

May 17, 2016

Saratoga Investment Corp. Announces Fiscal Year End and Fourth Quarter 2016 Financial Results

NEW YORK, May 17, 2016 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2016 fiscal year end and fourth quarter.

Summary Financial Information

Over the past twelve months, Saratoga Investment increased its Assets under management ("AUM") by 18.1% from \$240.5 million as of February 28, 2015 to \$284.0 million as of February 29, 2016. This increase reflects the healthy originations of \$51.8 million new investments during the quarter ended February 29, 2016, as well as the success achieved from continuing to strengthen our team and increase our pipeline of deals reviewed.

As a result, both the year and quarter ended February 29, 2016 benefitted from higher investment income as compared to the prior year - investment income increased to \$30.1 million for the year ended February 29, 2016 from \$27.4 million for the year ended February 28, 2015, and to \$7.8 million from \$7.5 million for the same quarterly periods.

Net investment income on a weighted average per share basis was \$1.91 and \$0.54 for the year and quarter ended February 29, 2016, respectively. Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income on a weighted average per share basis was \$1.90 and \$0.45, respectively. This compares to adjusted net investment income per share of \$1.85 and \$0.50 for the year and quarter ended February 28, 2015, respectively.

Despite the \$4.2 million realized loss in our legacy investments in Targus Group International and \$4.7 million unrealized losses in our legacy investment Elyria Foundry Company, LLC, Net Asset Value ("NAV") increased \$2.6 million from \$122.6 million as of February 28, 2015 to \$125.1 million as of February 29, 2016, and return on equity for the year ended February 29, 2016 was 9.4%. Both Targus and Elyria are legacy investments that pre-date Saratoga's management of the Company.

	<u>For the year</u> <u>ended and as of</u> <u>February 29, 2016</u>	<u>For the year</u> <u>ended and as of</u> <u>February 28, 2015</u>	<u>For the quarter</u> <u>ended February</u> <u>29, 2016</u>	<u>For the quarter</u> <u>ended February</u> <u>28, 2015</u>
	(\$ in thousands except per share)			
AUM	283,966	240,537	-	-
NAV	125,150	122,599	-	-
Investment Income	30,051	27,375	7,795	7,451
Net Investment Income per share	1.91	1.80	0.54	0.53
Adjusted Net Investment Income per share	1.90	1.85	0.45	0.50
Return on Equity	9.4%	9.3%	(1.3%)	8.9%

The Company's summarized financial information is as follows:

- i NAV was \$125.1 million as of February 29, 2016, a \$2.6 million increase from a NAV of \$122.6 million as of February 28, 2015.
 - i For the twelve months ended February 29, 2016, \$13.0 million of dividends were declared, \$10.7 million of net investment income and \$1.0 million of net realized and unrealized gains were earned, and \$4.7 million of stock dividend distributions were made.
- i NAV per share was \$22.06 as of February 29, 2016, compared to \$22.70 as of February 28, 2015.
 - i During the twelve months ended February 29, 2016, NAV per share decreased by \$0.64 per share, primarily reflecting the \$2.6 million, or \$0.45 per share, increase in net assets (net of the \$2.36 dividend paid during fiscal year 2016), offset by the dilutive impact of the 295,745 shares issued pursuant to the dividend reinvestment plan. The dilutive share impact was reduced by 25,417 shares repurchased during the year.
- i Net investment income on a weighted average per share basis of \$1.91 and \$0.54 for the year and quarter ended February 29, 2016, respectively. Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income on a weighted average per share basis was \$1.90 and \$0.45, respectively.
- i Net investment income of \$10.7 million and \$3.1 million for the year and quarter ended February 29, 2016, respectively. Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income was \$10.6 million and \$2.5 million, respectively - this is an increase of \$0.7 million, or 6.6% from the year ended February 28, 2015, and a decrease of \$0.1 million, or 5.5% from the quarter ended February 28, 2015.
- i Earnings per share for the year and quarter ended February 29, 2016 was \$2.09 and \$(0.07), respectively,

compared to \$2.04 and \$0.50 for the year and quarter ended February 28, 2015, respectively - the net realized loss of \$4.0 million in the fourth quarter was primarily due to the \$4.2 million realized loss in our legacy investments in Targus Group International, Inc. following a restructuring of the company 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 into new equity.

