

Saratoga Investment Corp. Announces Fiscal Third Quarter 2017 Financial Results

Increases Quarterly Dividend to \$0.45 from \$0.44 per share

NEW YORK, Jan. 11, 2017 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2017 fiscal third quarter.

Summary Financial Information

For the quarter ended November 30, 2016, Saratoga Investment's assets under management ("AUM") was \$277.6 million, an increase of 1.7% from \$272.8 million as of August 31, 2016, and a decrease of 2.3% from \$284.0 million as of February 29, 2016. These changes include \$30.1 million in acquisitions this quarter, offset by further repayments of \$23.8 million during the third fiscal quarter of 2017 following significant repayments last quarter. Total repayments for this fiscal year increased to \$94.7 million, generating a gross unlevered IRR of 20.6%. Saratoga Investment's portfolio has grown this quarter and remains strong, with a continued high level of investment quality in loan investments with 96.7% of our loans at our highest internal rating for this quarter.

The quarter ended November 30, 2016 continued to benefit from higher investment income - investment income increased to \$8.4 million for the quarter ended November 30, 2016, up 21.7% from \$6.9 million for the quarter ended November 30, 2015.

Net Asset Value ("NAV") increased \$2.5 million from \$125.1 million as of February 29, 2016 to \$127.7 million as of November 30, 2016, and return on equity for the quarter ended November 30, 2016 was 4.9% annualized and 7.7% for the last twelve months. Excluding the \$5.7 million realized and unrealized losses in our legacy investments Targus Group International and Elyria Foundry Company, LLC over the past twelve months, the return on equity for the last twelve months ended November 30, 2016 was 12.1%. Both Targus and Elyria are legacy investments that pre-date Saratoga's management of the Company.

The Company's summarized financial information is as follows:

	<u>For the</u> <u>quarter ended</u> <u>Nov 30, 2016</u>	<u>For the</u> <u>quarter ended</u> <u>Aug 31, 2016</u>	<u>For the</u> <u>quarter ended</u> <u>Nov 30, 2015</u>
	(\$ in thousands except per share)		
AUM	277,570	272,804	241,038
NAV	127,680	128,563	127,273
Investment Income	8,442	8,448	6,936
Net Investment Income per share	\$0.60	\$0.45	\$0.38
Adjusted Net Investment Income per share	0.53	0.53	0.42
Earnings per share	0.27	0.92	0.61
Return on equity - annualized quarter	4.9%	16.5%	10.8%
- last twelve months	7.7%	9.1%	11.9%

- | NAV was \$127.7 million as of November 30, 2016, a \$2.5 million increase from an NAV of \$125.1 million as of February 29, 2016, and a \$0.4 million increase from an NAV of \$127.3 million as of November 30, 2015.
 - | For the nine months ended November 30, 2016, \$8.5 million of dividends were declared, while \$10.1 million was earned (\$8.6 million of net investment income and \$1.6 million of net realized and unrealized gains). There were also \$4.1 million of stock dividend distributions made through the Company's dividend reinvestment plan ("DRIP"), representing three quarters' dividend payments and one special dividend; these issuances were partially offset by \$3.3 million of share repurchases.
- | NAV per share increased to \$22.21 as of November 30, 2016 from \$22.06 as of February 29, 2016, but decreased on a quarter-on-quarter basis from \$22.39 as of August 31, 2016. The dilution from an increased share count during the quarter was \$0.02.
- | Net investment income on a weighted average per share basis was \$0.60 and \$0.38 for the quarters ended November 30, 2016 and 2015, 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 \$0.53 and \$0.42, respectively.
- | Net investment income was \$3.4 million for the quarter ended November 30, 2016. Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income was \$3.1 million - this is an increase of \$0.7 million, or 29.9% from the quarter ended November 30, 2015.

