notes;

(H) to the payment of principal of the Class C Notes (including the payment of Deferred Interest on the Class C Notes) until such amount has been paid in full;

(I) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class D Notes;

(J) to the payment of principal of the Class D Notes (including the payment of Deferred Interest on the Class D Notes) until such amount has been paid in full;

(K) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class E Notes;

(L) to the payment of principal of the Class E Notes (including the payment of Deferred Interest on the Class E Notes) until such amount has been paid in full;

(M) to the payment of accrued and unpaid interest (excluding Deferred Interest, but including interest on Deferred Interest) on the Class F Notes;

(N) to the payment of principal of the Class F Notes (including the payment of Deferred Interest on the Class F Notes) until such amount has been paid in full;

(O) to the payment of (in the same manner and order of priority stated in the definition thereof) any Administrative Expenses not paid pursuant to clause (A)(2) above due to the Administrative Expense Cap;

(P) to the payment of the Subordinated Management Fee due and payable (including any accrued and unpaid interest thereon) to the Investment Manager;

(Q) to pay the Holders of the Subordinated Notes until the Subordinated Notes have realized the Incentive Management Fee Target Return; and

(R) to pay the balance to the Investment Manager and the Holders of the Subordinated Notes, such balance to be allocated as follows: (x) 20% to the Investment Manager as the Incentive Management Fee payable on such Payment Date; and (y) 80% to the Holders of the Subordinated Notes.

(iv) On any Partial Redemption Date, Refinancing Proceeds and Partial Redemption Interest Proceeds will be distributed in the following order of priority (the "Priority of Partial Redemption Proceeds"):

(A) to pay the Redemption Price (without duplication of any payments received by the Class of Rated Notes being redeemed pursuant to the Priority of Interest Proceeds or the Special Priority of Payments) of each Class of Rated Notes being refinanced in accordance with the Note Payment Sequence; and

(B) any remaining proceeds from the Refinancing will be deposited in the Interest Collection Account as Interest Proceeds.

(b) If on any Payment Date the amount available in the Payment Account is insufficient to make the full amount of the disbursements required by the Distribution Report, the Trustee shall make the disbursements called for in the order and according to the priority set forth under Section 11.1(a) above, subject to Section 13.1, to the extent funds are available therefor.

(c) In connection with the application of funds to pay Administrative Expenses of the Issuer or the Co-Issuer, as the case may be, in accordance with Section 11.1(a)(i), Section 11.1(a)(ii) and Section 11.1(a)(iii), the Trustee shall remit such funds, to the extent available, as directed and designated in an Issuer Order (which may be in the form of standing instructions, including standing instructions to pay Administrative Expenses in such amounts and to such entities as indicated in the Distribution Report in respect of such Payment Date) delivered to the Trustee no later than the Business Day prior to each Payment Date; *provided* that such direction and designation by Issuer Order shall not be necessary for, and shall be subject to, the payment of amounts pursuant to, and in the priority stated in, the definition of Administrative Expenses. Notwithstanding the foregoing and absent direction to the contrary, the Distribution Report shall automatically constitute an Issuer Order to pay Administrative Expenses as indicated therein.

(d) To the extent they are not paid when due on any Payment Date due to the operation of the Priority of Payments (and not as the result of an elective deferral by the Investment Manager), the Base Management Fee and the Subordinated Management Fee will be deferred and will be payable on subsequent Payment Dates in accordance with the Priority of Payments. Any such unpaid Base Management Fee or Subordinated Management Fee will accrue interest as provided in the Investment Management Agreement.

ARTICLE XII

SALE OF COLLATERAL OBLIGATIONS; PURCHASE OF ADDITIONAL COLLATERAL OBLIGATIONS

Section 12.1. Sales of Collateral Obligations. Subject to the satisfaction of the conditions specified in Section 12.3, including that the maturity of the Rated Notes has not been accelerated after an Event of Default, the Investment Manager on behalf of the Issuer may, but will not be required to (except as otherwise specified in this Section 12.1), sell or otherwise dispose of any Collateral Obligation or Equity Security (which shall include the direct sale or liquidation of the equity interests of any Issuer Subsidiary or assets held by an Issuer Subsidiary) if, as certified by the Investment Manager, such sale or other disposition meets the requirements of any one of Sections 12.1(a) through (i) (subject in each case to any applicable requirement of disposition under Section 12.1(h)). If the maturity of the Rated Notes has been accelerated or the Stated Maturity has occurred, so long as the Trustee has not commenced exercising remedies pursuant to Section 5.4, the Investment Manager, on behalf of the Issuer, may continue to sell or dispose of Collateral Obligations and Equity Securities pursuant to Sections 12.1(a) through (d) and (g). For purposes of this Section 12.1, the Sale Proceeds of a Collateral Obligation sold by the Issuer shall include any Principal Financed Accrued Interest received in respect of such sale or other disposition.

(a) Credit Risk Obligations. The Investment Manager may direct the Trustee to sell or otherwise dispose of any Credit Risk Obligation at any time without restriction.

(b) Credit Improved Obligations. The Investment Manager may direct the Trustee to sell or otherwise dispose of any Credit Improved Obligation at any time without restriction.

(c) Defaulted Obligations. The Investment Manager may direct the Trustee to sell or otherwise dispose of any Defaulted Obligation at any time without restriction.

(d) Equity Securities. The Investment Manager may direct the Trustee to sell or otherwise dispose of any Equity Security at any time without restriction, and shall (unless such Equity Security is required to be sold or otherwise disposed of or has been transferred to an Issuer Subsidiary) use its commercially reasonable efforts to effect the sale or other disposition of any Equity Security (other than an interest in an Issuer Subsidiary), regardless of price (i) if such Equity Security constitutes Margin Stock and (ii) to the extent that the amount of all Equity Securities (excluding any interests in Issuer Subsidiaries) exceeds the par value of the Subordinated Notes, within 45 days after receipt unless such sale or other disposition is prohibited by applicable law or an applicable contractual restriction, in which case such Equity Security shall be sold or otherwise disposed of as soon as such sale or other disposition is permitted by applicable law and not prohibited by such contractual restriction.

(e) Optional Redemption. After the Issuer has notified the Trustee of an Optional Redemption or Tax Redemption, the Investment Manager shall direct the Trustee to sell or otherwise dispose of (which disposition may be through participation or other arrangement) all or a portion of the Collateral Obligations if the requirements of Article IX are satisfied. If any such disposition is made through participations, the Issuer shall use reasonable efforts to cause such participations to be converted to assignments within six months after the disposition.

(f) Discretionary Sales. During the Reinvestment Period, so long as no Restricted Trading Period has occurred and is continuing, the Investment Manager may direct the Trustee to sell or otherwise dispose of any Collateral Obligation (such sales, "Discretionary Sales") at any time if (i) after giving effect to such disposition, the Aggregate Principal Balance of all Collateral Obligations disposed of as described in this Section 12.1(f) during the preceding period of 12 calendar months is not greater than 25.0% of the Collateral Principal Amount as of the first day of such 12 calendar month period and (ii) either:

(A) during the Reinvestment Period, the Investment Manager reasonably believes prior to such disposition that it will be able to enter into one or more binding commitments to reinvest all or a portion of the proceeds of such disposition, in compliance with the Investment Criteria; or

(B) after the Reinvestment Period, after giving effect to such disposition, either (1) the sales proceeds from such sale are at least sufficient to maintain or increase the Adjusted Collateral Principal Amount (as measured before such sale) or (2) the Aggregate Principal Balance of all Collateral Obligations (excluding the Collateral Obligation being disposed of but including, without duplication, the anticipated net proceeds of such disposition) *plus*, without duplication, the amounts on deposit in the Collection Account (including Eligible Investments therein) representing Principal Proceeds, will be greater than the Reinvestment Target Par Balance.

For purposes of determining the percentage of Collateral Obligations sold during any such period, the amount of any Collateral Obligations sold will be reduced to the extent of any purchases of Collateral Obligations of the same obligor (which are *pari passu* or senior to such sold Collateral Obligations) occurring within 45 Business Days of such sale (determined based upon the date of any relevant trade confirmation or commitment letter) so long as any such Collateral Obligation was sold with the intention of purchasing a Collateral Obligation of the same obligor (which would be *pari passu* or senior to such sold Collateral Obligation).

(g) Issuer Subsidiaries. In connection with the incorporation of, or transfer of any security or obligation to, any Issuer Subsidiary, the Issuer shall not be required to obtain Rating Agency Confirmation; *provided* that prior to the incorporation of any Issuer Subsidiary and the transfer of any Asset thereto, the Investment Manager will, on behalf of the Issuer, provide written notice thereof to each Rating Agency. The Issuer shall not be required to continue to hold in an Issuer Subsidiary (and may instead hold directly) an Issuer Subsidiary

Asset that satisfies the definition of "Collateral Obligation" and with respect to which the Investment Manager has received advice of Winston & Strawn LLP, or a written opinion of other nationally recognized U.S. tax counsel experienced in such matters, to the effect that the Issuer will not be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes as a result of the acquisition, ownership, and disposition of such Issuer Subsidiary Asset. For financial accounting reporting purposes (including each Monthly Report and Distribution Report) and the Coverage Tests and the Collateral Quality Test (and, for the avoidance of doubt, not for tax purposes), the Issuer will be deemed to own an Equity Security or Collateral Obligation held by an Issuer Subsidiary rather than its interest in that Issuer Subsidiary.

(h) Unrestricted Sales. If the Aggregate Principal Balance of the Collateral Obligations is less than U.S.$10,000,000, the Investment Manager may direct the Trustee to sell the Collateral Obligations without regard to the foregoing limitations.

Section 12.2. Purchase of Additional Collateral Obligations; Investment Criteria.

(a) Reinvestment Period Criteria. On any date during the Reinvestment Period, so long as no Restricted Trading Period has occurred and is continuing, the Investment Manager on behalf of the Issuer may, subject to the other requirements in this Indenture, but will not be required to, direct the Trustee to invest Principal Proceeds and accrued interest received with respect to any Collateral Obligation to the extent used to pay for accrued interest on additional Collateral Obligations, and the Trustee shall invest such Principal Proceeds and other amounts in accordance with such direction. No obligation may be purchased by the Issuer during the Reinvestment Period unless each of the following conditions (the "Reinvestment Period Criteria") is satisfied as of the date the Investment Manager commits on behalf of the Issuer to make such purchase, in each case as determined by the Investment Manager after giving effect to such purchase and all other sales (or other dispositions) or purchases previously or simultaneously committed to; *provided* that; with respect to any Defaulted Obligation acquired in a Bankruptcy Exchange, neither the requirements with respect to the Coverage Tests (as set forth in clause (ii) below), nor the requirements with respect to the Collateral Quality Tests (as set forth in clause (v) below), need to be satisfied in connection with any such exchange:

(i) such obligation is a Collateral Obligation;

(ii) each Coverage Test will be satisfied, or if not satisfied, such Coverage Test will be maintained or improved;

(iii) in the case of additional Collateral Obligations purchased with the proceeds from the sale of a Credit Improved Obligation or a Discretionary Sale, or with Principal Proceeds received from scheduled distributions of principal with respect to any Collateral Obligation or from any Unscheduled Principal Payments, the Reinvestment Balance Criteria will be satisfied;

(iv) in the case of additional Collateral Obligations purchased with the proceeds from the sale of a Credit Risk Obligation or Defaulted Obligation sold at the discretion of the Investment Manager, after giving effect to such purchases, either (1) the Aggregate Principal Balance of all additional Collateral Obligations purchased with the proceeds from such sale will at least equal the related Sale Proceeds, or (2) the Reinvestment Balance Criteria will be satisfied; and

(v) either (A) each requirement or test, as the case may be, of the Concentration Limitations and the Collateral Quality Test will be satisfied or (B) if any such requirement or test was not satisfied immediately prior to such investment, such requirement or test will be maintained or improved after giving effect to the investment except that, in the case of an additional Collateral Obligation purchased with the proceeds from the sale or other disposition of a Credit Risk Obligation, a Defaulted Obligation or an Equity Security, the S&P CDO Monitor Test will not apply.

During the Reinvestment Period, following the sale or other disposition of any Credit Improved Obligation or any Discretionary Sale or other discretionary disposition of a Collateral Obligation, the Investment Manager shall use its reasonable efforts to purchase additional Collateral Obligations within 45 Business Days after such disposition; *provided* that any such purchase must comply with the requirements of this Section 12.2.

(b) Investment in Eligible Investments. Cash on deposit in any Account (other than the Payment Account) may be invested at any time in Eligible Investments in accordance with Article X.