- | Net investment income yield as percentage of average net asset value ("Net Investment Income Yield") was 8.6% and 9.8% for the year and quarter ended February 29, 2016, respectively. Adjusted for the incentive fee accrual related to net unrealized capital gains, the Net Investment Income Yield was 8.6% and 8.0%, respectively.
- | Return on equity for the year and quarter ended February 29, 2016 was 9.4% and (1.3%), respectively - the quarter's return on equity was impacted by the realized and unrealized losses on our legacy Targus and Elyria investments of \$2.4 million (or -6.1% impact to return on equity). Both Targus and Elyria are legacy investments that pre-date Saratoga's management of the Company.
- | Investment portfolio activity for the year ended February 29, 2016
 - | Cost of investments made during the period: \$109.2 million
 - | Principal repayments during the period: \$68.2 million
- | Investment portfolio activity for the quarter ended February 29, 2016
 - | Cost of investments made during the period: \$51.8 million
 - | Principal repayments during the period: \$5.5 million

Operating Results

For the fiscal year ended February 29, 2016, Saratoga Investment reported net investment income of \$10.7 million, or \$1.91 on a weighted average per share basis, and a net gain on investments of \$1.0 million, or \$0.17 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$11.6 million, or \$2.09 on a weighted average per share basis. The \$1.0 million net gain on investments was comprised largely of \$0.2 million in net realized gain on investments and \$0.7 million in net unrealized appreciation on investments. This compared to the fiscal year ended February 28, 2015 with net investment income of \$9.7 million, or \$1.80 on a weighted average per share basis, and a net gain on investments of \$1.3 million, or \$0.25 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$11.0 million, or \$2.04 on a weighted average per share basis. The \$1.3 million net gain on investments consisted of \$3.3 million in net realized gains on investments, offset by \$1.9 million unrealized depreciation.

Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income was \$10.6 million and \$10.0 million for the years ended February 29, 2016 and February 28, 2015, respectively - this is an increase of \$0.7 million year-over-year, or 6.6%.

For the quarter ended February 29, 2016, Saratoga Investment reported net investment income of \$3.1 million, or \$0.54 on a weighted average per share basis, and a net loss on investments of \$3.5 million, or \$0.62 on a weighted average per share basis, resulting in a net decrease in net assets from operations of \$0.4 million, or \$0.07 on a weighted average per share basis. The \$3.5 million net loss on investments was largely comprised of \$0.5 million in net unrealized appreciation on investments, offset by \$4.0 million in net realized losses. The realized loss of \$4.0 million includes the \$4.2 million realized loss in our legacy investments in Targus Group International, Inc. following a restructuring of the company 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 into new equity. This compared to the quarter ended February 28, 2015 with net investment income of \$2.9 million, or \$0.53 on a weighted average per share basis, and a net loss on investments of \$0.2 million, or \$0.03 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$2.7 million, or \$0.50 on a weighted average per share basis. The \$0.2 million net loss on investments consisted of \$0.3 million in net unrealized depreciation on investments, offset by \$0.1 million in net realized gains.

Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income was \$2.5 million and \$2.6 million for the quarters ended February 29, 2016 and February 28, 2015, respectively - this is a decrease of \$0.1 million year-over-year, or 5.5%.

Both the year and quarter ended February 29, 2016 benefitted from higher investment income as compared to the year and quarter ended February 28, 2015 - investment income increased to \$30.1 million for the year ended February 29, 2016 from \$27.4 million for the year ended February 28, 2015, and to \$7.8 million from \$7.5 million for the same quarterly periods. This increased investment income was generated from an investment base that has grown by 18.1% since last year. The investment income increase was offset by (i) increased debt and financing expenses from higher outstanding Notes payable and SBA debentures this year reflective of the growing investment and asset base, (ii) increased base and incentive management fees generated from the management of this larger pool of investments, and (iii) increased total expenses, excluding interest and debt financing expenses, base management fees and incentive fees, reflecting higher professional fees related to the issuance of Notes this year, as well as increased administrator and deal research fees.

