

July 14, 2011

Saratoga Investment Corp. Announces Fiscal First Quarter 2012 Financial Results

NEW YORK, July 14, 2011 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2012 fiscal first quarter.

Operating Results

For the fiscal quarter ended May 31, 2011, Saratoga Investment reported net investment income of \$578,609, or \$0.18 per share, and net gain on investments of \$5.1 million, or \$1.56 per share, resulting in an increase in net assets from operations of \$5.7 million, or \$1.74 per share and an increase in net asset value per share to \$28.01 from \$26.26 at February 28, 2011. Net investment income was reduced by the accrual of \$721,725 in incentive management fee expense primarily related to the net unrealized appreciation on investments for the quarter. The \$5.1 million net gain on investments was comprised of \$5.0 million in net unrealized appreciation on investments and \$98,000 in net realized gains.

Net asset value was \$91.8 million as of May 31, 2011, compared to \$86.1 million as of February 28, 2011. Net asset value per share was \$28.01 as of May 31, 2011 and \$26.26 as of February 28, 2011.

Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment, said, "We are encouraged by the growth in our net asset value to \$28 per share as we build upon our recent achievements in restoring the financial strength of our business. Our balance sheet remains strong, with our entire financing facility undrawn and available for further investments. Key performance metrics, such as the increase in net assets resulting from operations and earnings per share, continue to improve as we make more investments from our growing pipeline."

Portfolio and Investment Activity

As of May 31, 2011, the fair value of Saratoga Investment's investment portfolio was \$93.7 million, principally invested in 22 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 29.7% of first lien term loans, 23.2% of second lien term loans, 10.3% of senior secured notes, 2.2% of unsecured notes, 27.3% of subordinated notes of the CLO and 7.3% of common equity.

During the 2012 fiscal first quarter, Saratoga Investment invested \$14.7 million in new or existing portfolio companies and had \$7.0 million in aggregate amount of exits and repayments on its investments, resulting in net investments of \$7.0 million in aggregate amount for the quarter.

As of May 31, 2011, 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 9.0%, 10.1%, 16.1%, 18.0%, and 15.5%, respectively, which resulted in an aggregate weighted average current yield of 11.3%.

Liquidity and Capital Resources

As of May 31, 2011, Saratoga Investment had an aggregate of \$13.5 million in cash and cash equivalents and payables for unsettled trades of \$14.8 million. Saratoga Investment had no outstanding borrowings and approximately \$40.0 million of available liquidity to fund investments of as of May 31, 2011.

Dividend

Given the size of Saratoga Investment's asset base and its growing pipeline of attractive investments, the Company's board of directors believes that using capital resources to build and diversify the portfolio best serves stockholders' interests by positioning the Company to generate current income and capital appreciation on an increasing scale in future periods. Therefore, the Company's board of directors has determined not to pay any dividends at this time.

2012 Fiscal First Quarter Conference Call/Webcast Information

When: July 14, 2011 at 9:00 a.m. Eastern Time (ET)

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

A replay of the call will be available from 12:00 p.m. ET on July 14, 2011 through 11:59 p.m. ET on July 21, 2011 by dialing (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 83362829.

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

About Saratoga Investment Corp.

Saratoga Investment Corp. is a specialty finance company that invests primarily in leveraged loans and mezzanine debt issued by U.S. middle-market companies, both through direct lending and through participation in loan syndicates. It has elected to be regulated as a business development company under the Investment Company Act of 1940. Saratoga Investment Corp. is traded on the New York Stock Exchange under the symbol "SAR."