(c) End of Reinvestment Period. On the Business Day before the end of the Reinvestment Period, the Investment Manager will send to the Trustee a schedule of purchases of Collateral Obligations for which the settlement date has not yet occurred and will certify to the Trustee that sufficient Principal Proceeds are available to effect the settlement of such Collateral Obligations and that any such settlement will occur on or prior to the 5th Business Day after the last day of the Reinvestment Period.

(d) Bankruptcy Exchanges. At any time during or after the Reinvestment Period, the Investment Manager may direct the Trustee to enter into a Bankruptcy Exchange.

(e) Maturity Amendment. The Issuer (or the Investment Manager on the Issuer's behalf) may not vote in favor of a Maturity Amendment unless, as determined by the Investment Manager, after giving effect to such Maturity Amendment, (i) the stated maturity of the Collateral Obligation that is the subject of such Maturity Amendment is not later than the Stated Maturity of the Rated Notes and (ii) (A) the Weighted Average Life Test will be satisfied after giving effect to such Maturity Amendment, (B) during the Reinvestment Period, if the Weighted Average Life Test was not satisfied immediately prior to giving effect to such Maturity Amendment, the level of compliance with the Weighted Average Life Test will be improved or maintained after giving effect to such Maturity Amendment, after giving effect to any Trading Plan in effect during any applicable Trading Plan Period or (C) after the Reinvestment Period, if the Weighted Average Life Test is not satisfied after giving effect to such Maturity Amendment, the Investment Manager shall use good faith efforts to sell such Collateral Obligation within 20 Business Days of such Maturity Amendment.

Section 12.3. Conditions Applicable to All Sale and Purchase Transactions. (a) Any transaction effected under this Article XII or Section 10.6 will be conducted on an arm's length basis and, if effected with a Person Affiliated with the Investment Manager (or with an account or portfolio for which the Investment Manager or any of its Affiliates serves as investment adviser), shall be effected in accordance with the requirements of the Investment Management Agreement on terms no less favorable to the Issuer than would be the case if such Person were not so Affiliated, *provided* that the Trustee shall have no responsibility to oversee compliance with this clause (a) by the other parties.

(b) Upon any acquisition of a Collateral Obligation pursuant to this Article XII, all of the Issuer's right, title and interest to the Asset or Assets shall be Assets Granted to the Trustee pursuant to this Indenture and will be Delivered. The Trustee shall also receive, not later than the settlement date, an Officer's certificate of the Issuer certifying compliance with the provisions of this Article XII; *provided* that such requirement shall be satisfied and such statements deemed to have been made by the Issuer by the delivery to the Trustee of a trade ticket in respect thereof. Such a trade ticket, signed by an Authorized Officer, shall also constitute direction pursuant to this Article XII to purchase, exchange or sell such security and an Issuer Order required pursuant to Section 10.8.

(c) Notwithstanding anything contained in this Article XII to the contrary and without limiting the right to make any other permitted purchases, sales or other dispositions, the Issuer shall have the right to effect any sale or other disposition of any Asset or purchase of any Collateral Obligation (x) that has been consented to by Holders evidencing (i) with respect to purchases during the Reinvestment Period and sales or other dispositions during or after the Reinvestment Period, at least 75% of the Aggregate Outstanding Amount of each Class of Notes and (ii) with respect to purchases after the Reinvestment Period, 100% of the Aggregate Outstanding Amount of each Class of Notes and (y) of which each Rating Agency and the Trustee (with a copy to the Investment Manager) has been notified.

ARTICLE XIII

HOLDERS' RELATIONS

Section 13.1. Subordination. (a) Anything in this Indenture or the Notes to the contrary notwithstanding, the Holders of each Junior Class agree for the benefit of the Holders of each Priority Class with respect to such Junior Class that such Junior Class shall be subordinate and junior to such Priority Class to the extent and in the manner set forth in this Indenture. If an Enforcement Event has occurred and is continuing in accordance with Article V, including as a result of an Event of Default specified in Section 5.1(d) or (e), each Priority Class shall be paid in full in Cash or, to the extent a Majority of such Class consents, other than in Cash, before any further payment or distribution of any kind is made on account of any Junior Class with respect thereto, in accordance with Section 11.1(a)(iii).

(b) In the event that, notwithstanding the provisions of this Indenture, any Holder of any Junior Class shall have received any payment or distribution in respect of such Class contrary to the provisions of this Indenture, then, unless and until each Priority Class with respect thereto shall have been paid in full in Cash or, to the extent a Majority of such Priority

Class consents, other than in Cash in accordance with this Indenture, such payment or distribution shall be received and held in trust for the benefit of, and shall forthwith be paid over and delivered to, the Trustee, which shall pay and deliver the same to the Holders of the applicable Priority Classes in accordance with this Indenture; *provided* that if any such payment or distribution is made other than in Cash, it shall be held by the Trustee as part of the Assets and subject in all respects to the provisions of this Indenture, including this Section 13.1.

(c) Each Holder of any Junior Class agrees with all Holders of the applicable Priority Classes that such Holders of the Junior Classes shall not demand, accept, or receive any payment or distribution in respect of such Class in violation of the provisions of this Indenture including, without limitation, this Section 13.1; *provided* that after a Priority Class has been paid in full, the Holders of the related Junior Class or Classes shall be fully subrogated to the rights of the Holders of such Priority Class to receive payments or distributions until all amounts due and payable on the Class shall be paid in full. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of any Junior Class.

Section 13.2. Standard of Conduct. In exercising any of its or their voting rights, rights to direct and consent or any other rights as a Holder under this Indenture, a Holder or Holders shall not have any obligation or duty to any Person or to consider or take into account the interests of any Person and shall not be liable to any Person for any action taken by it or them or at its or their direction or any failure by it or them to act or to direct that an action be taken, without regard to whether such action or inaction benefits or adversely affects any Holder, the Issuer, or any other Person, except for any liability to which such Holder may be subject to the extent the same results from such Holder's taking or directing an action, or failing to take or direct an action, in bad faith or in violation of the express terms of this Indenture.

ARTICLE XIV

MISCELLANEOUS

Section 14.1. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Officer of the Issuer, the Co-Issuer or the Investment Manager may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel (*provided* that such counsel is a nationally or internationally recognized and reputable law firm one or more of the partners of which are admitted to practice before the highest court of any State of the United States or the District of Columbia (or the Cayman Islands, in the case of an opinion relating to the laws of the Cayman Islands), which law firm may, except as otherwise expressly provided in this Indenture, be counsel for the Issuer or the Co-Issuer), unless such Officer knows, or should know that the certificate or opinion or representations with respect to the matters upon which such certificate or

opinion is based are erroneous. Any such certificate of an Officer of the Issuer, Co-Issuer or the Investment Manager or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, the Issuer, the Co-Issuer, the Investment Manager or any other Person (on which the Trustee shall also be entitled to rely), unless such Officer of the Issuer, Co-Issuer or the Investment Manager or such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous. Any Opinion of Counsel may also be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Officer of the Investment Manager, the Issuer or the Co-Issuer, unless such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture it is provided that the absence of the occurrence and continuation of a Default, Event of Default or Enforcement Event is a condition precedent to the taking of any action by the Trustee at the request or direction of either Co-Issuer, then notwithstanding that the satisfaction of such condition is a condition precedent to such Co-Issuer's right to make such request or direction, the Trustee shall be protected in acting in accordance with such request or direction if it does not have knowledge of the occurrence and continuation of such Default, Event of Default or Enforcement Event as provided in Section 6.1(d).

Section 14.2. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in writing or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action or actions embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Co-Issuers, if made in the manner provided in this Section 14.2.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Trustee deems sufficient.

(c) The principal amount or face amount, as the case may be, and registered numbers of Notes held by any Person, and the date of such Person's holding the same, shall be proved by the Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Notes shall bind the Holder (and any transferee thereof) of such and of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee, the Issuer or the Co-Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

(e) With respect to any vote, each Holder or proxy will be entitled to one vote for each U.S.$1.00 principal amount of the interest in a Note as to which it is the Holder or proxy; *provided* that no vote will be counted in respect of any Note challenged as not Outstanding and ruled by the Registrar to be not Outstanding.

Section 14.3. Notices, etc., to Certain Parties. (a) Except as otherwise expressly provided herein, any request, demand, authorization, direction, notice, consent or waiver or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with any of the parties indicated below shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to and mailed, by certified mail, return receipt requested, hand delivered, sent by overnight courier service guaranteeing next day delivery or by facsimile or email in legible form at the following address (or at any other address provided in writing by the relevant party):

(i) the Trustee and the Collateral Administrator at the Corporate Trust Office;

(ii) the Issuer at c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands, Attention: Directors – Saratoga Investment Corp. CLO 2013-1, Ltd., facsimile no. +1 (345) 945-7100 (with a copy to +1 (345) 949-8080), email: cayman@maplesfs.com;

(iii) the Co-Issuer at c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711, Attention: Independent Director, facsimile no. +1 (302) 738-7210, email: dpuglisi@puglisiassoc.com;

(iv) the Investment Manager at 535 Madison Avenue, 4th Floor, New York, New York 10022, Attention: Henri Steenkamp, facsimile no. +1 (212) 750-3343, with a copy to email: saratoga@saratogapartners.com;

(v) the Placement Agent at 1633 Broadway, 28th Floor,New York, New York 10019, Attention: ABS Desk, facsimile no. +1 (646) 792-5600, Attention: Legal Department, facsimile no. +1 (646) 792-5600;

(vi) the Irish Stock Exchange, (x) for reporting Note Interest Amounts if applicable, at rates@ise.ie and (y) for all other purposes, c/o Maples and Calder as listing agent, at 75 St. Stephen's Green, Dublin 2, Ireland, telephone no. +353-1-619-2000, facsimile no. +353-1-619-2001, email: dublindebtlisting@maplesandcalder.com; and

(vii) the Administrator at MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands, facsimile no. +1 (345) 945-7100 (with a copy to +1 (345) 949-8080), email: cayman@maplesfs.com.

(b) The Bank (in each of its capacities) agrees to accept and act upon instructions or directions pursuant to this Indenture or any other Transaction Document sent by unsecured email, facsimile transmission or other similar unsecured electronic methods; *provided*, *however*, that any Person providing such instructions or directions shall provide to the Bank an incumbency certificate listing Authorized Persons designated to provide such instructions or directions, which incumbency certificate shall be amended whenever a person is added or deleted from the listing. If such person elects to give the Bank email or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's reasonable understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflicting with or being inconsistent with a subsequent written instruction. Any person providing such instructions or directions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties and acknowledges and agrees that there may be more secure methods of transmitting such instructions than the method(s) selected by it and agrees that the security procedures (if any) to be followed in connection with its transmission of such instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

(c) In the event that any provision in this Indenture calls for any notice or document to be delivered simultaneously to the Trustee and any other person or entity, the Trustee's receipt of such notice or document shall entitle the Trustee to assume that such notice or document was delivered to such other person or entity unless otherwise expressly specified herein.

(d) Notwithstanding any provision to the contrary contained herein or in any agreement or document related thereto, any report, statement or other information required to be provided by the Issuer or the Trustee (except information required to be provided to the Irish Stock Exchange) may be provided by providing access to the Trustee's Website containing such information.

Section 14.4. Notices to Rating Agencies; Rule 17g-5 Procedures. (a) Any notice or other document required or permitted by this Indenture to be made upon, given or furnished to, or filed with, a Rating Agency, and any other communication with a Rating Agency will be sufficient for every purpose hereunder if such notice or other document relating to this Indenture, the Rated Notes or the transactions contemplated hereby:

(i) is in writing;

(ii) has been sent (by 12:00 p.m. (New York time) on or before the date such notice or other document is due) to https:// www.structuredfn.com, or such other email address as is provided by the Information Agent for Posting to the Issuer's Website in accordance with the Collateral Administration Agreement; and

(iii) upon confirmation from the Information Agent of the Posting of such notice or other document, has been furnished by email to the applicable Rating Agency at the applicable address below (or such other email address as is provided by the applicable Rating Agency):

(A) to Moody's, at Monitor.CDO@moodys.com; and

(B) to S&P at cdo_surveillance@standardandpoors.com and, with respect to (1) S&P CDO Monitor requests, CDOMonitor@standardandpoors.com; (2) any reports delivered under Section 10.7, CDO_Surveillance@standardandpoors.com; and (3) any requests for credit estimates, CreditEstimates@standardandpoors.com.

