

**FIRM BROCHURE**

**PART 2A OF Form ADV**

**Saratoga Management Company, LLC**

535 Madison Avenue 4<sup>th</sup>  
Floor New York, New York  
10022 212-906-7800

[www.saratogainvestmentcorp.com](http://www.saratogainvestmentcorp.com)

March 31, 2021

This brochure provides information about the qualifications and business practices of Saratoga Management Company, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 906-7800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

**Item 2: Material Changes**

No Material changes have occurred since the annual amendment, which was filed on March 30,2021.

### Item 3. Table of Contents

<u>Item Number</u>	<u>Item Description</u>	
1	Cover Page	1
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	5
6	Performance-Based Fees and Side-By-Side Management	6
7	Types of Clients	6
8	Methods of Analysis, Investment Strategies and Risks of Loss	6
9	Disciplinary Information	9
10	Other Financial Industry Activities and Affiliations	9
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
12	Brokerage Practices	10
13	Review of Accounts	10
14	Client Referrals and Other Compensation	10
15	Custody	11
16	Investment Discretion	11
17	Voting Client Securities	11
18	Financial Information	11
19	Requirements for State-Registered Advisers	11

#### Item 4. Advisory Business

**General Description and Principal Owner.** Saratoga Management Company LLC ("Saratoga"), a Delaware limited liability company, provides advisory services solely to Saratoga Partners IV LP (the "Fund"), a private equity fund that is excluded from the definition of "investment company" under the Investment Company Act of 1940, as amended. Since Saratoga commenced business in 1984, it has executed middle-market, control buyout transactions and provided investment management services to four corporate buy-out partnerships. Saratoga is owned by Christian L. Oberbeck. The Fund commenced operations in 1998 and has been closed

to new investors since 1998.<sup>1</sup> On September 17, 2016, the Partnership was not extended and the General Partner is winding down the Partnership.

Mr. Oberbeck is supported by a team of investment professionals experienced in the advisory services offered by Saratoga many of who have been working together for over fifteen years. The current portfolio of investments Saratoga oversees is generally comprised of securities issued by various non-public companies with revenue generally between \$10 million and \$400 million, although some may have lesser or greater revenue. Saratoga is under common control and considered operationally integrated with another registered investment adviser, Saratoga Investment Advisors, LLC ("SIA").

**Advisory services offered.** Saratoga provides investment management and advisory services to the Fund, a private investment fund. Saratoga, with the Fund's general partner, Saratoga Associates IV LLC, a Delaware limited liability company ("General Partner"), identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments of the Fund. The primary focus of Saratoga's investment advisory activity is advising on private equity investments, including management buyouts, in a wide variety of industries in companies with annual EBITDA primarily between \$5 million and \$40 million. These investments take the form of privately negotiated investment instruments.

**Tailoring to individual needs and investment restrictions.** Generally, with respect to the Fund, Saratoga neither tailors its advisory services to the individual needs of investors in the Fund nor accepts investor-imposed investment restrictions. Saratoga provides investment advisory services to the Fund pursuant to an investment advisory agreement ("Advisory Agreement"). Investment advice is provided by Saratoga directly to the Fund, subject to the direction and control of its General Partner.

---

<sup>1</sup> Since its initial closing, the Fund's limited partnership agreement has been amended on several occasions in accordance with the terms and provisions of that agreement. As a result, the disclosure contained in this document regarding various terms of Saratoga's advisory services may differ from those described in the initial offering documents for the Fund.

**Assets under management.** As of December 31, 2021, Saratoga managed a total of approximately \$1,620,175,500 of client assets, of which approximately \$8,371,400 were attributable to the Fund<sup>2</sup> All assets are managed on a discretionary basis.

## **Item 5. Fees and Compensation**

**How Saratoga is compensated for advisory services.** The specific terms for the compensation of Saratoga by the Fund are governed by its offering documents, limited partnership agreement, as amended from time to time, and the Advisory Agreement. During the initial years of the Fund's existence, the Fund paid a fee (a "Management Fee") equal to 2% of committed capital. The Fund no longer pays the Management Fee to Saratoga. Saratoga is paid a fixed monitoring ("Monitoring Fee") equal to 2% of invested equity per annum from its active portfolio companies. Services provided by Saratoga will include, but not be limited to, ensuring that the Company is in compliance with good corporate governance practices, providing ongoing operations review and financial performance monitoring, reviewing and advising on the annual budgeting process, significant contractual commitments and capital expenditures, supporting relationships with financial institutions, advising on compensation policy and structure, and providing ongoing strategic advice on the business and management. These fees are payable quarterly in advance, by some of the Fund's portfolio companies. The Monitoring Fee is not deducted from the Fund; rather, Saratoga bills the respective portfolio companies.