Forward-Looking Statements

This press release may contain certain forward-looking statements, including statements with regard to the future performance of Saratoga Investment Corp. Words such as "believes," "expects," "projects," "anticipates," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements, and these factors are identified from time to time in Saratoga Investment Corp.'s filings with the Securities and Exchange Commission. 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	
	May 31, 2011 (unaudited)	February 28, 2011
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$83,526,597 and \$73,779,271, respectively)	\$ 68,101,302	\$ 57,292,723
Control investments (cost of \$26,205,227 and \$27,364,350, respectively)	25,554,797	22,732,038
Total investments at fair value (amortized cost of \$109,731,824 and \$101,143,621, respectively)	93,656,099	80,024,761
Cash and cash equivalents	10,064,019	10,735,755
Cash and cash equivalents, securitization accounts	3,447,781	4,369,987
Outstanding interest rate cap at fair value (cost of \$131,000 and \$131,000, respectively)	5,723	16,265
Interest receivable, (net of reserve of \$26,627 and \$14,796, respectively)	1,321,901	1,666,083
Deferred credit facility financing costs, net	1,468,024	1,638,768
Management fee receivable	229,395	231,753
Other assets	326,023	85,166
Total assets	<u>\$ 110,518,965</u>	<u>\$ 98,768,538</u>
LIABILITIES		
Revolving credit facility	\$ -	\$ 4,500,000
Payable for unsettled trades	14,803,626	4,900,000
Management and incentive fees payable	2,375,106	2,203,806
Accounts payable and accrued expenses	689,774	785,486
Interest and credit facility fees payable	45,823	67,792
Due to manager	823,972	240,000
Total liabilities	<u>\$ 18,738,301</u>	<u>\$ 12,697,084</u>

NET ASSETS

Common stock, par value \$.001 and \$.001 per share, respectively, 100,000,000 common shares authorized, 3,277,077 and 3,277,077 common shares issued and outstanding, respectively	\$	3,277	\$	3,277
Capital in excess of par value		153,768,680		153,768,680
Distribution in excess of net investment income		(8,340,281)		(8,918,890)
Accumulated net realized loss from investments and derivatives		(37,450,008)		(37,548,016)
Net unrealized depreciation on investments and derivatives		(16,201,004)		(21,233,597)
Total Net Assets		<u>91,780,664</u>		<u>86,071,454</u>
Total liabilities and Net Assets	\$	<u>110,518,965</u>	\$	<u>98,768,538</u>
NET ASSET VALUE PER SHARE	\$	<u>28.01</u>	\$	<u>26.26</u>

Saratoga Investment Corp.

Consolidated Statements of Operations

	For three months ended May 31, 2011	For three months ended May 31, 2010
	(unaudited)	(unaudited)
INVESTMENT INCOME		
Interest from investments		
Non-control/Non-affiliate investments	\$ 1,497,889	\$ 1,617,267
Control investments	889,577	652,720
Total interest income	<u>2,387,466</u>	<u>2,269,987</u>
Interest from cash and cash equivalents	4,148	319
Management fee income	506,368	506,785
Other income	-	33,559
Total investment income	<u>2,897,982</u>	<u>2,810,650</u>
EXPENSES		
Interest and credit facility financing expenses	369,910	831,121
Base management fees	398,464	411,389
Professional fees	293,628	1,142,537
Administrator expenses	240,000	155,137
Incentive management fees	721,725	-
Insurance	156,982	194,654
Directors fees and expenses	51,000	164,611
General & administrative	86,354	64,136
Other expense	1,310	-
Expenses before expense waiver and reimbursement	<u>2,319,373</u>	<u>2,963,585</u>
Expense reimbursement	-	(155,137)
Waiver of deferred incentive management fees		
Total expenses net of expense waiver and reimbursement	<u>2,319,373</u>	<u>2,808,448</u>
NET INVESTMENT INCOME	<u>578,609</u>	<u>2,202</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain/(loss) from investments	98,008	(2,551,410)
Net unrealized appreciation on investments	5,043,135	5,223,815
Net unrealized depreciation on derivatives	<u>(10,542)</u>	<u>(19,869)</u>

Net gain/(loss) on investments		5,130,601		2,652,536
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$	5,709,210	\$	2,654,738
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE*	\$	1.74	\$	1.57
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED*		3,277,077		1,694,011

*Weighted average earnings per share and weighted average shares outstanding for the three months ended May 31, 2010 have been adjusted to reflect a one-for-ten reverse stock split in August 2010.

Contact: Richard Petrocelli
Saratoga Investment Corp.
212-906-7800

Roland Tomforde
Broadgate Consultants
212-232-2222

SOURCE Saratoga Investment Corp.

News Provided by Acquire Media