UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended November 30, 2011

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 1-33376

SARATOGA INVESTMENT CORP.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**20-8700615** (I.R.S. Employer Identification No.)
535 Madison Avenue **New York, New York** (Address of principal executive office)	**10022** (Zip Code)

(212) 906-7800
(Registrant's telephone number, including area code)

Not applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer o	Accelerated Filer o
Non-Accelerated Filer x	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares of the registrant's common stock, $0.001 par value, outstanding as of January 12, 2012 was 3,876,661.

SARATOGA INVESTMENT CORP.
FORM 10-Q FOR THE QUARTER ENDED NOVEMBER 30, 2011

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Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of			
	November 30, 2011 (unaudited)		**February 28, 2011**	
ASSETS				
Investments at fair value				
Non-control/non-affiliate investments (amortized cost of $70,208,225 and $73,779,271, respectively)	$	60,003,928	$	57,292,723
Control investments (amortized cost of $24,362,779 and $27,364,350, respectively)		25,375,268		22,732,038
Total investments at fair value (amortized cost of $94,571,004 and $101,143,621, respectively)		85,379,196		80,024,761
Cash and cash equivalents		7,941,870		10,735,755
Cash and cash equivalents, securitization accounts		833,546		4,369,987
Outstanding interest rate cap at fair value (cost of $131,000 and $131,000, respectively)		1,157		16,265
Interest receivable, (net of reserve of $552,352 and $14,796, respectively)		1,295,797		1,666,083
Deferred credit facility financing costs, net		1,128,392		1,638,768
Management fee receivable		227,462		231,753
Other assets		2,966,063		85,166
Total assets	$	99,773,483	$	98,768,538
LIABILITIES				
Revolving credit facility	$	—	$	4,500,000
Payable for unsettled trades		—		4,900,000
Dividend payable		1,966,447		—
Management and incentive fees payable		2,490,901		2,203,806
Accounts payable and accrued expenses		685,990		785,486
Interest and credit facility fees payable		45,833		67,792
Due to manager		284,580		240,000
Total liabilities	$	5,473,751	$	12,697,084
NET ASSETS				
Common stock, par value $.001, 100,000,000 common shares authorized, 3,876,661 and 3,277,077 common shares issued and outstanding, respectively	$	3,877	$	3,277
Capital in excess of par value		161,632,864		153,768,680

Distribution in excess of net investment income		(14,627,476)		(8,918,890)
Accumulated net realized loss from investments and derivatives		(43,387,880)		(37,548,016)
Net unrealized depreciation on investments and derivatives		(9,321,653)		(21,233,597)
Total Net Assets		94,299,732		86,071,454
Total liabilities and Net Assets	$	99,773,483	$	98,768,538
NET ASSET VALUE PER SHARE	$	24.32	$	26.26

See accompanying notes to consolidated financial statements.

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Saratoga Investment Corp.

Consolidated Statements of Operations

	For three months ended November 30				For nine months ended November 30			
	2011 (unaudited)		2010 (unaudited)		2011 (unaudited)		2010 (unaudited)	
INVESTMENT INCOME								
Interest from investments								
Non-control/Non-affiliate investments	$	1,877,650	$	3,639,216	$	5,212,182	$	7,006,161
Control investments		1,155,241		941,281		3,095,304		2,410,803
Total interest income		3,032,891		4,580,497		8,307,486		9,416,964
Interest from cash and cash equivalents		1,567		2,460		6,815		3,642
Management fee income		501,920		508,674		1,512,091		1,523,530
Other income		92,671		—		238,579		71,192
Total investment income		3,629,049		5,091,631		10,064,971		11,015,328
EXPENSES								
Interest and credit facility financing expenses		307,221		618,810		987,042		2,188,078
Base management fees		393,888		424,044		1,203,820		1,258,875
Professional fees		356,144		381,096		1,282,009		3,138,221
Administrator expenses		250,000		240,000		730,000		568,562
Incentive management fees		1,178,750		1,173,144		842,097		1,173,144
Insurance		145,105		170,684		448,786		536,934
Directors fees and expenses		51,000		48,000		153,000		320,844
General & administrative		121,019		100,961		290,232		306,558
Other expense		2,150		—		5,340		—
Expenses before expense waiver and reimbursement		2,805,277		3,156,739		5,942,326		9,491,216
Expense reimbursement		—		—		—		(258,562)
Waiver of deferred incentive management fees		—		—		—		(2,636,146)
Total expenses net of expense waiver and reimbursement		2,805,277		3,156,739		5,942,326		6,596,508
NET INVESTMENT INCOME		823,772		1,934,892		4,122,645		4,418,820
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:								
Net realized loss from investments		(5,831,905)		(13,731,107)		(5,839,864)		(16,280,370)
Net unrealized appreciation on investments		11,221,387		15,107,701		11,927,052		24,546,024
Net unrealized appreciation/(depreciation) on derivatives		166		(1,366)		(15,108)		(19,797)
Net gain on investments		5,389,648		1,375,228		6,072,080		8,245,857
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$	6,213,420	$	3,310,120	$	10,194,725	$	12,664,677
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	$	1.88	$	1.20	$	3.10	$	5.86
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED		3,310,021		2,752,914		3,287,979		2,162,832

See accompanying notes to consolidated financial statements.

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Saratoga Investment Corp.

Consolidated Schedule of Investments

November 30, 2011
(unaudited)

Company (a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value (c)	% of Net Assets
Non-control/Non-affiliated investments - 63.6% (b)						
Coast Plating, Inc. (d)	Aerospace	First Lien Term Loan 11.74%, 9/13/2014	$ 2,550,000	$ 2,550,000	$ 2,550,000	2.7%
Coast Plating, Inc. (d)	Aerospace	First Lien Term Loan 13.24%, 9/13/2014	$ 950,000	950,000	950,000	1.0%
		Total Aerospace		3,500,000	3,500,000	3.7%
Legacy Cabinets Holdings (d), (h)	Building Products	Common Stock Voting A-1	2,535	220,900	—	0.0%
Legacy Cabinets Holdings (d), (h)	Building Products	Common Stock Voting B-1	1,600	139,424	—	0.0%
Legacy Cabinets, Inc. (d)	Building Products	First Lien Term Loan 7.25%, 5/3/2014	$ 307,408	307,408	213,095	0.2%
		Total Building Products		667,732	213,095	0.2%
Targus Group International, Inc. (d)	Consumer Products	First Lien Term Loan 11.00%, 5/24/2016	$ 3,990,000	3,917,632	3,928,155	4.2%
Targus Holdings, Inc. (d)	Consumer Products	Unsecured Notes 10.00%, 6/14/2019	$ 1,692,059	1,692,059	888,500	0.9%
Targus Holdings, Inc. (d), (h)	Consumer Products	Common Stock	62,413	566,765	2,932,787	3.1%
		Total Consumer Products		6,176,456	7,749,442	8.2%
CFF Acquisition LLC (d)	Consumer Services	First Lien Term Loan 7.50%, 7/31/2015	$ 2,817,889	2,580,428	2,489,887	2.6%
PrePaid Legal Services, Inc. (d)	Consumer Services	First Lien Term Loan 11.00%, 12/31/2016	$ 3,000,000	2,916,310	3,000,000	3.2%
		Total Consumer Services		5,496,738	5,489,887	5.8%
M/C Acquisition Corp., LLC (d)	Education	First Lien Term Loan 6.75%, 12/31/2012	$ 2,938,192	1,787,165	716,625	0.8%
M/C Acquisition Corp., LLC (d), (h)	Education	Class A Common Stock	544,761	30,242	—	0.0%
		Total Education		1,817,407	716,625	0.8%
Advanced Lighting Technologies, Inc. (d)	Electronics	Second Lien Term Loan 6.26%, 6/1/2014	$ 2,000,000	1,891,210	1,870,000	2.0%
Group Dekko, Inc. (fka Dekko Technologies, LLC) (d)	Electronics	Second Lien Term Loan 10.50%, 5/1/2013	$ 7,494,283	7,494,283	6,894,740	7.3%
		Total Electronics		9,385,493	8,764,740	9.3%
USS Parent Holding Corp. (d), (h)	Environmental	Non Voting Common Stock	765	133,002	99,080	0.1%
USS Parent Holding Corp. (d), (h)	Environmental	Voting Common Stock	17,396	3,025,798	2,254,058	2.4%
		Total Environmental		3,158,800	2,353,138	2.5%
Bankruptcy Management Solutions, Inc. (d)	Financial Services	Second Lien Term Loan 8.37%, 8/20/2015	$ 2,479,858	2,479,858	51,829	0.1%
Bankruptcy Management Solutions, Inc. (d), (h)	Financial Services	Common Stock	27,197	—	—	0.0%
Bankruptcy Management Solutions, Inc. (d), (h)	Financial Services	Warrants	2,510	—	—	0.0%
DCS Business Services, Inc. (d)	Financial Services	First Lien Term Loan 13.75%, 9/30/2012	$ 1,600,000	1,606,371	1,600,000	1.7%
		Total Financial Services		4,086,229	1,651,829	1.8%
Big Train, Inc. (d)	Food and Beverage	First Lien Term Loan 7.75%, 3/31/2012	$ 1,479,060	1,410,059	1,436,019	1.4%
PRACS Institute, LTD (d), (h)	Healthcare Services	Second Lien Term Loan 10.00%, 4/17/2013	$ 4,093,750	4,078,296	—	0.0%
Maverick Healthcare Group (d)	Healthcare Services	First Lien Term Loan 10.75%, 12/31/2016	$ 4,962,500	4,875,767	4,813,625	5.1%
		Total Healthcare Services		8,954,063	4,813,625	5.1%

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McMillin Companies LLC (d)	Homebuilding	Senior Secured Notes 9.53%, 12/31/2013	$ 990,000	970,393	735,374	0.8%
Worldwide Express Operations, LLC (d)	Logistics	First Lien Term Loan 10.00%, 6/30/2013	$ 6,698,151	6,380,051	6,185,072	6.6%
Capstone Logistics, LLC (d)	Logistics	First Lien Term Loan 7.50%, 9/16/2016	$ 1,000,000	985,017	1,000,000	1.1%
Capstone Logistics, LLC (d)	Logistics	First Lien Term Loan 13.50%, 9/16/2016	$ 4,000,000	3,940,069	4,000,000	4.2%
		Total Logistics		11,305,137	11,185,072	11.9%
Elyria Foundry Company, LLC (d)	Metals	Senior Secured Notes 17.00%, 3/1/2013	$ 7,428,456	7,170,143	6,670,753	7.1%

Elyria Foundry Company, LLC (d), (h)	Metals	Warrants to Purchase Limited Liability Company Interests	3,000	—	—	0.0%
		Total Metals		7,170,143	6,670,753	7.1%
Network Communications, Inc. (d)	Publishing	Unsecured Notes 8.60%, 1/14/2020	$ 2,378,181	1,880,328	1,067,090	1.1%
Network Communications, Inc. (d), (h)	Publishing	Common Stock	211,429	—	710,401	0.8%
Penton Media, Inc. (d)	Publishing	First Lien Term Loan 5.00%, 8/1/2014	$ 4,839,609	4,229,248	2,946,838	3.1%
		Total Publishing		6,109,576	4,724,329	5.0%
Sub Total Non-control/Non-affiliated investments				70,208,225	60,003,928	63.6%
Control investments - 26.9% (b)						
GSC Partners CDO GP III, LP (g), (h)	Financial Services	100% General Partnership Interest	—	—	—	0.0%
GSC Investment Corp. CLO 2007 LTD. (d), (e), (g)	Structured Finance Securities	Other/Structured Finance Securities 19.20%, 1/21/2020	$ 30,000,000	24,362,779	25,375,268	26.9%
Sub Total Control investments				24,362,779	25,375,268	26.9%
Affiliate investments - 0.0% (b)						
GSC Partners CDO GP III, LP (f), (h)	Financial Services	6.24% Limited Partnership Interest	—	—	—	0.0%
Sub Total Affiliate investments				—	—	0.0%
TOTAL INVESTMENTS - 90.5% (b)				**$ 94,571,004**	**$ 85,379,196**	**90.5%**

Outstanding interest rate cap	Interest rate	Maturity	Notional	Cost	Fair Value	% of Net Assets
Interest rate cap	8.0%	2/9/2014	$ 22,040,816	$ 87,000	$ 843	0.0%
Interest rate cap	8.0%	11/30/2013	10,332,000	44,000	314	0.0%
Total Outstanding interest rate cap				$ 131,000	$ 1,157	0.0%*

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* Amounts to less than 0.05%
(a) All of our equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except GSC Investment Corp. CLO 2007 Ltd. and GSC Partners CDO GP III, LP.
(b) Percentages are based on net assets of $94,299,732 as of November 30, 2011.
(c) Because there is no readily available market value for these investments, the fair value of all of our investments is determined in good faith by our board of directors. (see Note 3 to the consolidated financial statements).
(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).
(e) 19.20% represents the modeled effective interest rate that is expected to be earned over the life of the investment.
(f) As defined in the Investment Company Act, we are an “Affiliate” of this portfolio company because we own 5% or more of the portfolio company’s outstanding voting securities. Transactions during the period in which the issuer was an Affiliate are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(g) As defined in the Investment Company Act, we “Control” this portfolio company because we own more than 25% of the portfolio company’s outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we Control are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Investment Corp. CLO 2007 LTD.	$ —	$ —	$ —	$ 3,095,304	$ 1,512,091	$ —	$ 5,644,800
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(h) Non-income producing at November 30, 2011.

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Saratoga Investment Corp.

Consolidated Schedule of Investments

February 28, 2011

Company (a)	Industry	Investment Interest Rate/Maturity	Principal/ Number of Shares	Cost	Fair Value (c)	% of Net Assets
Non-control/Non-affiliated investments — 66.6% (b)						
Legacy Cabinets Holdings (d), (i)	Building Products	Common Stock Voting A-1	$ 2,535	$ 220,900	$ —	0.0%
Legacy Cabinets Holdings (d), (i)	Building Products	Common Stock Voting B-1	1,600	139,424	—	0.0%
Legacy Cabinets, Inc. (d), (i)	Building Products	First Lien Term Loan 7.25%, 5/3/2014	$ 293,474	293,474	154,455	0.2%
		Total Building Products		653,798	154,455	0.2%
Hopkins Manufacturing Corporation (d)	Consumer Products	Second Lien Term Loan 7.54%, 1/26/2012	$ 3,250,000	3,249,024	3,233,750	3.7%
Targus Holdings, Inc. (d)	Consumer Products	First Lien Term Loan 8.75%, 11/22/2012	$ 3,169,227	3,057,616	3,147,834	3.7%

Targus Holdings, Inc. (d)	Consumer Products	Unsecured Notes 10.00%, 12/14/2015	$	1,538,235	1,538,235	985,547	1.1%
Targus Holdings, Inc. (d), (i)	Consumer Products	Common Stock		62,413	566,765	2,881,608	3.3%
		Total Consumer Products			8,411,640	10,248,739	11.8%
CFF Acquisition LLC (d)	Consumer Services	First Lien Term Loan 7.50%, 7/31/2015	$	285,876	285,876	244,424	0.3%
M/C Acquisition Corp., LLC (d)	Education	First Lien Term Loan 1.00%, 12/31/2012	$	870,791	870,791	258,625	0.3%
M/C Acquisition Corp., LLC (d), (i)	Education	Class A Common Stock		166,327	30,241	—	0.0%
		Total Education			901,032	258,625	0.3%
Advanced Lighting Technologies, Inc. (d)	Electronics	Second Lien Term Loan 6.29%, 6/1/2014	$	2,000,000	1,858,442	1,867,092	2.2%
Dekko Technologies, LLC (d)	Electronics	Second Lien Term Loan 10.50%, 1/20/2012	$	7,198,935	7,198,935	6,766,999	7.9%
		Total Electronics			9,057,377	8,634,091	10.1%
USS Parent Holding Corp. (d), (i)	Environmental	Non Voting Common Stock		765	133,002	124,311	0.1%
USS Parent Holding Corp. (d), (i)	Environmental	Voting Common Stock		17,396	3,025,798	2,828,080	3.3%
		Total Environmental			3,158,800	2,952,391	3.4%
Bankruptcy Management Solutions, Inc. (d)	Financial Services	Second Lien Term Loan 1.25%, 8/20/2015	$	2,450,499	2,450,499	110,272	0.0%
Bankruptcy Management Solutions, Inc. (d), (i)	Financial Services	Common Stock	$	27,197	—	—	0.0%
Bankruptcy Management Solutions, Inc. (d), (i)	Financial Services	Warrants	$	2,510	—	—	0.0%
DCS Business Services, Inc.	Financial Services	First Lien Term Loan 13.75%, 9/30/2012	$	1,600,000	1,612,135	1,600,000	2.0%
		Total Financial Services			4,062,634	1,710,272	2.0%
Big Train, Inc. (d)	Food and Beverage	First Lien Term Loan 7.75%, 3/31/2012	$	1,687,008	1,403,224	1,545,637	1.8%
PRACS Institute, LTD (d)	Healthcare Services	Second Lien Term Loan 10.00%, 4/17/2013	$	4,093,750	4,069,847	3,014,420	3.5%
Maverick Healthcare Group (d)	Healthcare Services	First Lien Term Loan 10.75%, 12/31/2016	$	5,000,000	4,900,000	5,000,000	5.8%
		Total Healthcare Services			8,969,847	8,014,420	9.3%
McMillin Companies LLC (d)	Homebuilding	Senior Secured Notes 9.53%, 10/31/2013	$	1,100,000	1,067,024	816,200	0.9%
Worldwide Express Operations, LLC (d)	Logistics	First Lien Term Loan 10.00%, 6/30/2013	$	2,865,629	2,862,910	2,498,828	2.9%

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Jason Incorporated (d), (i)	Manufacturing	Senior Secured Notes 10.25%, 12/21/2015	$	2,414,272	2,414,272	2,391,318	2.8%
Specialized Technology Resources, Inc. (d)	Manufacturing	Second Lien Term Loan 7.26%, 12/15/2014	$	5,000,000	4,833,437	4,966,500	5.8%
		Total Manufacturing			7,247,709	7,357,818	8.6%
Elyria Foundry Company, LLC (d)	Metals	Senior Secured Notes 17.00%, 3/1/2013	$	5,100,000	5,017,225	4,231,222	4.9%
Elyria Foundry Company, LLC (d), (i)	Metals	Warrants to Purchase Limited Liability Company Interests		3,000	—	—	0.0%
		Total Metals			5,017,225	4,231,222	4.9%
Grant U.S. Holdings LLP (d), (e), (i)	Natural Resources	Second Lien Term Loan 0.00%, 9/20/2013	$	6,349,512	6,349,348	—	0.0%
Energy Alloys, LLC (d), (i)	Oil and Gas	Second Lien Term Loan 3.00%, 6/30/2015	$	6,429,092	6,429,092	316,954	0.4%
Energy Alloys, LLC (d), (i)	Oil and Gas	Warrants to Purchase Limited Liability Company Interests		3	—	—	0.0%
		Total Oil and Gas			6,429,092	316,954	0.4%
Terphane Holdings Corp. (d), (e), (i)	Packaging	Senior Secured Notes 14.00%, 6/15/2015	$	2,500,000	2,500,000	2,453,252	2.9%
Network Communications, Inc. (d), (i)	Publishing	Unsecured Notes 8.60%, 1/14/2020	$	1,285,714	1,285,714	929,314	1.1%
Network Communications, Inc. (d), (i)	Publishing	Common Stock	$	211,429	—	900,688	1.0%
Penton Media, Inc. (d)	Publishing	First Lien Term Loan 5.00%, 8/1/2014	$	4,839,376	4,116,021	4,025,393	4.7%
		Total Publishing			5,401,735	5,855,395	6.8%
Sub Total Non-control/Non-affiliated investments					73,779,271	57,292,723	66.6%
Control investments — 26.4% (b)							
GSC Partners CDO GP III, LP (h), (i)	Financial Services	100% General Partnership Interest		—	—	—	0.0%
GSC Investment Corp. CLO 2007 LTD. (d), (f), (h)	Structured Finance Securities	Other/Structured Finance Securities 11.99%, 1/21/2020	$	30,000,000	27,364,350	22,732,038	26.4%
Sub Total Control investments					27,364,350	22,732,038	26.4%

Affiliate investments — 0.0% (b)						
GSC Partners CDO GP III, LP (g), (i)	Financial Services	6.24% Limited Partnership Interest	—	—	—	0.0%
Sub Total Affiliate investments				—	—	0.0%
TOTAL INVESTMENTS — 93.0% (b)				$ 101,143,621	$ 80,024,761	93.0%

Outstanding interest rate cap	Interest rate	Maturity	Notional	Cost	Fair Value	% of Net Assets
Interest rate cap	8.0%	2/9/2014	$ 29,387,755	$ 87,000	$ 11,893	0.0%
Interest rate cap	8.0%	11/30/2013	23,966,000	44,000	4,372	0.0%
Total Outstanding interest rate cap				$ 131,000	$ 16,265	0.0%

* Amounts to less than 0.05%

(a) All of our equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except Grant U.S. Holdings LLP, GSC Investment Corp. CLO 2007 Ltd., Terphane Holdings Corp., and GSC Partners CDO GP III, LP.
(b) Percentages are based on net assets of $86,071,454 as of February 28, 2011.
(c) Because there is no readily available market value for these investments, the fair value of all of our investments is determined in good faith by our board of directors. (see Note 3 to the consolidated financial statements).
(d) These securities are pledged as collateral under a senior secured revolving credit facility (see Note 6 to the consolidated financial statements).
(e) Non-U.S. company. The principal place of business for Terphane Holdings Corp. is Brazil, and for Grant U.S. Holdings LLP is Canada.
(f) 11.99% represents the modeled effective interest rate that is expected to be earned over the life of the investment.
(g) As defined in the Investment Company Act, we are an "Affiliate" of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was an Affiliate are as follows:

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Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(i) As defined in the Investment Company Act, we "Control" this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the period in which the issuer was both an Affiliate and a portfolio company that we control are as follows:

Company	Purchases	Redemptions	Sales (cost)	Interest Income	Management fee income	Net Realized gains/(losses)	Net Unrealized gains/(losses)
GSC Investment Corp. CLO 2007 LTD.	$ —	$ —	$ —	$ 3,295,359	$ 2,032,357	$ —	$ 7,902,482
GSC Partners CDO GP III, LP	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(i) Non-income producing at February 28, 2011.