(b) The Co-Issuers will comply with their obligations under Rule 17g-5 by their or their agent's posting on the Issuer's Website, no later than the time such information is provided to the Rating Agencies, all information that the Co-Issuers or other parties on their behalf, including the Trustee and the Investment Manager, provide to the Rating Agencies for the purposes of determining the initial credit rating of the Rated Notes or undertaking credit rating surveillance of the Rated Notes (the "Rule 17g-5 Information"). At all times while any Rated Notes are rated by any Rating Agency or any other NRSRO, the Co-Issuers will engage a third-party to post Rule 17g-5 Information to the Issuer's Website. On the Closing Date, the Issuer will engage the Collateral Administrator (in such capacity, the "Information Agent") for Posting Rule 17g-5 Information it receives from the Issuer, the Trustee or the Investment Manager in accordance with the Collateral Administration Agreement. To the extent any of the Co-Issuers, the Trustee or the Investment Manager are engaged in oral communications with any Rating Agency, for the purposes of determining the initial credit rating of the Rated Notes or undertaking credit rating surveillance of the Rated Notes, the party communicating with such Rating Agency will cause such oral communication to either be (x) recorded and an audio file containing the recording to be promptly delivered to the Information Agent for Posting or (y) summarized in writing and the summary to be promptly delivered to the Information Agent for Posting. The procedures set forth in clause (a) and this clause (b) constitute the "Rule 17g-5 Procedures."

(c) Notwithstanding the requirements herein, the Trustee will have no obligation to engage in or respond to any oral communications, for the purposes of determining the initial credit rating of the Rated Notes or undertaking credit rating surveillance of the Rated Notes, with any Rating Agency or any of their respective officers, directors or employees.

(d) The Trustee and the Information Agent will not be responsible for creating or maintaining the Issuer's Website or assuring that the Issuer's Website complies with the requirements of this Indenture, Rule 17g-5 or any other law or regulation. In no event will the Trustee or the Information Agent be deemed to make any representation in respect of the content of the Issuer's Website or compliance of the Issuer's Website with this Indenture, Rule 17g-5 or any other law or regulation. The Trustee will not be responsible under any circumstances for posting any Rule 17g-5 Information to the Issuer's Website.

(e) The Trustee and the Information Agent will not be responsible or liable for the dissemination of any identification numbers or passwords for the Issuer's Website, including by the Co-Issuers, the Rating Agencies, the NRSROs, any of their agents or any other party. The Trustee and the Information Agent will not be liable for the use of any information posted on the Issuer's Website, whether by the Co-Issuers, the Rating Agencies, the NRSROs or any other third party that may gain access to the Issuer's Website or the information posted thereon.

(f) The maintenance by the Trustee of the Trustee's Website will not be deemed as compliance by or on behalf of the Issuer with Rule 17g-5 or any other law or regulation related thereto.

(g) Notwithstanding anything to the contrary in this Indenture, a breach of this Section 14.4 will not constitute a Default or an Event of Default.

Section 14.5. Notices to Holders; Waiver. (a) Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of any event,

(i) such notice shall be sufficiently given to Holders if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Register (or, in the case of Holders of Global Notes, emailed to DTC for distribution to each Holder affected by such event and posted to the Trustee's Website), not earlier than the earliest date and not later than the latest date, prescribed for the giving of such notice; and

(ii) such notice shall be in the English language.

(b) Such notices will be deemed to have been given on the date of such mailing.

(c) In addition, for so long any Listed Notes are Outstanding and the guidelines of the Irish Stock Exchange so require, documents delivered to Holders of such Listed Notes will be provided to the Irish Listing Agent, on behalf of the Irish Stock Exchange.

(d) Notwithstanding clause (a) above, a Holder may give the Trustee a written notice that it is requesting that notices to it be given by email or by facsimile transmissions and stating the email address or facsimile number for such transmission. Thereafter, the Trustee shall give notices to such Holder by email or facsimile transmission, as so requested; *provided* that if such notice also requests that notices be given by mail, then such notice shall also be given by mail in accordance with clause (a) above.

(e) Subject to the Trustee's rights under Section 6.3(e), the Trustee will deliver to the Holders any information or notice relating to this Indenture requested to be so delivered by at least 25% of the Holders of any Class of Notes (by Aggregate Outstanding Amount), at the expense of the Issuer; *provided* that nothing herein shall be construed to obligate the Trustee to distribute any notice that the Trustee reasonably determines to be contrary to the terms of this Indenture or its duties and obligations hereunder or applicable law. The Trustee may require the requesting Holders to comply with its standard verification policies in order to confirm Holder status.

(f) Neither the failure to provide any notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. In case by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity or by reason of any other cause it shall be impracticable to give such notice by mail of any event to Holders when such notice is required to be given pursuant to any provision of this Indenture, then such notification to Holders as shall be made with the approval of the Trustee shall constitute a sufficient notification to such Holders for every purpose hereunder.

(g) Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(h) The Trustee shall provide to the Issuer and the Investment Manager upon request any information with respect to the identity of and contact information for any Holder that it has within its possession or may obtain without unreasonable effort or expense and, subject to Section 6.1(c), the Trustee shall have no liability for any such disclosure or the accuracy thereof.

(i) Notwithstanding any provision to the contrary in this Indenture or in any agreement or document related hereto, any information or documents (including, without limitation reports, notices or supplemental indentures) required to be provided by the Trustee to Persons identified in this Section 14.5 may be provided by providing notice of and access to the Trustee's Website containing such information or document.

Section 14.6. Effect of Headings and Table of Contents. The Article and Section headings herein (including those used in cross-references herein) and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 14.7. Successors and Assigns. All covenants and agreements in this Indenture by the Co-Issuers shall bind their respective successors and assigns, whether so expressed or not.

Section 14.8. Severability. If any term, provision, covenant or condition of this Indenture or the Notes, or the application thereof to any party hereto or any circumstance, is held to be unenforceable, invalid or illegal (in whole or in part) for any reason (in any relevant jurisdiction), the remaining terms, provisions, covenants and conditions of this Indenture or the Notes, modified by the deletion of the unenforceable, invalid or illegal portion (in any relevant jurisdiction), will continue in full force and effect, and such unenforceability, invalidity, or illegality will not otherwise affect the enforceability, validity or legality of the remaining terms, provisions, covenants and conditions of this Indenture or the Notes, as the case may be, so long as this Indenture or the Notes, as the case may be, as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the deletion of such portion of this Indenture or the Notes, as the case may be, will not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties.

Section 14.9. Benefits of Indenture. Nothing in this Indenture or in the Rated Notes, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Investment Manager, the Collateral Administrator, the Holders and (to the extent provided herein) the Administrator (solely in its capacity as such) any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 14.10. Legal Holidays. In the event that the date of any Payment Date, Redemption Date or Stated Maturity shall not be a Business Day, then notwithstanding any other provision of the Notes or this Indenture, payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Payment Date, Redemption Date or Stated Maturity date, as the case may be, and except as provided in the definition of Interest Accrual Period, no interest shall accrue on such payment for the period from and after any such nominal date.

Section 14.11. Governing Law. This Indenture and the Notes shall be construed in accordance with, and this Indenture and the Notes shall be governed by, the law of the State of New York.

Section 14.12. Submission to Jurisdiction. With respect to any suit, action or proceedings relating to this Indenture or any matter between the parties arising under or in connection with this Indenture ("Proceedings"), to the fullest extent permitted by applicable law, each party irrevocably: (i) submits to the non-exclusive jurisdiction of the Supreme Court of the State of New York sitting in the Borough of Manhattan and the United States District Court for the Southern District of New York, and any appellate court from any thereof; and (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party. Nothing in this Indenture precludes any of the parties from bringing Proceedings in any other jurisdiction, nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

Section 14.13. WAIVER OF JURY TRIAL. EACH OF THE ISSUER, THE CO-ISSUER, THE HOLDERS AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY. Each party hereby (i) certifies that no representative, agent or attorney of the other has represented, expressly or otherwise, that the other would not, in the event of a Proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it has been induced to enter into this Indenture by, among other things, the mutual waivers and certifications in this paragraph.

Section 14.14. Counterparts. This Indenture and the Rated Notes (and each amendment, modification and waiver in respect of this Indenture or the Rated Notes) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original, and all of which together constitute one and the same instrument. Delivery of an executed counterpart of this Indenture by email or telecopy shall be effective as delivery of a manually executed counterpart of this Indenture.

Section 14.15. Acts of Issuer. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or performed by the Issuer shall be effective if given or performed by the Issuer or by the Investment Manager on the Issuer's behalf.

Section 14.16. Confidential Information. (a) The Trustee, the Collateral Administrator and each Holder will maintain the confidentiality of all Confidential Information in accordance with procedures adopted by the Issuer (after consultation with the Co-Issuer, the Trustee and the Collateral Administrator) or such Holder (as the case may be) in good faith to protect Confidential Information of third parties delivered to such Person; *provided* that such Person may deliver or disclose Confidential Information: (i) with the prior written consent of the Investment Manager, (ii) as required by law, regulation, court order or the rules, regulations or request or order of any governmental, judiciary, regulatory or self-regulating organization, body or official having jurisdiction over such Person, (iii) to its Affiliates, members, partners, officers, directors and employees and to its attorneys, accountants and other professional advisers in conjunction with the transactions described herein, (iv) such information as may be necessary or desirable in order for such Person to prepare, publish and distribute to any Person any information relating to the investment performance of the Assets in the aggregate, or (v) in connection with the exercise or enforcement of such Person's rights hereunder or in any dispute or proceeding related hereto, including defense by the Trustee or Collateral Administrator of any claim of liability that may be brought or charged against it. Notwithstanding the foregoing, delivery to any Person (including Holders) by the Trustee or the Collateral Administrator of any report, notice, document or other information required or expressly permitted by the terms of this Indenture or any of the other Transaction Documents to be provided to such Person or Persons, and delivery to Holders of copies of this Indenture or any of the other Transaction Documents, shall not be a violation of this Section 14.16. Each Holder agrees, except as set forth in clause (ii) above, that it shall use the Confidential Information for the sole purpose of making an investment in the Notes or administering its investment in the Notes; and that the Trustee and the Collateral Administrator shall neither be required nor authorized to disclose to Holders any Confidential Information in violation of this Section 14.16. In the event of any required disclosure of the Confidential Information by such Holder, such Holder agrees to use reasonable efforts to protect the confidentiality of the Confidential Information. Each Holder, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 14.16 (subject to Section 7.17(f)).

(b) For the purposes of this Section 14.16, "Confidential Information" means information delivered to the Trustee, the Collateral Administrator or any Holder by or on behalf of the Co-Issuers in connection with and relating to the transactions contemplated by or otherwise pursuant to this Indenture; *provided* that such term does not include information that: (i) was publicly known or otherwise known to the Trustee, the Collateral Administrator or such Holder prior to the time of such disclosure; (ii) subsequently becomes publicly known through no act or omission by the Trustee, the Collateral Administrator, any Holder or any person acting on behalf of the Trustee, the Collateral Administrator or any Holder; (iii) otherwise is known or becomes known to the Trustee, the Collateral Administrator or any Holder other than (x) through disclosure by the Co-Issuers or (y) to the knowledge of the Trustee, the Collateral Administrator or a Holder, as the case may be, in each case after reasonable inquiry, as a result of the breach of a fiduciary duty to the Co-Issuers or a contractual duty to the Co-Issuers; or (iv) is allowed to be treated as non-confidential by consent of the Co-Issuers.

(c) Notwithstanding the foregoing, (i) each of the Trustee and the Collateral Administrator may disclose Confidential Information (x) to Moody's and S&P and (y) as and to the extent it may reasonably deem necessary for the performance of its duties hereunder (including the exercise of remedies pursuant to Article V), including on a confidential basis to its agents, attorneys and auditors in connection with the performance of its duties hereunder and the Trustee will provide, upon request, copies of this Indenture, the Investment Management Agreement, the Collateral Administration Agreement, Monthly Reports and Distribution Reports to a prospective purchaser of an interest in Notes, and (ii) the Trustee and any Holder may provide copies of this Indenture, the Investment Management Agreement, the Collateral Administration Agreement, any Monthly Report and any Distribution Report to any prospective purchaser of Notes.

Section 14.17. Liability of Co-Issuers. Notwithstanding any other terms of this Indenture, the Notes or any other agreement entered into between, *inter alia*, the Co-Issuers or otherwise, neither of the Co-Issuers shall have any liability whatsoever to the other of the Co-Issuers under this Indenture, the Notes, any such agreement or otherwise and, without prejudice to the generality of the foregoing, neither of the Co-Issuers shall be entitled to take any action to enforce, or bring any action or proceeding, in respect of this Indenture, the Notes, any such agreement or otherwise against the other of the Co-Issuers or any Issuer Subsidiary. In particular, neither of the Co-Issuers shall be entitled to petition or take any other steps for the winding up or bankruptcy of the other of the Co-Issuers or shall have any claim in respect of any assets of the other of the Co-Issuers.