**Other types of fees or expenses.** The Fund bears all expenses relating to it to the extent not borne by its portfolio companies, including legal, accounting, investment banking, consulting, research, brokerage finders', custody transfer, registration, advisory board, interest, taxes and extraordinary expenses, and other similar fees and expenses. These expenses are paid by Saratoga. Saratoga is reimbursed by the Fund quarterly in arrears for these costs.

**Payment of fees in advance.** In the event that the Advisory Agreement with Saratoga terminates during a period covered by fees paid in advance, Saratoga would pro rate such fee and reimburse the portion of such fee covering the remainder of the period (i.e., from the date of termination to the end of the period).

**Other fees and advisory fee offset.** From time to time Saratoga may perform management, advisory, transaction-related services, financial advisory, and other services for, and will receive fees ("Portfolio Company Fees") from, the Fund in connection with such activities, including such fees in connection with mergers, acquisitions, add-on acquisitions, re-financings, sales, and similar transactions. Saratoga is permitted to retain a certain amount of these Portfolio Company Fees. Such fees do not reduce any Monitoring Fees paid by portfolio companies. These Portfolio Company Fees are disclosed in the annual financial statements.

---

<sup>2</sup>For purposes of calculating Saratoga's assets under management, Item 4 includes the assets under management of both Saratoga and SIA due to the fact that the two entities are considered to be operationally integrated. Also please note that the assets attributable to Saratoga are provided as of December 31, 2021, and the assets attributable to SIA are estimates as of February 28, 2022, which is in accordance with Saratoga's standard methodology for calculating the Fund's assets. For additional information regarding SIA, please see SIA's Form ADV Part 1 at [www.sec.gov](http://www.sec.gov).

## **Item 6. Performance-Based Fees and Side-By-Side Management**

**Performance Based Fees.** The General Partner of the Fund may receive incentive compensation (the "Carried Interest") based on the performance of the Fund. The General Partner of the Fund is a related person of Saratoga. The Carried Interest allocation results in a portion of the Fund's investment income being allocated to the capital account of its General Partner. The amount and timing of the Carried Interest allocation is stipulated in the Fund's offering documents and limited partnership agreement. The Carried Interest is earned based on the performance of the Fund as stipulated in the Fund's offering documents and limited partnership agreement. The existence of the Carried Interest may have created an incentive for Saratoga to cause the Fund to make riskier or more speculative investments than would be the case in the absence of the Carried Interest. The existence of the Carried Interest also may incentivize Saratoga to hold investments for periods of time than otherwise may be appropriate in order to increase amounts distributable to the General Partner of the Fund in respect of the Carried Interest. Saratoga's compliance policies and procedures and code of ethics prohibit supervised persons from considering Saratoga's financial interest when providing investment advice to clients. Please see "Item 10. Other Financial Industry Activities and Affiliations" for further information about potential conflicts of interest.

## **Item 7. Types of Clients**

Saratoga provides investment advisory services solely to the Fund, which is a privately offered pooled investment vehicle that has been closed to new investors since 1998.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

Saratoga's objective is to achieve returns through private equity investments, accessed through its proprietary network of relationships, in middle-market growth companies. Saratoga has sourced investments for the Fund in companies in the manufacturing, financial, energy, communications, service and distribution industries which exhibit outstanding management, leading market positions, proprietary competitive advantages, and an identifiable exit strategy. Saratoga has made acquisitions of and growth equity investments in what we believe to be well- managed businesses with revenue generally between \$10 million and \$400 million, although some may have lesser or greater revenue, that are principally located in and around the Mid-Atlantic region.

Saratoga conducts a structured evaluation of each opportunity to ensure a consistency to its underwriting process. Members of the Saratoga investment team conduct analyses of a company's business model, market potential and management strength. Saratoga's due diligence on investment opportunities includes engaging independent consultants and other third-party specialists to supplement the Saratoga's analysis.

