

July 16, 2012

Saratoga Investment Corp. Announces Fiscal First Quarter 2013 Financial Results

NEW YORK, July 16, 2012 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2013 fiscal first quarter.

Operating Results

For the fiscal quarter ended May 31, 2012, Saratoga Investment reported net investment income of \$1.3 million, or \$0.33 on a weighted average per share basis, and net gain on investments of \$1.9 million, or \$0.49 on a weighted average per share basis, resulting in an increase in net assets from operations of \$3.2 million, or \$0.82 on a weighted average per share basis. The \$1.9 million net gain on investments was comprised of \$1.7 million in net unrealized appreciation on investments and \$0.2 million in net realized gains from investments.

Net asset value ("NAV") was \$100.6 million as of May 31, 2012, a \$3.2 million increase from NAV of \$97.4 million as of February 29, 2012. NAV per share was \$25.94 as of May 31, 2012 compared to \$25.12 as of February 29, 2012. Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment, said, "Our balance sheet remains strong and we continue to make investments from our growing pipeline. The Company made three new investments during the quarter for an aggregate of \$13.3 million. Credit quality in the portfolio also improved as we increased both the amount and proportion of internally rated strong credits."

Portfolio and Investment Activity

As of May 31, 2012, the fair value of Saratoga Investment's investment portfolio was \$106.7 million, principally invested in 21 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 40.9% of first lien term loans, 11.0% of second lien term loans, 10.2% of senior secured notes, 5.7% of senior unsecured loans, 1.8% of unsecured notes, 23.6% of subordinated notes of the CLO and 6.8% of equity interests.

During the 2013 fiscal first quarter, Saratoga Investment invested \$13.3 million in new or existing portfolio companies and had \$4.5 million in aggregate amount of exits and repayments on its investments, resulting in net investments of \$8.8 million for the period.

As of May 31, 2012, the weighted average current yield on Saratoga Investment's first lien term loans, second lien term loans, senior secured notes, senior unsecured loans, unsecured notes and the CLO subordinated notes were 9.9%, 10.6%, 16.0%, 15.0%, 19.8%, and 22.5%, respectively, which resulted in an aggregate weighted average current yield of 13.4%.

Liquidity and Capital Resources

As of May 31, 2012, Saratoga Investment had \$20.0 million in outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition, Saratoga Investment had an aggregate of \$2.4 million and \$26.1 million in cash and cash equivalents, including reserve accounts, at May 31, 2012, respectively. 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. As of May 31, 2012, the Company's Small Business Investment Company ("SBIC") subsidiary had \$25 million in regulatory capital and no SBIC debentures outstanding.

2013 Fiscal First Quarter Conference Call/Webcast Information

When: July 17, 2012 at 9:00 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 12:00 p.m. ET on July 17, 2012 through 11:59 p.m. ET on July 24, 2012 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 10826875.

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 invests primarily in leveraged loans and mezzanine debt issued by U.S. middle-market companies, both through direct lending and through participation in loan syndicates. It has elected to be treated as a business-development company under the Investment Company Act of 1940.

About Saratoga Investment Advisors, LLC

Saratoga Investment Advisors, LLC is a New York-based investment firm formed to focus on credit-driven strategies. It is the manager of Saratoga Investment Corp. and is affiliated with Saratoga Partners, a middle-market private equity investment firm, which primarily invests in businesses with strong management teams and valuations of between \$50 million and \$500 million, specializing in companies in manufacturing and business services. It also has a successful record in special situations and distressed investing.

Since Saratoga Partners was founded in 1984 as a division of the New York investment firm Dillon, Read & Co., Inc., it has invested in 35 companies with an aggregate value of more than \$3.7 billion. It has been an independent firm since its spinoff in 1998 after Dillon Read was acquired by Swiss Bank Corporation (a predecessor to UBS AG).

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.

Financial Statements

Saratoga Investment Corp.

