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Saratoga Investment Corp. Receives "Green Light" Letter from SBA for Second SBIC License

NEW YORK, April 6, 2015 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, is pleased to announce that the U.S. Small Business Administration ("SBA") has issued a "green light" or "go forth" letter inviting Saratoga Investment to continue its application process to obtain a license to form and operate its second Small Business Investment Company ("SBIC") subsidiary.

"The success of our current SBIC investment program has contributed to the improvement in our financial strength by expanding the size and quality of our assets under management," said Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment. "A second license would enable us to use the 2-to-1 leverage, lower cost of capital and favorable terms inherent in the SBIC program to grow our asset base by the permitted amount under the second license of \$112.5 million. The investment strategy of focusing on the smaller, less competitive end of the market would be consistent with our first fund."

If approved, a second SBIC license would provide Saratoga Investment an incremental source of long-term capital by permitting it to issue \$75 million of additional SBA-guaranteed debentures in addition to the \$150 million already approved under the first license. These have maturities of ten years and have fixed interest rates generally lower than those of comparable bank and other debt. Under the regulations applicable to SBICs, an SBIC may have outstanding debentures guaranteed by the SBA generally in an amount of up to twice its regulatory capital.

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.

"A new SBIC license would add to the financial strength and liquidity of Saratoga Investment," said Mike Grisius, President and Chief Investment Officer. "Our portfolio of investments is well diversified, with no direct energy exposures or write-downs to date. Our net interest income per share and return on equity are reflective of strong risk-adjusted portfolio returns, and our dividend yield is continuing to increase. The second SBIC license would be accretive in all aspects and augment an already healthy financial picture. We closed 14 investments in 2014 that supported new and existing portfolio companies, and this year we will continue to support private equity sponsors and companies with a variety of value added financing solutions."

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, senior and unitranche 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 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. Saratoga Investment Corp. owns an SBIC-licensed subsidiary and manages a \$300 million collateralized loan obligation ("CLO") fund. It also owns 100% of the subordinated notes of the CLO. These diverse funding sources, combined with a permanent capital base, enable Saratoga Investment Corp. to provide a broad range of financing solutions.

About SBICs

Congress created the Small Business Investment Company (SBIC) in 1958 to help supply long-term capital to America's small businesses. The SBA partners with private investors and licenses and regulates privately owned and managed investment funds. These use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small to middle market businesses. SBICs are not required to register with the Securities and Exchange Commission. With a leverage commitment from the SBA equal to two times the private capital raised, fund managers can minimize time spent on fundraising. The low cost of SBA capital provides fund managers with pricing flexibility across market cycles while the 10-year term on SBA debentures avoids the problems of duration mismatch. SBICs serve U.S. small businesses that have difficulty gaining bank financing but are opportunities for investment.

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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