Section 14.18. Issuer Direction to Trustee. The Issuer hereby directs the Trustee to execute this Indenture and acknowledges and agrees that the Trustee shall be fully protected in relying upon the foregoing direction. The Trustee assumes no responsibility for the correctness of the recitals contained herein, which shall be taken as the statements of each of the Co-Issuers and the Trustee shall not be responsible or accountable in any way for or with respect to the validity, execution by the Co-Issuers or sufficiency of this Indenture and makes no representation with respect thereto. Each Holder or beneficial owner of a Refinancing Note, by its acquisition thereof on the Closing Date, shall be deemed to agree to this Amended and Restated Indenture and the execution by the Co-Issuers and the Trustee hereof.

ARTICLE XV

ASSIGNMENT OF INVESTMENT MANAGEMENT AGREEMENT

Section 15.1. Assignment of Investment Management Agreement. (a) The Issuer, in furtherance of the covenants of this Indenture and as security for the Secured Obligations and the performance and observance of the provisions hereof, hereby assigns, transfers, conveys and sets over to the Trustee, for the benefit of the Secured Parties, all of the Issuer's right, title and interest in, to and under the Investment Management Agreement, including, without limitation, (i) the right to give all notices, consents and releases thereunder, (ii) the right to give all notices of termination and to take any legal action upon the breach of an obligation of the Investment Manager thereunder, including the commencement, conduct and consummation of proceedings at law or in equity, (iii) the right to receive all notices, accountings, consents, releases and statements thereunder and (iv) the right to do any and all

other things whatsoever that the Issuer is or may be entitled to do thereunder; *provided*, *however*, that the Issuer may exercise any of its rights under the Investment Management Agreement without notice to or the consent of the Trustee (except as otherwise expressly required by this Indenture), so long as an Event of Default has not occurred and is not continuing. From and after the occurrence and continuance of an Event of Default, the Investment Manager will continue to perform and be bound by the provisions of the Investment Management Agreement and this Indenture. The Trustee will be entitled to rely and be protected in relying upon all actions and omissions to act of the Investment Manager thereafter as fully as if no Event of Default had occurred.

(b) The assignment made hereby is executed as collateral security, and the execution and delivery hereof shall not in any way impair or diminish the obligations of the Issuer under the provisions of the Investment Management Agreement, nor shall any of the obligations contained in the Investment Management Agreement be imposed on the Trustee. Upon the retirement of the Notes and the release of the Assets from the lien of this Indenture, this assignment and all rights herein assigned to the Trustee shall cease and terminate and all of the estate, right, title and interest of the Trustee in, to and under the Investment Management Agreement shall revert to the Issuer and no further instrument or act shall be necessary to evidence such termination and reversion.

Section 15.2. Standard of Care Applicable to the Investment Manager. For the avoidance of doubt, the standard of care set forth in the Investment Management Agreement shall apply to the Investment Manager with respect to those provisions of this Indenture applicable to the Investment Manager.

- signature page follows -

IN WITNESS WHEREOF, we have set our hands as of the day and year first written above.

Executed as a Deed by:

SARATOGA INVESTMENT CORP. CLO 2013-1, Ltd.,
as Issuer

By: _____
Name: Jarladth Travers
Title: Director

In the presence of:

Witness: _____
Name:
Occupation:
Title:

SARATOGA INVESTMENT CORP. CLO 2013-1, INC.,
as Co-Issuer

By _____
Name: Donald J. Puglisi
Title: Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

Schedule 1

Moody's Industry Classification Group List

CORP—Aerospace & Defense	1
CORP—Automotive	2
CORP—Banking, Finance, Insurance & Real Estate	3
CORP—Beverage, Food & Tobacco	4
CORP—Capital Equipment	5
CORP—Chemicals, Plastics, & Rubber	6
CORP—Construction & Building	7
CORP—Consumer goods: Durable	8
CORP—Consumer goods: Non-durable	9
CORP—Containers, Packaging & Glass	10
CORP—Energy: Electricity	11
CORP—Energy: Oil & Gas	12
CORP—Environmental Industries	13
CORP—Forest Products & Paper	14
CORP—Healthcare & Pharmaceuticals	15
CORP—High Tech Industries	16
CORP—Hotel, Gaming & Leisure	17
CORP—Media: Advertising, Printing & Publishing	18
CORP—Media: Broadcasting & Subscription	19
CORP—Media: Diversified & Production	20
CORP—Metals & Mining	21
CORP—Retail	22
CORP—Services: Business	23
CORP—Services: Consumer	24
CORP—Sovereign & Public Finance	25
CORP—Telecommunications	26
CORP—Transportation: Cargo	27
CORP—Transportation: Consumer	28
CORP—Utilities: Electric	29
CORP—Utilities: Oil & Gas	30
CORP—Utilities: Water	31
CORP—Wholesale	32

Schedule 2

S&P Industry Classifications

Asset Code	Asset Description
1	Aerospace & Defense
2	Air transport
3	Automotive
4	Beverage & Tobacco
5	Radio & Television
6	
7	Building & Development
8	Business equipment & services
9	Cable & satellite television
10	Chemicals & plastics
11	Clothing/textiles
12	Conglomerates
13	Containers & glass products
14	Cosmetics/toiletries
15	Drugs
16	Ecological services & equipment
17	Electronics/electrical
18	Equipment leasing
19	Farming/agriculture
20	Financial intermediaries
21	Food/drug retailers
22	Food products
23	Food service
24	Forest products
25	Health care
26	Home furnishings
27	Lodging & casinos
28	Industrial equipment
29	
30	Leisure goods/activities/movies
31	Nonferrous metals/minerals
32	Oil & gas
33	Publishing
34	Rail industries
35	Retailers (except food & drug)
36	Steel
37	Surface transport

Asset Code	Asset Description
38	Telecommunications
39	Utilities
43	Life Insurance
44	Health Insurance
45	Property & Casualty Insurance
46	Diversified Insurance

Schedule 3

Diversity Score Calculation

The Diversity Score is calculated as follows:

(a) An "**Issuer Par Amount**" is calculated for each issuer of a Collateral Obligation, and is equal to the Aggregate Principal Balance of all the Collateral Obligations issued by that issuer and all affiliates.

(b) An "**Average Par Amount**" is calculated by summing the Issuer Par Amounts for all issuers, and dividing by the number of issuers.

(c) An "**Equivalent Unit Score**" is calculated for each issuer, and is equal to the lesser of (x) one and (y) the Issuer Par Amount for such issuer divided by the Average Par Amount.

(d) An "**Aggregate Industry Equivalent Unit Score**" is then calculated for each of Moody's industry classification groups, shown on Schedule 1, and is equal to the sum of the Equivalent Unit Scores for each issuer in such industry classification group.

(e) An "**Industry Diversity Score**" is then established for each Moody's industry classification group, shown on Schedule 1, by reference to the following table for the related Aggregate Industry Equivalent Unit Score; *provided* that if any Aggregate Industry Equivalent Unit Score falls between any two such scores, the applicable Industry Diversity Score will be the lower of the two Industry Diversity Scores:

Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score
0.0000	0.0000	5.0500	2.7000	10.1500	4.0200	15.2500	4.5300
0.0500	0.1000	5.1500	2.7333	10.2500	4.0300	15.3500	4.5400
0.1500	0.2000	5.2500	2.7667	10.3500	4.0400	15.4500	4.5500
0.2500	0.3000	5.3500	2.8000	10.4500	4.0500	15.5500	4.5600
0.3500	0.4000	5.4500	2.8333	10.5500	4.0600	15.6500	4.5700
0.4500	0.5000	5.5500	2.8667	10.6500	4.0700	15.7500	4.5800
0.5500	0.6000	5.6500	2.9000	10.7500	4.0800	15.8500	4.5900
0.6500	0.7000	5.7500	2.9333	10.8500	4.0900	15.9500	4.6000
0.7500	0.8000	5.8500	2.9667	10.9500	4.1000	16.0500	4.6100
0.8500	0.9000	5.9500	3.0000	11.0500	4.1100	16.1500	4.6200
0.9500	1.0000	6.0500	3.0250	11.1500	4.1200	16.2500	4.6300
1.0500	1.0500	6.1500	3.0500	11.2500	4.1300	16.3500	4.6400
1.1500	1.1000	6.2500	3.0750	11.3500	4.1400	16.4500	4.6500
1.2500	1.1500	6.3500	3.1000	11.4500	4.1500	16.5500	4.6600
1.3500	1.2000	6.4500	3.1250	11.5500	4.1600	16.6500	4.6700
1.4500	1.2500	6.5500	3.1500	11.6500	4.1700	16.7500	4.6800
1.5500	1.3000	6.6500	3.1750	11.7500	4.1800	16.8500	4.6900
1.6500	1.3500	6.7500	3.2000	11.8500	4.1900	16.9500	4.7000
1.7500	1.4000	6.8500	3.2250	11.9500	4.2000	17.0500	4.7100
1.8500	1.4500	6.9500	3.2500	12.0500	4.2100	17.1500	4.7200

Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score	Aggregate Industry Equivalent Unit Score	Industry Diversity Score
1.9500	1.5000	7.0500	3.2750	12.1500	4.2200	17.2500	4.7300
2.0500	1.5500	7.1500	3.3000	12.2500	4.2300	17.3500	4.7400
2.1500	1.6000	7.2500	3.3250	12.3500	4.2400	17.4500	4.7500
2.2500	1.6500	7.3500	3.3500	12.4500	4.2500	17.5500	4.7600
2.3500	1.7000	7.4500	3.3750	12.5500	4.2600	17.6500	4.7700
2.4500	1.7500	7.5500	3.4000	12.6500	4.2700	17.7500	4.7800
2.5500	1.8000	7.6500	3.4250	12.7500	4.2800	17.8500	4.7900
2.6500	1.8500	7.7500	3.4500	12.8500	4.2900	17.9500	4.8000
2.7500	1.9000	7.8500	3.4750	12.9500	4.3000	18.0500	4.8100
2.8500	1.9500	7.9500	3.5000	13.0500	4.3100	18.1500	4.8200
2.9500	2.0000	8.0500	3.5250	13.1500	4.3200	18.2500	4.8300
3.0500	2.0333	8.1500	3.5500	13.2500	4.3300	18.3500	4.8400
3.1500	2.0667	8.2500	3.5750	13.3500	4.3400	18.4500	4.8500
3.2500	2.1000	8.3500	3.6000	13.4500	4.3500	18.5500	4.8600
3.3500	2.1333	8.4500	3.6250	13.5500	4.3600	18.6500	4.8700
3.4500	2.1667	8.5500	3.6500	13.6500	4.3700	18.7500	4.8800
3.5500	2.2000	8.6500	3.6750	13.7500	4.3800	18.8500	4.8900
3.6500	2.2333	8.7500	3.7000	13.8500	4.3900	18.9500	4.9000
3.7500	2.2667	8.8500	3.7250	13.9500	4.4000	19.0500	4.9100
3.8500	2.3000	8.9500	3.7500	14.0500	4.4100	19.1500	4.9200
3.9500	2.3333	9.0500	3.7750	14.1500	4.4200	19.2500	4.9300
4.0500	2.3667	9.1500	3.8000	14.2500	4.4300	19.3500	4.9400
4.1500	2.4000	9.2500	3.8250	14.3500	4.4400	19.4500	4.9500
4.2500	2.4333	9.3500	3.8500	14.4500	4.4500	19.5500	4.9600
4.3500	2.4667	9.4500	3.8750	14.5500	4.4600	19.6500	4.9700
4.4500	2.5000	9.5500	3.9000	14.6500	4.4700	19.7500	4.9800
4.5500	2.5333	9.6500	3.9250	14.7500	4.4800	19.8500	4.9900
4.6500	2.5667	9.7500	3.9500	14.8500	4.4900	19.9500	5.0000
4.7500	2.6000	9.8500	3.9750	14.9500	4.5000		
4.8500	2.6333	9.9500	4.0000	15.0500	4.5100		
4.9500	2.6667	10.0500	4.0100	15.1500	4.5200		

(f) The Diversity Score is then calculated by summing each of the Industry Diversity Scores for each Moody's industry classification group shown on Schedule 1.

(g) For purposes of calculating the Diversity Score, affiliated issuers in the same Industry are deemed to be a single issuer except as otherwise agreed to by Moody's.