Total expenses, excluding interest and debt financing expenses, base management fees and incentive management fees, increased from \$3.6 million for the year ended February 28, 2015 to \$4.2 million for the year ended February 29, 2016, staying consistent at 1.6% of average AUM for both the years ended February 29, 2016 and February 28, 2015.

Net Investment Income Yield was 8.6% and 9.8% for the year and quarter ended February 29, 2016, respectively. Adjusted for the incentive fee accrual related to net unrealized capital gains, the Net Investment Income Yield was 8.6% and 8.0% for the year and quarter ended February 29, 2016, respectively. Return on Equity was 9.4% and (1.3%) for the year and quarter ended February 29, 2016, respectively - the quarter's return on equity was impacted by the realized and unrealized

losses on our legacy Targus and Elyria investments of \$2.4 million (or -6.1% impact to return on equity).

Net Investment Income Yield was 8.2% and 9.5% for the year and quarter ended February 28, 2015, respectively. Adjusted for the incentive fee accrual related to net unrealized capital gains, the Net Investment Income Yield was 8.5% and 8.8% for the year and quarter ended February 28, 2015, respectively.

NAV was \$125.1 million as of February 29, 2016, a \$2.6 million increase from an NAV of \$122.6 million as of February 28, 2015. During this period, \$13.0 million of dividends were declared, \$10.7 million of net investment income and \$1.0 million of net realized and unrealized gains were earned, and \$4.7 million of stock dividend distributions were made. NAV per share was \$22.06 as of February 29, 2016, compared to \$22.70 as of February 28, 2015. During these twelve months, NAV per share decreased by \$0.64 per share, primarily reflecting the \$2.6 million, or \$0.45 per share, increase in net assets (net of the \$2.36 dividend paid during fiscal year 2016), offset by the dilutive impact of the 295,745 shares issued pursuant to the dividend reinvestment plan. The dilutive share impact was reduced by 25,417 shares repurchased during the year.

"Despite the difficult market conditions that we faced in fiscal year 2016, we continued to pursue and achieve our strategic objectives of expanding our assets under management, improving investment quality, broadening our investor base and increasing our pipeline of available deal sources," said Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment. "In fiscal year 2016, we continued to deploy our available capital, while successfully managing the various liquidity sources available to us. At a time when many of our competitors were struggling to earn their existing dividends, we continued to increase our quarterly dividend and paid a total of \$2.36 per share through a special dividend and our regular quarterly dividends. Thanks to our consistent performance, we found ourselves at the top of many of the analyst's BDC rankings based on some of our key performance metrics. This has been another strong year for Saratoga Investment, and we are extremely pleased with the strong risk-adjusted investment performance we have delivered for our shareholders this year."

Michael J. Grisius, President and Chief Investment Officer, added, "During fiscal year 2016, the steady expansion of our asset base continued, with a year-on-year increase in our investments at fair value of 18%, and a 199% increase since 2012. While growing, we were able to achieve an increase in quality as well. Over 98% of our debt portfolio bears our highest credit quality rating. Despite the challenging market dynamics we currently face, we deployed capital generally at multiples below market averages, while significantly increasing the number of deals we reviewed and the sources generating these deals. While the number of transactions in our market segment dropped significantly over the last twelve months, the number of deals that we closed remained strong. We continue to see demand for financing in the markets we serve and trust that our investments in new business development capabilities will result in a continued robust and productive pipeline."

Portfolio and Investment Activity

As of February 29, 2016, the fair value of Saratoga Investment's portfolio was \$284.0 million (excluding \$7.0 million in cash and cash equivalents), principally invested in 34 portfolio companies and one collateralized loan obligation fund ("CLO"). The overall portfolio composition consisted of 50.9% of first lien term loans, 31.1% of second lien term loans, 4.5% of subordinated notes in a CLO, 4.2% of syndicated loans, and 9.3% of common equity.