- | Net investment income yield as percentage of average net asset value ("Net Investment Income Yield") was 10.7% for the quarter ended November 30, 2016. Adjusted for the incentive fee accrual related to net unrealized capital gains, the Net Investment Income Yield was 9.5%.
- | Earnings per share for the quarter ended November 30, 2016 was \$0.27 per share (including \$1.8 million of net loss on investments) compared to \$0.61 per share (including \$1.3 million of net gains on investments) for the quarter ended November 30, 2015.
- | Return on equity for the quarters ended November 30, 2016 and 2015 was 4.9% and 10.8%, respectively when annualized, and 7.7% and 11.9%, respectively for the last twelve months.
- | Investment portfolio activity for the quarter ended November 30, 2016:
 - | Cost of investments made during the period: \$30.1 million
 - | Principal repayments during the period: \$23.8 million

Operating Results

For the quarter ended November 30, 2016, Saratoga Investment reported net investment income of \$3.4 million, or \$0.60 on a weighted average per share basis, and a net loss on investments of \$1.8 million, or \$0.32 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$1.6 million, or \$0.27 on a weighted average per share basis. The \$1.8 million net loss on investments was comprised of \$0.3 million in net realized gain on investments, offset by \$2.1 million in net unrealized depreciation on investments. The net unrealized depreciation for the quarter is primarily due to \$0.9 million unrealized depreciation on our CLO investment due to increased financing costs and fees related to the refinancing, as well as \$0.7 million unrealized depreciation on our Taco Mac investment reflecting declining revenues and EBITDA. This compared to the quarter ended November 30, 2015 with net investment income of \$2.2 million, or \$0.38 on a weighted average per share basis, and a net gain on investments of \$1.3 million, or \$0.23 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$3.4 million, or \$0.61 on a weighted average per share basis. The \$1.3 million net gain on investments consisted of \$0.4 million in net realized gains on investments and \$0.8 million of unrealized appreciation.

Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income was \$3.0 million for the quarter ended November 30, 2016 - this is an increase of approximately \$0.7 million, or 29.9% from the quarter ended November 30, 2015.

The quarter ended November 30, 2016 benefitted from higher investment income as compared to the quarter ended November 30, 2015 - investment income increased to \$8.4 million for the quarter ended November 30, 2016 from \$6.9 million for the quarter ended November 30, 2015. This increase in investment income was generated from an investment base 15.2% larger than that of the quarter ended November 30, 2015. In addition, total investment income benefitted from an increase of \$0.3 million in other income this quarter compared to last year, as the continued higher levels of originations and repayments this quarter led to increased advisory fees and prepayment penalties. 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 average investment and asset base, and (ii) slightly increased base management fees generated from the management of this larger pool of investments. Finally, net investment income this quarter benefitted from decreased total expenses, excluding interest and debt financing expenses, base management fees and incentive fees, reflecting primarily lower general and administrative expenses.

Total expenses, excluding interest and debt financing expenses, base management fees and incentive management fees, decreased from \$1.2 million for the quarter ended November 30, 2015 to \$1.0 million for the quarter ended November 30, 2016, but remained unchanged at 1.4% of average total assets for both quarters.

Net Investment Income Yield was 10.7% for the quarter ended November 30, 2016. Adjusted for the incentive fee accrual related to net unrealized capital gains, the Net Investment Income Yield was 9.5% for the quarter ended November 30, 2016. In comparison, net Investment Income Yield was 6.8% for the quarter ended November 30, 2015. Adjusted for the incentive fee accrual related to net unrealized capital gains, the Net Investment Income Yield was 7.4% for the quarter ended November 30, 2015.

Return on Equity was 4.9% for the quarter ended November 30, 2016, and 7.7% for the last twelve months ended November 30, 2016. Excluding the \$5.7 million realized and unrealized losses in our legacy investments Targus Group International and Elyria Foundry Company, LLC over the past twelve months, the return on equity for the last twelve months ended November 30, 2016 was 12.1%.

NAV was \$127.7 million as of November 30, 2016, a \$2.5 million increase from an NAV of \$125.1 million as of February 29, 2016. During the nine months ended November 30, 2016, \$8.5 million of dividends were declared, while \$8.6 million of net investment income and \$1.6 million of net realized and unrealized gains were earned. There were also \$4.1 million of stock dividend distributions made, representing three quarters' dividend payments and one special dividend, offset by \$3.3 million of share repurchases.

