



October 15, 2012

## Saratoga Investment Corp. Announces Fiscal Second Quarter 2013 Financial Results

NEW YORK, Oct. 15, 2012 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2013 fiscal second quarter.

### Operating Results

For the fiscal quarter ended August 31, 2012, Saratoga Investment reported net investment income of \$1.3 million or \$0.34 on a weighted average per share basis, and net gain on investments of \$3.6 million, or \$0.92 on a weighted average per share basis, resulting in an increase in net assets from operations of \$4.9 million, or \$1.26 on a weighted average per share basis. The \$3.6 million net gain on investments was comprised of \$3.3 million in net unrealized appreciation on investments and \$0.3 million in net realized gains from investments.

Net asset value ("NAV") was \$105.4 million as of August 31, 2012, compared to \$100.6 million as of May 31, 2012 and \$97.4 million as of February 29, 2012. NAV per share was \$27.20 as of August 31, 2012 and \$25.94 as of May 31, 2012 and \$25.12 as of February 29, 2012.

Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment, said, "Our growing pipeline and financial strength enabled us to make another \$14.9 million of investments in new and existing portfolio companies during the quarter, and we have maintained the improving trend in credit quality of the overall portfolio as we have increased both the amount and proportion of internally rated strong credits. We continue to see opportunities for investment in leveraged loans and mezzanine debt issued by U.S. middle-market companies."

### Portfolio and Investment Activity

As of August 31, 2012, the fair value of Saratoga Investment's investment portfolio was \$115.7 million, principally invested in 22 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 49.8% of first lien term loans, 8.5% of second lien term loans, 9.2% of senior secured notes, 1.7% of unsecured notes, 23.4% of subordinated notes of the CLO and 7.4% of common equity. At the end of the 2013 fiscal second quarter the Company had no investments in senior unsecured loans.

During the 2013 fiscal second quarter, Saratoga Investment invested \$14.9 million in new or existing portfolio companies and had \$10.0 million in aggregate amount of exits and repayments on its investments, resulting in net investments of \$4.9 million for the period.

As of August 31, 2012, the weighted average current yield on Saratoga Investment's first lien term loans, second lien term loans, senior secured notes, unsecured notes and the CLO subordinated notes were 10.3%, 11.4%, 16.3%, 20.3%, and 23.0%, respectively, which resulted in an aggregate weighted average current yield of 13.3%.

### Liquidity and Capital Resources

As of August 31, 2012, Saratoga Investment had \$14.9 million in outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition Saratoga had an aggregate of \$0.7 million and \$5.7 million in cash and cash equivalents, including reserve accounts, at August 31, 2012 respectively. The Company is required to use the amounts held in cash and cash equivalents, reserve accounts to pay interest expense, reduce borrowings or pay other amounts in accordance with the terms of its senior secured revolving credit facility. As of August 31, 2012, the Company's Small Business Investment Company ("SBIC") subsidiary had \$25 million in regulatory capital and no SBIC debentures outstanding.

### 2013 Fiscal Second Quarter Conference Call/Webcast Information

**When:** Oct. 15, 2012 at 4:15 p.m. Eastern Time (ET)

**Call:** Interested parties may participate by dialing (877) 312-9208 (U.S. and Canada) or (678) 224-7872 (outside U.S. and Canada).

A replay of the call will be available from 7:00 p.m. ET on Oct. 15, 2012 through 11:59 p.m. ET on Oct. 22, 2012 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada). Passcode for both replay numbers is 42760760.

**Webcast:** Interested parties may also access a simultaneous webcast of the call by going to <http://ir.saratogainvestmentcorp.com/events.cfm>.