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Saratoga Investment Corp.

Consolidated Statements of Changes in Net Assets

	For nine months ended November 30, 2011 (unaudited)	For nine months ended November 30, 2010 (unaudited)
INCREASE FROM OPERATIONS:		
Net investment income	$ 4,122,645	$ 4,418,820
Net realized loss from investments	(5,839,864)	(16,280,370)
Net unrealized appreciation on investments	11,927,052	24,546,024
Net unrealized depreciation on derivatives	(15,108)	(19,797)
Net increase in net assets from operations	10,194,725	12,664,677
DECREASE FROM SHAREHOLDER DISTRIBUTIONS:		
Distributions declared	(9,831,231)	(1,179,800)
Net decrease in net assets from shareholder distributions	(9,831,231)	(1,179,800)
CAPITAL SHARE TRANSACTIONS:		
Stock dividend distribution	7,864,784	—
Issuance of common stock, net of issuance costs	—	14,814,860
Net increase in net assets from capital share transactions	7,864,784	14,814,860
Total increase in net assets	8,228,278	26,299,737
Net assets at beginning of period	86,071,454	55,478,152
Net assets at end of period	$ 94,299,732	$ 81,777,889
Net asset value per common share	$ 24.32	$ 24.95
Common shares outstanding at end of period	3,876,661	3,277,077
Distribution in excess of net investment income	$ (14,627,476)	$ (10,223,021)

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Cash Flows

	For nine months ended November 30, 2011 (unaudited)	For nine months ended November 30, 2010 (unaudited)
Operating activities		
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ 10,194,725	$ 12,664,677
ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Paid-in-kind interest income	(1,188,674)	(869,054)
Net accretion of discount on investments	(1,002,986)	(548,994)
Amortization of deferred credit facility financing costs	510,376	230,133
Reversal of deferred incentive management fees	—	(2,636,146)
Net realized (gain) loss from investments	5,839,864	16,280,370
Net unrealized (appreciation) depreciation on investments	(11,927,052)	(24,546,024)
Net unrealized (appreciation) depreciation on derivatives	15,108	19,797
Proceeds from sale and redemption of investments	31,873,349	9,455,897
Purchase of investments	(28,948,936)	—
(Increase) decrease in operating assets:		
Cash and cash equivalents, securitization accounts	3,536,441	(3,181,836)
Interest receivable	370,286	1,456,154
Management fee receivable	4,291	96,090
Other assets	(2,880,897)	(125,973)
Increase (decrease) in operating liabilities:		
Payable for unsettled trades	(4,900,000)	—
Management and incentive fees payable	287,095	1,433,797
Accounts payable and accrued expenses	(99,496)	(225,784)
Interest and credit facility fees payable	(21,959)	(114,718)
Due to manager	44,580	294,398
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,706,115	9,682,784
Financing activities		
Issuance of shares of common stock	—	15,000,002
Payment of common stock issuance costs	—	(185,140)
Borrowings on debt	—	20,000,000
Paydowns on debt	(4,500,000)	(41,242,222)
Credit facility financing cost	—	(2,035,932)
NET CASH USED BY FINANCING ACTIVITIES	(4,500,000)	(8,463,292)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,793,885)	1,219,492
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,735,755	3,352,434
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 7,941,870	$ 4,571,926
Supplemental information:		
Interest paid during the period	$ 498,625	$ 2,072,663
Supplemental non-cash information		
Paid-in-kind interest income	$ 1,188,674	$ 869,054
Net accretion of discount on investments	$ 1,002,986	$ 548,994
Amortization of deferred credit facility financing costs	$ 510,376	$ 230,133
Reversal of deferred incentive management fees	$ —	$ 2,636,146
Stock dividend distribution	$ 7,864,784	$ 10,615,905
Cash dividend payable	$ 1,966,447	$ 1,179,800

See accompanying notes to consolidated financial statements.

SARATOGA INVESTMENT CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2011

(unaudited)

Note 1. Organization and Basis of Presentation

Saratoga Investment Corp. (the “Company”, “we”, “our” and “us”) is a non-diversified closed end management investment company incorporated in Maryland that has elected to be treated and is regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). We commenced operations on March 23, 2007 as GSC Investment Corp. and completed our initial public offering (“IPO”) on March 28, 2007. We have elected to be treated as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code (the “Code”). We expect to continue to qualify and to elect to be treated for tax purposes as a RIC. Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments.

GSC Investment, LLC (the “LLC”) was organized in May 2006 as a Maryland limited liability company. As of February 28, 2007, the LLC had not yet commenced its operations and investment activities.

On March 21, 2007, the Company was incorporated and concurrently therewith the LLC was merged with and into the Company, with the Company as the surviving entity, in accordance with the procedure for such merger in the LLC’s limited liability company agreement and Maryland law. In connection with such merger, each outstanding limited liability company interest of the LLC was converted into a share of common stock of the Company.

On July 30, 2010, the Company changed its name from “GSC Investment Corp.” to “Saratoga Investment Corp.” in conjunction with the transaction described in “Note 13. Recapitalization Transaction” below.

We are externally managed and advised by our investment adviser, Saratoga Investment Advisors, LLC (the “Manager”), pursuant to an investment advisory and management agreement. Prior to July 30, 2010, we were managed and advised by GSCP (NJ), L.P.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its special purpose financing subsidiary, Saratoga Investment Funding, LLC (previously known as GSC Investment Funding LLC). All intercompany accounts and transactions have been eliminated in consolidation. All references made to the “Company,” “we,” and “us” herein include Saratoga Investment Corp. and its consolidated subsidiary, except as stated otherwise.

Note 2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and income, gains/(losses) and expenses during the period reported. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments in a money market fund. Cash and cash equivalents are carried at cost which approximates fair value. Per section 12(d)(1)(A) of the 1940 Act, the Company may not invest in another registered investment company such as, a money market fund if such investment would cause the Company to exceed any of the following limitations:

- we were to own more than 3% of the total outstanding voting stock of the money market fund;
- we were to hold securities in the money market fund having an aggregate value in excess of 5% of the value of our total assets or
- we were to hold securities in money market funds and other registered investment companies and BDCs having an aggregate value in excess of 10% of the value of our total assets.

Cash and Cash Equivalents, Securitization Accounts

Cash and cash equivalents, securitization accounts include amounts held in designated bank accounts in the form of cash and short-term liquid investments in money market funds representing payments received on securitized investments or other reserved amounts associated with our $40 million senior secured revolving credit facility with Madison Capital Funding LLC. The Company is required to use a portion of these amounts to pay interest expense, reduce borrowings, or pay other amounts in accordance with the terms of the senior secured revolving credit facility. Cash held in such accounts may not be available for the general use of the Company.

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, “Control Investments” are defined as investments in companies in which we own more than 25% of the voting securities or maintain greater than 50% of the board representation. Under the 1940 Act, “Affiliated Investments” are defined as those non-control investments in companies in which we own between 5% and 25% of the voting securities. Under the 1940 Act, “Non-affiliated Investments” are defined as investments that are neither Control Investments nor Affiliated Investments.

Investment Valuation

The Company accounts for its investments at fair value in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Company to assume that its investments are to be sold at the statement of assets and liabilities date in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Investments for which market quotations are readily available are fair valued at such market quotations obtained from independent third party pricing services and market makers subject to any decision by our board of directors to make a fair value determination to reflect significant events affecting the value of these investments. We value investments for which market quotations are not readily available at fair value as determined, in good faith, by our board of directors based on input from our Manager, the audit committee of our board of directors and a third party independent valuation firm. Determinations of fair value may involve subjective judgments and estimates. The types of factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments, market yield trend analysis, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors.

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- Each investment is initially valued by the responsible investment professionals of our Manager and preliminary valuation conclusions are documented and discussed with our senior management; and

- An independent valuation firm engaged by our board of directors reviews approximately one quarter of these preliminary valuations each quarter so that the valuation of each investment for which market quotes are not readily available is reviewed by the independent valuation firm at least annually.

In addition, all our investments are subject to the following valuation process.

- The audit committee of our board of directors reviews each preliminary valuation and our Manager and independent valuation firm (if applicable) will supplement the preliminary valuation to reflect any comments provided by the audit committee; and

- Our board of directors discusses the valuations and determines the fair value of each investment, in good faith, based on the input of our Manager, independent valuation firm (to the extent applicable) and the audit committee of our board of directors.

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Our investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO") is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We use the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO.

Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. The determination of fair value by our board of directors may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Derivative Financial Instruments

We account for derivative financial instruments in accordance with ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires recognizing all derivative instruments as either assets or liabilities on the consolidated statements of assets and liabilities at fair value. The Company values derivative contracts at the closing fair value provided by the counterparty. Changes in the values of derivative contracts are included in the consolidated statements of operations.

Investment Transactions and Income Recognition

Purchases and sales of investments and the related realized gains or losses are recorded on a trade-date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis to the extent that such amounts are expected to be collected. The Company stops accruing interest on its investments when it is determined that interest is no longer collectible. Discounts and premiums on investments purchased are accreted/amortized over the life of the respective investment using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortizations of premium on investments.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reserved when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as a reduction in principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection.

Interest income on our investment in Saratoga CLO is recorded using the effective interest method in accordance with the provisions of ASC Topic 325-40, *Investments-Other, Beneficial Interests in Securitized Financial Assets*, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Paid-in-Kind Interest

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is generally recorded on the accrual basis to the extent such amounts are expected to be collected. We stop accruing PIK interest if we do not expect the issuer to be able to pay all principal and interest when due.

Deferred Credit Facility Financing Costs

Financing costs incurred in connection with our credit facilities are deferred and amortized using the straight line method over the life of the respective facility.

Indemnifications

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management feels that the likelihood of such an event is remote.

Income Taxes

The Company has filed an election to be treated for tax purposes as a RIC under Subchapter M of the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from federal income taxes. Therefore, no provision has been recorded for the obligation to pay federal income taxes.

In order to qualify as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned.

In accordance with certain applicable Treasury regulations and private letter rulings issued by the Internal Revenue Service, a RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC subject to a limitation on the aggregate amount of cash to be distributed to all stockholders, which limitation must be at least 20% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash will receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20% of his or her entire distribution in cash. If these and certain other requirements are met, for U.S federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock.

ASC 740, *Income Taxes* provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions deemed to meet a “more-likely-than-not” threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statement of operations. As of November 30, 2011 and February 28, 2011, there were no uncertain tax positions.

Dividends

Dividends to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the board of directors. Net realized capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not “opted out” of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. If our common stock is trading below net asset value at the time of valuation, the plan administrator may receive the dividend or distribution in cash and purchase common stock in the open market, on the New York Stock Exchange or elsewhere, for the account of each participant in our dividend reinvestment plan.

Capital Gains Incentive Fee

The Company records an expense accrual relating to the capital gains incentive fee payable by the Company to its investment adviser when the unrealized gains on its investments exceed all realized capital losses on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. The actual incentive fee payable to the Company’s investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains for the period.

New Accounting Pronouncements

In May 2011, the FASB issued ("ASU") No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"), which amends U.S. GAAP to conform it with fair value measurement and disclosure requirements in International Financial Reporting Standards ("IFRS"). The amendments in ASU 2011-04 change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. We are currently evaluating the impact this accounting standards update will have on our consolidated financial statements. The amendments in ASU 2011-04 are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011.

Risk Management

In the ordinary course of its business, the Company manages a variety of risks, including market risk and credit risk. Market risk is the risk of potential adverse changes to the value of investments because of changes in market conditions such as interest rate movements and volatility in investment prices.

Credit risk is the risk of default or non-performance by portfolio companies, equivalent to the investment's carrying amount.

The Company is also exposed to credit risk related to maintaining all of its cash and cash equivalents, including those in securitization accounts, at a major financial institution and credit risk related to any of its derivative counterparties.

The Company has investments in lower rated and comparable quality unrated high yield bonds and bank loans. Investments in high yield investments are accompanied by a greater degree of credit risk. The risk of loss due to default by the issuer is significantly greater for holders of high yield securities, because such investments are generally unsecured and are often subordinated to other creditors of the issuer.

Note 3. Investments

As noted above, the Company values all investments in accordance with ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs used in the determination of fair value may require significant management judgment or estimation. Such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as a Level 3 asset, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Company continues to employ the valuation policy approved by the board of directors that is consistent with ASC 820 (see Note 2). Consistent with our Company's valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

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The following table presents fair value measurements of investments, by major class, as of November 30, 2011 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien term loans	$ —	$ —	$ 35,830	$ 35,830
Second lien term loans	—	—	8,816	8,816
Senior secured notes	—	—	7,405	7,405
Unsecured notes	—	—	1,956	1,956
Structured finance securities	—	—	25,375	25,375
Common stock/equities	—	—	5,997	5,997
Limited partnership interest	—	—	—	—
Total	$ —	$ —	$ 85,379	$ 85,379

The following table presents fair value measurements of investments, by major class, as of February 28, 2011 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First lien term loans	$ —	$ —	$ 18,475	$ 18,475
Second lien term loans	—	—	20,276	20,276

Senior secured notes	—	—	9,892	9,892
Unsecured notes	—	—	1,915	1,915
Structured finance securities	—	—	22,732	22,732
Common stock/equities	—	—	6,735	6,735
Limited partnership interest	—	—	—	
Total	$ —	$ —	$ 80,025	$ 80,025

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended November 30, 2011 (dollars in thousands):

	First lien term loans	Second lien term loans	Senior secured notes	Unsecured notes	Structured finance securities	Common stock/equities	Total
Balance as of February 28, 2011	$ 18,475	$ 20,276	$ 9,892	$ 1,915	$ 22,732	$ 6,735	$ 80,025
Net unrealized gains (losses)	(1,680)	9,036	372	(708)	5,645	(738)	11,927
Purchases and other adjustments to cost	27,528	512	2,352	749	—	—	31,141
Sales and redemptions	(8,507)	(14,808)	(5,215)	—	(3,002)	(342)	(31,874)
Net realized gain (loss) from investments	14	(6,200)	4	—	—	342	(5,840)
Balance as of November 30, 2011	$ 35,830	$ 8,816	$ 7,405	$ 1,956	$ 25,375	$ 5,997	$ 85,379

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales and redemptions represent net proceeds received from investments sold, and principal paydowns received, during the period.

The net change in unrealized gain/(loss) on investments held as of November 30, 2011 is $(396,130) and is included in net unrealized appreciation (depreciation) on investments in the Consolidated Statements of Operations.

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The composition of our investments as of November 30, 2011, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 38,435	40.5%	$ 35,830	42.0%
Second lien term loans	15,944	16.9	8,816	10.3
Senior secured notes	8,141	8.6	7,405	8.7
Unsecured notes	3,572	3.8	1,956	2.3
Structured finance securities	24,363	25.8	25,375	29.7
Common stock/equities	4,116	4.4	5,997	7.0
Limited partnership interest	—	—	—	—
Total	$ 94,571	100%	$ 85,379	100%

The composition of our investments as of February 28, 2011, at amortized cost and fair value were as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First lien term loans	$ 19,402	19.2%	$ 18,475	23.1%
Second lien term loans	36,439	36.0	20,276	25.3
Senior secured notes	10,999	10.9	9,892	12.4
Unsecured notes	2,824	2.8	1,915	2.4
Structured finance securities	27,364	27.0	22,732	28.4
Common stock/equities	4,116	4.1	6,735	8.4
Limited partnership interest	—	—	—	—
Total	$ 101,144	100.0%	$ 80,025	100.0%

For loans and debt securities for which market quotations are not available, we determine their fair value based on third party indicative broker quotes, where available, or the assumptions that a hypothetical market participant would use to value the security in a current hypothetical sale using a market yield valuation methodology. In applying the market yield valuation methodology, we determine the fair value based on such factors as market participant assumptions including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. If, in our judgment, the market yield methodology is not sufficient or appropriate, we may use additional methodologies such as an asset liquidation or expected recovery model.

For equity securities of portfolio companies and partnership interests, we determine the fair value of the portfolio company based on the market approach with value then attributed to equity or equity like securities using the enterprise value waterfall valuation methodology. Under the enterprise value waterfall valuation methodology, we determine the enterprise fair value of the portfolio company and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. To estimate the enterprise value of the portfolio company, we weigh some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value. The methodologies for performing investments may be based on, among other things: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, third party valuations of the portfolio company, considering offers from third parties to buy the company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company. For non-performing investments, we may estimate the liquidation or collateral value of the portfolio company's assets and liabilities. We also take into account historical and anticipated financial results.

Our investment in Saratoga CLO is carried at fair value, which is based on a discounted cash flow model that utilizes prepayment, re-investment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow, and comparable yields for equity interests in collateralized loan obligation funds similar to Saratoga CLO, when available, as determined by our Manager and recommended to our board of directors. Specifically, we use Intex cash flow models, or an appropriate substitute, to form the basis for the valuation of our investment in Saratoga CLO. The models use a set of assumptions including projected default rates, recovery rates, reinvestment rate and prepayment rates in order to arrive at estimated valuations. The assumptions are based on available market data and projections provided by third parties as well as management estimates. We used the output from the Intex models (i.e., the estimated cash flows) to perform a discounted cash flows analysis on expected future cash flows to determine a valuation for our investment in Saratoga CLO at November 30, 2011. The significant inputs for the valuation model included:

- Default rates: 3.0%
- Recovery rates: 70%
- Reinvestment rates: LIBOR plus 400 basis points
- Prepayment rate: 20%

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd. ("Saratoga CLO")

On January 22, 2008, we invested $30 million in all of the outstanding subordinated notes of Saratoga CLO (which are referred in the unaudited balance sheet of Saratoga CLO below as "Preference shares"), a collateralized loan obligation fund managed by us that invests primarily in senior secured loans. Additionally, we entered into a collateral management agreement with Saratoga CLO pursuant to which we act as collateral manager to it. In return for our collateral management services, we are entitled to a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of Saratoga CLO's assets, to be paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return equal to or greater than 12%. For the three months ended November 30, 2011 and November 30, 2010, we accrued $0.5 million and $0.5 million in collateral management fee income, respectively, due from Saratoga CLO and $1.2 million and $0.9 million in interest income, respectively, due from Saratoga CLO. For the nine months ended November 30, 2011 and November 30, 2010, we accrued $1.5 million and $1.5 million in collateral management fee income, respectively, due from Saratoga CLO and $3.1 million and $2.4 million in interest income, respectively, due from Saratoga CLO. We did not accrue any amounts related to the incentive management fee as the 12% hurdle rate has not yet been achieved.

At November 30, 2011, the Company determined that the fair value of its investment in the subordinated notes of Saratoga CLO was $25.4 million, whereas the net asset value of Saratoga CLO on such date was $16.7 million. The Company does not believe that the net asset value of Saratoga CLO, which is the difference between Saratoga CLO's assets and liabilities at a given point in time, necessarily equates to the fair value of its investment in the subordinated notes of Saratoga CLO. Specifically, the Company determines the fair value of its investment in the subordinated notes of Saratoga CLO based on the present value of the projected future cash flows of the subordinated notes over the life of Saratoga CLO. At November 30, 2011, Saratoga CLO had investments with a principal balance of $389.5 million and a weighted average spread over LIBOR of 3.5%, and had debt of $364.0 million with a weighted average spread over LIBOR of 1.4%. As a result, Saratoga CLO earns a "spread" between the interest income it receives on its investments and the interest expense it pays on its debt and other operating expenses, which is distributed quarterly to the Company as the holder of its subordinated notes. At November 30, 2011, the total "spread", or projected future cash flows of the subordinated notes, over the life of Saratoga CLO was $48.3 million, which had a present value of approximately $25.9 million, using a 20% discount rate. At November 30, 2011, the fair value of the subordinated notes, which we based upon the present value of the projected cash flows, was $25.4 million, which was greater than the net asset value of Saratoga CLO on such date by approximately $8.7 million.

Below is certain summary financial information from the separate unaudited financial statements of Saratoga CLO as of November 30, 2011 and February 28, 2011 and for the nine months ended November 30, 2011 and November 30, 2010.

Note 4. Investment in GSC Investment Corp. CLO 2007, Ltd.

GSC Investment Corp. CLO 2007

Balance Sheet
(unaudited)

	As of	
	November 30, 2011 (unaudited)	February 28, 2011 (unaudited)
ASSETS		
Investments		
Fair Value Loans	$ 368,096,647	$ 373,564,517

Fair Value Bonds	—	2,243,464
Fair Value Other/Structured finance securities	15,583,573	15,362,136
Total investments at fair value	383,680,220	391,170,117
Cash and cash equivalents	7,061,884	19,887,581
Receivable from open trades	3,222,500	—
Interest receivable	1,625,828	1,737,017
Deferred bond issuance	3,000,700	3,545,449
Total assets	$ 398,591,132	$ 416,340,164
LIABILITIES		
Interest payable	$ 781,996	$ 701,640
Payable from open trades	17,317,146	25,151,104
Accrued senior collateral monitoring fee	45,491	46,351
Accrued subordinate collateral monitoring fee	181,969	185,402
Class A notes	296,000,000	296,000,000
Class B notes	22,000,000	22,000,000
Discount on class B notes	(492,560)	(538,121)
Class C notes	14,000,000	14,000,000
Class D notes	16,000,000	16,000,000
Discount on class D notes	(521,055)	(569,252)
Class E notes	17,960,044	17,960,044
Discount on class E notes	(1,340,364)	(1,464,346)
Total liabilities	$ 381,932,667	$ 389,472,822
PARTNERS' CAPITAL		
Preference shares principal	$ 30,000,000	$ 30,000,000
Preferred shares	9,478,573	(14,270,311)
Partners distributions	(18,548,938)	(12,611,230)
Net income / (loss)	(4,271,170)	23,748,883
Total capital	16,658,465	26,867,342
Total liabilities and partners' capital	$ 398,591,132	$ 416,340,164

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GSC Investment Corp. CLO 2007

Statement of Operations
(unaudited)

	For the three months ended November 30		For the nine months ended November 30	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
INVESTMENT INCOME				
Interest from investments	$ 4,938,100	$ 5,340,612	$ 15,158,477	$ 16,122,093
Interest from cash and cash equivalents	1,283	6,336	6,976	14,406
Other income	89,338	117,536	439,255	222,011
Total investment income	5,028,721	5,464,484	15,604,708	16,358,510
EXPENSES				
Interest expense	1,615,662	1,698,872	4,793,580	4,995,119
Professional fees	50,075	27,089	307,156	204,056
Misc. Fee Expense	11,757	—	158,416	438
Senior collateral monitoring fee	100,384	101,735	302,418	304,706
Subordinate collateral monitoring fee	401,536	406,939	1,209,673	1,218,824
Trustee expenses	25,291	25,643	75,374	75,975
Amortization expense	253,635	253,635	762,489	762,489
Total expenses	2,458,340	2,513,913	7,609,106	7,561,607
NET INVESTMENT INCOME	2,570,381	2,950,571	7,995,602	8,796,903
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain/(loss) on investments	106,318	1,915,085	(5,075,060)	2,358,744
Net unrealized appreciation/(depreciation) on investments	6,446,956	(2,947,496)	(7,191,712)	4,400,318
Net gain/(loss) on investments	6,553,274	(1,032,411)	(12,266,772)	6,759,062
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 9,123,655	$ 1,918,160	$ (4,271,170)	$ 15,555,965

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GSC Investment Corp.