For the fiscal year ended February 29, 2016, Saratoga Investment 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. For the quarter ended February 29, 2016, Saratoga Investment invested \$51.8 million in new or existing portfolio companies, and had \$5.5 million in aggregate amount of exits and repayments, resulting in net investments of \$46.3 million for the quarter.

As of February 29, 2016, the weighted average current yield on Saratoga Investment's portfolio for the twelve months ended February 29, 2016 was 11.1%, which was comprised of a weighted average current yield of 10.7% on first lien term loans, 11.5% on second lien term loans, 16.4% on CLO subordinated notes, and 7.6% on syndicated loans.

Liquidity and Capital Resources

As of February 29, 2016, Saratoga Investment had \$0.0 million in outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. At the same time, Saratoga Investment had \$103.7 million outstanding of SBA debentures, \$61.8 million of Baby Bonds (fair value of \$60.2 million) and an aggregate of \$7.0 million in cash and cash equivalents.

With the \$45.0 million credit facility and the \$46.3 million additional borrowing capacity at the SBIC subsidiary, as well as the \$7.0 million of cash and cash equivalents, Saratoga Investment has a total of \$98.3 million of undrawn borrowing capacity and cash and cash equivalents available as of February 29, 2016. The proceeds from the Dividend Reinvestment Program totaled \$4.7 million of equity investments in fiscal 2016. Saratoga Investment also has the ability to issue additional baby bonds through the At-the-Market program outlined below.

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 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).

Share Repurchase Plan

Saratoga Investment further exercised its share repurchase plan during the quarter ended February 29, 2016. In fiscal year 2015, the Company announced the approval of an open market share repurchase plan that allows 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 financial statements. Last quarter, this share repurchase plan was extended for another year, and increased to 400,000 shares through October 2016. As of May 16th, 2016, Saratoga repurchased 61,257 shares at a weighted average price of \$14.89 per share under this plan.

Dividend

During fiscal year 2016, Saratoga Investment declared and paid dividends of \$2.36 per share, composed of \$0.27 for the quarter ended February 28, 2015, \$0.33 per share for the quarter ended May 31, 2015, \$0.36 per share for the quarter ended August 31, 2015, \$0.40 per share for the quarter ended November 30, 2015, and a special dividend of \$1.00 per share in the first quarter of fiscal year 2016. In addition, on March 31, 2016, Saratoga Investment announced a dividend of \$0.41 per share for the fiscal quarter ended February 29, 2016, paid on April 27, 2016 to all stockholders of record at the close of business on April 15, 2016.

2016 Fiscal Year End and Fourth Quarter Conference Call/Webcast Information

When: Wednesday, May 18, 2016, 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 Wednesday, May 18, 2016 through 12:59 p.m. ET on Wednesday, May 25, 2016 by dialing (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 94018191.

Webcast: Interested parties may access a simultaneous webcast of the call and find the FY2016 presentation by going to the "Events & Presentations" section of Saratoga Investment's investor relations website, <http://www.saratogainvestmentcorp.com/investor.html>

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 senior and unitranche leveraged loans, mezzanine debt, 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. 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.

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.

Financials

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	<u>\$ 295,047,252</u>	<u>\$ 263,560,055</u>

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	<u>\$ 169,897,377</u>	<u>\$ 140,961,313</u>

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	<u>125,149,875</u>	<u>122,598,742</u>

Total liabilities and net assets	<u>\$ 295,047,252</u>	<u>\$ 263,560,055</u>
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NET ASSET VALUE PER SHARE	<u>\$ 22.06</u>	<u>\$ 22.70</u>
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Asset Coverage Ratio	302.5%	311.7%
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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	<u>30,050,670</u>	<u>27,375,361</u>	<u>22,893,745</u>
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	<u>19,372,338</u>	<u>17,701,511</u>	<u>14,019,299</u>
NET INVESTMENT INCOME	<u>10,678,332</u>	<u>9,673,850</u>	<u>8,874,446</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain (loss) 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	<u>967,226</u>	<u>1,333,514</u>	<u>(377,281)</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 11,645,558</u>	<u>\$ 11,007,364</u>	<u>\$ 8,497,165</u>
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

Saratoga Investment Corp.