NAV per share increased to \$22.21 as of November 30, 2016 from \$22.06 as of February 29, 2016, but decreased on a quarter-on-quarter basis from \$22.39 as of August 31, 2016. During the nine-month period ended November 30, 2016, NAV per share increased by \$0.15 per share, primarily reflecting the \$10.1 million, or \$0.28 per share increase in net assets (net of the \$1.48 per share dividend paid during the nine month period), offset by the dilutive impact of the net 76,020 shares issued during the nine month period (1.3% of shares outstanding). These shares consisted of 264,994 shares issued pursuant to the dividend reinvestment plan representing three quarters' dividend payments and a special dividend, offset by 188,974 shares that were repurchased.

"During this quarter, we have continued to demonstrate Saratoga Investment's ability to grow our asset base and maintain portfolio quality, despite a market that has remained volatile and challenging," said Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment. "The combination of AUM growth and strong credit quality has been the consistent foundation of our ability to deliver solid performance. We feel that our disciplined long-term investment approach has placed us at the forefront of our competitive landscape in terms of total return, over a six-, three- and one-year time horizon. Since taking over management of Saratoga, our total return has been 257%. In addition, we feel confident in the face of potential future interest rate risk from rising rates, since 82% of our investments have floating interest rates and all of our currently outstanding debt is fixed and long-term, including our recent successful refinancing and seven-year maturity extension of our fixed rate baby bonds. Overall, we believe we are well positioned to weather potential adverse conditions of uncertainty, and with our \$116 million of available liquidity as of quarter-end and including the incremental cash from our new baby bonds issuance, be able to capitalize on potential economic opportunities."

Michael J. Grisius, President and Chief Investment Officer, added, "Despite an environment rife with repayments, tightening spreads and declining yields, and reduced transaction volume, our extremely capable originations team has been able to find credits - from within the large number of transactions we continue to see - that have been additive to our portfolio in terms of size and supportive of a high level of credit quality. In addition, we've been able to close deals at multiple levels that remain below industry averages. This underscores the value of the additions we've made to our origination team. For these reasons, we remain at the top of the BDC space in terms of overall performance."

Portfolio and Investment Activity

As of November 30, 2016, the fair value of Saratoga Investment's portfolio was \$277.6 million (excluding \$23.3 million in cash and cash equivalents), principally invested in 30 portfolio companies and one collateralized loan obligation fund ("CLO"). The overall portfolio composition consisted of 57.8% of first lien term loans, 28.9% of second lien term loans, 5.5% of subordinated notes in a CLO, 3.5% of syndicated loans, and 4.3% of equity interests.

For the quarter ended November 30, 2016, Saratoga Investment invested \$30.1 million in three new or existing portfolio companies and had \$23.8 million in aggregate amount of exits and repayments, resulting in a net increase in investments of \$6.3 million for the quarter.

As of November 30, 2016, the weighted average current yield on Saratoga Investment's portfolio was 10.8%, which was comprised of a weighted average current yield of 10.5% on first lien term loans, 11.7% on second lien term loans, 12.2% on CLO subordinated notes, and 5.4% on syndicated loans.

On November 15, 2016, Saratoga Investment completed the second refinancing of the Saratoga CLO. The Saratoga CLO refinancing, among other things, extended its reinvestment period to October 2018, as well as its legal maturity date to October 2025. Following the refinancing, the Saratoga CLO portfolio maintains a similar size and capital structure to that which it had before with approximately \$300.0 million in aggregate principal amount of predominantly senior secured first lien term loans. In addition to refinancing its liabilities, Saratoga Investment 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%.

Liquidity and Capital Resources

As of November 30, 2016, Saratoga Investment had no outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. At the same time, Saratoga Investment had \$112.7 million outstanding of SBA debentures, \$61.8 million of Baby Bonds (fair value of \$62.3 million) and an aggregate of \$23.3 million in cash and cash equivalents.