Consolidated Schedule of Investments

November 30, 2011

(unaudited)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date	Principal / Number of Shares	Cost	Fair Value
Elyria Foundry Company, LLC	Warrants	Equity	0.00%		2,000	$ —	$ —
Network Communications, Inc.	Common	Equity	0.00%		169,143	169,143	659,658
OLD AII, Inc (fka Aleris International Inc.)	Common	Equity	0.00%		2,624	224,656	128,576
PATS Aircraft, LLC	Common	Equity	0.00%		51,813	282,326	282,329
SuperMedia Inc. (fka Idearc Inc.)	Common Stock	Equity	0.00%		10,821	28,784	5,411
Academy, LTD.	Initial Term Loan	First Lien Term Loans	6.00%	8/3/2018	$ 2,000,000	1,985,591	1,955,620
Acosta, Inc.	Term B Loan	First Lien Term Loans	4.75%	3/1/2018	$ 4,254,136	4,185,434	4,115,877
Advanced Lighting Technologies, Inc.	Deferred Draw Term Loan (First Lien)	First Lien Term Loans	3.02%	6/1/2013	$ 251,962	240,232	237,474
Advanced Lighting Technologies, Inc.	Term Loan (First Lien)	First Lien Term Loans	3.01%	6/1/2013	$ 4,615,472	4,489,270	4,350,083
Aeroflex Incorporated	Tranche B Term Loan	First Lien Term Loans	4.25%	5/9/2018	$ 3,990,000	3,971,600	3,760,575
Aerostructures Acquisition LLC	Term Loan	First Lien Term Loans	7.25%	3/1/2013	$ 563,527	549,852	540,986
Aptalis Pharma, Inc. (fka Axcan Intermediate Holdings Inc.)	Term Loan	First Lien Term Loans	5.50%	2/10/2017	$ 1,985,000	1,976,383	1,885,750
Ashland Inc.	Term B Loan	First Lien Term Loans	3.75%	8/23/2018	$ 1,000,000	997,590	1,000,520
Asurion, LLC (fka Asurion Corporation)	Term Loan (First Lien)	First Lien Term Loans	5.50%	5/24/2018	$ 5,727,273	5,673,860	5,510,725
Aurora Diagnostics, LLC	Tranche B Term Loan	First Lien Term Loans	6.25%	5/26/2016	$ 508,611	508,611	494,309
Autotrader.com, Inc.	Tranche B-1 Term Loan	First Lien Term Loans	4.00%	12/15/2016	$ 3,879,505	3,879,505	3,863,327
Avantor Performance Materials Holdings, Inc.	Term Loan	First Lien Term Loans	5.00%	6/24/2017	$ 4,987,500	4,964,159	4,788,000
AZ Chem US Inc.	New Term Loan	First Lien Term Loans	5.50%	11/21/2016	$ 559,574	552,249	558,332
AZ Chem US Inc.	New Term Loan	First Lien Term Loans	5.50%	11/21/2016	$ 2,299,617	2,303,846	2,294,512
BakerCorp International, Inc. (f/k/a B-Corp Holdings, Inc.)	Term Loan	First Lien Term Loans	5.00%	6/1/2018	$ 498,750	496,434	493,014
Bass Pro Group, LLC	Term Loan	First Lien Term Loans	5.25%	6/13/2017	$ 2,992,500	2,964,884	2,913,318
BJ's Wholesale Club, Inc.	Initial Loan (First Lien)	First Lien Term Loans	7.00%	9/28/2018	$ 2,000,000	1,902,274	1,993,920
C.H.I. Overhead Doors, Inc. (CHI)	Term Loan (First Lien)	First Lien Term Loans	7.25%	8/17/2017	$ 3,087,250	3,027,868	3,010,069
Capstone Logistics, LLC	Term A Note	First Lien Term Loans	7.50%	9/16/2016	$ 3,000,000	2,955,051	2,955,000
Capsugel Holdings US, Inc.	Initial Term Loan	First Lien Term Loans	5.25%	8/1/2018	$ 4,000,000	3,989,184	3,994,360
Celanese US Holdings LLC	Dollar Term C Loan (Extended)	First Lien Term Loans	3.12%	10/31/2016	$ 3,473,618	3,517,406	3,471,221
Cenveo Corporation	Term B Facility	First Lien Term Loans	6.25%	12/21/2016	$ 2,977,500	2,952,400	2,925,394
Charter Communications Operating, LLC	Term C Loan	First Lien Term Loans	3.62%	9/6/2016	$ 3,989,848	3,982,768	3,908,375
CHS/ Community Health Systems, Inc.	Extended Term Loan	First Lien Term Loans	3.95%	1/25/2017	$ 1,350,219	1,334,075	1,301,692
CHS/ Community Health Systems, Inc.	Non-Extended Delayed Draw Term Loan	First Lien Term Loans	2.51%	7/25/2014	$ 138,284	135,604	133,197
CHS/ Community Health Systems, Inc.	Non-Extended Term Loan	First Lien Term Loans	2.75%	7/25/2014	$ 2,690,504	2,639,971	2,591,520
Cinedigm Digital Funding I, LLC	Term Loan	First Lien Term Loans	5.25%	4/29/2016	$ 1,576,813	1,565,156	1,513,741
Cinemark USA, Inc.	Extended Term Loan	First Lien Term Loans	3.57%	4/30/2016	$ 5,602,144	5,347,916	5,544,386
Colfax Corporation	Term B Loan	First Lien Term Loans	0.00%	9/12/2018	$ 500,000	495,000	495,000
Consolidated Container Company LLC	Loan (First Lien)	First Lien Term Loans	2.50%	3/28/2014	$ 5,210,092	4,884,782	4,828,036
Contec, LLC	Tranche B Term Loan	First Lien Term Loans	9.00%	7/28/2014	$ 2,644,318	2,614,917	1,123,835
Covanta Energy Corporation	Funded Letter of Credit	First Lien Term Loans	1.77%	2/10/2014	$ 877,007	858,874	855,994
Covanta Energy Corporation	Term Loan	First Lien Term Loans	1.77%	2/10/2014	$ 1,702,627	1,667,261	1,661,833
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Term B Loan	First Lien Term Loans	5.00%	2/13/2017	$ 4,962,500	4,940,942	4,900,469
CRC Health Corporation	Term B-2 Loan	First Lien Term Loans	4.87%	11/16/2015	$ 1,991,877	1,889,653	1,852,446
CSC Holdings, LLC (fka CSC Holdings Inc (Cablevision))	Term A-3 Loan	First Lien Term Loans	2.51%	3/31/2015	$ 1,401,754	1,395,623	1,331,667
Culligan International Company	Dollar Loan	First Lien Term Loans	2.51%	11/24/2012	$ 2,399,497	2,355,174	1,639,649
DaVita Inc.	Tranche B Term Loan	First Lien Term Loans	0.00%	10/20/2016	$ 4,000,000	4,000,000	3,977,520
Del Monte Foods Company	Initial Term Loan	First Lien Term Loans	4.50%	3/8/2018	$ 1,496,250	1,492,900	1,415,198
Dollar General Corporation	Tranche B-1 Term Loan	First Lien Term Loans	3.04%	7/7/2014	$ 5,378,602	5,176,755	5,367,199
DS Waters of America, Inc.	Term Loan	First Lien Term Loans	2.51%	10/29/2012	$ 491,776	484,668	450,796
DynCorp International Inc.	Term Loan	First Lien Term Loans	6.25%	7/7/2016	$ 819,776	807,175	801,585
Education Management LLC	Tranche C-2 Term Loan	First Lien Term Loans	4.38%	6/1/2016	$ 3,978,573	3,701,347	3,624,759
eInstruction Corporation	Initial Term Loan	First Lien Term Loans	4.51%	7/2/2013	$ 3,013,426	2,915,952	2,712,083
Electrical Components International, Inc.	Synthetic Revolving Loan	First Lien Term Loans	6.75%	2/4/2016	$ 117,647	116,169	110,588
Electrical Components International, Inc.	Term Loan	First Lien Term Loans	6.75%	2/4/2017	$ 1,868,235	1,844,005	1,756,141
Emdeon Inc.	Term B Loan	First Lien Term Loans	6.75%	11/2/2018	$ 500,000	485,164	501,425
Federal-Mogul Corporation	Tranche B Term Loan	First Lien Term Loans	2.19%	12/29/2014	$ 2,623,102	2,469,031	2,397,332
Federal-Mogul Corporation	Tranche C Term Loan	First Lien Term Loans	2.19%	12/28/2015	$ 1,338,317	1,255,268	1,223,128
First Data Corporation	2018 Dollar Term Loan	First Lien Term Loans	4.26%	3/26/2018	$ 2,290,451	2,198,651	1,904,899
First Data Corporation	Non Extending B-1 Term Loan	First Lien Term Loans	3.01%	9/24/2014	$ 1,971,336	1,930,273	1,741,813
First Data Corporation	Non Extending B-2 Term Loan	First Lien Term Loans	3.01%	9/24/2014	$ 990,052	970,198	874,780
FleetPride Corporation	Term Loan	First Lien Term Loans	0.00%	12/6/2017	$ 1,000,000	980,000	980,000
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility B (Dollar)	First Lien Term Loans	4.87%	12/18/2015	$ 1,295,106	1,291,789	1,193,117
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility C (Dollar)	First Lien Term Loans	5.37%	12/20/2016	$ 1,295,106	1,291,432	1,199,592
Freescale Semiconductor, Inc.	Extended Maturity Term Loan	First Lien Term Loans	4.50%	12/1/2016	$ 1,534,348	1,465,031	1,440,370
Fresenius Medical Care AG & Co., KGaA/Fresenius Medical Care Holdings, Inc.	Tranche B Term Loan	First Lien Term Loans	1.74%	3/31/2013	$ 4,235,924	4,213,867	4,185,644
FTD Group, Inc.	Initial Term Loan	First Lien Term Loans	4.75%	6/11/2018	$ 3,992,500	3,951,394	3,912,650
General Nutrition Centers, Inc.	Tranche B Term Loan	First Lien Term Loans	4.25%	3/2/2018	$ 3,750,000	3,616,100	3,660,938
Goodyear Tire & Rubber Company, The	Loan (Second Lien)	First Lien Term Loans	1.93%	4/30/2014	$ 5,700,000	5,297,925	5,438,792
Graphic Packaging International, Inc.	Term B Loan	First Lien Term Loans	2.39%	5/16/2014	$ 3,045,465	2,895,636	3,012,361
Grosvenor Capital Management Holdings, LLLP	Tranche C Term Loan	First Lien Term Loans	4.25%	12/5/2016	$ 3,500,961	3,383,604	3,343,418
GSI Holdings L.L.C.	Term Loan	First Lien Term Loans	5.25%	8/1/2014	$ 5,637,880	5,556,899	5,440,554
Hanger Orthopedic Group, Inc.	Term C Loan	First Lien Term Loans	4.01%	12/1/2016	$ 3,970,000	3,983,002	3,811,200
HCA Inc.	Tranche B-3 Term Loan	First Lien Term Loans	3.62%	5/1/2018	$ 5,734,690	5,369,151	5,407,010
Health Management Associates, Inc.	Term B Loan	First Lien Term Loans	0.00%	11/16/2018	$ 3,000,000	2,970,000	2,985,000
Hilsinger Company, The	Term Loan	First Lien Term Loans	5.25%	12/31/2013	$ 1,221,687	1,204,358	1,075,084
Hoffmaster Group, Inc.	Incremental Facility 2011	First Lien Term Loans	5.00%	3/31/2016	$ 1,975,000	1,975,000	1,975,000
Hoffmaster Group, Inc.	Term Loan (First Lien)	First Lien Term Loans	7.00%	6/2/2016	$ 3,657,500	3,597,083	3,620,925
Hunter Defense Technologies, Inc.	Term Loan	First Lien Term Loans	3.62%	8/22/2014	$ 4,471,763	4,393,191	4,024,587
Hygenic Corporation, The	Term Loan	First Lien Term Loans	2.75%	4/30/2013	$ 1,567,150	1,535,181	1,441,778
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Delayed Draw Term Loan (First Lien)	First Lien Term Loans	6.01%	7/28/2015	$ 1,314,907	1,223,594	1,228,781
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Initial U.S. Term Loan (First Lien)	First Lien Term Loans	6.01%	7/28/2015	$ 2,520,239	2,344,967	2,355,163
Insight Equity A.P. X, LP	Term Loan	First Lien Term Loans	4.53%	12/18/2012	$ 1,380,065	1,376,364	1,242,059
Intrapac Corporation/Corona Holdco	1st Lien Term Loan	First Lien Term Loans	3.93%	5/18/2012	$ 2,801,054	2,774,004	2,097,289
Inventiv Health, Inc. (fka Ventive Health, Inc)	Consolidated Term Loan	First Lien Term Loans	6.50%	8/4/2016	$ 497,085	497,085	485,488
J. Crew Group, Inc.	Loan	First Lien Term Loans	4.75%	3/7/2018	$ 995,000	995,000	907,191
Kalispel Tribal Economic Authority	Term Loan	First Lien Term Loans	7.50%	2/25/2017	$ 3,912,931	3,844,540	3,599,897
Key Safety Systems, Inc.	Term Loan (First Lien)	First Lien Term Loans	2.51%	3/8/2014	$ 3,832,103	3,587,546	3,531,934
Kinetek Industries, Inc.	Term B-1 Loan	First Lien Term Loans	2.87%	11/10/2013	$ 1,170,963	1,125,835	1,059,722
Kinetek Industries, Inc.	Term B-2 Loan	First Lien Term Loans	2.87%	11/10/2013	$ 118,763	114,236	107,481
Kinetic Concepts, Inc.	Dollar Term B-1 Loan	First Lien Term Loans	7.00%	5/4/2018	$ 500,000	482,677	500,940
Leslie's Poolmart, Inc.	Tranche B Term Loan	First Lien Term Loans	4.50%	11/21/2016	$ 3,970,000	3,975,926	3,827,755
National CineMedia, LLC	Term Loan	First Lien Term Loans	1.84%	2/13/2015	$ 2,655,172	2,565,789	2,546,310
Nielsen Finance LLC	Class A Dollar Term Loan	First Lien Term Loans	2.25%	8/9/2013	$ 4,542,571	4,467,048	4,457,398
Novelis, Inc.	Term Loan	First Lien Term Loans	3.75%	3/10/2017	$ 3,970,000	4,004,882	3,888,933
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)	Term Loan (First Lien)	First Lien Term Loans	6.50%	4/27/2017	$ 5,000,000	4,973,752	4,857,500
NPC International, Inc.	Term Loan	First Lien Term Loans	2.01%	5/3/2013	$ 4,317,595	4,215,659	4,279,816
NRG Energy, Inc.	Term Loan	First Lien Term Loans	4.00%	7/1/2018	$ 3,990,000	3,960,762	3,952,614
NuSil Technology LLC.	Term Loan	First Lien Term Loans	5.25%	4/7/2017	$ 932,203	932,203	904,237

Onex Carestream Finance LP	Term Loan	First Lien Term Loans	5.00%	2/25/2017	$	4,974,758	4,952,991	4,394,055
OpenLink International, Inc.	Initial Term Loan	First Lien Term Loans	7.75%	10/30/2017	$	1,000,000	980,274	997,500
PATS Aircraft, LLC	Term Loan	First Lien Term Loans	1.58%	10/6/2016	$	446,667	247,498	241,200
Pelican Products, Inc.	Term Loan	First Lien Term Loans	5.00%	3/7/2017	$	2,977,500	2,977,500	2,947,725
Penn National Gaming, Inc.	Term A Facility	First Lien Term Loans	1.79%	7/14/2016	$	2,962,500	2,879,481	2,858,813
Penn National Gaming, Inc.	Term B Facility	First Lien Term Loans	3.75%	7/16/2018	$	997,500	995,142	997,660
Pharmaceutical Product Development, Inc. (Jaguar Holdings, LLC)	Term Loan	First Lien Term Loans	0.00%	12/5/2018	$	2,000,000	1,970,000	1,971,420
Pharmaceutical Research Associates Group B.V.	Dutch Dollar Term Loan	First Lien Term Loans	3.60%	12/15/2014	$	921,177	864,045	875,118
Physician Oncology Services, LP	Delayed Draw Term Loan	First Lien Term Loans	6.25%	1/31/2017	$	51,020	50,575	47,704
Physician Oncology Services, LP	Effective Date Term Loan	First Lien Term Loans	6.25%	1/31/2017	$	419,961	416,291	392,663
Pinnacle Foods Finance LLC	Term Loan	First Lien Term Loans	2.78%	4/2/2014	$	4,808,633	4,694,994	4,706,450
PolyOne Corporation	Term Loan B	First Lien Term Loans	0.00%	11/1/2017	$	500,000	495,000	499,375
PRA International	U.S. Term Loan	First Lien Term Loans	3.60%	12/15/2014	$	1,286,657	1,206,857	1,222,324
Pre-Paid Legal Services, Inc.	Tranche A Term Loan	First Lien Term Loans	7.50%	12/31/2016	$	2,939,024	2,898,030	2,821,463

