

January 14, 2014

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

NEW YORK, Jan. 14, 2014 /PRNewswire/ -- Saratoga Investment Corp. (NYSE:SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2014 fiscal third quarter.

### Operating Results

For the fiscal quarter ended November 30, 2013, Saratoga Investment reported net investment income of \$2.9 million or \$0.60 on a weighted average per share basis, and net loss on investments of \$1.6 million, or \$0.34 on a weighted average per share basis, resulting in an increase in net assets from operations of \$1.3 million, or \$0.26 on a weighted average per share basis. The \$1.6 million net loss on investments was comprised of \$1.7 million in net unrealized depreciation on investments and \$80,000 in net realized gains from investments.

Net asset value ("NAV") was \$111.2 million as of November 30, 2013, compared to \$112.4 million as of August 31, 2013 and \$112.5 million as of May 31, 2013. NAV per share was \$20.67 (\$24.03 before the effect of the dividend described below) as of November 30, 2013 as compared to \$23.77 as of August 31, 2013 and \$23.78 as of May 31, 2013.

The decrease in reported NAV per share from August 31, 2013 was primarily the result of the \$12.5 million cash and stock dividend (which consisted of \$2.5 million in cash and 649,500 shares of common stock) declared by Saratoga Investment's Board of Directors on October 29, 2013 and paid on December 27, 2013 to record holders as of November 13, 2013. In accordance with generally accepted accounting principles ("GAAP"), the number of shares outstanding used to calculate NAV per share as of November 30, 2013 was retroactively adjusted to reflect the additional shares issued in connection with the cash and stock dividend.

Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment, said, "Our team's origination and deal execution capabilities enabled us to make another \$22.3 million of investments in new and existing portfolio companies during the quarter. We continue to build our pipeline of investments as we improve the magnitude and quality of our portfolio."

### Portfolio and Investment Activity

As of November 30, 2013, the fair value of the Company's investment portfolio was \$198.8 million, principally invested in 36 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 18.8% of middle market loans, 35.5% of first lien term loans, 13.9% of second lien term loans, 15.1% of senior secured notes, 2.7% of unsecured notes, 9.6% of subordinated notes of the CLO and 4.4% of common equity.

During the 2014 fiscal third quarter, the Company invested \$22.3 million in new or existing portfolio companies and had \$9.9 million in aggregate amount of exits and repayments on its investments, resulting in net investments of \$12.4 million for the period.

As of November 30, 2013, the aggregate weighted average current yield on Saratoga Investment's portfolio was 10.8% which was comprised of a weighted average current yield of 11.1% on first lien term loans, 11.2% on second lien term loans, 14.2% on senior secured notes, 15.1% on unsecured notes, 11.7% on the CLO subordinated notes, and 6.4% on middle market loans.

### Liquidity and Capital Resources

As of November 30, 2013, Saratoga Investment had \$48.3 million in notes payable outstanding, \$4.0 million outstanding on its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition, Saratoga Investment had an aggregate of \$3.4 million in cash and cash equivalents and \$1.6 million in cash and cash equivalents, reserve accounts at November 30, 2013. The Company is required to use the amounts held in cash and cash equivalents, reserve accounts to pay interest expense, reduce borrowings or pay other amounts in accordance with the terms of its senior secured revolving credit facility and its Small Business Investment Company ("SBIC") subsidiary. As of December 31, 2013, the SBIC subsidiary had \$32 million in regulatory capital and \$50.0 million of Small Business Administration debentures.

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

**When:** Jan. 15, 2014 at 10:00 a.m. Eastern Time (ET)

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

A replay of the call will be available from 1:00 p.m. ET on Jan. 15, 2014 through 11:59 p.m. ET on Jan. 21, 2014 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada). Passcode for both replay numbers is 33184740.

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

#### About Saratoga Investment Corp.

Saratoga Investment Corp. is a specialty finance company that provides customized financing solutions to U.S. middle-market businesses. The Company invests primarily in mezzanine debt, leveraged loans and, to a lesser extent, equity to provide financing for change of ownership transactions, strategic acquisitions, recapitalizations and growth initiatives in partnership with business owners, management teams and financial sponsors. Saratoga Investment Corp.'s objective is to create attractive risk-adjusted returns by generating current income and long-term capital appreciation from its debt and equity investments. Saratoga Investment Corp. has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 and is externally-managed by Saratoga Investment Advisors, LLC, an SEC-registered investment advisor focusing on credit-driven strategies. Within the BDC, Saratoga Investment manages both an SBIC-licensed subsidiary and a \$400 million Collateralized Loan Obligation (CLO) fund. These diverse funding sources, combined with a permanent capital base, enable Saratoga Investment to offer a broad range of financing solutions.