Schedule 4

Moody's Rating Definitions

"**CFR**": With respect to the obligor of any Collateral Obligation, the corporate family rating assigned to such obligor by Moody's; *provided* that if any obligor of any Collateral Obligation does not have a corporate family rating by Moody's but another entity in such obligor's corporate family does have a corporate family rating by Moody's, then the corporate family rating of such other entity will be the CFR for the obligor of such Collateral Obligation.

"**Moody's Default Probability Rating**":

With respect to any Collateral Obligation, as of any date of determination, the rating determined in accordance with the following methodology:

(i) if the obligor of such Collateral Obligation has a CFR by Moody's, then such CFR;

(ii) if not determined pursuant to clause (i) above, if the obligor of such Collateral Obligation has one or more senior unsecured obligations with an Assigned Moody's Rating, then the Assigned Moody's Rating on any such obligation as selected by the Investment Manager in its sole discretion;

(iii) if not determined pursuant to clause ((i) or (ii) above, if the obligor of such Collateral Obligation has one or more senior secured obligations with an Assigned Moody's Rating, then the Moody's rating that is one subcategory lower than the Assigned Moody's Rating on any such obligation as selected by the Investment Manager in its sole discretion;

(iv) if not determined pursuant to clause (i), (ii) or (iii) above, if a rating or rating estimate has been assigned to such Collateral Obligation by Moody's upon the request of the Issuer, the Investment Manager or an Affiliate of the Investment Manager, such rating or, in the case of a rating estimate, the applicable rating estimate for such obligation so long as such rating estimate or a renewal for such rating estimate has been issued or provided by Moody's in each case within the 15 month period preceding the date on which a Moody's Default Probability Rating is determined;

(v) if not determined pursuant to clause (i), (ii) or (iii) above, and at the election of the Investment Manager, the Moody's Derived Rating, if any; or

(vi) if the preceding clauses do not apply, "Caa3";

provided that notwithstanding the methodology above, if a Collateral Obligation is a DIP Collateral Obligation, the Moody's Default Probability Rating will be the rating that is one subcategory below the Assigned Moody's Rating of such DIP Collateral Obligation; provided further, that, each applicable rating, at the time of calculation, (i) on credit watch by Moody's with positive implications will be treated as having been upgraded by one rating subcategory, and (ii) on credit watch by Moody's with negative implications will be treated as having been downgraded by one rating subcategory.

"**Moody's Derived Rating**": With respect to a Collateral Obligation whose Moody's Rating or Moody's Default Probability Rating cannot otherwise be determined pursuant to the definitions thereof, such Moody's Rating or Moody's Default Probability Rating as determined in the manner set forth below:

(a) by using one of the methods provided below:

(i) if such Collateral Obligation has a public and monitored rating by S&P, pursuant to the table below:

Type of Collateral Obligation	S&P Rating (Public and Monitored)	Collateral Obligation Rated by S&P	Number of Subcategories Relative to Moody's Equivalent of S&P Rating
Not Structured Finance Obligation	[3] "BBB-"	Not a Loan or Participation Interest in Loan	-1
Not Structured Finance Obligation	£ "BB+"	Not a Loan or Participation Interest in Loan	-2
Not Structured Finance Obligation		Loan or Participation Interest in Loan	-2

(ii) if such Collateral Obligation is not rated by S&P but another security or obligation of the obligor has a public and monitored rating by S&P (a "**parallel security**"), then the rating of such parallel security will at the election of the Investment Manager be determined in accordance with the table set forth in subclause (a)(i) above, and the Moody's Derived Rating for purposes of the definitions of Moody's Rating and Moody's Default Probability Rating (as applicable) of such Collateral Obligation will be determined in accordance with the methodology set forth in the following table (for such purposes treating the parallel security as if it were rated by Moody's at the rating determined pursuant to this subclause (a)(ii)):

Obligation Category of Rated Obligation	Rating of Rated Obligation	Number of Subcategories Relative to Rated Obligation Rating
Senior secured obligation	greater than or equal to B2	-1
Senior secured obligation	less than B2	-2
Subordinated obligation	greater than or equal to B3	+1
Subordinated obligation	less than B3	0

or

(iii) if such Collateral Obligation is a DIP Collateral Obligation, no Moody's Derived Rating may be determined based on a rating by S&P or any other rating agency;

provided, that the Aggregate Principal Balance of the Collateral Obligations that may have a Moody's Rating derived from an S&P Rating as set forth in subclauses (i) or (ii) of this clause (a) may not exceed 10% of the Collateral Principal Amount.

(b) If not determined pursuant to clause (a) above and such Collateral Obligation is not rated by Moody's and no other security or obligation of the issuer of such Collateral Obligation is rated by Moody's, and if Moody's has been requested by the Issuer, the Investment Manager or the issuer of such Collateral Obligation to assign a rating or rating estimate with respect to such Collateral Obligation but such rating or rating estimate has not been received, pending receipt of such estimate, the Moody's Derived Rating of such Collateral Obligation for purposes of the definitions of Moody's Rating or Moody's Default Probability Rating of such Collateral Obligation shall be (i) "B3" if the Investment Manager certifies to the Trustee and the Collateral Administrator that the Investment Manager believes that such estimate shall be at least "B3" and if the Aggregate Principal Balance of Collateral Obligations determined pursuant to this clause (b)(i) does not exceed 5% of the Collateral Principal Amount or (ii) otherwise, "Caa1."

For purposes of calculating a Moody's Derived Rating, each applicable rating, at the time of calculation, (i) on credit watch by Moody's with positive implications will be treated as having been upgraded by one rating subcategory and (ii) on credit watch by Moody's with negative implications will be treated as having been downgraded by one rating subcategory.

"Moody's Rating":

With respect to any Collateral Obligation, as of any date of determination, the rating determined in accordance with the following methodology:

(a) if such Collateral Obligation has an Assigned Moody's Rating or a credit estimate assigned to it by Moody's, such Assigned Moody's Rating or credit estimate, as applicable;

(b) if such Collateral Obligation is a Moody's Senior Secured Loan, and such rating is not determined pursuant to clause (a) above, if the obligor of such Collateral Obligation has a CFR, then the Moody's rating that is one subcategory higher than such CFR;

(c) if not determined pursuant to clause (a) or (b) above, if the obligor of such Collateral Obligation has one or more senior unsecured obligations with an Assigned Moody's Rating, then the Assigned Moody's Rating on any such obligation (or, if such Collateral Obligation is a Moody's Senior Secured Loan, the Moody's rating that is two subcategories higher than the Assigned Moody's Rating on any such senior unsecured obligation) as selected by the Investment Manager in its sole discretion;

(d) if such Collateral Obligation is not a Moody's Senior Secured Loan and such rating is not determined pursuant to clause (a) or (c) above, if the obligor of such Collateral Obligation has a CFR, then the Moody's rating that is one subcategory lower than such CFR;

(e) if such Collateral Obligation is not a Moody's Senior Secured Loan and such rating is not determined pursuant to clause (a), (c) or (d) above, if the obligor of such Collateral Obligation has one or more subordinated obligations with an Assigned Moody's Rating, then the Moody's rating that is one subcategory higher than the Assigned Moody's Rating on any such obligation as selected by the Investment Manager in its sole discretion;

(f) if not determined pursuant to clauses (a) through (e) above, at the election of the Investment Manager, the Moody's Derived Rating; and

(g) if not determined pursuant to clause (a) through (f) above, "Caa3".

provided, that for purposes of calculating a Moody's Rating, each applicable rating, at the time of calculation, (i) on credit watch by Moody's with positive implications will be treated as having been upgraded by one rating subcategory and (ii) on credit watch by Moody's with negative implications will be treated as having been downgraded by one rating subcategory.

For purposes of the definitions of "Moody's Default Probability Rating," "Moody's Derived Rating" and "Moody's Rating," any credit estimate assigned by Moody's shall expire one year from the date such estimate was issued; provided that, for purposes of any calculation under this Indenture, if Moody's fails to renew for any reason a credit estimate for a previously acquired Collateral Obligation thereunder on or before such one-year anniversary (which may be extended at Moody's option to the extent the annual audited financial statements for the related obligor have not yet been received), after the Issuer or the Investment Manager on the Issuer's behalf has submitted to Moody's all information that Moody's required to be provided for such renewal, (1) for a period of 90 days, the previous credit estimate assigned by Moody's shall be downgraded by one notch and (2) thereafter, the Collateral Obligation will be deemed to have a Moody's rating of "Caa3"; provided that, if there is a Material Change with respect to any Collateral Obligation for which the Moody's Rating is based on a rating estimate from Moody's, the Issuer, or the Investment Manager on behalf of the Issuer, will, upon notice or knowledge thereof, use commercially reasonable efforts to notify Moody's and provide available information with respect thereto (provided that, for the avoidance of doubt, such notification will not, unless so requested by the Issuer, be considered a request for a new or refreshed rating estimate by the Issuer or be considered in determining whether or not the Issuer has complied with the annual rating estimate requirements set forth in this Indenture) and, in the event Moody's provides an unsolicited update of the rating estimate of such Collateral Obligation following receipt of such information, such rating estimate will be used by the Issuer until such later date that it is updated by Moody's.

For purposes of the preceding paragraph, "Material Change" means, with respect to any Collateral Obligation, the occurrence of any of the following events: (a) non-payment of interest or principal, (b) the rescheduling of any interest or principal, (c) any material covenant breach, (d) any restructuring of debt with respect to the obligor of such Collateral Obligation, (e) the addition of payment-in-kind terms, change in maturity date or any change in coupon rates and (f) the occurrence of the significant sale or acquisition of assets by the related obligor.

Schedule 5

S&P RECOVERY RATE TABLES

Section 1.

(a) (i) If a Collateral Obligation has an S&P Recovery Rating, the S&P Recovery Rate for such Collateral Obligation shall be determined as follows (and taking into account, for any Collateral Obligation with an S&P Recovery Rating of a Collateral Obligation of '2' through '5', the recovery range indicated in the S&P published report therefor):

S&P Recovery Rating of a Collateral Obligation	Recovery Range from S&P published reports*	Initial Liability Rating					
		"AAA"	"AA"	"A"	"BBB"	"BB"	"B" and below
1+	100	75%	85%	88%	90%	92%	95%
1	90-100	65%	75%	80%	85%	90%	95%
2	80-90	60%	70%	75%	81%	86%	90%
2	70-80	50%	60%	66%	73%	79%	80%
3	60-70	40%	50%	56%	63%	67%	70%
3	50-60	30%	40%	46%	53%	59%	60%
4	40-50	27%	35%	42%	46%	48%	50%
4	30-40	20%	26%	33%	39%	40%	40%
5	20-30	15%	20%	24%	26%	28%	30%
5	10-20	5%	10%	15%	20%	20%	20%
6	0-10	2%	4%	6%	8%	10%	10%
		Recovery Rate					

* If a recovery range is not available from S&P's published reports for a given loan with an S&P Recovery Rating of a Collateral Obligation of '2' through '5', the lower range for the applicable recovery rating shall be assumed.