Prestige Brands, Inc.	Term Loan	First Lien Term Loans	4.78%	3/24/2016	$	3,067,408	3,062,836	3,052,071
Pro Mach, Inc.	Term Loan	First Lien Term Loans	6.25%	7/6/2017	$	1,995,000	1,976,226	1,925,175
Quintiles Transnational Corp.	Term B Loan	First Lien Term Loans	5.00%	6/8/2018	$	3,990,000	3,952,817	3,870,300
Ranpak Corp.	USD Term Loan (First Lien)	First Lien Term Loans	4.75%	4/20/2017	$	2,751,305	2,738,881	2,634,374
Rexnord LLC/RBS Global, Inc.	Tranche B-2 Term B Loan	First Lien Term Loans	2.56%	7/19/2013	$	1,611,914	1,563,575	1,568,924
Reynolds Group Holdings Inc.	Tranche B Term Loan	First Lien Term Loans	6.50%	2/9/2018	$	1,990,000	1,990,000	1,941,623
Reynolds Group Holdings Inc.	Tranche C Term Loan	First Lien Term Loans	6.50%	8/9/2018	$	2,000,000	1,980,883	1,951,660
Royal Adhesives and Sealants, LLC	Term A Loan	First Lien Term Loans	7.25%	11/29/2015	$	5,553,571	5,492,914	5,472,319
RPI Finance Trust	6.75 Year Term Loan	First Lien Term Loans	4.00%	5/9/2018	$	5,486,250	5,460,013	5,447,407
Savers, Inc.	New Term Loan	First Lien Term Loans	4.25%	3/4/2017	$	497,500	497,500	490,038
Scitor Corporation	Term Loan	First Lien Term Loans	5.00%	2/15/2017	$	496,250	494,094	471,438
Scotsman Industries, Inc.	Term Loan	First Lien Term Loans	5.75%	4/30/2016	$	1,877,963	1,871,489	1,849,793
Seminole Tribe of Florida	Term B-1 Delay Draw Loan	First Lien Term Loans	1.88%	3/5/2014	$	617,981	606,116	582,447
Seminole Tribe of Florida	Term B-2 Delay Draw Loan	First Lien Term Loans	1.88%	3/5/2014	$	2,236,226	2,193,282	2,107,643
Seminole Tribe of Florida	Term B-3 Delay Draw Loan	First Lien Term Loans	1.88%	3/5/2014	$	1,185,867	1,156,851	1,117,680
Sensus USA Inc. (fka Sensus Metering Systems)	Term Loan (First Lien)	First Lien Term Loans	4.75%	5/9/2017	$	1,990,000	1,980,944	1,950,200
SI Organization, Inc., The	New Tranche B Term Loan	First Lien Term Loans	4.50%	11/22/2016	$	3,970,000	3,937,044	3,791,350
SRA International Inc.	Term Loan	First Lien Term Loans	6.50%	7/20/2018	$	3,931,429	3,772,754	3,626,743
SRAM, LLC	Term Loan (First Lien)	First Lien Term Loans	4.76%	6/7/2018	$	3,930,308	3,891,916	3,861,527
SunCoke Energy, Inc.	Tranche B Term Loan	First Lien Term Loans	4.01%	7/26/2018	$	3,996,250	3,973,031	3,906,334
SunGard Data Systems Inc (Solar Capital Corp.)	Incremental Term B Loan	First Lien Term Loans	3.75%	2/28/2014	$	500,000	500,000	497,500
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche A U.S. Term Loan	First Lien Term Loans	2.00%	2/28/2014	$	197,048	193,159	192,812
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche B U.S. Term Loan	First Lien Term Loans	3.98%	2/28/2016	$	4,557,119	4,437,660	4,420,405
Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.)	Term Loan (First Lien)	First Lien Term Loans	6.25%	12/16/2016	$	995,000	982,429	981,737
SuperMedia Inc. (fka Idearc Inc.)	Loan	First Lien Term Loans	11.00%	12/31/2015	$	338,100	326,876	151,865
Targus Group International, Inc.	Term Loan	First Lien Term Loans	11.00%	5/24/2016	$	2,992,500	2,938,224	2,805,469
TDG Holding Company (fka Dwyer Acquisition, Inc.)	Term Loan	First Lien Term Loans	7.00%	12/23/2015	$	3,508,727	3,464,505	3,456,096
Team Health, Inc.	Tranche B Term Loan	First Lien Term Loans	3.75%	6/29/2018	$	4,488,750	4,467,542	4,309,200
Telcordia Technologies, Inc.	Term Loan	First Lien Term Loans	6.75%	4/30/2016	$	3,458,616	3,452,199	3,415,383
Texas Competitive Electric Holdings Company, LLC (TXU)	2014 Term Loan (Non-Extending)	First Lien Term Loans	3.76%	10/10/2014	$	5,580,862	5,486,179	4,016,714
TransDigm Inc.	Term Loan (First Lien)	First Lien Term Loans	4.00%	2/14/2017	$	3,998,852	4,012,903	3,956,024
TransFirst Holdings, Inc.	Term Loan (First Lien)	First Lien Term Loans	3.01%	6/15/2014	$	2,393,543	2,352,949	2,182,624
Tricorbraun Inc. (fka Kranson Industries, Inc.)	Term Loan B	First Lien Term Loans	2.50%	7/31/2013	$	1,204,015	1,170,621	1,164,885
U.S. Security Associates Holdings, Inc.	Delayed Draw Term Loan	First Lien Term Loans	1.50%	7/28/2017	$	163,000	(1,541)	—
U.S. Security Associates Holdings, Inc.	Term Loan B	First Lien Term Loans	6.00%	7/28/2017	$	837,000	829,089	819,214
U.S. Silica Company	Loan	First Lien Term Loans	4.75%	6/8/2017	$	1,995,000	1,985,805	1,975,050
Univar Inc.	Term B Loan	First Lien Term Loans	5.00%	6/30/2017	$	3,974,987	3,973,806	3,829,662
UPC Financing Partnership	Facility AB	First Lien Term Loans	4.75%	12/31/2017	$	1,000,000	970,228	979,060
USI Holdings Corporation	Tranche B Term Loan	First Lien Term Loans	2.76%	5/5/2014	$	4,794,730	4,686,233	4,578,967
Vantiv, LLC (fka Fifth Third Processing Solutions, LLC)	Term B-1 Loan (First Lien)	First Lien Term Loans	4.50%	11/3/2016	$	3,989,975	3,999,331	3,952,589
Verint Systems Inc.	Term Loan 2011	First Lien Term Loans	4.50%	10/27/2017	$	1,990,000	1,980,914	1,958,916
Visant Corporation (fka Jostens)	Tranche B Term Loan (2011)	First Lien Term Loans	5.25%	12/22/2016	$	3,970,000	3,970,000	3,729,339
Weight Watchers International, Inc.	Term B Loan	First Lien Term Loans	1.63%	1/26/2014	$	1,232,435	1,222,301	1,203,941
Weight Watchers International, Inc.	Term D Loan	First Lien Term Loans	2.63%	6/30/2016	$	2,735,151	2,689,001	2,692,428
Wendy's/Arby's Restaurants, LLC	Term Loan	First Lien Term Loans	5.00%	5/24/2017	$	1,125,752	1,121,341	1,121,182
Wenner Media LLC	Term Loan	First Lien Term Loans	2.01%	10/2/2013	$	2,664,829	2,608,813	2,584,884
Wil Research Laboratories, LLC	Term B Loan	First Lien Term Loans	4.25%	9/26/2013	$	1,813,134	1,718,396	1,668,083
WireCo WorldGroup Inc.	Term Loan	First Lien Term Loans	5.00%	2/10/2014	$	1,997,963	1,968,723	1,958,004
Yankee Candle Company, Inc.	Term Loan	First Lien Term Loans	2.26%	2/6/2014	$	2,537,336	2,404,603	2,469,462
Yell Group Plc	Facility B1 - YB (USA) LLC (11/2009)	First Lien Term Loans	4.01%	7/31/2014	$	3,139,856	3,088,153	800,663
ALM 2010-1A	Floating - 05/2020 - B - 00162VAE5	Other/Structured Finance Securities	2.78%	5/20/2020	$	4,000,000	3,708,011	3,657,600
BABSN 2007-1A	Floating - 01/2021 - D1 - 05617AAA9	Other/Structured Finance Securities	3.65%	1/18/2021	$	1,500,000	1,229,601	1,050,000
GALE 2007-3A	Floating - 04/2021 - E - 363205AA3	Other/Structured Finance Securities	3.91%	4/19/2021	$	4,000,000	3,292,419	2,800,000
KATO 2006-9A	Floating - 01/2019 - B2L - 486010AA9	Other/Structured Finance Securities	3.92%	1/25/2019	$	5,000,000	4,199,605	3,500,000
STCLO 2007-6A	Floating - 04/2021 - D-86176YAG7	Other/Structured Finance Securities	4.00%	4/17/2021	$	5,000,000	4,052,528	3,500,000
							$ 398,880,826	$ 383,680,220

GSC Investment Corp.

Consolidated Schedule of Investments

February 28, 2011

(unaudited)

Issuer_Name	Asset_Name	Asset_Type	Current Rate	Maturity Date		Principal / Number of Shares	Cost	Fair Value
Elyria Foundry Company, LLC	Warrants	Equity	0.00%			2,000	$ —	$ —
M/C Acquisition Corp.	Common	Equity	0.00%			378,434	68,806	—
Network Communications, Inc.	Common	Equity	0.00%			169,143	169,143	720,549
OLD AII, Inc (fka Aleris International Inc.)	Common	Equity	0.00%			2,624	224,656	128,576
SuperMedia Inc. (fka Idearc Inc.)	Common Stock	Equity	0.00%			10,821	2,881,566	5,411
ABP Corporation (Au Bon Pain)	Term Loan	First Lien Term Loans	8.50%	2/28/2013	$	3,678,254	3,663,509	3,641,471
Acosta, Inc.	Term B Loan	First Lien Term Loans	0.00%	3/1/2018	$	500,000	500,000	504,625
Acosta, Inc.	Term Loan Retired 03/01/2011	First Lien Term Loans	4.50%	7/28/2013	$	1,904,344	1,860,734	1,901,926
Advanced Lighting Technologies, Inc.	Deferred Draw Term Loan (First Lien)	First Lien Term Loans	3.07%	6/1/2013	$	253,920	236,167	236,570
Advanced Lighting Technologies, Inc.	Term Loan (First Lien)	First Lien Term Loans	3.06%	6/1/2013	$	4,652,900	4,462,578	4,334,967
Aeroflex Incorporated	Tranche B-1 Term Loan Retired 05/09/2011	First Lien Term Loans	4.31%	8/15/2014	$	3,896,513	3,839,728	3,906,254
Aeroflex Incorporated	Tranche B-2 Term Loan Retired 05/09/2011	First Lien Term Loans	4.81%	8/15/2014	$	600,000	599,258	598,500
Aerostructures Acquisition LLC	Term Loan	First Lien Term Loans	7.25%	3/1/2013	$	617,575	593,524	571,257

Affordable Care, Inc.	Term Loan	First Lien Term Loans	0.00%	12/31/2015	$	1,000,000	985,000	985,000
APS Healthcare, Inc.	Term Loan (First Lien)	First Lien Term Loans	3.52%	3/30/2013	$	1,848,940	1,808,135	1,802,717
Asurion, LLC (fka Asurion Corporation)	Term Loan (First Lien)	First Lien Term Loans	3.27%	7/3/2014	$	5,925,000	5,811,967	5,828,719
Aurora Diagnostics, LLC	Tranche B Term Loan	First Lien Term Loans	6.25%	5/26/2016	$	508,611	508,611	509,033
Autotrader.com, Inc.	Tranche B Term Loan	First Lien Term Loans	4.75%	12/15/2016	$	2,000,000	1,990,316	2,018,760
Axcan Intermediate Holdings Inc.	Term Loan	First Lien Term Loans	3.67%	2/10/2017	$	1,333,333	1,323,393	1,346,453
AZ Chem US Inc.	Term Loan Retired 03/11/2011	First Lien Term Loans	6.75%	11/21/2016	$	989,362	975,102	1,001,422
AZ Chem US Inc.	Term Loan Retired 03/11/2011	First Lien Term Loans	6.75%	11/21/2016	$	2,968,085	2,989,634	3,004,266
Bankruptcy Management Solutions, Inc.	Term Loan B	First Lien Term Loans	7.50%	8/20/2014	$	3,956,481	3,544,161	1,819,981
C.H.I. Overhead Doors, Inc. (CHI)	Term Loan	First Lien Term Loans	7.61%	4/21/2015	$	5,077,648	5,042,065	5,090,342
California Family Health LLC (fka CFF Acquisition LLC)	Term A Loan	First Lien Term Loans	7.50%	7/31/2015	$	2,814,935	2,808,774	2,800,860
CCM Merger Inc. (Motor City Casino)	Term B Loan Retired 03/01/2011	First Lien Term Loans	8.50%	7/13/2012	$	3,390,358	3,272,522	3,390,358
Celanese US Holdings LLC	Dollar Term B Loan (Non-Extended) Retired 05/06/2011	First Lien Term Loans	1.80%	4/2/2014	$	682,863	669,206	684,495
Celanese US Holdings LLC	Dollar Term C Loan (Extended)	First Lien Term Loans	0.00%	10/31/2016	$	3,500,000	3,548,125	3,530,135
Cenveo Corporation	Term B Facility	First Lien Term Loans	6.25%	12/21/2016	$	3,000,000	2,970,945	3,027,510
CHS/ Community Health Systems, Inc.	Extended Term Loan	First Lien Term Loans	3.81%	1/25/2017	$	1,360,448	1,341,805	1,367,930
CHS/ Community Health Systems, Inc.	Non-Extended Delayed Draw Term Loan	First Lien Term Loans	2.56%	7/25/2014	$	139,402	135,936	138,646
CHS/ Community Health Systems, Inc.	Non-Extended Term Loan	First Lien Term Loans	2.56%	7/25/2014	$	2,705,964	2,640,759	2,691,298
Cinedigm Digital Funding I, LLC	Term Loan	First Lien Term Loans	5.25%	4/29/2016	$	1,861,233	1,845,123	1,870,539
Cinemark USA, Inc.	Extended Term Loan	First Lien Term Loans	3.54%	4/30/2016	$	5,644,908	5,345,039	5,690,802
Citco III Limited	B Term Loan	First Lien Term Loans	4.46%	6/30/2014	$	3,625,898	3,544,965	3,607,768
Consolidated Container Company LLC	Loan (First Lien)	First Lien Term Loans	2.50%	3/28/2014	$	5,286,113	4,848,098	5,173,783
Consolidated Precision Products Corp.	Term Loan	First Lien Term Loans	7.75%	4/17/2014	$	1,421,747	1,406,721	1,393,312
Contec, LLC	Tranche B Term Loan	First Lien Term Loans	7.75%	7/28/2014	$	2,658,068	2,620,135	2,409,991
Continental Alloys & Services, Inc.	Term Facility	First Lien Term Loans	8.50%	6/15/2012	$	3,003,802	2,886,239	3,001,308
Covanta Energy Corporation	Funded Letter of Credit	First Lien Term Loans	1.70%	2/10/2014	$	877,007	852,656	873,876
Covanta Energy Corporation	Term Loan	First Lien Term Loans	1.81%	2/10/2014	$	1,715,999	1,668,245	1,709,873
CPI International Acquisition, Inc. (f/k/a Catalyst Holdings, Inc.)	Term B Loan	First Lien Term Loans	5.00%	2/13/2017	$	5,000,000	4,975,137	5,012,500
CRC Health Corporation	Term B-2 Loan	First Lien Term Loans	4.80%	11/16/2015	$	2,000,000	1,877,839	1,992,500
Culligan International Company	Dollar Loan	First Lien Term Loans	2.52%	11/24/2012	$	2,418,342	2,339,419	2,106,376
DeCrane Aerospace, Inc. (fka DeCrane Aircraft Holdings, Inc.)	Second Lien Term Loan	First Lien Term Loans	0.00%	2/21/2014	$	969,493	924,594	664,103
Del Monte Foods Company	Initial Term Loan	First Lien Term Loans	0.00%	3/8/2018	$	1,500,000	1,496,250	1,511,715
Dollar General Corporation	Tranche B-1 Term Loan	First Lien Term Loans	3.03%	7/7/2014	$	5,378,602	5,118,264	5,389,036
DS Waters of America, Inc.	Term Loan	First Lien Term Loans	2.57%	10/29/2012	$	495,888	482,802	485,350
DynCorp International Inc.	Term Loan	First Lien Term Loans	6.25%	7/7/2016	$	997,500	979,658	1,005,809
Education Management LLC	Tranche C-2 Term Loan	First Lien Term Loans	4.31%	6/1/2016	$	7,112,226	6,533,750	6,997,790
eInstruction Corporation	Initial Term Loan	First Lien Term Loans	4.31%	7/2/2013	$	3,036,981	2,892,088	2,794,023
Electrical Components International, Inc.	Synthetic Revolving Loan	First Lien Term Loans	1.40%	2/4/2016	$	117,647	115,903	117,941
Electrical Components International, Inc.	Term Loan	First Lien Term Loans	6.75%	2/4/2017	$	1,882,353	1,854,389	1,887,059
Emdeon Business Services LLC	Term Loan (First Lien)	First Lien Term Loans	2.27%	11/16/2013	$	4,877,709	4,730,606	4,855,369
Federal-Mogul Corporation	Tranche B Term Loan	First Lien Term Loans	2.20%	12/29/2014	$	2,643,542	2,449,987	2,573,330
Federal-Mogul Corporation	Tranche C Term Loan	First Lien Term Loans	2.20%	12/28/2015	$	1,348,746	1,249,431	1,312,923
First Data Corporation	Non Extending B-1 Term Loan	First Lien Term Loans	3.01%	9/24/2014	$	3,727,178	3,628,773	3,555,728
First Data Corporation	Non Extending B-2 Term Loan	First Lien Term Loans	3.01%	9/24/2014	$	1,868,259	1,820,772	1,783,123
FleetCor Technologies Operating Company, LLC	Tranche 1 Term Loan	First Lien Term Loans	2.51%	4/30/2013	$	4,461,805	4,354,515	4,461,805
FleetCor Technologies Operating Company, LLC	Tranche 2 Term Loan	First Lien Term Loans	2.51%	4/30/2013	$	901,783	880,096	901,783
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility B (Dollar)	First Lien Term Loans	4.80%	12/18/2015	$	1,295,106	1,291,172	1,246,540
FR Acquisitions Holding Corporation (Luxembourg), S.A.R.L.	Facility C (Dollar)	First Lien Term Loans	5.30%	12/20/2016	$	1,295,106	1,290,884	1,253,015
Freescale Semiconductor, Inc.	Extended Maturity Term Loan	First Lien Term Loans	4.51%	12/1/2016	$	1,549,402	1,468,869	1,549,216
Fresenius Medical Care AG & Co., KGaA/Fresenius Medical Care Holdings, Inc.	Tranche B Term Loan	First Lien Term Loans	1.68%	3/31/2013	$	4,269,542	4,234,546	4,255,069
Georgia-Pacific LLC	Term Loan B	First Lien Term Loans	2.30%	12/23/2012	$	2,876,959	2,765,714	2,878,887
Georgia-Pacific LLC	Term Loan C	First Lien Term Loans	3.55%	12/23/2014	$	2,520,062	2,390,204	2,529,210
Goodyear Tire & Rubber Company, The	Loan (Second Lien)	First Lien Term Loans	1.96%	4/30/2014	$	5,700,000	5,172,419	5,631,600

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Graham Packaging Company, L.P.	C Term Loan	First Lien Term Loans	6.75%	4/5/2014	$	4,586,342	4,586,342	4,605,467
Graphic Packaging International, Inc.	Term B Loan	First Lien Term Loans	2.30%	5/16/2014	$	3,317,758	3,102,031	3,315,701
Grosvenor Capital Management Holdings, LLLP	Tranche C Term Loan	First Lien Term Loans	4.31%	12/5/2016	$	3,548,952	3,412,119	3,531,207
GSI Holdings L.L.C.	Term Loan	First Lien Term Loans	3.32%	8/1/2014	$	5,794,414	5,687,799	5,664,039
Hanger Orthopedic Group, Inc.	Term B Loan	First Lien Term Loans	5.25%	12/1/2016	$	4,000,000	4,014,504	4,039,160
HCA Inc.	Tranche B-1 Term Loan	First Lien Term Loans	2.55%	11/18/2013	$	5,734,690	5,470,319	5,720,353
Hilsinger Company, The	Term Loan	First Lien Term Loans	3.55%	12/31/2013	$	1,438,859	1,411,074	1,294,973
Hoffmaster Group, Inc.	Term Loan (First Lien)	First Lien Term Loans	7.00%	6/2/2016	$	3,728,750	3,656,667	3,733,411
Hunter Defense Technologies, Inc.	Term Loan	First Lien Term Loans	3.56%	8/22/2014	$	4,600,368	4,496,163	4,493,042
Hygenic Corporation, The	Term Loan	First Lien Term Loans	2.80%	4/30/2013	$	1,731,548	1,674,176	1,614,668
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Delayed Draw Term Loan (First Lien)	First Lien Term Loans	6.02%	7/28/2015	$	1,329,765	1,218,397	1,311,813
Infor Enterprise Solutions Holdings, Inc. (fka Magellan Holdings, Inc.)(Infor Global Solutions)	Extended Initial U.S. Term Loan (First Lien)	First Lien Term Loans	6.02%	7/28/2015	$	2,548,716	2,334,952	2,514,308
Insight Equity A.P. X, LP	Term Loan	First Lien Term Loans	4.47%	12/18/2012	$	1,568,246	1,561,020	1,411,421
Intrapac Corporation/Corona Holdco	1st Lien Term Loan	First Lien Term Loans	3.80%	5/18/2012	$	3,813,798	3,717,037	2,855,581
Inventiv Health, Inc. (fka Ventive Health, Inc)	Term B-1 Loan	First Lien Term Loans	4.75%	8/4/2016	$	166,667	166,667	167,362
Inventiv Health, Inc. (fka Ventive Health, Inc)	Term B-2 Loan	First Lien Term Loans	1.63%	8/4/2016	$	—	—	1,390
J. Crew Group, Inc.	Loan	First Lien Term Loans	0.00%	3/7/2018	$	1,000,000	1,000,000	1,002,190
Kalispel Tribal Economic Authority	Term Loan	First Lien Term Loans	7.50%	2/25/2017	$	4,000,000	3,920,037	3,920,037
Key Safety Systems, Inc.	Term Loan (First Lien)	First Lien Term Loans	2.55%	3/8/2014	$	3,863,090	3,536,408	3,752,026
Kinetek Industries, Inc.	Term B-1 Loan	First Lien Term Loans	3.94%	11/10/2013	$	1,285,429	1,221,491	1,219,011
Kinetek Industries, Inc.	Term B-2 Loan	First Lien Term Loans	3.94%	11/10/2013	$	130,372	123,957	123,636
Lender Processing Services, Inc.	Term Loan B	First Lien Term Loans	2.76%	7/2/2014	$	633,750	630,214	631,373
Leslie’s Poolmart, Inc.	Tranche B Term Loan (Expired 3.1.2011)	First Lien Term Loans	6.00%	11/21/2016	$	4,000,000	4,006,665	4,040,000
M/C Acquisition Corp.	Tranche C Term Loan	First Lien Term Loans	1.00%	12/31/2012	$	1,981,257	1,981,257	297,188
Matthew Warren Industries, Inc.	Term Loan	First Lien Term Loans	7.25%	11/1/2013	$	1,396,992	1,332,049	1,131,564
National Diversified Sales, Inc.	Term Loan	First Lien Term Loans	3.56%	8/9/2011	$	1,260,509	1,224,767	1,247,904
Nielsen Finance LLC	Class A Dollar Term Loan	First Lien Term Loans	2.26%	8/9/2013	$	4,924,279	4,806,327	4,936,590
Novelis, Inc.	Term Loan (Old)	First Lien Term Loans	5.25%	12/17/2016	$	4,000,000	4,039,222	4,056,800
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)	Term Loan (First Lien)	First Lien Term Loans	0.00%	4/27/2017	$	4,000,000	3,960,000	3,960,000
NPC International, Inc.	Term Loan	First Lien Term Loans	2.04%	5/3/2013	$	4,317,595	4,161,647	4,309,521
NRG Energy, Inc.	Extended Maturity Credit-Linked Deposit	First Lien Term Loans	3.55%	8/31/2015	$	1,000,000	1,003,705	1,007,000
NRG Energy, Inc.	Original Maturity Credit-Linked Deposit	First Lien Term Loans	2.05%	2/1/2013	$	739,113	723,964	738,085
NRG Energy, Inc.	Original Maturity Term Loan	First Lien Term Loans	2.04%	2/1/2013	$	2,880,954	2,823,408	2,876,950
NuSil Technology LLC.	Tranche B Term Loan	First Lien Term Loans	6.00%	2/18/2015	$	3,780,000	3,749,885	3,780,000
Nuveen Investments, Inc.	Non-Extended First-Lien Term Loan	First Lien Term Loans	3.30%	11/13/2014	$	2,494,682	2,450,410	2,429,197
Nyco Holdings 3 ApS (Nycomed)	Facility B2	First Lien Term Loans	4.26%	12/29/2014	$	1,766,354	1,687,712	1,730,391
Nyco Holdings 3 ApS (Nycomed)	Facility C2	First Lien Term Loans	4.76%	12/29/2015	$	1,765,817	1,679,620	1,738,694
Onex Carestream Finance LP	Term Loan	First Lien Term Loans	0.00%	2/25/2017	$	5,000,000	4,975,000	4,975,000
Pelican Products, Inc.	Term Loan Old	First Lien Term Loans	5.75%	11/30/2016	$	3,000,000	2,971,226	3,020,010
Pharmaceutical Research Associates Group B.V.	Dutch Dollar Term Loan	First Lien Term Loans	3.56%	12/15/2014	$	928,355	856,513	900,504
Physician Oncology Services, LP	Delayed Draw Term Loan	First Lien Term Loans	0.00%	1/31/2017	$	—	(510)	(51,020)
Physician Oncology Services, LP	Effective Date Term Loan	First Lien Term Loans	0.00%	1/31/2017	$	448,980	444,490	444,490
Pinnacle Foods Finance LLC	Term Loan	First Lien Term Loans	2.76%	4/2/2014	$	4,818,867	4,668,244	4,808,555
PRA International	U.S. Term Loan	First Lien Term Loans	3.56%	12/15/2014	$	1,286,657	1,187,087	1,222,324
Prestige Brands, Inc.	Term Loan	First Lien Term Loans	4.75%	3/24/2016	$	4,167,500	4,152,819	4,189,629
QA Direct Holdings, LLC	Term Loan Retired 03/23/2011	First Lien Term Loans	8.25%	8/10/2014	$	1,756,006	1,746,771	1,747,226
QCE, LLC (Quiznos)	Term Loan (First Lien)	First Lien Term Loans	5.01%	5/5/2013	$	2,713,190	2,642,924	2,579,457
Quintiles Transnational Corp.	Term B Loan (First Lien)	First Lien Term Loans	2.31%	3/31/2013	$	1,350,372	1,341,560	1,346,996
Ranpak Corp.	US Dollar Term Loan B (First Lien) Retired 04/20/2011	First Lien Term Loans	4.77%	12/27/2013	$	2,729,247	2,702,688	2,592,785
Repconstrickland, Inc.	Term B Loan	First Lien Term Loans	10.00%	2/19/2014	$	2,982,729	2,963,648	2,744,111
Rexnord LLC/RBS Global, Inc.	Tranche B-2 Term B Loan	First Lien Term Loans	2.56%	7/19/2013	$	1,624,606	1,553,407	1,614,940
Royal Adhesives and Sealants, LLC	Term A Loan	First Lien Term Loans	7.25%	11/29/2015	$	5,000,000	4,925,515	4,925,515
Royalty Pharma Finance Trust	Tranche B Term Loan	First Lien Term Loans	2.55%	4/16/2013	$	4,111,216	4,104,705	4,126,633

