



January 14, 2011

Saratoga Investment Corp. Announces Fiscal Third Quarter 2011 Financial Results

NEW YORK, Jan. 14, 2011 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR), a business development company, today announced financial results for the fiscal third quarter ended November 30, 2010.

Operating Results

For the quarter ended November 30, 2010, Saratoga Investment Corp. reported net investment income of \$1.9 million, or \$0.70 per share, and net gain on investments of \$1.4 million, or \$0.50 per share, resulting in a net increase in net assets from operations of \$3.3 million, or \$1.20 per share. Net asset value was \$24.95 per share as of November 30, 2010 as compared to \$29.71 per share reported as of August 31, 2010. The decrease in reported NAV per share from August 31, 2010 was primarily the result of the dividend of \$1.2 million and 596,235 shares of common stock declared on November 12, 2010 and paid on December 29, 2010. In accordance with generally accepted accounting principals, the number of shares outstanding used to calculate NAV per share as of November 30, 2010 was retroactively adjusted to reflect the additional shares issued as a result of the stock dividend. Excluding the effect of the dividend, the NAV per share would have been \$30.94 as of November 30, 2010.

"We are pleased to see continued credit market stabilization and general improvement in the overall economy, which has assisted us in realizing parts of our portfolio and reducing debt," said Christian L. Oberbeck, Chief Executive Officer of Saratoga Investment Corp. "We made over \$50 million of new portfolio investments in our BDC and CLO this quarter. We continue to focus on generating current income and capital appreciation through investment in the middle market."

Portfolio and Investment Activity

As of November 30, 2010, the value of the Company's investment portfolio was \$91.2 million, principally invested in 26 portfolio companies and one \$381.4 million collateralized loan obligation fund ("CLO"). The overall portfolio composition consisted of 17.2% first lien term loans, 21.4% second lien term loans, 26.9% senior secured notes, 3.2% unsecured notes, and 25.3% subordinated notes of the CLO.

During the third quarter, Saratoga Investment Corp. invested \$1.6 million in a new portfolio company and had \$6.7 million in aggregate amount of exits and repayments, resulting in net repayments of \$5.1 million for the period at the BDC level. In the CLO, the company invested \$28.5 million in new investments and had \$40.2 million in exits.

As of November 30, 2010, 43.8%, or \$27.5 million, of the Company's interest-bearing portfolio was fixed rate debt with a weighted average current coupon of 11.7% and 56.2%, or \$35.2 million, of its interest-bearing portfolio was floating rate debt with a weighted average current spread of LIBOR plus 7.2%.

Liquidity and Capital Resources

At November 30, 2010, the Company had \$15.8 million in borrowings under its credit facility and an asset coverage ratio of 619%.

At January 7, 2011, the Company had \$4.5 million in borrowings under its credit facility.

Dividend

On November 12, 2010, the Company's Board of Directors declared a dividend of \$4.40 per share payable on December 29, 2010, to shareholders of record as of November 19, 2010. Shareholders had until December 20, 2010 to elect whether to receive the dividend in cash (up to an aggregate maximum cash amount of approximately \$1.2 million or approximately 10% of the total dividend paid) or in shares of common stock. The dividend consisted of \$1.2 million in cash and 596,235 shares of common stock or 22% of Saratoga Investment Corp.'s outstanding shares prior to the dividend. The dividend included the balance of the Company's fiscal year 2010 taxable income and a significant portion of the Company's fiscal year 2011 taxable income including a component for the third quarter of fiscal year 2011.

2011 Fiscal Third Quarter Conference Call/Webcast Information

When: Tuesday, January 18, 2011 at 10:30 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 1:30 p.m. ET on Tuesday, January 18, 2011 through 11:59 p.m. ET on Tuesday, January 25, 2011 by dialing (800) 642-1687 (U.S. and Canada) or (706) 645-9291 (outside U.S. and Canada), passcode for both replay numbers: 37331393.

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

About Saratoga Investment Corp.