Consolidated Statements of Operations

	For the three months ended February 29, 2016	For the three months ended February 28, 2015
INVESTMENT INCOME		
Interest from investments		
Non-control/Non-affiliate investments	\$ 6,204,079	\$ 5,995,982
Payment-in-kind interest income from Non-control/Non-affiliate investments	43,933	284,121
Control investments	<u>645,347</u>	<u>711,220</u>
Total interest income	6,893,359	6,991,323
Interest from cash and cash equivalents	2,646	1,063
Management fee income	373,493	369,700
Other income	<u>525,764</u>	<u>88,905</u>
Total investment income	<u>7,795,262</u>	<u>7,450,991</u>
EXPENSES		
Interest and debt financing expenses	2,215,521	1,908,743
Base management fees	1,161,850	1,063,556
Professional fees	305,598	364,630
Administrator expenses	325,000	250,000
Incentive management fees	71,416	467,797
Insurance	70,972	85,333
Directors fees and expenses	51,000	51,000
General & administrative	256,961	77,812
Excise tax expense	237,146	293,653
Other expense	-	-
Total expenses	<u>4,695,464</u>	<u>4,562,524</u>
NET INVESTMENT INCOME	<u>3,099,798</u>	<u>2,888,467</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) from investments	(4,004,754)	73,051
Net unrealized appreciation (depreciation) on investments	<u>501,620</u>	<u>(256,673)</u>
Net gain (loss) on investments	<u>(3,503,134)</u>	<u>(183,622)</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ (403,336)</u>	<u>\$ 2,704,845</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ (0.07)	0.50
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	5,688,697	5,401,651

Supplemental Information Regarding Adjusted Net Investment Income and Adjusted Net Investment Income Yield

On a supplemental basis, we provide information relating to adjusted net investment income and adjusted net investment income yield, which are non-GAAP measures. These measures are provided in addition to, but not as a substitute for, net investment income and net investment income yield. Adjusted net investment income represents net investment income excluding any capital gains incentive fee expense or reversal attributable to unrealized gains. The management agreement with our advisor provides that a capital gains incentive fee is determined and paid annually with respect to cumulative realized capital gains (but not unrealized capital gains) to the extent such realized capital gains exceed realized and unrealized losses for such year. In addition, we accrue, but do not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. As such, we believe that adjusted net investment income and adjusted net investment income yield is a useful indicator of operations exclusive of any capital gains incentive fee expense or reversal attributable to unrealized gains. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. The following table provides a reconciliation of net investment income to adjusted net investment income and net investment income yield to adjusted net investment income yield for the three and twelve months ended February 29, 2016 and February 28, 2015.

	For the three months ended February 29 and 28		For the year ended February 29 and 28	
	2016	2015	2016	2015
Net Investment Income	\$ 3,099,798	\$ 2,888,467	\$ 10,678,332	\$ 9,673,850
Changes in accrued capital gains incentive fee expense/reversal	(563,081)	(203,701)	(45,777)	304,440
Adjusted net investment income	2,536,717	2,684,766	\$10,632,555	9,978,290
Net investment income yield	9.8%	9.5%	8.6%	8.2%
Changes in accrued capital gains incentive fee expense/reversal	(1.8%)	(0.7%)	0.0%	0.3%
Adjusted net investment income yield ⁽¹⁾	8.0%	8.8%	8.6%	8.5%
Net investment income per share	\$ 0.54	\$ 0.53	\$ 1.91	\$ 1.80
Changes in accrued capital gains incentive fee expense/reversal	(\$ 0.09)	(\$ 0.03)	(\$ 0.01)	\$ 0.05
Adjusted net investment income per share ⁽²⁾	\$ 0.45	\$ 0.50	\$ 1.90	\$ 1.85

(1) Adjusted net investment income is calculated as adjusted net investment income divided by average net asset value.

(2) Adjusted net investment income per share is calculated as adjusted net investment income divided by weighted average common shares outstanding.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/saratoga-investment-corp-announces-fiscal-year-end-and-fourth-quarter-2016-financial-results-300270378.html>

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