Scitor Corporation	Term Loan	First Lien Term Loans	5.00%	2/15/2017	$	500,000	497,514	503,540
Scotsman Industries, Inc.	Term Loan	First Lien Term Loans	5.51%	4/30/2016	$	942,875	934,736	946,411
Seminole Tribe of Florida	Term B-1 Delay Draw Loan	First Lien Term Loans	1.81%	3/5/2014	$	623,301	607,432	619,592
Seminole Tribe of Florida	Term B-2 Delay Draw Loan	First Lien Term Loans	1.81%	3/5/2014	$	2,254,231	2,196,806	2,240,818
Seminole Tribe of Florida	Term B-3 Delay Draw Loan	First Lien Term Loans	1.81%	3/5/2014	$	1,418,608	1,377,771	1,410,167
SI Organization, Inc., The	New Tranche B Term Loan	First Lien Term Loans	4.50%	11/22/2016	$	4,000,000	3,961,772	4,030,000
Specialized Technology Resources, Inc.	Term Loan (First Lien)	First Lien Term Loans	2.76%	6/13/2014	$	3,525,541	3,444,179	3,283,160
SunGard Data Systems Inc (Solar Capital Corp.)	Incremental Term B Loan	First Lien Term Loans	3.76%	2/28/2014	$	500,000	500,000	503,325
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche A U.S. Term Loan	First Lien Term Loans	2.01%	2/28/2014	$	197,048	191,855	196,124
SunGard Data Systems Inc (Solar Capital Corp.)	Tranche B U.S. Term Loan	First Lien Term Loans	3.93%	2/28/2016	$	4,557,119	4,416,466	4,579,905
Sunquest Information Systems, Inc. (Misys Hospital Systems, Inc.)	Term Loan (First Lien)	First Lien Term Loans	6.25%	12/16/2016	$	1,000,000	985,480	1,005,000
SuperMedia Inc. (fka Idearc Inc.)	Loan	First Lien Term Loans	11.00%	12/31/2015	$	359,815	347,869	238,604
Survey Sampling International, LLC	Term Loan	First Lien Term Loans	10.40%	12/31/2012	$	1,775,683	1,766,073	1,154,194
Targus Holdings, Inc.	Tranche B Term Loan (First Lien)	First Lien Term Loans	8.75%	11/22/2012	$	2,789,590	2,701,112	2,768,668
TDG Holding Company (fka Dwyer Acquisition, Inc.)	Term Loan	First Lien Term Loans	7.00%	12/23/2015	$	4,000,000	3,940,238	3,940,000
Team Finance LLC (a.k.a Team Health Holdings, LLC)	Term Loan	First Lien Term Loans	2.27%	11/23/2012	$	5,570,899	5,369,893	5,543,045
Telcordia Technologies, Inc.	Term Loan	First Lien Term Loans	6.75%	4/30/2016	$	3,970,000	3,961,377	3,982,426
Texas Competitive Electric Holdings Company, LLC (TXU)	Initial Tranche B-2 Term Loan	First Lien Term Loans	3.79%	10/10/2014	$	5,805,000	5,740,180	4,834,868
TransFirst Holdings, Inc.	Term Loan (First Lien)	First Lien Term Loans	3.06%	6/15/2014	$	2,412,500	2,359,447	2,320,029
Tricorbraun Inc. (fka Kranson Industries, Inc.)	Term Loan B	First Lien Term Loans	2.51%	7/31/2013	$	1,223,256	1,173,926	1,180,442
Triumph Group Inc.	Loan Retired 04/05/2011	First Lien Term Loans	4.50%	6/16/2016	$	1,243,750	1,238,248	1,246,088
U.S. Security Holdings, Inc.	Acquisition Term Loan	First Lien Term Loans	4.04%	5/8/2013	$	106,289	102,005	105,224
U.S. Security Holdings, Inc.	Tranche B Term Loan	First Lien Term Loans	4.04%	5/8/2013	$	564,358	541,608	561,536
U.S. Silica Company	Loan	First Lien Term Loans	5.75%	5/9/2016	$	1,343,250	1,337,430	1,344,929

United States Infrastructure Corporation (fka Stripe Acquisition, Inc.)	Term Loan	First Lien Term Loans	5.50%	5/13/2015	$	1,393,000	1,381,246	1,394,741
Univar Inc.	Term B Loan	First Lien Term Loans	0.00%	6/30/2017	$	3,000,000	3,000,000	3,000,000
USI Holdings Corporation	Tranche B Term Loan	First Lien Term Loans	2.77%	5/5/2014	$	4,832,287	4,689,161	4,820,206
Visant Corporation (fka Jostens)	Tranche B Term Loan (2011)	First Lien Term Loans	0.00%	12/22/2016	$	4,000,000	4,000,000	4,000,000
Weasler Engineering, Inc.	Term Loan	First Lien Term Loans	6.76%	9/30/2013	$	1,195,707	1,023,493	1,171,792
Weight Watchers International, Inc.	Term B Loan	First Lien Term Loans	1.81%	1/26/2014	$	1,242,139	1,228,356	1,239,034
Weight Watchers International, Inc.	Term D Loan	First Lien Term Loans	2.56%	6/30/2016	$	2,755,924	2,701,780	2,765,377
Wendy's/Arby's Restaurants, LLC	Term Loan	First Lien Term Loans	5.00%	5/24/2017	$	1,194,000	1,188,678	1,202,585
Wenner Media LLC	Term Loan	First Lien Term Loans	2.01%	10/2/2013	$	2,830,535	2,750,229	2,717,314
Wesco Aircraft Hardware Corp.	Loan (Second Lien) Retired 04/07/2011	First Lien Term Loans	6.02%	3/28/2014	$	1,720,000	1,655,183	1,721,428
Wil Research Laboratories, LLC	Term B Loan	First Lien Term Loans	4.31%	9/26/2013	$	1,828,419	1,693,356	1,609,009
WireCo WorldGroup Inc.	Term Loan	First Lien Term Loans	5.25%	2/10/2014	$	4,687,066	4,582,305	4,687,066
Worldwide Express Operations, LLC	Term Loan	First Lien Term Loans	7.50%	6/30/2013	$	3,844,761	3,844,761	3,075,809
Yankee Candle Company, Inc.	Term Loan	First Lien Term Loans	2.27%	2/6/2014	$	2,537,336	2,358,862	2,530,409
Yell Group Plc	Facility B1 - YB (USA) LLC (11/2009)	First Lien Term Loans	4.01%	7/31/2014	$	3,216,223	3,148,340	1,485,895
ALM 2010-1A	Floating - 05/2020 - B - 00162VAE5	Other/Structured Finance Securities	2.58%	5/20/2020	$	4,000,000	3,682,050	3,657,600
BABSN 2007-1A	Floating - 01/2021 - D1 - 05617AAA9	Other/Structured Finance Securities	3.55%	1/18/2021	$	1,500,000	1,207,311	1,050,000
GALE 2007-3A	Floating - 04/2021 - E - 363205AA3	Other/Structured Finance Securities	3.80%	4/19/2021	$	4,000,000	3,235,640	2,800,000
KATO 2006-9A	Floating - 01/2019 - B2L - 486010AA9	Other/Structured Finance Securities	3.80%	1/25/2019	$	5,000,000	4,115,337	3,500,000
Network Communications, Inc.	8.600% - 01/2020-6412BAD3	Unsecured Notes	8.60%	1/14/2020	$	1,028,572	3,260,000	743,452
STCLO 2007-6A	Floating - 04/2021 - D-86176YAG7	Other/Structured Finance Securities	3.90%	4/17/2021	$	5,000,000	3,976,453	3,500,000
Elyria Foundry Company, LLC	13.000% - 03/2013 - 290608AA6	Unsecured Notes	17.00%	3/1/2013	$	2,040,000	2,006,316	1,500,012
							$ 402,031,794	$ 391,170,117

Note 5. Agreements

On July 30, 2010, the Company entered into an investment advisory and management agreement (the "Management Agreement") with our Manager. The initial term of the Management Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. Pursuant to the Management Agreement, our Manager implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. Our Manager is responsible for, among other duties, determining investment criteria, sourcing, analyzing and executing investment transactions, asset sales, financings and performing asset management duties. Under the Management Agreement, we have agreed to pay our Manager a management fee for investment advisory and management services consisting of a base management fee and an incentive fee.

The base management fee of 1.75% is calculated based on the average value of our gross assets (other than cash or cash equivalents, but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters, and appropriately adjusted for any share issuances or repurchases during the applicable fiscal quarter.

The incentive fee consists of the following two parts:

The first, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding quarter, that exceeds a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter, subject to a "catch-up" provision. Under this provision, in any fiscal quarter, our Manager receives no incentive fee unless our pre-incentive fee net investment income exceeds the hurdle rate of 1.875%. Our Manager will receive 100% of pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than or equal to 2.344% in any fiscal quarter (9.376% annualized); and 20% of the amount of the our pre-incentive fee net investment income, if any, that exceeds 2.344% in any fiscal quarter (9.376% annualized).

The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Management Agreement) and equals 20% of our "incentive fee capital gains," which equals our realized capital gains on a cumulative basis from May 31, 2010 through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from May 31, 2010, less the aggregate amount of any previously paid capital gain incentive fee. Importantly, the capital gains portion of the incentive fee is based on realized gains and realized and unrealized losses from May 31, 2010. Therefore, realized and unrealized losses incurred prior to such time will not be taken into account when calculating the capital gains portion of the incentive fee, and our Manager will be entitled to 20% of incentive fee capital gains that arise after May 31, 2010. In addition, for the purpose of the "incentive fee capital gains" calculations, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 will equal the fair value of such investments as of such date.

The terms of the Management Agreement with our Manager is substantially similar to the terms (i.e., a quarterly base management fee of 1.75% of the average value of our total assets—other than cash or cash equivalents but including assets purchased with borrowed funds—at the end of the two most recently completed fiscal quarters, and an incentive fee) of the investment advisory and management agreement we had entered into with GSCP (NJ), L.P., our former investment adviser, except for the following material distinctions in the fee terms:

- The capital gains portion of the incentive fee was reset with respect to gains and losses from May 31, 2010, and therefore losses and gains incurred prior to such time will not be taken into account when calculating the capital gains fee payable to our Manager and, as a result, our Manager will be entitled to 20% of realized gains net of unrealized losses and realized losses that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 equal the fair value of such investment as of such date. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P., the capital gains fee was calculated from March 21, 2007, and the gains were substantially outweighed by losses.

- Under the "catch up" provision, 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income that exceeds 1.875% (7.5% annualized) but is less than or equal to 2.344% in any fiscal quarter is payable to our Manager. This will enable our Manager to receive 20% of all net investment income as such amount approaches 2.344% in any quarter, and our Manager will receive 20% of any additional net investment income. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P. only received 20% of the excess net investment income over 1.875%.

- We will no longer have deferral rights regarding incentive fees in the event that the distributions to stockholders and change in net assets is less than 7.5% for the preceding four fiscal quarters.

For the three months ended November 30, 2011 and November 30, 2010, we accrued $0.4 and $0.4 million in base management fees, respectively. For the three months ended November 30, 2011 and November 30, 2010, we accrued $0.3 and $0.3 million in incentive fees related to pre-incentive fee net investment income, respectively. For the three months ended November 30, 2011 and November 30, 2010, we accrued $0.9 and $0.9 million in incentive management fees related to capital gains, respectively. For the nine months ended November 30, 2011 and November 30, 2010, we accrued $1.2 million and $1.3 million in base management fees, respectively. For the nine months ended November 30, 2011, we accrued $0.3 million in incentive fees related to pre-incentive fee net investment income. For the nine months ended November 30, 2010, we accrued $0.3 million in incentive fees related to pre-incentive fee net investment income and recorded a $2.6 million reversal in previously recorded deferred incentive management fees related to net investment income as a result of the agreement of our former investment adviser, GSCP (NJ), L.P., to waive such amount in connection with the recapitalization transaction described in "Note. 13 Recapitalization Transaction" below. For the nine months ended November 30, 2011 and November 30, 2010, we accrued $0.5 and $0.9 million in incentive management fees related to capital gains, respectively. These accruals and the accruals related to the capital gains incentive fees for the three and nine months ended November 30, 2011 and 2010 were calculated using both realized and unrealized capital gains for the period. The actual incentive fee related to capital gains will be determined and payable in arrears at the end of the fiscal year and will include only realized capital gains for the period. As of November 30, 2011, $0.4 million of base management fees and $2.1 million of incentive fees were accrued and included in management and incentive fees payable in the accompanying consolidated statement of assets and liabilities. As of February 28, 2011, $0.7 million of base management fees and $1.5 million of incentive fees were accrued and included in management and incentive fees payable in the accompanying consolidated statement of assets and liabilities.

On July 30, 2010, the Company entered into a separate administration agreement (the "Administration Agreement") with our Manager, pursuant to which our Manager, as our administrator, has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide managerial assistance on our behalf to those portfolio companies to which we are required to provide such assistance. The initial term of the Administration Agreement is two years, with automatic, one-year renewals at the end of each year subject to certain approvals by our board of directors and/or our stockholders. The amount payable to our Manager as administrator is capped at $1 million for the initial two year term of the administration agreement.

The amount payable to GSCP (NJ), L.P., our former investment adviser and administrator, as administrator was capped to the effect that such amount, together with our other operating expenses, could not exceed an amount equal to 1.5% per annum of our net assets attributable to common stock. In addition, for the one-year term of the administration agreement expiring on March 21, 2011, GSCP (NJ), L.P. had agreed to waive our reimbursement obligation under the administration agreement until our total assets exceeded $500 million.

For the three months ended November 30, 2011 and November 30, 2010, we recognized $0.3 million and $0.2 million in administrator expenses for the periods, pertaining to bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. For the nine months ended November 30, 2011 and November 30, 2010, we recognized $0.7 million and $0.6 million in administrator expenses for the periods, pertaining to

bookkeeping, record keeping and other administrative services provided to us in addition to our allocable portion of rent and other overhead related expenses. As of November 30, 2011, $0.3 million of administrator expenses were accrued and included in due to manager in the accompanying consolidated statement of assets and liabilities.

Note 6. Borrowings

As a BDC, we are only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

On April 11, 2007, we entered into a $100.0 million revolving securitized credit facility (the "Revolving Facility"). On May 1, 2007, we entered into a $25.7 million term securitized credit facility (the "Term Facility" and, together with the Revolving Facility, the "Facilities"), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility. In response to the market wide decline in financial asset prices, which negatively affected the value of our portfolio, we terminated the revolving period of the Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral was used to repay outstanding borrowings. A significant percentage of our total assets had been pledged under the Revolving Facility to secure our obligations thereunder. Under the Revolving Facility, funds were borrowed from or through certain lenders and interest was payable monthly at the greater of the commercial paper rate and our lender's prime rate plus 4.00% plus a default rate of 2.00% or, if the commercial paper market was unavailable, the greater of the prevailing LIBOR rates and our lender's prime rate plus 6.00% plus a default rate of 3.00%.

In March 2009, we amended the Revolving Facility to increase the portion of the portfolio that could be invested in "CCC" rated investments in return for an increased interest rate and expedited amortization. As a result of these transactions, we expected to have additional cushion under our borrowing base under the Revolving Facility that would allow us to better manage our capital in times of declining asset prices and market dislocation.

On July 30, 2009, we exceeded the permissible borrowing limit under the Revolving Facility for 30 consecutive days, resulting in an event of default under the Revolving Facility. As a result of this event of default, our lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. Acceleration of the outstanding indebtedness and/or liquidation of the collateral could have had a material adverse effect on our liquidity, financial condition and operations.

On July 30, 2010, we used the net proceeds from (i) the stock purchase transaction and (ii) a portion of the funds available to us under the $40 million senior secured revolving credit facility (the "Replacement Facility") with Madison Capital Funding LLC, in each case, described in "Note 13. Recapitalization Transaction" below, to pay the full amount of principal and accrued interest, including default interest, outstanding under the Revolving Facility. As a result, the Revolving Facility was terminated in connection therewith. Substantially all of our assets have been pledged under the Replacement Facility to secure our obligations thereunder, including the subordinated notes issued by Saratoga CLO and the related collateral management agreement. As of November 30, 2011, there was no outstanding balance under the Replacement Facility and the Company was in compliance with all of the limitations and requirements of the Replacement Facility. $2.0 million of financing costs related to the Replacement Facility have been capitalized and are being amortized over the three year term of the facility. For the three months ended November 30, 2011 and November 30, 2010, we recorded $0.1 million and $0.4 million of interest expense, respectively, related to the Replacement Facility. For the three months ended November 30, 2011 and November 30, 2010, we recorded $0.2 million and $0.2 million of amortization of deferred financing costs, respectively, related to the Replacement Facility. The interest rate during the three months ended November 30, 2011 on the unfunded commitment was 0.75%. The interest rate during the three months ended November 30, 2010 on the outstanding borrowings was 7.50%. The interest rate during the nine months ended November 30, 2011 on the outstanding borrowings was 7.50%. The interest rates during the nine months ended November 30, 2010 on the outstanding borrowings ranged from 7.50% to 9.25%. For the nine months ended November 30, 2011 and November 30, 2010, we recorded $0.5 million and $2.0 million of interest expense, respectively, related to the Replacement Facility. For the nine months ended November 30, 2011 and November 30, 2010, we recorded $0.5 million and $0.2 million of amortization of deferred financing costs, respectively, related to the Replacement Facility.

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The Replacement Facility contains limitations as to how borrowed funds may be used, such as restrictions on industry concentrations, asset size, weighted average life, currency denomination and collateral interests. The Replacement Facility also includes certain requirements relating to portfolio performance, the violation of which could result in the limit of further advances and, in some cases, result in an event of default, allowing the lenders to accelerate repayment of amounts owed thereunder. The Replacement Facility has an eight year term, consisting of a three year period (the "Revolving Period"), under which the Company may make and repay borrowings, and a final maturity five years from the end of the Revolving Period. Availability on the Replacement Facility will be subject to a borrowing base calculation, based on, among other things, applicable advance rates (which vary from 50% to 75% of par or fair value depending on the type of loan asset) and the value of certain "eligible" loan assets included as part of the Borrowing Base. Funds may be borrowed at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At the Company's option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, the Company will pay the lenders a commitment fee of 0.75% per year on the unused amount of the Replacement Facility for the duration of the Revolving Period.

Our borrowing base under the Replacement Facility was $27.3 million at November 30, 2011. For purposes of determining the borrowing base, most assets are assigned the values set forth in our most recent annual report on Form 10-K or quarterly report on Form 10-Q filed with the SEC. Accordingly, the November 30, 2011 borrowing base relies upon the valuations set forth in the quarterly report on Form 10-Q for the quarter ended August 31, 2011. The valuations presented in this quarterly report on Form 10-Q will not be incorporated into the borrowing base until after this quarterly report on Form 10-Q is filed with the SEC.

At any time prior to the second anniversary of the closing of the Replacement Facility and subject to certain conditions, we may request an increase in the Replacement Facility amount of up to $60 million for a combined aggregate Replacement Facility amount of $100 million.

Note 7. Interest Rate Cap Agreements

In April and May 2007, pursuant to the requirements of the Facilities, we, through a wholly owned subsidiary, entered into interest rate cap agreements with Deutsche Bank AG with notional amounts of $34.0 million and $60.9 million at costs of $75,000, and $44,000, respectively. In May 2007, we increased the notional amount under the $34.0 million agreement from $34.0 million to $40.0 million for an additional cost of $12,000. The agreements expire in February 2014 and November 2013, respectively. These interest rate caps are treated as free-standing derivatives under ASC 815 and are presented at their fair value on the consolidated statements of assets and liabilities and the changes in their fair value are included on the consolidated statements of operations.

The agreements provide for a payment to us in the event LIBOR exceeds 8%, mitigating our exposure to increases in LIBOR. With respect to calculating the payments under these agreements, the notional amount is determined based on a pre-determined schedule set forth in the respective agreements which provides for a reduction in the notional amount at specified dates until the maturity of the agreements. As of November 30, 2011, we did not receive any such payments as LIBOR has not exceeded 8%. As of November 30, 2011, the total notional amount outstanding for the interest rate caps was $32.4 million with an aggregate fair value of $1,157, which is recorded in outstanding interest cap at fair value on our consolidated statements of assets and liabilities. For the three months ended November 30, 2011 and November 30, 2010, we recorded $166 of unrealized appreciation and $1,366 of unrealized depreciation, respectively, on derivatives in our consolidated statements of operations related to the change in the fair value of the interest rate cap agreements. For the nine months ended November 30, 2011 and November 30, 2010, we recorded $15,108 and $19,797 of unrealized depreciation, respectively, on derivatives in our consolidated statements of operations related to the change in the fair value of the interest rate cap agreements.