[About Saratoga Investment Corp.](#)

Saratoga Investment Corp. is a specialty finance company that provides customized financing solutions to U.S. middle-market businesses. The Company invests primarily in mezzanine debt, leveraged loans and, to a lesser extent, equity to provide financing for change of ownership transactions, strategic acquisitions, recapitalizations and growth initiatives in partnership with business owners, management teams and financial sponsors. Saratoga Investment Corp.'s objective is to create attractive risk-adjusted returns by generating current income and long-term capital appreciation from its debt and equity investments. Saratoga Investment Corp. has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 and is externally-managed by Saratoga Investment Advisors, LLC, an SEC-registered investment advisor focusing on credit-driven strategies. Within the BDC, Saratoga manages both an SBIC-licensed subsidiary and a \$400 million Collateralized Loan Obligation (CLO) fund. These diverse funding sources, combined with a permanent capital base, enable Saratoga to offer a broad range of financing solutions.

## Forward Looking Statements

This press release contains certain forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors enumerated in this press release and the filings Saratoga Investment Corp. makes with the SEC. Saratoga Investment Corp. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Financial Statements

### Saratoga Investment Corp.

#### Consolidated Statements of Assets and Liabilities

|  | As of                          |                       |
|--|--------------------------------|-----------------------|
|  | August 31, 2012<br>(unaudited) | February 29, 2012     |
| <b>ASSETS</b>  |                                |                       |
| Investments at fair value  |                                |                       |
| Non-control/non-affiliate investments (amortized cost of \$90,404,979 and \$73,161,722, respectively)  | \$ 88,559,307                  | \$ 69,513,434         |
| Control investments (cost of \$21,567,800 and \$23,540,517, respectively)  | 27,098,581                     | 25,846,414            |
| Total investments at fair value (amortized cost of \$111,972,779 and \$96,702,239, respectively)   | 115,657,888                    | 95,359,848            |
| Cash and cash equivalents  | 674,057                        | 1,325,698             |
| Cash and cash equivalents, reserve accounts  | 5,737,872                      | 25,534,195            |
| Outstanding interest rate cap at fair value (cost of \$0 and \$131,000, respectively)  | -                              | 75                    |
| Interest receivable, (net of reserve of \$416,522 and \$273,361, respectively)   | 2,052,811                      | 1,689,404             |
| Deferred credit facility financing costs, net  | 1,487,009                      | 1,199,490             |
| Management fee receivable  | 227,917                        | 227,581               |
| Other assets   | 59,096                         | 94,823                |
| Receivable from unsettled trades   | -                              | 59,511                |
| Total assets   | <u>\$ 125,896,650</u>          | <u>\$ 125,490,625</u> |
| <b>LIABILITIES</b>   |                                |                       |
| Revolving credit facility  | \$ 14,850,000                  | \$ 20,000,000         |
| Payable for unsettled trades   | -                              | 4,072,500             |
| Management and incentive fees payable  | 4,051,383                      | 2,885,670             |
| Accounts payable and accrued expenses  | 1,074,176                      | 704,949               |
| Interest and credit facility fees payable  | 186,930                        | 53,262                |
| Due to manager   | 292,202                        | 394,094               |
| Total liabilities  | <u>\$ 20,454,691</u>           | <u>\$ 28,110,475</u>  |
| <b>NET ASSETS</b>  |                                |                       |
| Common stock, par value \$.001, 100,000,000 common shares authorized, 3,876,661 and 3,876,661 common shares issued and outstanding, respectively | \$ 3,877                       | \$ 3,877              |
| Capital in excess of par value   | 161,644,426                    | 161,644,426           |
| Distribution in excess of net investment income  | (11,333,032)                   | (13,920,068)          |
| Accumulated net realized loss from investments and derivatives   | (48,558,419)                   | (48,874,767)          |
| Net unrealized appreciation (depreciation) on investments and derivatives  | 3,685,107                      | (1,473,318)           |
| Total Net Assets   | <u>105,441,959</u>             | <u>97,380,150</u>     |
| Total liabilities and Net Assets   | <u>\$ 125,896,650</u>          | <u>\$ 125,490,625</u> |
| NET ASSET VALUE PER SHARE  | <u>\$ 27.20</u>                | <u>\$ 25.12</u>       |