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

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of	
	November 30, 2010 (unaudited)	February 28, 2010
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$95,792,289 and \$117,678,275, respectively)	\$ 68,176,984	\$ 72,674,847
Control investments (cost of \$28,414,863 and \$29,233,097, respectively)	23,037,967	16,698,303
Total investments at fair value (amortized cost of \$124,207,152 and \$146,911,372, respectively)	91,214,951	89,373,150
Cash and cash equivalents	4,571,926	3,352,434
Cash and cash equivalents, securitization accounts	3,407,260	225,424
Outstanding interest rate cap at fair value (cost of \$131,000 and \$131,000, respectively)	22,352	42,147
Interest receivable, (net of reserve of \$579,291 and \$2,120,309, respectively)	2,017,807	3,473,961
Deferred credit facility financing costs, net	1,805,799	-
Management fee receivable	231,838	327,928
Other assets	266,245	140,272
Total assets	\$ 103,538,178	\$ 96,935,316
LIABILITIES		
Revolving credit facility	\$ 15,750,000	\$ 36,992,222
Payable for unsettled trades	1,614,000	-
Dividend payable	1,179,800	-
Management and incentive fees payable	1,868,744	3,071,093
Accounts payable and accrued expenses	885,297	1,111,081
Interest and credit facility fees payable	152,448	267,166
Due to manager	310,000	15,602
Total liabilities	\$ 21,760,289	\$ 41,457,164
NET ASSETS		
Common stock, par value \$.001 and \$.001 per share, respectively, 100,000,000 common shares		
authorized, 3,277,077 and 1,694,011* common shares issued and outstanding, respectively	\$ 3,277	\$ 1,694
Capital in excess of par value	153,768,680	128,339,497

Distribution in excess of net investment income	(10,223,021)	(2,846,135)
Accumulated net realized loss from investments and derivatives	(28,670,200)	(12,389,830)
Net unrealized depreciation on investments and derivatives	(33,100,847)	(57,627,074)
Total Net Assets	81,777,889	55,478,152
Total liabilities and Net Assets	\$ 103,538,178	\$ 96,935,316
NET ASSET VALUE PER SHARE*	\$ 24.95	\$ 32.75

*Net Asset Value per share and end of period shares outstanding for the year ended February 28, 2010 has been adjusted to reflect a one-for-ten reverse stock split in August 2010.

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Operations

	For the three months ended November 30		For the nine months ended November 30	
	2010 (unaudited)	2009 (unaudited)	2010 (unaudited)	2009 (unaudited)
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	\$ 3,639,216	\$ 2,593,082	\$ 7,006,161	\$ 8,566,587
Control investments	941,281	368,374	2,410,803	1,686,088
Total interest income	4,580,497	2,961,456	9,416,964	10,252,675
Interest from cash and cash equivalents	2,460	2,752	3,642	22,934
Management fee income	508,674	511,236	1,523,530	1,549,167
Other income	-	54,699	71,192	155,111
Total investment income	5,091,631	3,530,143	11,015,328	11,979,887
EXPENSES				
Interest and credit facility financing expenses	618,810	1,126,162	2,188,078	3,174,603
Base management fees	424,044	462,755	1,258,875	1,515,813
Professional fees	381,096	714,789	3,138,221	1,396,567
Administrator expenses	240,000	171,861	568,562	515,583
Incentive management fees	1,173,144	-	1,173,144	322,183
Insurance	170,684	220,059	536,934	649,535
Directors fees and expenses	48,000	71,989	320,844	217,125
General & administrative	100,961	65,298	306,558	191,223
Expenses before expense waiver and reimbursement	3,156,739	2,832,913	9,491,216	7,982,632
Expense reimbursement	-	(171,861)	(258,562)	(515,583)
Waiver of deferred incentive management fees	-	-	(2,636,146)	-
Total expenses net of expense waiver and reimbursement	3,156,739	2,661,052	6,596,508	7,467,049
NET INVESTMENT INCOME	1,934,892	869,091	4,418,820	4,512,838

REALIZED AND UNREALIZED
GAIN (LOSS) ON
INVESTMENTS:

Net realized loss from investments	(13,731,107)	(549,864)	(16,280,370)	(1,579,812)
Net unrealized appreciation/ (depreciation) on investments	15,107,701	8,825,100	24,546,024	(4,562,979)
Net unrealized appreciation/ (depreciation) on derivatives	(1,366)	(16,754)	(19,797)	33,080
Net gain/(loss) on investments	1,375,228	8,258,482	8,245,857	(6,109,711)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,310,120	\$ 9,127,573	\$ 12,664,677	\$ (1,596,873)
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE*	\$ 1.20	\$ 10.08	\$ 5.86	\$ (1.87)
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED*	2,752,914	905,171	2,162,832	854,298

*Earnings per share and Weighted average shares outstanding for the three and nine months ended November 30, 2009 have been adjusted to reflect a one-for-ten reverse stock split in August 2010.

See accompanying notes to consolidated financial statements.

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