The table below summarizes our interest rate cap agreements as of November 30, 2011 (dollars in thousands):

Instrument	Type	Notional	Interest Rate	Maturity	Fair Value
Interest Rate Cap	Free Standing Derivative	$ 22,041	8.0%	Feb 2014	$ 0.8
Interest Rate Cap	Free Standing Derivative	10,332	8.0	Nov 2013	0.3
	Net fair value				$ 1.1

The table below summarizes our interest rate cap agreements as of February 28, 2011 (dollars in thousands):

Instrument	Type	Notional	Interest Rate	Maturity	Fair Value
Interest Rate Cap	Free Standing Derivative	$ 29,388	8.0%	Feb 2014	$ 12
Interest Rate Cap	Free Standing Derivative	23,966	8.0	Nov 2013	4
	Net fair value				$ 16

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Note 8. Directors Fees

The independent directors receive an annual fee of $40,000. They also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the Audit Committee receives an annual fee of $5,000 and the chairman of each other committee receives an annual fee of $2,000 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees in the form of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three months ended November 30, 2011 and November 30, 2010, we accrued $0.05 and $0.05 million for directors' fees expense, respectively. For the nine months ended November 30, 2011 and November 30, 2010, we accrued $0.2 and $0.3 million for directors' fees expense, respectively. As of November 30, 2011, $0.05 million in directors' fees expense were unpaid and included in accounts payable and accrued expenses in the consolidated statements of assets and liabilities. As of November 30, 2011, we had not issued any common stock to our directors as compensation for their services.

Note 9. Stockholders' Equity

On May 16, 2006, GSC Group, Inc. capitalized the LLC, by contributing $1,000 in exchange for 6.7 shares, constituting all of the issued and outstanding shares of the LLC.

On March 20, 2007, the Company issued 95,995.5 and 8,136.2 shares of common stock, priced at $150.00 per share, to GSC Group and certain individual employees of GSC Group, respectively, in exchange for the general partnership interest and a limited partnership interest in GSC Partners CDO III GP, LP, collectively valued at $15.6 million. At this time, the 6.7 shares owned by GSC Group in the LLC were exchanged for 6.7 shares of the Company.

On March 28, 2007, the Company completed its IPO of 725,000 shares of common stock, priced at $150.00 per share, before underwriting discounts and commissions. Total proceeds received from the IPO, net of $7.1 million in underwriter's discount and commissions, and $1.0 million in offering costs, were $100.7 million.

On November 13, 2009, we declared a dividend of $18.25 per share payable on December 31, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $2.50 per share. Based on shareholder elections, the dividend consisted of $2.1 million in cash and 864,872.5 of newly issued shares of common stock.

On July 30, 2010, our Manager and its affiliates purchased 986,842 shares of common stock at $15.20 per share. Total proceeds received from this sale were $15.0 million. See "Note 13. Recapitalization Transaction."

On August 12, 2010, we effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Any fractional shares received as a result of the reverse stock split were redeemed for cash. The total cash payment in lieu of shares was $230. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

On November 12, 2010, we declared a dividend of $4.40 per share payable on December 29, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share. Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock.

On November 15, 2011, we declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share. Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock.

Note 10. Earnings Per Share

In accordance with the provisions of FASB ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

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The following information sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations for the three and nine months ended November 30, 2011 and November 30, 2010 (dollars in thousands except share and per share amounts):

	For the three months ended				For the nine months ended			
	November 30, 2011		November 30, 2010		November 30, 2011		November 30, 2010	
Basic and diluted								
Net increase in net assets from operations	$	6,213	$	3,310	$	10,195	$	12,665
Weighted average common shares outstanding		3,310,021		2,752,914		3,287,979		2,162,832
Earnings per common share-basic and diluted	$	1.88	$	1.20	$	3.10	$	5.86

Note 11. Dividend

On November 15, 2011, we declared a dividend of $3.00 per share payable on December 30, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of approximately $2.0 million in cash and 599,584 shares of common stock, or 18% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.117067 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011. The financial statements for the period ended November 30, 2011 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

On November 12, 2010, we declared a dividend of $4.40 per share payable on December 29, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to approximately $1.2 million or $0.44 per share.

Based on shareholder elections, the dividend consisted of approximately $1.2 million in cash and 596,235 shares of common stock, or 22% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010. The financial statements for the period ended November 30, 2010 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend in accordance with the provisions of ASC 505-20-S50 regarding disclosure of a capital structure change after the interim balance sheet but before the release of the financial statements.

The following tables summarize dividends declared during the nine months ended November 30, 2011 and November 30, 2010 (dollars in thousands except per share amounts):

Date Declared	Record Date	Payment Date	Amount Per Share *		Total Amount	
November 15, 2011	November 25, 2011	December 30, 2011	$	3.00	$	9,831
Total dividends declared			$	3.00	$	9,831

Date Declared	Record Date	Payment Date	Amount Per Share *		Total Amount	
November 12, 2010	November 19, 2010	December 29, 2010	$	4.40	$	11,796
Total dividends declared			$	4.40	$	11,796

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* Amount per share is calculated based on the number of shares outstanding at the date of declaration.

Note 12. Financial Highlights

The following is a schedule of financial highlights for the nine months ended November 30, 2011 and November 30, 2010:

	November 30, 2011		November 30, 2010	
Per share data:(4)				
Net asset value at beginning of period	$	26.26	$	32.75
Net investment income(1)		1.25		2.04
Net realized and unrealized gains and losses on investments and derivatives		1.84		3.81
Net increase in net assets from operations		3.09		5.85
Distributions declared from net investment income		(3.00)		(4.40)

Other (4)		(2.03)		(9.25)
Net asset value at end of period	$	24.32	$	24.95
Net assets at end of period	$	94,299,732	$	81,777,889
Shares outstanding at end of period		3,876,661		3,277,077
Per share market value at end of period	$	12.35	$	17.58
Total return based on market value(2)		(25.80)%		14.38%
Total return based on net asset value(3)		13.80%		(4.84)%
Ratio/Supplemental data:				
Ratio of net investment income to average net assets(5)(6)		6.04%		2.94%
Ratio of operating expenses to average net assets(5)(6)		6.03%		14.10%
Ratio of incentive management fees to average net assets(6)		1.23%		2.26%
Ratio of credit facility related expenses to average net assets(6)		1.45%		4.22%
Ratio of total expenses to average net assets(5)(6)		8.71%		18.32%

(1) Net investment income per share is calculated using the weighted average shares outstanding during the period. For the nine months ended November 30, 2010, excluding the expense waiver and reimbursement arrangement, the net investment income equals $0.70 per share.

(2) Total investment return is calculated assuming a purchase of common shares at the current market value on the first day and a sale at the current market value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Total investment returns covering less than a full period are not annualized.

(3) Total investment return is calculated assuming a purchase of common shares at the current net asset value on the first day and a sale at the current net asset value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(4) Represents the dilutive effect of issuing common stock below net asset value per share during the period.

(5) For the nine months ended November 30, 2010, net of the expense waiver before the reversal of deferred incentive fee, the ratio of net investment income, operating expenses, total expenses to average net assets is 3.44%, 13.60% and 17.82%, respectively. These ratios for the nine months ended November 30, 2010, net of the expense waiver before the reversal of deferred incentive fee, do not include the effect of the waiver of deferred incentive fees which is (3.83)% on a non-annualized basis as this is a one time waiver.

(6) Ratios are annualized.

Note 13. Recapitalization Transaction

In July 2010, we consummated a recapitalization transaction that was necessitated by the fact that we had exceeded permissible borrowing limits under the Revolving Facility in July 2009, which resulted in an event of default under the Revolving Facility. As a result of the event of default under the Revolving Facility, the lender had the right to accelerate repayment of the outstanding indebtedness under the Revolving Facility and to foreclose and liquidate the collateral pledged thereunder. We engaged the investment banking firm of Stifel, Nicolaus & Company to evaluate strategic transaction opportunities and consider alternatives for us in December 2008. On April 14, 2010, we entered into a stock purchase agreement with our Manager and certain of its affiliates and an assignment, assumption and novation agreement with our Manager, pursuant to which we assumed certain rights and obligations of our Manager under a debt commitment letter our Manager received from Madison Capital Funding LLC, indicating Madison Capital Funding's willingness to provide us with the Replacement Facility, subject to the satisfaction of certain terms and conditions. In addition, we and GSCP (NJ), L.P., our then external investment adviser, entered into a termination and release agreement, to be effective as of the closing of the transaction contemplated by the stock purchase agreement, pursuant to which GSCP (NJ), L.P., among other things, agreed to waive any and all accrued and unpaid deferred incentive management fees up to and as of the closing of the transaction contemplated by the stock purchase agreement but continued to be entitled to receive the base management fees earned through the date of the closing of the transaction contemplated by the stock purchase agreement.

On July 30, 2010, the transactions contemplated by the stock purchase agreement with our Manager and certain of its affiliates was completed, and included the following actions:

- the private sale of shares of our common stock for $15 million in aggregate purchase price to our Manager and certain of its affiliates;
- the closing of the $40 million Replacement Facility with Madison Capital Funding;
- the execution of a registration rights agreement with the investors in the private sale transaction, pursuant to which we agreed to file a registration statement with the SEC to register for resale the shares of our common stock sold in the private sale transaction;
- the execution of a trademark license agreement with our Manager pursuant to which our Manager granted us a non-exclusive, royalty-free license to use the "Saratoga" name, for so long as our Manager or one of its affiliates remains our investment adviser;
- replacing GSCP (NJ), L.P. as our investment adviser and administrator with our Manager by executing an investment advisory and management agreement, which was approved by our stockholders, and an administration agreement with our Manager;
- the resignations of Robert F. Cummings, Jr. and Richard M. Hayden, both of whom are affiliates of GSCP (NJ) L.P., as members of the board of directors and the election of Christian L. Oberbeck and Richard A. Petrocelli, both of whom are affiliates of our Manager, as members of the board of directors;

- the resignation of all of our then existing executive officers and the appointment by our board of directors of Mr. Oberbeck as our chief executive officer and president and Mr. Petrocelli as our chief financial officer, secretary and chief compliance officer; and

- our name change from "GSC Investment Corp." to "Saratoga Investment Corp."

We used the net proceeds from the private sale transaction and a portion of the funds available to us under the Replacement Facility to pay the full amount of principal and accrued interest, including default interest, outstanding under Revolving Facility. The Revolving Facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010.

The Company has reimbursed $630,000 of legal fees to affiliates of our Manager in accordance with the terms of the stock purchase agreement as approved by the board of directors, of which $409,500 has been included in professional fees in the statement of operations, $94,500 have been included in deferred credit facility expenses and are being amortized over the commitment period of the Replacement Facility and $126,000 have been netted against capital in excess of par value.

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Note 14. Related Party Transactions

On May 31, 2011, we purchased six debt investments with an aggregate face value of $15.6 million and fair value of $10.8 million from Saratoga CLO for $10.8 million. The fair value of the investments was determined by a third party valuation firm. At fair value at May 31, 2011, these investments had an all-in yield of 14.5%, consisting of a current cash yield of 9.2%, a PIK yield of 2.4% and discount yield of 2.9%. We considered the following factors, among others, in connection with our determination to effectuate this purchase transaction:

- These investments are more consistent with our investment objective and strategy, which tends to focus on higher risk, but higher yielding investments, as compared to that of Saratoga CLO;

- We held investments in each of the portfolio companies that issued the six debt investments and, as a result, the transaction represented an opportunity for us to re-deploy idle capital in portfolio companies with which we are very familiar; and

- The transaction permitted Saratoga CLO, of which we hold a 100% equity interest in, to improve its compliance ratios in its investment portfolio.

In November 2011, we and Saratoga CLO sought to purchase a $5.0 million and $3.0 million, respectively, investment in the same portfolio company from an unaffiliated third-party. However, due to certain limitations relating to the investment, we were required to acquire the entire investment and then to subsequently transfer the $3.0 million portion thereof to Saratoga CLO. As a result, on November 30, 2011, we acquired the entire investment from an unaffiliated third-party and transferred the $3.0 million portion thereof to Saratoga CLO on December 1, 2011 in exchange for $3.0 million in cash. The financial account entitled "Other Assets" on the consolidated statement of assets and liabilities includes the $3.0 million portion of this investment that was transferred to Saratoga CLO subsequent to November 30, 2011.

Note 15. Subsequent Events

On December 30, 2011, we paid a dividend of $3.00 per share to shareholders of record as of the close of business on November 25, 2011. Shareholders had until December 22, 2011 to elect whether to receive the dividend in cash (up to an aggregate maximum cash amount of approximately $2.0 million or approximately 20.0% of the total dividend paid) or in shares of common stock. Due to the original terms of the dividend, shareholders who elected to receive cash received a combination of cash and common stock.

Based on shareholder elections, the dividend consisted of $2.0 million in cash and 599,584 shares of common stock, or 18% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.117067 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011. As previously mentioned in Note 11, the financial statements for the period ended November 30, 2011 have been retroactively adjusted to reflect the increase in common stock as a result of the dividend.

Shareholders who elected to receive the dividend solely in shares of common stock and shareholders who did not make an election received 0.23 shares of common stock for each share of common stock they owned on the record date. Holders of approximately 66.1% of the Company's common stock elected to receive only stock or did not make an election.

Shareholders electing to receive the dividend in all cash, received cash in the amount of $1.7720718 per share or 59.1% of the $3.00 dividend and 0.09 shares of common stock or 40.9% of the total dividend for each share of common stock they owned on the record date. Cash in lieu of fractional shares was issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this quarterly report on Form 10-Q. In addition to historical information, the following discussion and other parts of this quarterly report on Form 10-Q contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed in Item 1A in our Annual Report on Form 10-K for the fiscal year ended February 28, 2011.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments, including our ability to obtain a license from the Small Business Administration to operate a Small Business Investment Company subsidiary;
- our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies; and
- the ability of our investment adviser to locate suitable investments for us and to monitor and effectively administer our investments.

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You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this quarterly report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this quarterly report on Form 10-Q.

OVERVIEW

We are a Maryland corporation that has elected to be treated and regulated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"). Our investment objective is to generate current income and, to a lesser extent, capital appreciation from our investments. We have elected and qualified to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code").

We commenced operations, at the time known as GSC Investment Corp., on March 23, 2007, and completed our initial public offering on March 28, 2007. Prior to July 30, 2010, we were externally managed and advised by GSCP (NJ), L.P., an entity affiliated with GSC Group, Inc. In connection with the consummation of the recapitalization transaction described below on July 30, 2010, we engaged Saratoga Investment Advisors, LLC ("SIA") to replace GSCP (NJ), L.P. as our investment adviser and changed our name to Saratoga Investment Corp.

Our portfolio is comprised primarily of investments in leveraged loans (both first and second lien term loans) issued by middle market companies. Leveraged loans are generally senior debt instruments that rank ahead of subordinated debt of the portfolio company. Leveraged loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of, or be junior to, other security interests. We also purchase mezzanine debt and make equity investments in middle market companies. Mezzanine debt is typically unsecured and subordinated to senior debt of the portfolio company. For purposes of this quarterly report on Form 10-Q, we generally use the term "middle market" to refer to companies with annual EBITDA of between $5 million and $50 million. EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. Investments in middle market companies are generally less liquid than equivalent investments in companies with larger capitalizations.

While our primary focus is to generate current income and capital appreciation through investments in debt and equity securities of middle market companies, we intend to invest up to 30% of our assets in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in distressed debt, including securities of companies in bankruptcy, foreign debt, private equity, securities of public companies that are not thinly traded and structured finance vehicles such as collateralized loan obligation funds.

As of November 30, 2011, our portfolio consisted of $85.4 million in investments at fair value, including our investment in the subordinated notes of GSC Investment Corp. CLO 2007 LTD. ("Saratoga CLO"), a collateralized loan obligation fund we manage, which constituted 25.4% of our total assets and, as of November 30, 2011, had a fair value of $25.4 million.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we have to invest at least 70% of our total assets in "qualifying assets," including securities of U.S. operating companies whose securities are not listed on a national securities exchange, U.S. operating companies with listed securities that have market capitalizations of less than $250 million, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, we are only allowed to borrow money such that our asset coverage, which, as defined in the 1940 Act, measures the ratio of total assets less total liabilities (excluding borrowings) to total borrowings, equals at least 200% after such borrowing, with certain limited exceptions.

Significant Developments in Our Business

In July 2010, we consummated a recapitalization transaction that was necessitated by the fact that we had exceeded permissible borrowing limits under our revolving securitized credit facility with Deutsche Bank AG, New York Branch in July 2009, which resulted in an event of default under the revolving securitized credit facility. As a result of the event of default under the revolving securitized credit facility, Deutsche Bank had the right to accelerate repayment of the outstanding indebtedness under the revolving securitized credit facility and to foreclose and liquidate the collateral pledged thereunder. We engaged the investment banking firm of Stifel, Nicolaus & Company to evaluate strategic transaction opportunities and consider alternatives for us in December 2008. On April 14, 2010, we entered into a stock purchase agreement with SIA and certain of its affiliates and an assignment, assumption and novation agreement with SIA, pursuant to which we assumed certain rights and obligations of SIA under a debt commitment letter SIA received from Madison Capital Funding LLC, indicating Madison Capital Funding's willingness to provide us with a $40 million senior secured revolving credit facility, subject to the satisfaction of certain terms and conditions. In addition, we and GSCP (NJ), L.P. entered into a termination and release agreement, to be effective as of the closing of the transaction contemplated by the stock purchase agreement, pursuant to which GSCP (NJ), L.P. among other things, agreed to waive any and all accrued and unpaid deferred incentive management fees up to and as of the closing of the transaction contemplated by the stock purchase agreement but continued to be entitled to receive the base management fees earned through the date of the closing of the transaction contemplated by the stock purchase agreement.

On July 30, 2010, the transactions contemplated by the stock purchase agreement with SIA and certain of its affiliates was completed, and included the following actions:

- the private sale of shares of our common stock for $15 million in aggregate purchase price to SIA and certain of its affiliates;
- the closing of the $40 million senior secured revolving credit facility with Madison Capital Funding;
- the execution of a registration rights agreement with the investors in the private sale transaction, pursuant to which we agreed to file a registration statement with the SEC to register for resale the shares of our common stock sold in the private sale transaction;
- the execution of a trademark license agreement with SIA pursuant to which SIA granted us a non-exclusive, royalty-free license to use the "Saratoga" name, for so long as SIA or one of its affiliates remains our investment adviser;
- replacing GSCP (NJ), L.P. as our investment adviser and administrator with SIA by executing an investment advisory and management agreement, which was approved by our stockholders, and an administration agreement with SIA;
- the resignations of Robert F. Cummings, Jr. and Richard M. Hayden, both of whom are affiliates of GSCP (NJ) L.P., as members of the board of directors and the election of Christian L. Oberbeck and Richard A. Petrocelli, both of whom are affiliates of SIA, as members of the board of directors;
- the resignation of all of our then existing executive officers and the appointment by our board of directors of Mr. Oberbeck as our chief executive officer and president and Mr. Petrocelli as our chief financial officer, secretary and chief compliance officer; and,
- our name change from "GSC Investment Corp." to "Saratoga Investment Corp."

We used the net proceeds from the private sale transaction and a portion of the funds available to us under the $40 million senior secured revolving credit facility with Madison Capital Funding to pay the full amount of principal and accrued interest, including default interest, outstanding under our revolving securitized credit facility with Deutsche Bank. The revolving securitized credit facility with Deutsche Bank was terminated in connection with our payment of all amounts outstanding thereunder on July 30, 2010.

On August 12, 2010, we effected a one-for-ten reverse stock split of our outstanding common stock. As a result of the reverse stock split, every ten shares of our common stock were converted into one share of our common stock. Immediately after the reverse stock split, we had 2,680,842 shares of our common stock outstanding.

Revenues

We generate revenue in the form of interest income and capital gains on the debt investments that we hold and capital gains, if any, on equity interests that we may acquire. We expect our debt investments, whether in the form of first and second lien term loans or mezzanine debt, to have terms of up to ten years, and to bear interest at either a fixed or floating rate. Interest on debt will be payable generally either quarterly or semi-annually. In some cases our debt investments may provide for a portion of the interest to be paid-in-kind ("PIK"). To the extent interest is paid-in-kind, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation. The principal amount of the debt and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance or investment management services and possibly consulting fees. Any such fees will be generated in connection with our investments and recognized as earned. We may also invest in preferred equity securities that pay dividends on a current basis.

On January 22, 2008, we entered into a collateral management agreement with Saratoga CLO pursuant to which we act as its collateral manager and receive a senior collateral management fee of 0.10% and a subordinate collateral management fee of 0.40% of the outstanding principal amount of Saratoga CLO's assets, paid quarterly to the extent of available proceeds. We are also entitled to an incentive management fee equal to 20% of excess cash flow to the extent the Saratoga CLO subordinated notes receive an internal rate of return equal to or greater than 12%.

We recognize interest income on our investment in the subordinated notes of Saratoga CLO using the effective interest method, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield over the remaining life of the investment from the date the estimated yield was changed.

Expenses

Our primary operating expenses include the payment of investment advisory and management and incentive fees, professional fees, directors' and officers' insurance, fees paid to independent directors and administrator expenses, including our allocable portion of our administrator's overhead. Our allocable portion is based on the ratio of our total assets to the total assets administered by our administrator. Our investment management fees compensate our investment adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions, including those relating to:

- our organization;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- expenses incurred by our investment adviser payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- investment advisory and management fees;

- fees payable to third parties, including agents, consultants or other advisers, relating to, or associated with, evaluating and making investments;
- transfer agent and custodial fees;
- federal and state registration fees;
- all costs of registration and listing our common stock on any securities exchange;
- federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by governmental bodies (including the SEC);
- costs of any proxy statements or other notices to stockholders, including printing costs;
- our fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and
- administration fees and all other expenses incurred by us or, if applicable, the administrator in connection with administering our business (including payments under the administration agreement based upon our allocable portion of the administrator's overhead in performing its obligations under the administration agreement, including rent and the allocable portion of the cost of our officers and their respective staffs (including travel expenses)).

The amount payable to GSCP (NJ), L.P., our former investment adviser and administrator, as administrator was capped to the effect that such amount, together with our other operating expenses, could not exceed an amount equal to 1.5% per annum of our net assets attributable to common stock. In addition, for the one-year term of the administration agreement expiring on March 21, 2011, GSCP (NJ), L.P. had agreed to waive our reimbursement obligation under the administration agreement until our total assets exceeded $500 million. The amount payable to SIA as administrator is capped at $1.0 million for the initial two years of the term of the administration agreement.