Saratoga believes it has followed a consistent investment strategy since the early 1980s achieving returns on invested equity through the appreciation in value of acquired companies,

rather than solely through the repayment of acquisition debt. Saratoga employed certain criteria for making investments including, but not limited to, the following:

- **Management:** Capable management in place that is willing to make a substantial personal investment as a commitment to the success of the company;
- **High Market Share or Other Competitive Advantages:** Companies which have strong competitive positions in products, markets or channels of distribution;
- **Low Technological Risk:** Avoidance of candidates that involve significant technological risk. Similarly, candidates generally should not require very high capital expenditures or large outlays for research and development;
- **Ownership:** Investments structured such that the Fund takes a lead investor position with outright control of its portfolio companies or shared control with like-minded investors; or in some instances, less than control investments, in private and public companies, in primarily equity or equity-linked securities including discounted debt;
- **Size:** Transactions with middle-market growth companies with total annual EBITDA generally between \$5 million and \$40 million;
- **Location:** Businesses which are generally headquartered in the United States or have a substantial portion of their business related to the United States or to Saratoga portfolio companies; and
- **Exit Strategy:** Investments that have a high likelihood of being acquired by strategic buyers and/or are likely candidates for public offerings. Alternatively, Saratoga will consider recapitalizations as a means of realizing liquidity in its investments.

**Investment Risks.** Investing in securities involves a substantial degree of risk. The investments of the Fund may lose all or a substantial portion of their value. Investors in the Fund must be prepared to bear the risk of loss of their investments therein. As stated earlier in this document, the Fund is no longer making new investments. The risks disclosed below reflect Saratoga's current advisory activities in connection with the winding up of the Fund's activities, which will be completed once all of the assets have been liquidated. Among other risks described more fully in the Fund's private offering documents, Saratoga's investments entail the following risks:

- **No Assurance of Investment Return.** Saratoga's task of identifying and evaluating investment opportunities, managing such investments and realizing a positive return for the Fund is difficult. There is no assurance that the Fund will be able to invest its capital on attractive terms, generate positive returns or avoid losses over the long-term.
- **Nature of Investments.** An investment in the Fund requires a long-term commitment, with no certainty of return. Investments in most of the portfolio companies are highly illiquid until such time as the investment is sold or a public market is created.

- **Market Conditions.** Volatile market conditions at various times have had a dramatic effect on private investments. Such events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. Any of these occurrences could have a significant impact on the operating results of growth companies, and, in turn, on the return of investments.
- **Market for Investments in Securities is Volatile.** The Fund has acquired investments through the acquisition of stock, securities, debt instruments and other interests in which there is no public market or there is limited trading in such securities. There can be no assurance that an active trading market for such securities will develop or, if developed, be sustained. If a market for investments does not exist or is limited, Saratoga may have difficulty selling or disposing of such investments. Even if a market for such securities exists or develops, it may not provide significant liquidity or trade at prices advantageous to the Fund. Compliance with rules and regulations that restrict the trading of securities of companies in which Saratoga may acquire board of director representation or a similar inside position may also restrict the timing of an exit strategy or the disposition of investments. Such limitations may restrict the ability of Saratoga to liquidate investments or realize an exit price in accordance with the Fund's objectives.
- **Lack of Liquidity of the Portfolio Companies.** The portfolio companies may, at any given time, consist of securities and other financial instruments or obligations that are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts. This may result in the winding up of the Fund's operations to continue for a considerable period of time. Furthermore, such investments may be extremely difficult to value with any degree of certainty.
- **Foreign Securities.** The Fund invests a portion of its assets in securities of non-United States issuers. These types of investments may entail risks in addition to those involved in investments in securities of domestic issuers. Investing in foreign securities may represent a greater degree of risk than investing in domestic securities due to exchange rate fluctuations, possible exchange controls, less publicly-available information, different accounting and auditing standards, more volatile markets, less securities regulation, less favorable tax provisions (including possible withholding taxes), political and social upheaval, war, or expropriation. Foreign securities may also be less liquid and more volatile than securities issued by United States issuers and may involve higher transaction and custodial costs.
- **Risk of Certain Investments.** In connection with the disposition of an investment in a portfolio company, Saratoga may be required to make representations about the business and financial affairs of the portfolio



company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities for the Fund.

#### **Item 9. Disciplinary Information**

Saratoga does not believe there have been any legal or disciplinary events that are material to its advisory business or the integrity of management.

#### **Item 10. Other Financial Industry Activities and Affiliations**

**Material Relationships.** As noted above, Saratoga is under common control with SIA. While there are no material arrangements between Saratoga and SIA, because Saratoga and SIA have common ownership and employ the same investment professionals, this relationship may create certain conflicts of interest. Saratoga has addressed the following potential conflicts:

- The Saratoga management team will continue to devote time to the management of the Fund and SIA's client. This may create conflicts in the allocation of management resources. Saratoga maintains a sufficient staff to ensure that the Fund is not disadvantaged.
- The management team of Saratoga and SIA has no conflict in allocating investment opportunities between the Fund and SIA's client because the Fund is no longer making investments. There is no overlap in the portfolio investments of the Fund and SIA's client.
- The General Partner of the Fund will seek to disclose to the advisory committee of the Fund any specific conflicts of interest that arise and that are considered by the General Partner to be material. The advisory committees of each the Fund, whose members are not affiliated with the General Partner, play an important role in resolving conflicts of interest by approving or disapproving the appropriateness of decisions that involve significant conflicts of interest if they arise.