Consolidated Statements of Operations

	For the three months ended May 31, 2012 <hr/> (unaudited)	For the three months ended May 31, 2011 <hr/> (unaudited)
INVESTMENT INCOME		
Interest from investments		
Non-control/Non-affiliate investments	\$ 2,064,985	\$ 1,497,889
Control investments	1,045,785	889,577
Total interest income	3,110,770	2,387,466
Interest from cash and cash equivalents	2,846	4,148
Management fee income	499,840	506,368
Other income	5,726	-
Total investment income	3,619,182	2,897,982
EXPENSES		
Interest and credit facility financing expenses	625,703	369,910
Base management fees	458,808	398,464
Professional fees	345,839	293,628
Administrator expenses	250,000	240,000
Incentive management fees	430,271	721,725
Insurance	130,307	156,982
Directors fees and expenses	51,000	51,000
General & administrative	51,341	86,354
Other expense	3,123	1,310
Total expenses	2,346,392	2,319,373
NET INVESTMENT INCOME	1,272,790	578,609

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain from investments	178,630	98,008
Net realized loss from derivatives	(131,000)	-
Net unrealized appreciation on investments	1,739,422	5,043,135
Net unrealized appreciation (depreciation) on derivatives	130,925	(10,542)
Net gain on investments	<u>1,917,977</u>	<u>5,130,601</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 3,190,767</u>	<u>\$ 5,709,210</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 0.82	\$ 1.74
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED	3,876,661	3,277,077

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of	
	<u>May 31, 2012</u>	<u>February 29, 2012</u>
	(unaudited)	
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$83,648,205 and \$73,161,722, respectively)	\$ 81,495,260	\$ 69,513,434
Control investments (cost of \$22,684,908 and \$23,540,517, respectively)	<u>25,234,885</u>	<u>25,846,414</u>
Total investments at fair value (amortized cost of \$106,333,113 and \$96,702,239, respectively)	106,730,145	95,359,848
Cash and cash equivalents	2,377,041	1,325,698
Cash and cash equivalents, reserve accounts	26,058,523	25,534,195
Outstanding interest rate cap at fair value (cost of \$0 and \$131,000, respectively)	-	75
Interest receivable, (net of reserve of \$347,052 and \$273,361, respectively)	1,290,779	1,689,404
Deferred credit facility financing costs, net	1,098,341	1,199,490
Management fee receivable	227,850	227,581
Other assets	53,215	94,823
Receivable from unsettled trades	-	59,511
Total assets	<u>\$ 137,835,894</u>	<u>\$ 125,490,625</u>
LIABILITIES		
Revolving credit facility	\$ 20,000,000	\$ 20,000,000
Payable for unsettled trades	13,335,300	4,072,500
Management and incentive fees payable	3,135,987	2,885,670
Accounts payable and accrued expenses	561,711	704,949
Interest and credit facility fees payable	161,979	53,262
Due to manager	70,000	394,094
Total liabilities	<u>\$ 37,264,977</u>	<u>\$ 28,110,475</u>
NET ASSETS		
Common stock, par value \$.001, 100,000,000 common shares		
authorized, 3,876,661 and 3,876,661 common shares issued and outstanding, respectively	\$ 3,877	\$ 3,877
Capital in excess of par value	161,644,426	161,644,426
Distribution in excess of net investment income	(12,647,278)	(13,920,068)
Accumulated net realized loss from investments and derivatives	(48,827,137)	(48,874,767)
Net unrealized appreciation (depreciation) on investments and derivatives	<u>397,029</u>	<u>(1,473,318)</u>
Total Net Assets	<u>100,570,917</u>	<u>97,380,150</u>
Total liabilities and Net Assets	<u>\$ 137,835,894</u>	<u>\$ 125,490,625</u>
NET ASSET VALUE PER SHARE	<u>\$ 25.94</u>	<u>\$ 25.12</u>

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