Pursuant to the investment advisory and management agreement that we had with GSCP (NJ), L.P., our former investment adviser and administrator, we had agreed to pay GSCP (NJ), L.P. as investment adviser a quarterly base management fee of 1.75% of the average value of our total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed fiscal quarters, and appropriately adjusted for any share issuances or repurchases during the applicable fiscal quarter, and an incentive fee.

The incentive fee had two parts:

- A fee, payable quarterly in arrears, equal to 20% of our pre-incentive fee net investment income, expressed as a rate of return on the value of the net assets at the end of the immediately preceding quarter, that exceeded a 1.875% quarterly (7.5% annualized) hurdle rate measured as of the end of each fiscal quarter. Under this provision, in any fiscal quarter, our investment adviser received no incentive fee unless our pre-incentive fee net investment income exceeded the hurdle rate of 1.875%. Amounts received as a return of capital were not included in calculating this portion of the incentive fee. Since the hurdle rate was based on net assets, a return of less than the hurdle rate on total assets could still have resulted in an incentive fee.

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- A fee, payable at the end of each fiscal year, equal to 20% of our net realized capital gains, if any, computed net of all realized capital losses and unrealized capital depreciation, in each case on a cumulative basis, less the aggregate amount of capital gains incentive fees paid to the investment adviser through such date.

We deferred cash payment of any incentive fee otherwise earned by our former investment adviser if, during the then most recent four full fiscal quarter period ending on or prior to the date such payment was to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less liabilities before taking into account any incentive fees payable during that period) was less than 7.5% of our net assets at the beginning of such period. These calculations were appropriately pro rated for the first three fiscal quarters of operation and adjusted for any share issuances or repurchases during the applicable period. Such incentive fee would become payable on the next date on which such test had been satisfied for the most recent four full fiscal quarters or upon certain terminations of the investment advisory and management agreement. We commenced deferring cash payment of incentive fees during the quarterly period ended August 31, 2007, and continued to defer such payments through the quarterly period ended May 31, 2010. As of July 30, 2010, the date on which GSCP (NJ), L.P. ceased to be our investment adviser and administrator, we owed GSCP (NJ), L.P. $2.9 million in fees for services previously provided to us. GSCP (NJ), L.P. agreed to waive payment by us of the remaining $2.6 million in connection with the consummation of the stock purchase transaction with SIA and certain of its affiliates described above.

The terms of the investment advisory and management agreement with SIA, our current investment adviser, is substantially similar to the terms (i.e., a quarterly base management fee of 1.75% of the average value of our total assets —other than cash or cash equivalents but including assets purchased with borrowed funds—at the end of the two most recently completed fiscal quarters, and an incentive fee) of the investment advisory and management agreement we had entered into with GSCP (NJ), L.P., our former investment adviser, except for the following material distinctions in the fee terms:

- The capital gains portion of the incentive fee was reset with respect to gains and losses from May 31, 2010, and therefore losses and gains incurred prior to such time will not be taken into account when calculating the capital gains fee payable to SIA and, as a result, SIA will be entitled to 20% of realized gains net of unrealized losses and realized losses that arise after May 31, 2010. In addition, the cost basis for computing realized gains and losses on investments held by us as of May 31, 2010 equal the fair value of such investment as of such date. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P., the capital gains fee was calculated from March 21, 2007, and the gains were substantially outweighed by losses.
- Under the "catch up" provision, 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income that exceeds 1.875% (7.5% annualized) but is less than or equal to 2.344% in any fiscal quarter is payable to SIA. This will enable SIA to receive 20% of all net investment income as such amount approaches 2.344% in any quarter, and SIA will receive 20% of any additional net investment income. Under the investment advisory and management agreement with our former investment adviser, GSCP (NJ), L.P. only received 20% of the excess net investment income over 1.875%.
- We will no longer have deferral rights regarding incentive fees in the event that the distributions to stockholders and change in net assets is less than 7.5% for the preceding four fiscal quarters.

To the extent that any of our leveraged loans are denominated in a currency other than U.S. dollars, we may enter into currency hedging contracts to reduce our exposure to fluctuations in currency exchange rates. We may also enter into interest rate hedging agreements. Such hedging activities, which will be subject to compliance with applicable legal requirements, may include the use of interest rate caps, futures, options and forward contracts. Costs incurred in entering into or settling such contracts will be borne by us.

PORTFOLIO AND INVESTMENT ACTIVITY

Corporate Debt Portfolio Overview(1)

	At November 30, 2011		At February 28, 2011	
	($ in millions)			
Number of investments		32		34
Number of portfolio companies		21		24
Average investment size	$	1.9	$	1.7
Weighted average maturity		3.0 years		3.1 years
Number of industries		14		16
Average investment per portfolio company	$	2.9	$	2.5
Non-Performing or delinquent investments	$	0.0	$	0.0
Fixed rate debt (% of interest bearing portfolio)	$	9.4 (17.3)%	$	9.4 (18.6)%
Weighted average current coupon		13.9%		13.8%
Floating rate debt (% of interest bearing portfolio)	$	44.6 (82.7)%	$	41.1 (81.4)%
Weighted average current spread over LIBOR		7.1%		5.6%

(1) Excludes our investment in the subordinated notes of Saratoga CLO and limited partnership interests which, as of November 30, 2011, constituted 25.4% of our total assets.

During the three months ended November 30, 2011, we made $11.4 million of investments in new or existing portfolio companies, had $18.4 million in aggregate amount of exits and repayments, resulting in net repayments of $7.0 million for the period. During the three months ended November 30, 2010, we made $1.6 million of investments in new or existing portfolio companies, had $6.7 million in aggregate amount of exits and repayments, resulting in net repayments of $5.1 million for the period.

During the nine months ended November 30, 2011, we made $28.9 million of investments in new or existing portfolio companies, had $31.9 million in aggregate amount of exits and repayments, resulting in net repayments of $3.0 million for the period. During the nine months ended November 30, 2010, we made $1.6 million investments in new or existing portfolio companies and had $9.5 million in aggregate amount of exits and repayments, resulting in net repayments of $7.9 million for the period.

Our portfolio composition based on fair value at November 30, 2011 and February 28, 2011 was as follows:

Portfolio Composition

	At November 30, 2011		At February 28, 2011	
	Percentage of Total Portfolio	Weighted Average Current Yield	Percentage of Total Portfolio	Weighted Average Current Yield
First lien term loans	42.0%	10.7%	23.1%	9.5%
Saratoga CLO subordinated notes	29.7	22.7	28.4	15.8
Second lien term loans	10.3	10.7	25.3	10.1
Senior secured notes	8.7	18.3	12.4	15.9
Equity interests	7.0	N/A	8.4	N/A
Unsecured notes	2.3	19.1	2.4	13.8
Limited partnership interests	—	N/A	—	N/A
Total	100.0%	14.4%	100.0%	11.5%

Our investment in the subordinated notes of Saratoga CLO represents a first loss position in a portfolio that, at November 30, 2011 and February 28, 2011, was composed of $389.5 million and $410.2 million, respectively, in aggregate principal amount of predominantly senior secured first lien term loans. This investment is subject to unique risks. Please see Part II, Item 1A "Risk Factors—Our investment in GSC Investment Corp. CLO 2007 LTD, constitutes a leveraged investment in a portfolio of predominantly senior secured first lien term loans and is subject to additional risks and volatility" in our annual report on Form 10-K for the year ended February 28, 2011 and "Note 4. Investment in GSC Investment Corp. CLO 2007 Ltd." in this quarterly report on Form 10-Q for more information about Saratoga CLO. We do not consolidate the Saratoga CLO portfolio in our financial statements. Accordingly, the metrics below do not include the underlying Saratoga CLO portfolio investments. However, at November 30, 2011, over 98% of the Saratoga CLO portfolio investments had a CMR (as defined below) color rating of green or yellow and one Saratoga CLO portfolio investment was in default. At February 28, 2011, 97.0% of the Saratoga CLO portfolio investments had a CMR color rating of green or yellow and three Saratoga CLO portfolio investments were in default.

SIA normally grades all of our investments using a credit and monitoring rating system ("CMR"). The CMR consists of a single component: a color rating. The color rating is based on several criteria, including financial and operating strength, probability of default, and restructuring risk. The color ratings are characterized as follows: (Green) - strong credit; (Yellow) - satisfactory credit; (Red) - payment default risk, in payment default and/or significant restructuring activity.

The CMR distribution of our investments at November 30, 2011 and February 28, 2011 was as follows:

Portfolio CMR Distribution

	At November 30, 2011		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)			
N/A(1)	$ 31,372	36.7%	$ 29,467	36.8%
Green	31,333	36.7	10,900	13.6
Yellow	16,944	19.9	14,998	18.8
Red	5,730	6.7	24,660	30.8
Total	$ 85,379	100.0%	$ 80,025	100.0%

(1) Comprised of our investments in the subordinated notes of Saratoga CLO, equity interests, and limited partnership interests.

The following table shows the portfolio composition by industry grouping at fair value at November 30, 2011 and February 28, 2011.

Portfolio composition by industry grouping at fair value

	At November 30, 2011		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)			
Structured Finance Securities (1)	$ 25,375	29.7%	$ 22,732	28.4%
Logistics	11,185	13.1	2,499	3.1
Electronics	8,765	10.3	8,634	10.8
Consumer Products	7,749	9.1	10,249	12.8
Metals	6,671	7.8	4,231	5.3
Consumer Services	5,490	6.4	245	0.3
Healthcare Services	4,814	5.6	8,014	10.0
Publishing	4,724	5.5	5,855	7.3
Aerospace	3,500	4.1	—	—
Environmental	2,353	2.8	2,952	3.7
Financial Services	1,652	1.9	1,710	2.2
Food and Beverage	1,436	1.7	1,546	1.9
Homebuilding	735	0.9	816	1.0
Education	717	0.8	259	0.3
Building Products	213	0.3	155	0.2
Manufacturing	—	—	7,358	9.2
Packaging	—	—	2,453	3.1
Oil & Gas	—	—	317	0.4
Total	$ 85,379	100.0%	$ 80,025	100%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO.

The following table shows the portfolio composition by geographic location at fair value at November 30, 2011 and February 28, 2011. The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

Portfolio composition by geographic location at fair value

	At November 30, 2011		At February 28, 2011	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	($ in thousands)			
Other(1)	$ 25,375	29.7%	$ 22,732	28.4%
West	22,376	26.2	16,332	20.4
Southeast	16,176	19.0	7,815	9.8
Midwest	15,435	18.1	18,490	23.1
Northeast	6,017	7.0	12,203	15.2
International	—	—	2,453	3.1
Total	$ 85,379	100.0%	$ 80,025	100%

(1) Comprised of our investment in the subordinated notes of Saratoga CLO.

RESULTS OF OPERATIONS

Operating results for the three and nine months ended November 30, 2011 and 2010 are as follows;

	For the three months ended November 30, 2011	November 30, 2010
	($ in thousands)	
Total investment income	$ 3,629	$ 5,092
Total expenses, net	2,805	3,157
Net investment income	824	1,935
Net realized losses	(5,832)	(13,731)
Net unrealized gains	11,221	15,106
Net increase in net assets resulting from operations	$ 6,213	$ 3,310

	For the nine months ended November 30, 2011	November 30, 2010
	($ in thousands)	
Total investment income	$ 10,065	$ 11,015
Total expenses, net	5,942	6,596
Net investment income	4,123	4,419
Net realized losses	(5,840)	(16,280)
Net unrealized gains	11,912	24,526
Net increase in net assets resulting from operations	$ 10,195	$ 12,665

Investment income

The composition of our investment income for the three and nine months ended November 30, 2011 and 2010 was as follows:

Investment Income

	For the three months ended November 30, 2011	November 30, 2010
	($ in thousands)	
Interest from investments	$ 3,033	$ 4,581
Management fee income from Saratoga CLO	502	509
Interest from cash and cash equivalents and other income	94	2
Total	$ 3,629	$ 5,092

	For the nine months ended November 30, 2011	November 30, 2010
	($ in thousands)	
Interest from investments	$ 8,307	$ 9,417
Management fee income from Saratoga CLO	1,512	1,523
Interest from cash and cash equivalents and other income	246	75
Total	$ 10,065	$ 11,015

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For the three months ended November 30, 2011, total investment income decreased $1.5 million, or 28.7%, compared to the three months ended November 30, 2010. The decrease in total investment income for the three months ended November 30, 2011 versus the three months ended November 30, 2010 was the result of a one-time reversal of previously reserved accrued interest on one investment that was taken off of non-accrual status during the three months ended November 30, 2010 partially, offset by higher interest income recognized on our investment in Saratoga CLO during the three months ended November 30, 2011.

For the nine months ended November 30, 2011, total investment income decreased $1.0 million, or 8.6%, compared to the nine months ended November 30, 2010. The decrease in total investment income for the nine months ended November 30, 2011 versus the nine months ended November 30, 2010 was the result of a one-time reversal of previously reserved accrued interest on one investment that was taken off of non-accrual status during the nine months ended November 30, 2010 partially, offset by higher interest income recognized on our other investments during the nine months ended November 30, 2011.

For the three and nine months ended November 30, 2011, total PIK income was $0.3 million and $1.2 million, respectively. For the three and nine months ended November 30, 2010, total PIK income was $0.3 million and $0.9 million, respectively.

Operating Expenses

The composition of our operating expenses for the three and nine months ended November 30, 2011 and 2010 was as follows:

Operating Expenses

	For the three months ended November 30, 2011	November 30, 2010
	($ in thousands)	
Interest and credit facility expense	$ 307	$ 619
Base management fees	394	424
Professional fees	356	381
Incentive management fees	1,179	1,173
Administrator expenses	250	240
Insurance expenses	145	171

Directors fees		51		48
General and administrative and other expenses		123		101
Total operating expenses before manager waiver and reimbursement	$	2,805	$	3,157

	For the nine months ended			
	November 30, 2011		November 30, 2010	
	($ in thousands)			
Interest and credit facility expense	$	987	$	2,188
Base management fees		1,204		1,259
Professional fees		1,282		3,138
Incentive management fees		842		1,173
Administrator expenses		730		569
Insurance expenses		449		537
Directors fees		153		321
General and administrative and other expenses		295		306
Total operating expenses before manager waiver and reimbursement	$	5,942	$	9,491

For the three months ended November 30, 2011, total operating expenses before manager expense waiver and reimbursement decreased $0.4 million, or 11.1%, compared to the three months ended November 30, 2010. For the nine months ended November 30, 2011, total operating expenses before manager expense waiver and reimbursement decreased $3.5 million, or 37.4%, compared to the nine months ended November 30, 2010. These decreases were primarily attributable to a decrease in professional fees related to the recapitalization transaction described in “Note 13. Recapitalization Transaction”, a decrease in interest and credit facility expense attributable to a decrease in the amount of our outstanding debt and a decrease of incentive management fees relating to unrealized appreciation in our investments.

As discussed above, the decrease in interest and credit facility expense for the three and nine months ended November 30, 2011 is primarily attributable to a decrease in the amount of outstanding debt, during such periods. In this regard, there were outstanding balances under our senior secured revolving credit facility with Madison Capital of $4.5 million at February 28, 2011 and no outstanding balance at November 30, 2011. In the prior period, we had outstanding balances under our revolving securitized credit

facility with Deutsche Bank of $37.0 million at February 28, 2010 and $33.8 million at May 31, 2010, which were repaid on July 30, 2010 in connection with the recapitalization transaction, including through the use of $20 million of borrowings under the senior secured revolving credit facility with Madison Capital Funding. For three months ended November 30, 2011, there was no outstanding indebtedness. For the three months ended November 30, 2010, the weighted average interest rate on our outstanding indebtedness was 7.5%. For the nine months ended November 30, 2011 and November 30, 2010, the weighted average interest rate on our outstanding indebtedness was 7.50% and 8.72%, respectively.

Net Realized Gains/Losses from Investments

For the three months ended November 30, 2011, we had $18.4 million of sales, repayments, exits and restructurings, resulting in $5.8 million of net realized losses. The most significant realized gains and losses during the three months ended November 30, 2011 were as follows:

Three months ended November 30, 2011

Issuer	Asset Type		Gross Proceeds		Cost		Net Realized Gain/(Loss)
					($ in thousands)		
Energy Alloys, LLC	Warrants	$	342	$	—	$	342
Grant U.S. Holdings LLP	Second Lien Term Loan		—		6,348		(6,348)
Specialized Technology Resources	Second Lien Term Loan		5,000		4,852		148

For the nine months ended November 30, 2011, we had $31.9 million of sales, repayments, exits and restructurings resulting in $5.8 million of net realized losses. The most significant realized gains and losses during the nine months ended November 30, 2011 were as follows:

Nine months ended November 30, 2011

Issuer	Asset Type		Gross Proceeds		Cost		Net Realized Gain/(Loss)
					($ in thousands)		
Energy Alloys, LLC	Warrants	$	342	$	—	$	342
Grant U.S. Holdings LLP	Second Lien Term Loan		—		6,348		(6,348)
Specialized Technology Resources	Second Lien Term Loan		5,000		4,852		148
Targus Holdings, Inc.	First Lien Term Loan		3,205		3,109		96

For the three months ended November 30, 2010, we had $20.4 million of sales, repayments, exits and restructurings, resulting in $13.7 million of net realized losses.

Three months ended November 30, 2010

Issuer	Asset Type		Gross Proceeds		Cost		Net Realized Gain/(Loss)
					($ in thousands)		
Bankruptcy Management Solution, Inc.	Second Lien Term Loan	$	2,406	$	4,793	$	(2,387)
Jason Incorporated	Unsecured Notes		2,354		13,700		(11,346)

For the nine months ended November 30, 2010, we had $23.2 million of sales, repayments, exits or restructurings resulting in $16.3 million of net realized losses.

Nine months ended November 30, 2010

Issuer	Asset Type	Gross Proceeds	Cost	Net Realized Gain/(Loss)
		($ in thousands)		
Custom Direct, Inc.	First Lien Term Loan	$ 1,832	$ 1,535	$ 297
Legacy Cabinets, Inc.	Second Lien Term Loan	139	2,002	(1,863)
Legacy Cabinets, Inc.	First Lien Term Loan	502	1,496	(994)
Bankruptcy Management Solution, Inc.	Second Lien Term Loan	2,406	4,793	(2,387)
Jason Incorporated	Unsecured Notes	2,354	13,700	(11,346)

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Net Unrealized Appreciation/Depreciation on Investments

For the three months ended November 30, 2011, our investments had a decrease in net unrealized depreciation of $11.2 million versus a decrease in net unrealized depreciation of $15.1 million for the three months ended November 30, 2010. For the nine months ended November 30, 2011, our investments had a decrease in net unrealized depreciation of $11.9 million versus a decrease in net unrealized depreciation of $24.5 million for the nine months ended November 30, 2010. The most significant cumulative changes in unrealized appreciation and depreciation for the nine months ended November 30, 2011 were the following:

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/(Depreciation)	Year-To-Date Change in Unrealized Appreciation/(Depreciation)
			($ in thousands)		
Pracs Institute, LTD.	Second Lien Term Loan	$ 4,078	$ —	$ (4,078)	$ (3,023)
Penton Media	First Lien Term Loan	4,229	2,947	(1,282)	(1,192)
Saratoga CLO	Other/Structured Finance Securities	24,363	25,375	1,012	5,645

The increase in unrealized depreciation in our investments in Pracs Institute, LTD. and Penton Media were due to declining prospects for the companies. The $5.6 million net unrealized appreciation in our investment in the Saratoga CLO subordinated notes was due to higher cash flow projections (based on an improvement in the overall portfolio, a decrease in the assumed portfolio default rate and an improvement in reinvestment assumptions based on current market conditions and projections) and a lower discount rate used to present value the cash flows based on current market conditions.

For the three months ended November 30, 2010, our investments had a decrease in net unrealized depreciation of $15.1 million. For the nine months ended November 30, 2010, our investments had a decrease in net unrealized depreciation of $24.5 million. The most significant cumulative changes in unrealized appreciation and depreciation for the nine months ended November 30, 2010, were the following:

Issuer	Asset Type	Cost	Fair Value	Total Unrealized Appreciation/(Depreciation)	Year-To-Date Change in Unrealized Appreciation/(Depreciation)
			($ in thousands)		
Saratoga CLO	Other/Structured Finance Securities	$ 28,415	$ 23,038	$ (5,377)	$ 7,158
Targus Holdings, Inc.	Common Stock	567	2,852	2,285	2,614

The $7.2 million net unrealized appreciation in our investment in the Saratoga CLO subordinated notes was due to higher cash flow projections based on an increase in principal balance and an improvement in the overcollateralization ratios, a decrease in the assumed portfolio default rate (based on better than forecast actual default rates and improved default forecasts), and an improvement in reinvestment assumptions based on current market conditions and projections. In addition, for the nine months ended November 30, 2010, we had approximately $24.5 million of unrealized gains due to the reversal of previously recorded unrealized losses in connection with the restructurings of certain investments, including approximately $12.0 million relating to Jason Incorporated, $2.8 million related to Legacy Cabinets, Inc. and $0.6 million related to Terphane Holdings, Inc.

Net Unrealized Appreciation/Depreciation on Derivatives

For the three months ended November 30, 2011, changes in the value of our interest rate caps resulted in unrealized appreciation of $166 versus an unrealized depreciation of $1,366 for the three months ended November 30, 2010. For the nine months ended November 30, 2011, changes in the value of our interest rate caps resulted in unrealized depreciation of $15,108 versus an unrealized depreciation of $19,797 for the nine months ended November 30, 2010. For a more detailed discussion of the interest rate caps, see "Note 7. Interest Rate Cap Agreements" to our consolidated financial statements included elsewhere in this quarterly report on Form 10-Q.

Changes in Net Assets from Operations

For the three months ended November 30, 2011, we recorded a net increase in net assets resulting from operations of $6.2 million versus a net increase in net assets resulting from operations of $3.3 million for the three months ended November 30, 2010. The difference is attributable to an decrease in net realized loss from investments, partially offset by a decrease in net investment income and a

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decrease in net unrealized appreciation on investments for the three months ended November 30, 2011, as compared to the same period in the prior year. Based on 3,310,021 and 2,752,914 weighted average common shares outstanding for the three months ended November 30, 2011 and November 30, 2010, respectively, our per share net increase in net assets resulting from operations was $1.88 for the three months ended November 30, 2011 versus a per share net increase in net assets from operations of $1.20 for the three months ended November 30, 2010.