#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**Code of Ethics.** Saratoga's code of ethics ("Code of Ethics") is based upon the premise that all Saratoga personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to: (1) comply with the spirit and letter of applicable laws and regulations; (2) maintain the highest ethical and professional standards; (3) observe all fiduciary duties and put clients' interests ahead of those of Saratoga; (4) observe Saratoga's personal trading policies so as to avoid conflicts of interests between Saratoga and its clients; (5) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code

of Ethics will be maintained by Saratoga and that personnel who violate the code of ethics are subject to sanctions by Saratoga, including termination. A copy of the Code of Ethics is available upon request to clients and prospective clients.

In furtherance of the Code of Ethics, Saratoga personnel are prohibited from all of the following:

- (i) engaging in any personal securities transactions in an initial public offering except with the prior written approval of the Chief Compliance Officer;
- (i) participating in a limited offering without the prior written approval of the Chief Compliance Officer; and
- (iii) trading in any securities on a list for which trading is prohibited.

All access personnel are required to submit to the Chief Compliance Officer an annual report of their securities holdings as well as quarterly reports of securities trades. The Chief Compliance Officer is required to report all violations to the senior management of Saratoga.

### **Item 12. Brokerage Practices**

Saratoga does not generally engage in market transactions and therefore does not utilize brokerage services on an ongoing basis. However, Saratoga may sell securities if a public trading market exists for a portfolio company's securities in which the services of a broker-dealer may be retained. In the event Saratoga does engage in a market transaction through a broker, it will seek best execution of such transaction and will not seek or accept any payment from a broker in connection with such transaction. It will pay no more than a reasonable brokerage fee in connection with any such transaction.

### **Item 13. Review of Accounts**

**Monitoring of accounts.** The portfolio investments of the Fund are continuously reviewed by a team of investment professionals. The team includes all members of the Saratoga investment staff. Saratoga closely monitors the portfolio companies of the Fund and maintains an ongoing oversight of each portfolio company. In addition, the Fund is reviewed on a quarterly basis by a third party administrator, State Street Global Services, as well as by Saratoga's Controller, Treasurer and CFO.

**Reports to clients.** The Fund and its investors receive unaudited quarterly financial statements and annual audited financial statements.

### **Item 14. Client Referrals and Other Compensation**

Saratoga does not receive an economic benefit to Saratoga from any person other than a client for providing investment advice or other advisory services to the Fund. Saratoga does not provide compensation with respect to referrals of clients.

**Item 15. Custody**

Pershing LLC maintains custody of the Fund's assets that are publicly traded securities. The Fund's financial statements are subject to audit by an independent accountant registered with the Public Company Accounting Oversight Board (the "PCAOB"). The Fund distributes its audited financial statements, which are prepared in accordance with generally accepted accounting principles, to the Fund's investors within 120 days of the end of its fiscal year. Investors should carefully review the annual financial statements and compare the statements with any information about the Fund that has been provided by Saratoga.

**Item 16. Investment Discretion**

Under the Fund's limited partnership agreement, Saratoga provides investment advisory services to the Fund, subject to the direction and control of its General Partner who is a related person of Saratoga.

**Item 17. Voting Client Securities**

Saratoga has authority to vote securities held by the Fund. Saratoga has adopted Proxy Voting Policies and Procedures to ensure that securities are voted in a timely manner, free of conflicts of interest and in the best interest of the Fund. Investors in the Fund cannot direct the voting of securities. Each proposal is reviewed on a case-by-case basis to determine its impact on the portfolio securities held by the Fund. Saratoga requires that anyone involved in the voting review process disclose any potential conflict of interest of which he or she is aware and that such employees are prohibited from revealing how a proposal will be voted by Saratoga on behalf of the Fund. Clients are able to obtain a copy of the Proxy Voting Policy and Procedures and information about how the Fund's securities have been voted by contacting Saratoga's Chief Compliance Officer at (212) 906-7322.

**Item 18. Financial Information**

Saratoga is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and it has not been the subject of a bankruptcy petition since inception.

**Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to Saratoga.