(ii) If (x) a Collateral Obligation does not have an S&P Recovery Rating and such Collateral Obligation is a senior unsecured loan, second lien loan or senior unsecured bond and (y) the issuer of such Collateral Obligation has issued another debt instrument that is outstanding and senior to such Collateral Obligation that is a Senior Secured Loan, senior secured note or senior secured bond (a "**Senior Secured Debt Instrument**") that has an S&P Recovery Rating, the S&P Recovery Rate for such Collateral Obligation shall be determined using the following table:

For Collateral Obligations Domiciled in Group A

S&P Recovery Rating of the Senior Secured Debt Instrument	Initial Liability Rating					
	"AAA"	"AA"	"A"	"BBB"	"BB"	"B" and below
1+	18%	20%	23%	26%	29%	31%
1	18%	20%	23%	26%	29%	31%
2	18%	20%	23%	26%	29%	31%
3	12%	15%	18%	21%	22%	23%
4	5%	8%	11%	13%	14%	15%
5	2%	4%	6%	8%	9%	10%
6	— %	— %	— %	— %	— %	— %
	Recovery rate					

For Collateral Obligations Domiciled in Group B

S&P Recovery Rating of the Senior Secured Debt Instrument	Initial Liability Rating					
	"AAA"	"AA"	"A"	"BBB"	"BB"	"B" and below
1+	16%	18%	21%	24%	27%	29%
1	16%	18%	21%	24%	27%	29%
2	16%	18%	21%	24%	27%	29%
3	10%	13%	15%	18%	19%	20%
4	5%	5%	5%	5%	5%	5%
5	2%	2%	2%	2%	2%	2%
6	— %	— %	— %	— %	— %	— %
	Recovery rate					

For Collateral Obligations Domiciled in Group C

S&P Recovery Rating of the Senior Secured Debt Instrument	Initial Liability Rating					
	"AAA"	"AA"	"A"	"BBB"	"BB"	"B" and below
1+	13%	16%	18%	21%	23%	25%
1	13%	16%	18%	21%	23%	25%
2	13%	16%	18%	21%	23%	25%
3	8%	11%	13%	15%	16%	17%
4	5%	5%	5%	5%	5%	5%
5	2%	2%	2%	2%	2%	2%
6	— %	— %	— %	— %	— %	— %
	Recovery rate					

(iii) If (x) a Collateral Obligation does not have an S&P Recovery Rating and such Collateral Obligation is a subordinated loan or subordinated bond and (y) the issuer of such Collateral Obligation has issued another debt instrument that is outstanding and senior to such Collateral Obligation that is a Senior Secured Debt Instrument that has an S&P Recovery Rating, the S&P Recovery Rate for such Collateral Obligation shall be determined using the following table:

For Collateral Obligations Domiciled in Groups A, B and C

S&P Recovery Rating of the Senior Secured Debt Instrument	Initial Liability Rating					
	"AAA"	"AA"	"A"	"BBB"	"BB"	"B" and below
1+	8%	8%	8%	8%	8%	8%
1	8%	8%	8%	8%	8%	8%
2	8%	8%	8%	8%	8%	8%
3	5%	5%	5%	5%	5%	5%
4	2%	2%	2%	2%	2%	2%
5	— %	— %	— %	— %	— %	— %
6	— %	— %	— %	— %	— %	— %
	Recovery rate					

(b) If a recovery rate cannot be determined using clause (a) and the Collateral Obligation is secured solely or primarily by common stock, other equity interests and goodwill, and the issuer of such Collateral Obligation has issued another debt instrument that is a senior unsecured loan, then the S&P Recovery Rate for such Collateral Obligation will be equal to the S&P Recovery Rate for such senior unsecured loan (or such other S&P Recovery Rate as S&P may provide, at the request of the Investment Manager, on a case by case basis).

(c) If a recovery rate cannot be determined using clause (a) or clause (b) and the Collateral Obligation is secured solely or primarily by common stock, other equity interests and goodwill, then the recovery rate shall be determined using the table following clause (d) as if such Collateral Obligation were an Unsecured Loan.

(d) If a recovery rate cannot be determined using clause (a), the recovery rate shall be determined using the following table.

Recovery rates for obligors Domiciled in Group A, B, C or D:

Priority Category	Initial Liability Rating					
	"AAA"	"AA"	"A"	"BBB"	"BB"	"B" and "CCC"
Senior Secured Loans						
Group A	50%	55%	59%	63%	75%	79%
Group B	45%	49%	53%	58%	70%	74%
Group C	39%	42%	46%	49%	60%	63%
Group D	17%	19%	27%	29%	31%	34%
Senior Secured Loans (Cov-Lite Loans), Senior Bonds, and Senior Secured Floating Rate Notes						
Group A	41%	46%	49%	53%	63%	67%
Group B	37%	41%	44%	49%	59%	62%
Group C	32%	35%	39%	41%	50%	53%
Group D	17%	19%	27%	29%	31%	34%

Priority Category	Initial Liability Rating					
	"AAA"	"AA"	"A"	"BBB"	"BB"	"B" and "CCC"
Unsecured loans, Unsecured Bonds, Second Lien Loans[2] and First Lien Las Out Loans						
Group A	18%	20%	23%	26%	29%	31%
Group B	16%	18%	21%	24%	27%	29%
Group C	13%	16%	18%	21%	23%	25%
Group D	10%	12%	14%	16%	18%	20%
Subordinated Loans						
Group A	8%	8%	8%	8%	8%	8%
Group B	10%	10%	10%	10%	10%	10%
Group C	9%	9%	9%	9%	9%	9%
Group D	5%	5%	5%	5%	5%	5%
Recovery rate						

Group A: *Australia, Denmark, Finland, Hong Kong, Ireland, The Netherlands, New Zealand, Norway, Singapore, Sweden, U.K.*
Group B: *Austria, Belgium, Canada, Germany, Israel, Japan, Luxembourg, Portugal, South Africa, Switzerland, U.S.*
Group C: *Argentina, Brazil, Chile, France, Greece, Italy, Mexico, South Korea, Spain, Taiwan, Turkey, United Arab Emirates.*
Group D: *Kazakhstan, Russia, Ukraine, others*

Section 2. S&P CDO Monitor

Liability Rating	"AAA"	"AA"	"A"	"BBB"	"BB"	"B"
Weighted Average S&P Recovery Rate						
	35.00%	43.50%	49.20%	55.60%	61.85%	67.10%
	35.00%	43.75%	49.45%	55.85%	62.10%	67.35%
	35.00%	44.00%	49.70%	56.10%	62.35%	67.60%
	35.00%	44.25%	49.95%	56.35%	62.60%	67.85%
	35.00%	44.50%	50.20%	56.60%	62.85%	68.10%
	36.00%	44.50%	50.20%	56.60%	62.85%	68.10%
	36.00%	44.75%	50.45%	56.85%	63.10%	68.35%
	36.00%	45.00%	50.70%	57.10%	63.35%	68.60%
	36.00%	45.25%	50.95%	57.35%	63.60%	68.85%
	36.00%	45.50%	51.20%	57.60%	63.85%	69.10%
	37.00%	45.50%	51.20%	57.60%	63.85%	69.10%
	37.00%	45.75%	51.45%	57.85%	64.10%	69.35%
	37.00%	46.00%	51.70%	58.10%	64.35%	69.60%
	37.00%	46.25%	51.95%	58.35%	64.60%	69.85%
	37.00%	46.50%	52.20%	58.60%	64.85%	70.10%
	38.00%	46.50%	52.20%	58.60%	64.85%	70.10%
	38.00%	46.75%	52.45%	58.85%	65.10%	70.35%

2 Second Lien Loans with an Aggregate Principal Balance in excess of 15% of the Collateral Principal Amount shall use the "Subordinated loans" Priority Category for the purpose of determining their S&P Recovery Rate.

Liability Rating	"AAA"	"AA"	"A"	"BBB"	"BB"	"B"
Weighted Average S&P Recovery Rate						
	38.00%	47.00%	52.70%	59.10%	65.35%	70.60%
	38.00%	47.25%	52.95%	59.35%	65.60%	70.85%
	38.00%	47.50%	53.20%	59.60%	65.85%	71.10%
	39.00%	47.50%	53.20%	59.60%	65.85%	71.10%
	39.00%	47.75%	53.45%	59.85%	66.10%	71.35%
	39.00%	48.00%	53.70%	60.10%	66.35%	71.60%
	39.00%	48.25%	53.95%	60.35%	66.60%	71.85%
	39.00%	48.50%	54.20%	60.60%	66.85%	72.10%
	39.25%	47.75%	53.45%	59.85%	66.10%	71.35%
	39.25%	48.00%	53.70%	60.10%	66.35%	71.60%
	39.25%	48.25%	53.95%	60.35%	66.60%	71.85%
	39.25%	48.50%	54.20%	60.60%	66.85%	72.10%
	39.25%	48.75%	54.45%	60.85%	67.10%	72.35%
	39.50%	48.00%	53.70%	60.10%	66.35%	71.60%
	39.50%	48.25%	53.95%	60.35%	66.60%	71.85%
	39.50%	48.50%	54.20%	60.60%	66.85%	72.10%
	39.50%	48.75%	54.45%	60.85%	67.10%	72.35%
	39.50%	49.00%	54.70%	61.10%	67.35%	72.60%
	39.75%	48.25%	53.95%	60.35%	66.60%	71.85%
	39.75%	48.50%	54.20%	60.60%	66.85%	72.10%
	39.75%	48.75%	54.45%	60.85%	67.10%	72.35%
	39.75%	49.00%	54.70%	61.10%	67.35%	72.60%
	39.75%	49.25%	54.95%	61.35%	67.60%	72.85%
	40.00%	48.50%	54.20%	60.60%	66.85%	72.10%
	40.00%	48.75%	54.45%	60.85%	67.10%	72.35%
	40.00%	49.00%	54.70%	61.10%	67.35%	72.60%
	40.00%	49.25%	54.95%	61.35%	67.60%	72.85%
	40.00%	49.50%	55.20%	61.60%	67.85%	73.10%
	40.25%	48.75%	54.45%	60.85%	67.10%	72.35%
	40.25%	49.00%	54.70%	61.10%	67.35%	72.60%
	40.25%	49.25%	54.95%	61.35%	67.60%	72.85%
	40.25%	49.50%	55.20%	61.60%	67.85%	73.10%
	40.25%	49.75%	55.45%	61.85%	68.10%	73.35%
	40.50%	49.00%	54.70%	61.10%	67.35%	72.60%
	40.50%	49.25%	54.95%	61.35%	67.60%	72.85%
	40.50%	49.50%	55.20%	61.60%	67.85%	73.10%
	40.50%	49.75%	55.45%	61.85%	68.10%	73.35%
	40.50%	50.00%	55.70%	62.10%	68.35%	73.60%
	40.75%	49.25%	54.95%	61.35%	67.60%	72.85%
	40.75%	49.50%	55.20%	61.60%	67.85%	73.10%
	40.75%	49.75%	55.45%	61.85%	68.10%	73.35%
	40.75%	50.00%	55.70%	62.10%	68.35%	73.60%
	40.75%	50.25%	55.95%	62.35%	68.60%	73.85%
	41.00%	49.50%	55.20%	61.60%	67.85%	73.10%
	41.00%	49.75%	55.45%	61.85%	68.10%	73.35%
	41.00%	50.00%	55.70%	62.10%	68.35%	73.60%
	41.00%	50.25%	55.95%	62.35%	68.60%	73.85%
	41.00%	50.50%	56.20%	62.60%	68.85%	74.10%
	41.25%	49.75%	55.45%	61.85%	68.10%	73.35%
	41.25%	50.00%	55.70%	62.10%	68.35%	73.60%
	41.25%	50.25%	55.95%	62.35%	68.60%	73.85%
	41.25%	50.50%	56.20%	62.60%	68.85%	74.10%

Liability Rating	"AAA"	"AA"	"A"	"BBB"	"BB"	"B"
Weighted Average S&P Recovery Rate						
	41.25%	50.75%	56.45%	62.85%	69.10%	74.35%
	41.50%	50.00%	55.70%	62.10%	68.35%	73.60%
	41.50%	50.25%	55.95%	62.35%	68.60%	73.85%
	41.50%	50.50%	56.20%	62.60%	68.85%	74.10%
	41.50%	50.75%	56.45%	62.85%	69.10%	74.35%
	41.50%	51.00%	56.70%	63.10%	69.35%	74.60%
	41.75%	50.25%	55.95%	62.35%	68.60%	73.85%
	41.75%	50.50%	56.20%	62.60%	68.85%	74.10%
	41.75%	50.75%	56.45%	62.85%	69.10%	74.35%
	41.75%	51.00%	56.70%	63.10%	69.35%	74.60%
	41.75%	51.25%	56.95%	63.35%	69.60%	74.85%
	42.00%	50.50%	56.20%	62.60%	68.85%	74.10%
	42.00%	50.75%	56.45%	62.85%	69.10%	74.35%
	42.00%	51.00%	56.70%	63.10%	69.35%	74.60%
	42.00%	51.25%	56.95%	63.35%	69.60%	74.85%
	42.00%	51.50%	57.20%	63.60%	69.85%	75.10%
	42.25%	50.75%	56.45%	62.85%	69.10%	74.35%
	42.25%	51.00%	56.70%	63.10%	69.35%	74.60%
	42.25%	51.25%	56.95%	63.35%	69.60%	74.85%
	42.25%	51.50%	57.20%	63.60%	69.85%	75.10%
	42.25%	51.75%	57.45%	63.85%	70.10%	75.35%
	42.50%	51.00%	56.70%	63.10%	69.35%	74.60%
	42.50%	51.25%	56.95%	63.35%	69.60%	74.85%
	42.50%	51.50%	57.20%	63.60%	69.85%	75.10%
	42.50%	51.75%	57.45%	63.85%	70.10%	75.35%
	42.50%	52.00%	57.70%	64.10%	70.35%	75.60%
	42.75%	51.25%	56.95%	63.35%	69.60%	74.85%
	42.75%	51.50%	57.20%	63.60%	69.85%	75.10%
	42.75%	51.75%	57.45%	63.85%	70.10%	75.35%
	42.75%	52.00%	57.70%	64.10%	70.35%	75.60%
	42.75%	52.25%	57.95%	64.35%	70.60%	75.85%
	43.00%	51.50%	57.20%	63.60%	69.85%	75.10%
	43.00%	51.75%	57.45%	63.85%	70.10%	75.35%
	43.00%	52.00%	57.70%	64.10%	70.35%	75.60%
	43.00%	52.25%	57.95%	64.35%	70.60%	75.85%
	43.00%	52.50%	58.20%	64.60%	70.85%	76.10%
	43.25%	51.75%	57.45%	63.85%	70.10%	75.35%
	43.25%	52.00%	57.70%	64.10%	70.35%	75.60%
	43.25%	52.25%	57.95%	64.35%	70.60%	75.85%
	43.25%	52.50%	58.20%	64.60%	70.85%	76.10%
	43.25%	52.75%	58.45%	64.85%	71.10%	76.35%
	43.50%	52.00%	57.70%	64.10%	70.35%	75.60%
	43.50%	52.25%	57.95%	64.35%	70.60%	75.85%
	43.50%	52.50%	58.20%	64.60%	70.85%	76.10%
	43.50%	52.75%	58.45%	64.85%	71.10%	76.35%
	43.50%	53.00%	58.70%	65.10%	71.35%	76.60%
	43.75%	52.25%	57.95%	64.35%	70.60%	75.85%
	43.75%	52.50%	58.20%	64.60%	70.85%	76.10%
	43.75%	52.75%	58.45%	64.85%	71.10%	76.35%
	43.75%	53.00%	58.70%	65.10%	71.35%	76.60%
	43.75%	53.25%	58.95%	65.35%	71.60%	76.85%
	44.00%	52.50%	58.20%	64.60%	70.85%	76.10%