**Saratoga Investment Corp.**

**Consolidated Statements of Operations**

|  | For the three months ended<br>August 31 |                       | For the six months ended<br>August 31 |                     |
|--|---|-----------------------|---------------------------------------|---------------------|
|  | 2012                                    | 2011                  | 2012                                  | 2011                |
|  | (unaudited)                             | (unaudited)           | (unaudited)                           | (unaudited)         |
| <b>INVESTMENT INCOME</b>   |   |                       |                                       |                     |
| Interest from investments  |   |                       |                                       |                     |
| Non-control/Non-affiliate investments  | \$ 2,419,758                            | \$ 1,836,643          | \$ 4,484,743                          | \$ 3,334,532        |
| Control investments  | 1,094,681                               | 1,050,486             | 2,140,466                             | 1,940,063           |
| Total interest income  | 3,514,439                               | 2,887,129             | 6,625,209                             | 5,274,595           |
| Interest from cash and cash equivalents                                      | 1,791                                   | 1,100                 | 4,637                                 | 5,248               |
| Management fee income  | 500,225                                 | 503,803               | 1,000,065                             | 1,010,171           |
| Other income   | 146,834                                 | 145,908               | 152,560                               | 145,908             |
| Total investment income  | 4,163,289                               | 3,537,940             | 7,782,471                             | 6,435,922           |
| <b>EXPENSES</b>  |   |                       |                                       |                     |
| Interest and credit facility financing expenses                              | 653,025                                 | 309,911               | 1,278,728                             | 679,821             |
| Base management fees   | 504,802                                 | 411,468               | 963,610                               | 809,932             |
| Professional fees  | 293,483                                 | 632,237               | 639,322                               | 925,865             |
| Administrator expenses   | 250,000                                 | 240,000               | 500,000                               | 480,000             |
| Incentive management fees  | 869,403                                 | (1,058,378)           | 1,299,674                             | (336,653)           |
| Insurance  | 130,308                                 | 146,699               | 260,615                               | 303,681             |
| Directors fees and expenses  | 51,000                                  | 51,000                | 102,000                               | 102,000             |
| General & administrative   | 97,022                                  | 82,859                | 148,363                               | 169,213             |
| Other expense  | -                                       | 1,880                 | 3,123                                 | 3,190               |
| Total expenses   | 2,849,043                               | 817,676               | 5,195,435                             | 3,137,049           |
| <b>NET INVESTMENT INCOME</b>   | <b>1,314,246</b>                        | <b>2,720,264</b>      | <b>2,587,036</b>                      | <b>3,298,873</b>    |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>                   |   |                       |                                       |                     |
| Net realized gain (loss) from investments                                    | 268,718                                 | (105,967)             | 447,348                               | (7,959)             |
| Net realized loss from derivatives   | -                                       | -                     | (131,000)                             | -                   |
| Net unrealized appreciation (depreciation)<br>on investments                 | 3,288,078                               | (4,337,470)           | 5,027,500                             | 705,665             |
| Net unrealized appreciation (depreciation) on derivatives                    | -                                       | (4,732)               | 130,925                               | (15,274)            |
| Net gain (loss) on investments   | 3,556,796                               | (4,448,169)           | 5,474,773                             | 682,432             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>       | <b>\$ 4,871,042</b>                     | <b>\$ (1,727,905)</b> | <b>\$ 8,061,809</b>                   | <b>\$ 3,981,305</b> |
| <b>WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE</b> | <b>\$ 1.26</b>                          | <b>\$ (0.53)</b>      | <b>\$ 2.08</b>                        | <b>\$ 1.22</b>      |
| <b>WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED</b>         | <b>3,876,661</b>                        | <b>3,277,077</b>      | <b>3,876,661</b>                      | <b>3,277,077</b>    |

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