With the \$45.0 million credit facility and the \$37.3 million additional borrowing capacity at the SBIC subsidiary, as well as the \$23.3 million of cash and cash equivalents, Saratoga Investment has a total of \$105.6 million of undrawn borrowing capacity and cash and cash equivalents available as of November 30, 2016. The proceeds from the DRIP totaled \$1.4 million of equity investments in the third quarter 2017.

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 existing 2020 Notes, which amounts to \$61.8 million.

Share Repurchase Plan

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, which was subsequently increased to 400,000 shares of our common stock. On October 5, 2016, the Company extended its existing share repurchase plan for another year, and increased it to 600,000 shares through October 15, 2017.

As of November 30, 2016, Saratoga Investment purchased 214,391 shares of common stock, at the average price of \$16.84 for approximately \$3.6 million pursuant to this repurchase 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, \$0.41 per share for the quarter ended February 29, 2016, and a special dividend of \$1.00 per share in the first quarter of fiscal year 2016.

Saratoga Investment has continued to pay quarterly dividends regularly throughout fiscal year 2017. During the quarter ended August 31, 2016, Saratoga Investment declared and paid a dividend of \$0.43 per share for the quarter ended May 31, 2016. In addition, Saratoga Investment paid a special dividend of \$0.20 per share on September 5, 2016. During the quarter ended November 30, 2016, Saratoga Investment declared and paid a dividend of \$0.44 per share for the quarter ended August 31, 2016.

On January 10, 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. This brings total dividends of \$1.52 per share for the current fiscal period ending February 28, 2017, representing three quarters' dividends and one special dividend.

Shareholders have the option to receive payment of the dividend in cash, or receive shares of common stock pursuant to the Company's DRIP, which Saratoga Investment adopted in conjunction with the new dividend policy, and provides for the reinvestment of dividends on behalf of its stockholders.

Saratoga Investment shareholders who hold their shares with a broker must affirmatively instruct their brokers prior to the record date if they prefer to receive this dividend and future dividends in common stock. The number of shares of Common Stock to be delivered shall be determined by dividing the total dollar amount by 95% of the average of the market prices per share at the close of trading on the ten (10) trading days immediately preceding (and including) the payment date.

2017 Fiscal Third Quarter Conference Call/Webcast Information

When: Thursday, January 12, 2017
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 Thursday, January 12, 2017 through 11:59 p.m. ET on Thursday, January 19, 2017 by dialing (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 44169780.

Webcast: Interested parties may access a simultaneous webcast of the call and find the Q3 2017 presentation by going to the "Events & Presentations" section of Saratoga Investment Corp.'s investor relations website,

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	
	November 30, 2016 (unaudited)	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	<u>\$ 305,532,753</u>	<u>\$ 295,047,252</u>
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	<u>\$ 177,853,023</u>	<u>\$ 169,897,377</u>

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	<u>127,679,730</u>	<u>125,149,875</u>
Total liabilities and net assets	<u>\$ 305,532,753</u>	<u>\$ 295,047,252</u>
NET ASSET VALUE PER SHARE	<u>\$ 22.21</u>	<u>\$ 22.06</u>
Asset Coverage Ratio	306.6%	302.5%

Saratoga Investment Corp.

**Consolidated Statements of Operations
(unaudited)**

	For the three months ended November 30	
	2016	2015
INVESTMENT INCOME		
Interest from investments		
Non-control/Non-affiliate investments	\$ 6,787,898	\$ 5,435,083
Payment-in-kind interest income from Non-control/Non-affiliate investments	169,332	41,322
Control investments	<u>498,599</u>	<u>750,605</u>
Total interest income	7,455,829	6,227,010
Interest from cash and cash equivalents	6,239	1,307
Management fee income	375,218	369,388
Other income	<u>605,009</u>	<u>338,219</u>
Total investment income	<u>8,442,295</u>	<u>6,935,924</u>
EXPENSES		
Interest and debt financing expenses	2,369,108	2,129,105
Base management fees	1,219,916	1,091,405
Professional fees	330,197	347,639
Administrator expenses	341,667	325,000
Incentive management fees	394,509	404,218
Insurance	68,985	85,262
Directors fees and expenses	66,000	51,000
General & administrative	224,579	351,875
Excise tax expense (credit)	-	-
Other expense	<u>8,460</u>	<u>-</u>
Total expenses	<u>5,023,421</u>	<u>4,785,504</u>
NET INVESTMENT INCOME	<u>3,418,874</u>	<u>2,150,420</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain from investments	260,244	447,813
Net unrealized appreciation (depreciation) on investments	<u>(2,105,342)</u>	<u>823,093</u>
Net gain (loss) on investments	<u>(1,845,098)</u>	<u>1,270,906</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 1,573,776</u>	<u>\$ 3,421,326</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 0.27	\$ 0.61