For the nine months ended November 30, 2011, we recorded a net increase in net assets resulting from operations of $10.2 million versus a net increase in net assets resulting from operations of $12.7 million for the nine months ended November 30, 2010. The difference is attributable to a decrease in net unrealized appreciation on investments, partially offset by a decrease in net realized loss from investments for the nine months ended November 30, 2011, as compared to the same period in the prior year. Based on 3,287,979 and 2,162,832 weighted average common shares outstanding for the nine months ended November 30, 2011 and November 30, 2010, respectively, our per share net increase in net assets resulting from operations was $3.10 for the nine months ended November 30, 2011 versus a per share net increase in net assets from operations of $5.86 for the nine months ended November 30, 2010.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

On April 11, 2007, we entered into a $100.0 million revolving securitized credit facility (the “Revolving Facility”). On May 1, 2007, we entered into a $25.7 million term securitized credit facility (the “Term Facility” and, together with the Revolving Facility, the “Facilities”), which was fully drawn at closing. In December 2007, we consolidated the Facilities by using a draw under the Revolving Facility to repay the Term Facility. In response to the market wide decline in financial asset prices, which negatively affected the value of our portfolio, we terminated the revolving period of the Revolving Facility effective January 14, 2009 and commenced a two-year amortization period during which all principal proceeds from the collateral was used to repay outstanding borrowings. In March 2009, we amended the Revolving Facility to decrease the minimum required collateralization and increase the portion of the portfolio that can be invested in “CCC” rated investments in return for an increased interest rate and expedited amortization.

On July 30, 2009, an event of default under the Revolving Facility occurred. As a result of this event of default, the lender under the Revolving Facility had the right to accelerate repayment of the outstanding indebtedness and to foreclose and liquidate the collateral pledged thereunder. Due to the event of default, the interest rate on the Revolving Facility increased from the commercial paper rate plus 4.00% to an interest rate at February 28, 2010 and May 31, 2010 of 9.25%.

At November 30, 2011 and February 28, 2011, we had $0.0 million and $4.5 million, respectively, in borrowings under the Revolving Facility versus $37.0 million in borrowings at February 28, 2010.

On July 30, 2010, we used the net proceeds from the stock purchase transaction with SIA and certain of its affiliates and a portion of the funds available to us under the senior secured revolving credit facility with Madison Capital Funding to pay the full amount of principal and accrued interest, including default interest, outstanding under the Revolving Facility. Below is a summary of the terms of the $40 million senior secured revolving credit facility we have with Madison Capital Funding (the “Replacement Facility”).

Availability. Under the Replacement Facility, we can draw up to the lesser of (i) $40 million (the “Facility Amount”) and (ii) the product of the applicable advance rate (which varies from 50% to 75% depending on the type of loan asset) and the value, determined in accordance with the Replacement Facility (the “Adjusted Borrowing Value”), of certain “eligible” loan assets pledged as security for the loan (the “Borrowing Base”), in each case less (a) the amount of any undrawn funding commitments we have under any loan asset and which are not covered by amounts in the Unfunded Exposure Account referred to below (the “Unfunded Exposure Amount”) and (b) outstanding borrowings. Each loan asset held by us as of the date on which the Replacement Facility was closed was valued as of that date and each loan asset that we acquire after such date will be valued at the lowest of its fair value, its face value (excluding accrued interest) and the purchase price paid for such loan asset. Adjustments to the value of a loan asset will be made to reflect, among other things, changes in its fair value, a default by the obligor on the loan asset, insolvency of the obligor, acceleration of the loan asset, and certain modifications to the terms of the loan asset.

The Replacement Facility contains limitations on the type of loan assets that are “eligible” to be included in the Borrowing Base and as to the concentration level of certain categories of loan assets in the Borrowing Base such as restrictions on geographic and industry concentrations, asset size and quality, payment frequency, status and terms, average life, and collateral interests. In addition, if an asset is to remain an “eligible” loan asset, we may not make changes to the payment, amortization, collateral and certain other terms of the loan assets without the consent of the administrative agent that will either result in subordination of the loan asset or be materially adverse to the lenders.

At any time prior to the second anniversary of the closing of the Replacement Facility and subject to certain conditions, we may request an increase in the Facility Amount of up to $60 million for a combined aggregate Facility Amount of $100 million.

Collateral. The Replacement Facility is secured by substantially all of our assets and includes the subordinated notes (“CLO Notes”) issued by Saratoga CLO and our rights under the CLO Management Agreement (as defined below).

Interest Rate and Fees. Under the Replacement Facility, funds are borrowed at the greater of the prevailing LIBOR rate and 2.00%, plus an applicable margin of 5.50%. At our option, funds may be borrowed based on an alternative base rate, which in no event will be less than 3.00%, and the applicable margin over such alternative base rate is 4.50%. In addition, we will pay the lenders a commitment fee of 0.75% per year on the unused amount of the Replacement Facility for the duration of the Revolving Period (defined below). Accrued interest and commitment fees are payable monthly. We were also obligated to pay certain other fees to the lenders in connection with the closing of the Replacement Facility.

Revolving Period and Maturity Date. We may make and repay borrowings under the Replacement Facility for a period of three years following the closing of the Replacement Facility (the “Revolving Period”). The Revolving Period may be terminated at an earlier time by us or, upon the occurrence of an event of default, by action of the lenders or automatically. All borrowings and other amounts payable under the Replacement Facility are due and payable in five years after the end of the Revolving Period.

Collateral Tests. It is a condition precedent to any borrowing under the Replacement Facility that the principal amount outstanding under the Replacement Facility, after giving effect to the proposed borrowings, not exceed the lesser of the Borrowing Base or the Facility Amount (the "Borrowing Base Test"). In addition to satisfying the Borrowing Base Test, the following tests must also be satisfied (together with Borrowing Base Test, the "Collateral Tests"):

- *Interest Coverage Ratio.* The ratio (expressed as a percentage) of interest collections with respect to pledged loan assets, less certain fees and expenses relating to the Replacement Facility, to accrued interest and commitment fees and any breakage costs payable to the lenders under the Replacement Facility for the last 6 payment periods must equal at least 175%.

- *Overcollateralization Ratio.* The ratio (expressed as a percentage) of the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets plus the fair value of certain ineligible pledged loan assets and the CLO Notes (in each case, subject to certain adjustments) to outstanding borrowings under the Replacement Facility plus the Unfunded Exposure Amount must equal at least 200%.

- *Weighted Average FMV Test.* The aggregate adjusted or weighted value of "eligible" pledged loan assets as a percentage of the aggregate outstanding principal balance of "eligible" pledged loan assets must be equal to or greater than 72% and 80% during the one-year periods prior to the first and second anniversary of the closing date, respectively, and 85% at all times thereafter.

The Replacement Facility also requires payment of outstanding borrowings or replacement of pledged loan assets upon our breach of our representation and warranty that pledged loan assets included in the Borrowing Base are "eligible" loan assets. Such payments or replacements must equal the lower of the amount by which the Borrowing Base is overstated as a result of such breach or any deficiency under the Collateral Tests at the time of repayment or replacement. Compliance with the Collateral Tests is also a condition to the discretionary sale of pledged loan assets by us.

Priority of Payments. During the Revolving Period, the priority of payments provisions of the Replacement Facility require, after payment of specified fees and expenses and any necessary funding of the Unfunded Exposure Account, that collections of principal from the loan assets and, to the extent that these are insufficient, collections of interest from the loan assets, be applied on each payment date to payment of outstanding borrowings if the Borrowing Base Test, the Overcollateralization Ratio and the Interest Coverage Ratio would not otherwise be met. Similarly, following termination of the Revolving Period, collections of interest are required to be applied, after payment of certain fees and expenses, to cure any deficiencies in the Borrowing Base Test, the Interest Coverage Ratio and the Overcollateralization Ratio as of the relevant payment date.

Reserve Account. The Replacement Facility requires us to set aside an amount equal to the sum of accrued interest, commitment fees and administrative agent fees due and payable on the next succeeding three payment dates (or corresponding to three payment periods). If for any monthly period during which fees and other payments accrue, the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets which do not pay cash interest at least quarterly exceeds 15% of the aggregate Adjusted Borrowing Value of "eligible" pledged loan assets, we are required to set aside such interest and fees due and payable on the next succeeding six payment dates. Amounts in the reserve account can be applied solely to the payment of administrative agent fees, commitment fees, accrued and unpaid interest and any breakage costs payable to the lenders.

Unfunded Exposure Account. With respect to revolver or delayed draw loan assets, we are required to set aside in a designated account (the "Unfunded Exposure Account") 100% of our outstanding and undrawn funding commitments with respect to such loan assets. The Unfunded Exposure Account is funded at the time we acquire a revolver or delayed draw loan asset and request a related borrowing under the Replacement Facility. The Unfunded Exposure Account is funded through a combination of proceeds of the requested borrowing and our other funds, and if for any reason such amounts are insufficient, through application of the priority of payment provisions described above.

Operating Expenses. The priority of payments provision of the Replacement Facility provides for the payment of certain of our operating expenses out of collections on principal and interest during the Revolving Period and out of collections on interest following the termination of the Revolving Period in accordance with the priority established in such provision. The operating expenses payable pursuant to the priority of payment provisions is limited to $350,000 for each monthly payment date or $2.5 million for the immediately preceding period of twelve consecutive monthly payment dates. This ceiling can be increased by the lesser of 5% or the percentage increase in the fair market value of all of our assets only on the first monthly payment date to occur after each one-

year anniversary following the closing of the Replacement Facility. Upon the occurrence of a Manager Event (described below), the consent of the administrative agent is required in order to pay operating expenses through the priority of payments provision.

Events of Default. The Replacement Facility contains certain negative covenants, customary representations and warranties and affirmative covenants and events of default. The Replacement Facility does not contain grace periods for breach by us of certain covenants, including, without limitation, preservation of existence, negative pledge, change of name or jurisdiction and our separate legal entity status covenants and certain other customary covenants. Other events of default under the Replacement Facility include, among other things, the following:

- an Interest Coverage Ratio of less than 175%;
- an Overcollateralization Ratio of less than 200%;
- the filing of certain ERISA or tax liens; and
- the occurrence of certain "Manager Events" such as:
  - failure by SIA and its affiliates to maintain collectively, directly or indirectly, a cash equity investment in us in an amount equal to at least $5,000,000 at any time prior to the third anniversary of the closing date of the Replacement Facility;
  - failure of the management agreement between SIA and us to be in full force and effect;
  - indictment or conviction of SIA or any "key person" for a felony offense, or any fraud, embezzlement or misappropriation of funds by SIA or any "key person" and, in the case of "key persons," without a reputable, experienced individual reasonably satisfactory to Madison Capital Funding appointed to replace such key person within 30 days;

- resignation, termination, disability or death of a "key person" or failure of any "key person" to provide active participation in SIA's daily activities, all without a reputable, experienced individual reasonably satisfactory to Madison Capital Funding appointed within 30 days; or,
- occurrence of any event constituting "cause" under the Collateral Management Agreement between the Company and Saratoga CLO (the "CLO Management Agreement"), delivery of a notice under Section 12(c) of the CLO Management Agreement with respect to the removal of the Company as collateral manager or we cease to act as collateral manager under the CLO Management Agreement.

Conditions to Acquisitions and Pledges of Loan Assets. The Replacement Facility imposes certain additional conditions to the acquisition and pledge of additional loan assets. Among other things, we may not acquire additional loan assets without the prior written consent of the administrative agent until such time that the administrative agent indicates in writing its satisfaction with SIA's policies, personnel and processes relating to the loan assets.

Fees and Expenses. We paid certain fees and reimbursed Madison Capital Funding for the aggregate amount of all documented, out-of-pocket costs and expenses, including the reasonable fees and expenses of lawyers, incurred by Madison Capital Funding in connection with the Replacement Facility and the carrying out of any and all acts contemplated thereunder up to and as of the date of closing of the stock purchase transaction with SIA and certain of its affiliates. These amounts totaled $2.0 million.

As of November 30, 2011, we had no outstanding borrowings under the Replacement Facility and were in compliance with the asset coverage test under the 1940 Act.

Our asset coverage ratio, as defined in the 1940 Act, was 2,013% as of February 28, 2011.

At November 30, 2011 and February 28, 2011, the fair value of investments, cash and cash equivalents and cash and cash equivalents, securitization accounts were as follows:

	At November 30, 2011		At February 28, 2011	
	Fair Value	Percent of Total	Fair Value	Percent of Total
	($ in thousands)			
Cash and cash equivalents	$ 7,942	8.4%	$ 10,736	11.3%
Cash and cash equivalents, securitization accounts	834	0.9	4,370	4.6
First lien term loans	35,829	38.0	18,475	19.4
Second lien term loans	8,817	9.4	20,276	21.3
Senior secured notes	7,406	7.9	9,892	10.4
Unsecured notes	1,956	2.1	1,915	2.0
Structured finance securities	25,375	26.9	22,732	23.9
Common stock	5,996	6.4	6,735	7.1
Other/limited partnership interests	—	—	—	—
Total	$ 94,155	100.0%	$ 95,131	100.0%

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On November 15, 2011, our board of directors declared a dividend of $3.00 per share payable on December 30, 2011, to common stockholders of record on November 25, 2011. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.0 million or $0.60 per share.

Based on shareholder elections, the dividend consisted of $2.0 million in cash and 599,584 shares of common stock, or 18% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 20.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $13.117067 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2011.

On November 12, 2010, our board of directors declared a dividend of $4.40 per share payable on December 29, 2010, to common stockholders of record on November 19, 2010. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $1.2 million or $0.44 per share.

Based on shareholder elections, the dividend consisted of $1.2 million in cash and 596,265 shares of common stock, or 22% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 10.0% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $17.8049 per share, which equaled the volume weighted average trading price per share of the common stock on December 20, 21 and 22, 2010.

On November 13, 2009, our board of directors declared a dividend of $18.25 per share payable on December 31, 2009, to common stockholders of record on November 25, 2009. Shareholders had the option to receive payment of the dividend in cash, shares of common stock, or a combination of cash and shares of common stock, provided that the aggregate cash payable to all shareholders was limited to $2.1 million or $0.25 per share.

Based on shareholder elections, the dividend consisted of $2.1 million in cash and 864,872.5 shares of common stock, or 104% of our outstanding common stock prior to the dividend payment. The amount of cash elected to be received was greater than the cash limit of 13.7% of the aggregate dividend amount, thus resulting in the payment of a combination of cash and stock to shareholders who elected to receive cash. The number of shares of common stock comprising the stock portion was calculated based on a price of $15.099 per share, which equaled the volume weighted average trading price per share of the common stock on December 24 and 28, 2009.

On December 8, 2008, our board of directors declared a cash dividend of $2.50 per share payable on December 29, 2008, to common stockholders of record on December 18, 2008.

We intend to continue to generate cash primarily from cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less, future borrowings and future offerings of securities.

Although we expect to fund the growth of our investment portfolio through the net proceeds from future equity offerings, including our dividend reinvestment plan, and issuances of senior securities or future borrowings, to the extent permitted by the 1940 Act, we cannot assure you that our plans to raise capital will be successful. In this regard, because our common stock has historically traded at a price below our current net asset value per share and we are limited in our ability to sell our common stock at a price below net asset value per share, we have been and may continue to be limited in our ability to raise equity capital. Our stockholders approved a proposal at our annual meeting of stockholders held on September 27, 2011 that authorizes us to sell shares of our common stock below the then current net asset value per share in one or more offerings for a period ending on the earlier of September 27, 2012 or the date of our next annual meeting of stockholders. Our board of directors adopted a policy that requires us to sell or issue shares of our common stock at an offering price per share that is not less than 85% of the then current net asset value per share pursuant to this proposal. No change can be made to this policy without unanimous approval of our independent directors. We would need stockholder approval of a similar proposal to issue shares below net asset value per share at any time after our next annual meeting of stockholders.

In addition, we intend to distribute to our stockholders substantially all of our taxable income in order to satisfy the requirements applicable to RICs under Subchapter M of the Code. Consequently, we may not have the funds or the ability to fund new investments, to make additional investments in our portfolio companies, to fund our unfunded commitments to portfolio companies or to repay borrowings. Also, the illiquidity of our portfolio investments may make it difficult for us to sell these investments when desired and, if we are required to sell these investments, we may realize significantly less than their recorded value.

As a BDC, we generally are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities, to total senior securities, which include all of our borrowings and any outstanding preferred stock, of at least 200%. This requirement limits the amount that we may borrow.

Finally, we are considering other measures to help ensure adequate liquidity, including the formation and operation of a Small Business Investment Company ("SBIC") subsidiary.

On September 14, 2011, the Small Business Administration ("SBA") issued us a "green light" or "go forth" letter inviting us to continue our application process to obtain a license to form and operate an SBIC subsidiary. We began the application process earlier this year and recently met with the investment committee of the Investment Division of the SBA, which voted to permit us to advance to the second part of the process. The receipt of the SBIC application is subject to the approval of the SBA. We remain cautiously optimistic that we will successfully complete the application process. However, we have received no assurance or indication from the SBA that we will receive a license, or of the timeframe in which we would receive a license, should one ultimately be granted.

Our SBIC subsidiary will be a wholly-owned subsidiary, have an investment objective similar to ours and make similar types of investments in accordance with SBIC regulations.

To the extent that we receive an SBIC license, our SBIC subsidiary will be allowed to issue SBA-guaranteed debentures, subject to the required capitalization of the SBIC subsidiary. SBA guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Under the regulations applicable to SBICs, an SBIC may have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which generally equates to the amount of its equity capital. The SBIC regulations currently limit the amount that our SBIC subsidiary may borrow to a maximum of $150 million. This means that our SBIC subsidiary may access the full $150 million maximum available if it has $75 million in regulatory capital. However, we are not required to capitalize this subsidiary with $75 million and may determine to capitalize it with a lesser amount. In addition, if we are able to obtain financing under the SBIC program, our SBIC subsidiary will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants.

In connection with the filing of our SBA license application, we will be applying for exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from our consolidated asset coverage ratio, which will enable us to fund more investments with debt capital. There can be no assurance that we will be granted an SBIC license or that if granted it will be granted in a timely manner, that if we are granted an SBIC license we will be able to capitalize the subsidiary to $75 million to access the full $150 million maximum borrowing amount available, or that we will receive the exemptive relief from the SEC.

We cannot provide any assurance that these measures will provide sufficient sources of liquidity to support our operations and growth given the continued instability in the financial markets and the weak U.S. economy.

Contractual Obligations

There were no payment obligations for repayment of debt and other contractual obligations at November 30, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

At November 30, 2011 and February 28, 2011, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risks have not changed materially from the risks reported in our Form 10-K for the year ended February 28, 2011.

Item 4. Controls and Procedures

(a) As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, our chief executive officer and our chief financial officer have concluded that our current disclosure controls and procedures are effective in facilitating timely decisions regarding required disclosure of any material information relating to us that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

(b) There have been no changes in our internal control over financial reporting that occurred during the quarter ended November 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither we nor our wholly-owned subsidiary, Saratoga Investment Funding LLC, are currently subject to any material legal proceedings.

Item 1A. Risk Factors

Other than as set forth below, there have been no material changes from the risk factors set forth in our annual report on Form 10-K for the year ended February 28, 2011.

Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock.

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our board of directors makes certain determinations. At our 2011 annual meeting of stockholders, our stockholders approved a proposal that authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on the earlier of September 27, 2012 or the date of our 2012 annual meeting of stockholders. Our board of directors adopted a policy that requires us to sell or issue shares of our common stock at an offering price per share that is not less than 85% of the then current net asset value per share pursuant to this proposal. No change can be made to this policy without unanimous approval of our independent directors. Continued access to this exception will require approval of similar proposals at future stockholder meetings.

If we were to sell shares of our common stock below net asset value per share, such sales would result in an immediate dilution to the net asset value per share. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of our common stock and a proportionately greater decrease in a stockholder’s interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

The recent downgrade of the U.S. credit rating and the economic crisis in Europe could negatively impact our liquidity, financial condition and earnings.

Recent U.S. debt ceiling and budget deficit concerns, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of additional credit-rating downgrades and economic slowdowns. Although U.S. lawmakers passed legislation to raise the federal debt ceiling, Standard & Poor’s Ratings Services lowered its long-term sovereign credit rating on the United States from “AAA” to “AA+” in August 2011. The impact of this or any further downgrades to the U.S. government’s sovereign credit rating, or its perceived creditworthiness, and the impact of the current crisis in Europe with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations is inherently unpredictable and could adversely effect the U.S. and global financial markets and economic conditions. There can be no assurance that governmental or other measures to aid economic recovery will be effective. These developments, and the government’s credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, the decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our stock price. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Removed and Reserved

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Listed below are the exhibits which are filed as part of this report (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit Number	Description of Document
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

* Submitted herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SARATOGA INVESTMENT CORP.

Date: January 12, 2012

By /s/ Christian L. Oberbeck
Christian L. Oberbeck
Chief Executive Officer and President

By /s/ Richard A. Petrocelli
Richard A. Petrocelli
Chief Financial Officer, Chief Compliance Officer and Secretary

Exhibit 31.1

I, Christian L. Oberbeck, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended November 30, 2011 of Saratoga Investment Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 12th day of January, 2012.

By: /s/ Christian L. Oberbeck
Christian L. Oberbeck
Chief Executive Officer and President

Exhibit 31.2

I, Richard A. Petrocelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended November 30, 2011 of Saratoga Investment Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 12th day of January, 2012.

By: /s/ Richard A. Petrocelli
Richard A. Petrocelli
Chief Financial Officer, Chief Compliance Officer and Secretary

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the quarter ended **November 30, 2011** (the “Report”) of **Saratoga Investment Corp.** (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, **Christian L. Oberbeck,** the Chief Executive Officer and President of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ Christian L. Oberbeck
Christian L. Oberbeck
Chief Executive Officer and President

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the quarter ended **November 30, 2011** (the "Report") of **Saratoga Investment Corp.** (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, **Richard A. Petrocelli,** the Chief Financial Officer, Chief Compliance Officer and Secretary of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ Richard A. Petrocelli
Richard A. Petrocelli
Chief Financial Officer, Chief Compliance
Officer and Secretary