Liability Rating	"AAA"	"AA"	"A"	"BBB"	"BB"	"B"
Weighted Average S&P Recovery Rate						
	44.00%	52.75%	58.45%	64.85%	71.10%	76.35%
	44.00%	53.00%	58.70%	65.10%	71.35%	76.60%
	44.00%	53.25%	58.95%	65.35%	71.60%	76.85%
	44.00%	53.50%	59.20%	65.60%	71.85%	77.10%
	44.25%	52.75%	58.45%	64.85%	71.10%	76.35%
	44.25%	53.00%	58.70%	65.10%	71.35%	76.60%
	44.25%	53.25%	58.95%	65.35%	71.60%	76.85%
	44.25%	53.50%	59.20%	65.60%	71.85%	77.10%
	44.25%	53.75%	59.45%	65.85%	72.10%	77.35%
	44.50%	53.00%	58.70%	65.10%	71.35%	76.60%
	44.50%	53.25%	58.95%	65.35%	71.60%	76.85%
	44.50%	53.50%	59.20%	65.60%	71.85%	77.10%
	44.50%	53.75%	59.45%	65.85%	72.10%	77.35%
	44.50%	54.00%	59.70%	66.10%	72.35%	77.60%
	44.75%	53.25%	58.95%	65.35%	71.60%	76.85%
	44.75%	53.50%	59.20%	65.60%	71.85%	77.10%
	44.75%	53.75%	59.45%	65.85%	72.10%	77.35%
	44.75%	54.00%	59.70%	66.10%	72.35%	77.60%
	44.75%	54.25%	59.95%	66.35%	72.60%	77.85%
	45.00%	53.50%	59.20%	65.60%	71.85%	77.10%
	45.00%	53.75%	59.45%	65.85%	72.10%	77.35%
	45.00%	54.00%	59.70%	66.10%	72.35%	77.60%
	45.00%	54.25%	59.95%	66.35%	72.60%	77.85%
	45.00%	54.50%	60.20%	66.60%	72.85%	78.10%
	45.25%	53.75%	59.45%	65.85%	72.10%	77.35%
	45.25%	54.00%	59.70%	66.10%	72.35%	77.60%
	45.25%	54.25%	59.95%	66.35%	72.60%	77.85%
	45.25%	54.50%	60.20%	66.60%	72.85%	78.10%
	45.25%	54.75%	60.45%	66.85%	73.10%	78.35%
	45.50%	54.00%	59.70%	66.10%	72.35%	77.60%
	45.50%	54.25%	59.95%	66.35%	72.60%	77.85%
	45.50%	54.50%	60.20%	66.60%	72.85%	78.10%
	45.50%	54.75%	60.45%	66.85%	73.10%	78.35%
	45.50%	55.00%	60.70%	67.10%	73.35%	78.60%
	45.75%	54.25%	59.95%	66.35%	72.60%	77.85%
	45.75%	54.50%	60.20%	66.60%	72.85%	78.10%
	45.75%	54.75%	60.45%	66.85%	73.10%	78.35%
	45.75%	55.00%	60.70%	67.10%	73.35%	78.60%
	45.75%	55.25%	60.95%	67.35%	73.60%	78.85%
	46.00%	54.50%	60.20%	66.60%	72.85%	78.10%
	46.00%	54.75%	60.45%	66.85%	73.10%	78.35%
	46.00%	55.00%	60.70%	67.10%	73.35%	78.60%
	46.00%	55.25%	60.95%	67.35%	73.60%	78.85%
	46.00%	55.50%	61.20%	67.60%	73.85%	79.10%
	46.25%	54.75%	60.45%	66.85%	73.10%	78.35%
	46.25%	55.00%	60.70%	67.10%	73.35%	78.60%
	46.25%	55.25%	60.95%	67.35%	73.60%	78.85%
	46.25%	55.50%	61.20%	67.60%	73.85%	79.10%
	46.25%	55.75%	61.45%	67.85%	74.10%	79.35%
	46.50%	55.00%	60.70%	67.10%	73.35%	78.60%
	46.50%	55.25%	60.95%	67.35%	73.60%	78.85%
	46.50%	55.50%	61.20%	67.60%	73.85%	79.10%

Liability Rating	"AAA"	"AA"	"A"	"BBB"	"BB"	"B"
Weighted Average S&P Recovery Rate						
	46.50%	55.75%	61.45%	67.85%	74.10%	79.35%
	46.50%	56.00%	61.70%	68.10%	74.35%	79.60%
	46.75%	55.25%	60.95%	67.35%	73.60%	78.85%
	46.75%	55.50%	61.20%	67.60%	73.85%	79.10%
	46.75%	55.75%	61.45%	67.85%	74.10%	79.35%
	46.75%	56.00%	61.70%	68.10%	74.35%	79.60%
	46.75%	56.25%	61.95%	68.35%	74.60%	79.85%
	47.00%	55.50%	61.20%	67.60%	73.85%	79.10%
	47.00%	55.75%	61.45%	67.85%	74.10%	79.35%
	47.00%	56.00%	61.70%	68.10%	74.35%	79.60%
	47.00%	56.25%	61.95%	68.35%	74.60%	79.85%
	47.00%	56.50%	62.20%	68.60%	74.85%	80.10%
	47.25%	55.75%	61.45%	67.85%	74.10%	79.35%
	47.25%	56.00%	61.70%	68.10%	74.35%	79.60%
	47.25%	56.25%	61.95%	68.35%	74.60%	79.85%
	47.25%	56.50%	62.20%	68.60%	74.85%	80.10%
	47.25%	56.75%	62.45%	68.85%	75.10%	80.35%
	47.50%	56.00%	61.70%	68.10%	74.35%	79.60%
	47.50%	56.25%	61.95%	68.35%	74.60%	79.85%
	47.50%	56.50%	62.20%	68.60%	74.85%	80.10%
	47.50%	56.75%	62.45%	68.85%	75.10%	80.35%
	47.50%	57.00%	62.70%	69.10%	75.35%	80.60%
	47.75%	56.25%	61.95%	68.35%	74.60%	79.85%
	47.75%	56.50%	62.20%	68.60%	74.85%	80.10%
	47.75%	56.75%	62.45%	68.85%	75.10%	80.35%
	47.75%	57.00%	62.70%	69.10%	75.35%	80.60%
	47.75%	57.25%	62.95%	69.35%	75.60%	80.85%
	48.00%	56.50%	62.20%	68.60%	74.85%	80.10%
	48.00%	56.75%	62.45%	68.85%	75.10%	80.35%
	48.00%	57.00%	62.70%	69.10%	75.35%	80.60%
	48.00%	57.25%	62.95%	69.35%	75.60%	80.85%
	48.00%	57.50%	63.20%	69.60%	75.85%	81.10%
	48.25%	56.75%	62.45%	68.85%	75.10%	80.35%
	48.25%	57.00%	62.70%	69.10%	75.35%	80.60%
	48.25%	57.25%	62.95%	69.35%	75.60%	80.85%
	48.25%	57.50%	63.20%	69.60%	75.85%	81.10%
	48.25%	57.75%	63.45%	69.85%	76.10%	81.35%

Weighted Average Floating Spread
2.95%
3.00%
3.05%
3.10%
3.15%
3.20%
3.25%
3.30%
3.35%
3.40%
3.45%
3.50%
3.55%
3.60%
3.65%
3.70%
3.75%
3.80%
3.85%
3.90%
3.95%
4.00%
4.05%

As of the Closing Date the Investment Manager will elect the following Weighted Average S&P Recovery Rates for purposes of the S&P CDO Monitor Test:

Liability Rating	"AAA"	"AA"	"A"	"BBB"	"BB"	"B"
Weighted Average S&P Recovery Rate	43.00%	52.00%	57.70%	64.10%	70.35%	75.60%

As of the Closing Date the Investment Manager will elect the following Weighted Average Floating Spread for purposes of the S&P CDO Monitor Test: 3.65%

Schedule 6

APPROVED INDEX LIST

1. Merrill Lynch Investment Grade Corporate Master Index
2. CSFB Leveraged Loan Index
3. JPMorgan Domestic High Yield Index
4. Barclays Capital U.S. Corporate High-Yield Index
5. Merrill Lynch High Yield Master Index

Exhibit (l)

[Letterhead of Eversheds Sutherland (US) LLP]

February 28, 2017

Saratoga Investment Corp.
535 Madison Avenue
New York, New York 10022

Re: Saratoga Investment Corp.
Registration Statement on Form N-2

Ladies and Gentlemen:

We have acted as counsel to Saratoga Investment Corp., a Maryland corporation (the ***"Company"***), in connection with the preparation and filing by the Company with the Securities and Exchange Commission (the ***"Commission"***) of a registration statement on Form N-2 on February 28, 2017 (as amended from time to time, the "***Registration Statement***") under the Securities Act of 1933, as amended (the "***Securities Act***"), with respect to the offer, issuance and sale from time to time pursuant to Rule 415 under the Securities Act of up to $50,000,000 in aggregate offering amount of the following securities:

(i) shares of the Company's common stock, par value $0.001 per share (the ***"Common Stock"***);

(ii) shares of preferred stock of the Company, par value $0.001 per share (***"Preferred Stock"*** and together with the Common Stock, the ***"Shares"***);

(iii) subscription rights to purchase Common Stock (***"Subscription Rights"***);

(iv) debt securities (***"Debt Securities"***); and

(v) warrants representing rights to purchase Common Stock, Preferred Stock or Debt Securities (***"Warrants,"*** and together with the Common Stock, the Preferred Stock, the Subscription Rights and the Debt Securities, the ***"Securities"***). The Registration Statement provides that the Securities may be issued from time to time in amounts, at prices, and on terms to be set forth in one or more supplements (each, a ***"Prospectus Supplement"***) to the final prospectus included in the Registration Statement at the time it becomes effective (the ***"Prospectus"***).

The Debt Securities are to be issued in one or more series pursuant to an indenture, dated as of May 10, 2013 (the ***"Base Indenture"***) entered into by and between the Company and U.S. Bank National Association as trustee (the ***"Trustee"***) and any supplemental indenture (each, a ***"Supplemental Indenture"*** and, together with the Base Indenture, the ***"Indenture"***), as may be agreed from time to time between the Company and the Trustee. The Warrants will be issued under one or more warrant agreements (each, a ***"Warrant Agreement"***) to be entered into by and between the Company and the purchasers thereof or a warrant agent to be identified in the applicable Warrant Agreement (the ***"Warrant Agent"***). The Subscription Rights are to be issued from time to time pursuant to one or more subscription rights agreements (each, a ***"Subscription Rights Agreement"***) to be entered into by and between the Company and the purchasers thereof or a rights agent to be identified in the applicable Subscription Rights Agreement.