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED 5,727,933 5,632,011

Saratoga Investment Corp.

**Consolidated Statements of Operations
(unaudited)**

	For the nine months ended November 30	
	2016	2015
INVESTMENT INCOME		
Interest from investments		
Non-control/Non-affiliate investments	\$ 19,969,849	\$ 16,961,744
Payment-in-kind interest income from Non-control/Non-affiliate investments	482,687	995,465
Control investments	<u>1,587,925</u>	<u>2,020,301</u>
Total interest income	22,040,461	19,977,510
Interest from cash and cash equivalents	16,426	2,774
Management fee income	1,123,559	1,121,286
Other income	<u>1,618,238</u>	<u>1,153,838</u>
Total investment income	<u>24,798,684</u>	<u>22,255,408</u>
EXPENSES		
Interest and debt financing expenses	7,106,869	6,240,946
Base management fees	3,649,867	3,366,739
Professional fees	991,723	1,030,616
Administrator expenses	991,667	850,000
Incentive management fees	2,331,241	2,160,772
Insurance	210,301	259,895
Directors fees and expenses	192,422	153,000
General & administrative	741,743	738,244
Excise tax expense (credit)	-	(123,338)
Other expense	<u>21,647</u>	<u>-</u>
Total expenses	<u>16,237,480</u>	<u>14,676,874</u>
NET INVESTMENT INCOME	<u>8,561,204</u>	<u>7,578,534</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain from investments	12,299,899	4,231,006
Net unrealized appreciation (depreciation) on investments	<u>(10,728,122)</u>	<u>239,354</u>
Net gain (loss) on investments	<u>1,571,777</u>	<u>4,470,360</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 10,132,981</u>	<u>\$ 12,048,894</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 1.77	\$ 2.18
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	5,735,443	5,533,094

Supplemental Information Regarding Adjusted Net Investment Income, Adjusted Net Investment Income Yield and Adjusted Net Investment Income per share

On a supplemental basis, we provide information relating to adjusted net investment income, adjusted net investment income yield and adjusted net investment income per share, which are non-GAAP measures. These measures are provided in addition to, but not as a substitute for, net investment income, net investment income yield and net investment income per share. 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, adjusted net investment income yield and adjusted net income per share 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, net investment income yield to adjusted net investment income yield and net investment income per share to adjusted net investment income per share for the three and nine months ended November 30, 2016 and November 30, 2015.

	For the three months ended November 30		For the nine months ended November 30	
	2016	2015	2016	2015
Net Investment Income	\$3,418,874	\$2,150,420	\$8,561,204	\$7,578,534
Changes in accrued capital gains incentive fee expense/reversal	(368,425)	198,176	151,990	517,304
Adjusted net investment income	3,050,449	2,348,596	8,713,194	8,095,568
Net investment income yield	10.7%	6.8%	9.0%	8.1%
Changes in accrued capital gains incentive fee expense/reversal	(1.2%)	0.6%	0.0%	0.5%
Adjusted net investment income yield ⁽¹⁾	9.5%	7.4%	9.0%	8.6%
Net investment income per share	\$ 0.60	\$ 0.38	\$ 1.49	\$ 1.37
Changes in accrued capital gains incentive fee expense/reversal	\$ (0.07)	\$ 0.04	\$ 0.03	\$ 0.09
Adjusted net investment income per share ⁽²⁾	\$ 0.53	\$ 0.42	\$ 1.52	\$ 1.46

(1) Adjusted net investment income yield 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-third-quarter-2017-financial-results-300389747.html>

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