#### Forward Looking Statements

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

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#### Financial Statements

##### **Saratoga Investment Corp.**

##### **Consolidated Statements of Assets and Liabilities**

	<b>As of</b>	
	<b>November 30, 2013</b>	<b>February 28, 2013</b>
	(unaudited)	
<b>ASSETS</b>		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$180,323,606 and \$130,465,086, respectively)	\$ 179,759,938	\$ 129,563,428
Control investments (cost of \$16,555,808 and \$18,944,966 respectively)	19,018,842	25,516,959
Total investments at fair value (amortized cost of \$196,879,414 and \$149,410,052 respectively)	198,778,780	155,080,387
Cash and cash equivalents	3,359,983	149,025
Cash and cash equivalents, reserve accounts	1,599,132	12,086,142
Interest receivable, (net of reserve of \$310,146 and \$53,543, respectively)	2,751,138	2,889,358
Due from manager	4,929	-
Deferred debt financing costs, net	4,008,926	2,090,184
Management fee receivable	166,682	215,853
Other assets	99,597	83,407
Receivable from unsettled trades	-	1,817,074

Total assets	\$ 210,769,167	\$ 174,411,430
LIABILITIES		
Revolving credit facility	\$ 4,000,000	\$ 24,300,000
SBA debentures payable	40,000,000	36,000,000
Notes payable	48,300,000	-
Dividend payable	2,507,112	-
Management and incentive fees payable	3,587,061	4,509,322
Accounts payable and accrued expenses	381,485	435,038
Interest and debt fees payable	514,333	257,796
Due to manager	273,083	222,513
Total liabilities	<u>\$ 99,563,074</u>	<u>\$ 65,724,669</u>
NET ASSETS		
Common stock, par value \$.001, 100,000,000 common shares		
authorized, 5,379,616 and 4,730,116 common shares issued and outstanding, respectively	\$ 5,380	\$ 4,730
Capital in excess of par value	184,851,122	174,824,076
Distribution in excess of net investment income	(29,418,170)	(24,522,951)
Accumulated net realized loss from investments and derivatives	(46,131,603)	(47,289,427)
Net unrealized appreciation on investments and derivatives	1,899,364	5,670,333
Total Net Assets	<u>111,206,093</u>	<u>108,686,761</u>
Total liabilities and Net Assets	<u>\$ 210,769,167</u>	<u>\$ 174,411,430</u>
NET ASSET VALUE PER SHARE	<u>\$ 20.67</u>	<u>\$ 22.98</u>

**Saratoga Investment Corp.**

**Consolidated Statements of Operations**

(unaudited)

	For the three months ended		For the nine months ended	
	November 30		November 30	
	2013	2012	2013	2012
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	\$ 4,279,445	\$ 2,190,350	\$ 11,534,271	\$ 6,129,508
Payment-in-kind interest income from Non-control/Non-affiliate investments	161,485	276,245	634,408	821,830
Control investments	556,291	1,046,285	2,791,830	3,186,751
Total interest income	<u>4,997,221</u>	<u>3,512,880</u>	<u>14,960,509</u>	<u>10,138,089</u>
Interest from cash and cash equivalents	1,316	731	7,181	5,368
Management fee income	421,198	500,454	1,400,039	1,500,519
Other income	381,480	19,750	838,956	172,310
Total investment income	<u>5,801,215</u>	<u>4,033,815</u>	<u>17,206,685</u>	<u>11,816,286</u>
EXPENSES				
Interest and debt financing expenses	1,611,221	529,858	4,342,657	1,808,586
Base management fees	876,345	528,735	2,424,167	1,492,345
Professional fees	312,992	347,459	879,247	986,781
Administrator expenses	250,000	250,000	750,000	750,000
Incentive management fees	(561,539)	(412,654)	219,813	887,020
Insurance	117,955	128,891	357,184	389,506
Directors fees and expenses	35,978	53,705	131,978	155,705
General & administrative	251,058	117,357	440,844	265,720
Other expense	9,172	1,311	21,207	4,434
Total expenses	<u>2,903,182</u>	<u>1,544,662</u>	<u>9,567,097</u>	<u>6,740,097</u>
NET INVESTMENT INCOME	<u>2,898,033</u>	<u>2,489,153</u>	<u>7,639,588</u>	<u>5,076,189</u>

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain from investments	82,882	95,372	1,157,824	542,720
Net realized loss from derivatives	-	-	-	(131,000)
Net unrealized appreciation (depreciation) on investments	(1,713,025)	(1,838,957)	(3,770,968)	3,188,543
Net unrealized appreciation on derivatives	-	-	-	130,925
Net gain (loss) on investments	<u>(1,630,143)</u>	<u>(1,743,585)</u>	<u>(2,613,144)</u>	<u>3,731,188</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 1,267,890</u>	<u>\$ 745,568</u>	<u>\$ 5,026,444</u>	<u>\$ 8,807,377</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 0.26	\$ 0.19	\$ 1.05	\$ 2.25
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED	4,851,451	3,970,447	4,770,267	3,907,696

SOURCE Saratoga Investment Corp.

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