As counsel to the Company, we have participated in the preparation of the Registration Statement and have examined the originals or copies, certified or otherwise identified to our satisfaction as being true copies, of such records, documents or other instruments as we in our judgment have deemed to be necessary or appropriate to enable us to render the opinions hereinafter expressed including, without limitation, the following:

(i) The Articles of Incorporation of the Company, as amended by the Articles of Amendment thereto, certified as of a recent date by an officer of the Company (the ***"Charter"***);

(ii) The Amended and Restated Bylaws of the Company, certified as of the date hereof by an officer of the Company (the ***"Bylaws"***);

(iii) The Base Indenture;

(iv) A Certificate of Good Standing with respect to the Company issued by the State Department of Assessments and Taxation of the State of Maryland as of a recent date (the ***"Certificate of Good Standing"***); and

(v) The resolutions of the board of directors of the Company (the ***"Board"***) relating to, among other things, (a) the authorization and approval of the preparation and filing of the Registration Statement, and (b) the authorization of the issuance, offer and sale of the Securities pursuant to the Registration Statement, and (c) the authorization, execution, and delivery of the Base Indenture, certified as of the date hereof by an officer of the Company (collectively, the ***"Resolutions"***).

With respect to such examination and our opinions expressed herein, we have assumed, without any independent investigation or verification, (i) the genuineness of all signatures on all documents submitted to us for examination, (ii) the legal capacity of all natural persons, (iii) the authenticity of all documents submitted to us as originals, (iv) the conformity to original documents of all documents submitted to us as conformed or reproduced copies and the authenticity of the originals of such copied documents, and (v) that all certificates issued by public officials have been properly issued. We also have assumed (i) without independent investigation or verification the accuracy and completeness of all corporate records made available to us by the Company, , (ii) that the Warrant Agreements and the Subscription Rights Agreements will be governed by the laws of the State of New York, and (iii) that the Indenture, the Warrant Agreements, and the Subscription Rights Agreements will be valid and legally binding obligations of the parties thereto (other than the Company).

As to certain matters of fact relevant to the opinions in this opinion letter, we have relied on a certificate of an officer of the Company. We also have relied on certificates of public officials (which we have assumed remain accurate as of the date of this opinion). We have not independently established the facts, or in the case of certificates of public officials, the other statements, so relied upon.

The opinions set forth below are limited to the effect of the Maryland General Corporation Law (the ***"MGCL"***) and as to the Debt Securities, the Warrants, and the Subscription Rights constituting valid and legally binding obligations of the Company, the laws of the State of New York, in each case, as in effect on the date hereof, and we express no opinion as to the applicability or effect of any other laws of the State of Maryland or the laws of any other jurisdictions. Without limiting the preceding sentence, we express no opinion as to any federal or state securities or broker-dealer laws or regulations thereunder relating to the offer, issuance and sale of the Securities pursuant to the Registration Statement. Our opinions expressed in this opinion letter as to enforceability are subject to (a) bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and other similar laws affecting the rights and remedies of creditors generally and (b) general principles of equity (including without limitation the availability of specific performance or injunctive relief and the application of concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding at law or in equity, and we express no opinion as to the enforceability of rights to indemnity and contribution to the extent it may be limited by federal or state securities laws or principles of public policy. This opinion letter has been prepared, and should be interpreted, in accordance with customary practice followed in the preparation of opinion letters by lawyers who regularly give, and such customary practice followed by lawyers who on behalf of their clients regularly advise opinion recipients regarding, opinion letters of this kind.

Based on and subject to the foregoing, and subject to the assumptions, limitations and other matters set forth in this opinion letter, we are of the opinion that:

1. Assuming that (i) the issuance, offer and sale of the Shares from time to time and the final terms and conditions of such issuance, offer and sale, including those relating to the price and amount of the Shares to be issued, offered and sold, have been duly authorized and determined or otherwise established by proper action of the Board in accordance with the MGCL, the Charter, the Bylaws and the Resolutions, (ii) the Shares have been delivered to, and the agreed consideration has been fully paid at the time of such delivery

by, the purchasers thereof, (iii) upon issuance of the Shares, the total number of shares of Common Stock, in the case that the Shares so issued are Common Stock, or Preferred Stock, in the case that the Shares so issued are Preferred Stock, issued and outstanding does not exceed the total number of shares of Common Stock, in the case that the Shares so issued are Common Stock, or Preferred Stock, in the case that the Shares so issued are Preferred Stock, that the Company is then authorized to issue under the Charter, (iv) the Certificate of Good Standing remains accurate, (v) in the case of shares of Common Stock or Preferred Stock issuable upon the exercise of the Warrants or shares of Common Stock issuable upon the exercise of the Subscription Rights, the assumptions stated in paragraphs numbered (3) and (4) below are true and correct and (vi) prior to the issuance of a series of Preferred Stock, an appropriate articles supplementary relating to such series of Preferred Stock will have been duly authorized by the Company and filed with and accepted for record by the State Department of Assessments and Taxation of the State of Maryland, the Shares will be duly authorized, validly issued, fully paid and nonassessable.

2. Assuming that (i) each Supplemental Indenture relating to the Debt Securities has been duly authorized, executed and delivered by each of the Company and the Trustee in accordance with the terms of the Indenture, (ii) the issuance, offer and sale of the Debt Securities from time to time and the final terms and conditions of the Debt Securities to be so issued, offered and sold, including those relating to price and amount of Debt Securities to be issued, offered and sold, (a) have been duly authorized and determined or otherwise established by proper action of the Board in accordance with the Charter and Bylaws, (b) are consistent with the terms thereof in the Indenture, (c) do not violate any applicable law, (d) do not violate or result in a default under or breach of any agreement, instrument or other document binding upon the Company, and (e) comply with all requirements or restrictions imposed by any court or governmental body having jurisdiction over the Company; (iii) the Debt Securities have been (a) duly executed and delivered by the Company and duly authenticated by the Trustee in accordance with the Indenture and (b) delivered to, and the agreed consideration therefor has been fully paid at the time of such delivery by, the purchasers thereof; (iv) the Debt Securities do not include any provision that is unenforceable against the Company; (v) at the time of issuance of the Debt Securities, after giving effect to such issuance of the Debt Securities, the Company will be in compliance with Section 18(a)(1)(A) of the Investment Company Act of 1940, as amended, giving effect to Section 61(a)(1) thereof; and (vi) in the case of Debt Securities issuable upon the exercise of warrants, the assumptions stated in paragraphs numbered (3) and (4) below are true and correct, the Debt Securities will constitute valid and legally binding obligations of the Company.

3. Assuming that (i) the Warrant Agreements have been duly authorized, executed and delivered by the parties thereto, and that no terms included therein would affect the validity of the opinion expressed in this paragraph numbered (3), (ii) the issuance, offer and sale of Warrants from time to time and the final terms and conditions of the Warrants to be so issued, offered and sold, including those relating to price and amount of the Warrants to be issued, offered and sold, (a) have been duly authorized and determined or otherwise established by proper action of the Board in accordance with the Charter and Bylaws, (b) are consistent with the terms thereof in the applicable Warrant Agreement, (c) do not violate any applicable law, (d) do not violate or result in a default under or breach of any agreement, instrument or other document binding upon the Company, and (e) comply with all requirements or restrictions imposed by any court or governmental body having jurisdiction over the Company and (iii) the Warrants have been (a) duly executed and delivered by the Company and duly countersigned in accordance with the applicable Warrant Agreement, and (b) delivered to, and the agreed consideration therefor has been fully paid at the time of such delivery by, the purchasers thereof as contemplated by the Registration Statement, the Warrants will constitute valid and legally binding obligations of the Company.

4. Assuming that (i) the Subscription Rights Agreements have been duly authorized, executed and delivered by the parties thereto, and that no terms included therein would affect the validity of the opinion expressed in this paragraph numbered (4), (ii) the issuance, offer and sale of the Subscription Rights from time to time and the final terms and conditions of the Subscription Rights to be so issued, offered and sold, including those relating to price and amount of Subscription Rights to be issued, offered and sold, (a) have been duly authorized and determined or otherwise established by proper action of the Board in accordance with the Charter and Bylaws, (b) are consistent with the terms thereof in the applicable Subscription Rights Agreement, (c) do not violate any applicable law, (d) do not violate or result in a default under or breach of any agreement, instrument or other document binding upon the Company, and (e) comply with all

requirements or restrictions imposed by any court or governmental body having jurisdiction over the Company and (iii) the Subscription Rights have been (a) duly executed and delivered by the Company and duly countersigned in accordance with the applicable Subscription Rights Agreement, and (b) delivered to, and the agreed consideration therefor has been fully paid at the time of such delivery by, the purchasers thereof as contemplated by the Registration Statement, the Subscription Rights will constitute valid and legally binding obligations of the Company.

The opinions expressed in this opinion letter (i) are strictly limited to the matters stated in this opinion letter, and without limiting the foregoing, no other opinions are to be implied and (ii) are only as of the date of this opinion letter, and we are under no obligation, and do not undertake, to advise the addressee of this opinion letter or any other person or entity either of any change of law or fact that occurs, or of any fact that comes to our attention, after the date of this opinion letter, even though such change or such fact may affect the legal analysis or a legal conclusion in this opinion letter.

We hereby consent to the filing of this opinion letter as an exhibit to the Registration Statement and to the reference to our firm in the "Legal Matters" section in the Registration Statement. We do not admit by giving this consent that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

Respectfully submitted,

/s/ EVERSHEDS SUTHERLAND (US) LLP

Exhibit (N)(1)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the captions “Selected Financial and Other Data”, “Senior Securities” and “Independent Registered Public Accounting Firm” and to the use of our reports (a) dated May 17, 2016 with respect to the consolidated financial statements of Saratoga Investment Corp. and the financial statements of Saratoga Investment Corp. CLO 2013-1, Ltd. as of February 29, 2016 and February 28, 2015, and for the three years in the period ended February 29, 2016, and (b) dated February 27, 2017, with respect to the senior securities table of Saratoga Investment Corp. as of February 29, 2016, in this Registration Statement (Form N-2).

/s/ Ernst & Young LLP

New York, New York
February 27, 2017

Exhibit (N)(2)

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of Saratoga Investment Corp.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of assets and liabilities of Saratoga Investment Corp. (the "Company"), including the consolidated schedules of investments, as of February 29, 2016 and February 28, 2015, and the related consolidated statements of operations, changes in net assets and cash flows for the years ended February 29, 2016, February 28, 2015 and 2014, in this Registration Statement (Form N-2) and have expressed an unqualified opinion thereon dated May 17, 2016. We have also audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of assets and liabilities of the Company, including the consolidated schedules of investments, as of February 28, 2014 and 2013, and February 29, 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years ended February 28, 2013 and February 29, 2012 and have issued unqualified opinions thereon (which are not included in this Registration Statement). The senior securities table as of February 29, 2016 and February 28, 2015, 2014, 2013 and February 29, 2012 has been subjected to audit procedures performed in conjunction with the audits of the Company's consolidated financial statements. Such information is the responsibility of the Company's management.

Our audit procedures included determining whether the information reconciles to the consolidated financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of this information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Section 18 of the Investment Company Act of 1940, as amended. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

/s/ Ernst & Young LLP

New York, NY
February 27, 2017

Exhibit 99.1

	For the nine months ended November 30, 2016	For the Year Ended February 29, 2016	For the Year Ended February 28, 2015	For the Year Ended February 28, 2014	For the Year Ended February 28, 2013	For the Year Ended February 29, 2012	For the Year Ended February 28, 2011	For the Year Ended February 28, 2010
Earnings:								
Net increase (decrease) in net assets resulting from operations	$10,132,981	$11,645,558	$11,007,364	$ 8,497,165	$14,044,058	$12,810,964	$16,731,392	$(10,462,560)
Income tax expense, including excise tax	—	113,808	293,653	—	—	—	—	27,445
Total earnings before taxes	$10,132,981	$11,759,366	$11,301,017	$ 8,497,165	$14,044,058	$12,810,964	$16,731,392	$(10,435,115)
Fixed Charges:								
Interest Expense	$ 7,106,869	$ 8,456,467	$ 7,375,022	$ 6,083,891	$ 2,540,413	$ 1,297,985	$ 2,611,839	$ 4,096,041
Total fixed charges	$ 7,106,869	$ 8,456,467	$ 7,375,022	$ 6,083,891	$ 2,540,413	$ 1,297,985	$ 2,611,839	$ 4,096,041
Earnings available to cover fixed charges	$17,239,850	$20,215,833	$18,676,039	$14,581,056	$16,584,471	$14,108,949	$19,343,231	$ (6,339,074)
Ratio of earnings to fixed charges	2.43	2.39	2.53	2.40	6.53	10.87	7.41	(1.55)