

May 23, 2012

## Saratoga Investment Corp. Announces Fiscal Fourth Quarter and Year End 2012 Financial Results

NEW YORK, May 23, 2012 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2012 fiscal fourth quarter and year end.

### Operating Results

For the fiscal year ended February 29, 2012, Saratoga Investment reported net investment income of \$5.7 million, or \$1.66 on a weighted average per share basis, and net gain on investments of \$7.6 million, or \$2.21 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$13.3 million, or \$3.87 on a weighted average per share basis.

Net asset value ("NAV") was \$97.4 million as of February 29, 2012, an \$11.3 million increase from NAV of \$86.1 million as of February 28, 2011. NAV per share was \$25.12 as of February 29, 2012 compared to \$26.26 as of February 28, 2011. The decrease in NAV per share from February 28, 2011 was due to the issuance of 599,584 shares of common stock and a payment of \$2.0 million in cash in connection with the Company's \$9.8 million stock and cash dividend declared on November 15, 2011.

For the quarter ended February 29, 2012, Saratoga Investment reported net investment income of \$1.6 million, or \$0.40 on a weighted average per share basis, and a net gain on investments of \$1.5 million, or \$0.39 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$3.1 million, or \$0.79 on a weighted average per share basis. The \$1.5 million net gain on investments was comprised of \$7.8 million in net unrealized appreciation on investments, partially offset by \$6.3 million in net realized losses on investments.

"In fiscal year 2012 we reached some important milestones," said Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment. "As a testament to our increasing financial strength we were able to invest more than at any time in the past four years and increase the size of our revolving credit facility borrowing capacity on more favorable terms. Also, our wholly-owned subsidiary recently received a Small Business Investment Company license from the U.S. Small Business Administration, which should allow us to borrow up to \$150 million for a 10-year term at low, fixed interest rates. This additional liquidity will enable us to further expand our portfolio of investments in middle-market businesses. We continue to have an optimistic view of the demand for financing in the markets we address."

### Portfolio and Investment Activity

As of February 29, 2012, the fair value of Saratoga Investment's investment portfolio was \$95.4 million (excluding \$26.9 million in cash and cash equivalents, \$25 million of which is the seed investment in our SBIC subsidiary), principally invested in 21 portfolio companies and one collateralized loan obligation fund ("CLO"). The overall portfolio composition consisted of 38.0% of first lien term loans, 9.3% of second lien term loans, 11.2% of senior secured notes, 6.3% of senior unsecured loans, 2.1% of unsecured notes, 6.0% of equity interests, and 27.1% of subordinated notes of a CLO.

During the fiscal year 2012, Saratoga Investment invested \$38.7 million in new or existing portfolio companies and had \$33.6 million in aggregate amount of exits and repayments, resulting in net investments of \$5.1 million for the year at the BDC. At the CLO, Saratoga invested \$209.7 million in new or existing portfolio companies and had \$217.5 million of exits and repayments.

As of February 29, 2012, the weighted average current yield on Saratoga Investment's first lien term loans, second lien term loans, senior secured notes, senior unsecured loans, unsecured notes and the CLO subordinated notes were 10.1%, 10.3%, 16.0%, 15.0%, 19.3%, and 20.2%, respectively, which resulted in an aggregate weighted average current yield of 13.4%.

### Liquidity and Capital Resources

As of February 29, 2012, Saratoga Investment had \$20.0 million in outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition, Saratoga Investment had an aggregate of \$26.9 million in cash and cash equivalents at February 29, 2012.

On February 24, 2012, the Company amended its senior secured revolving credit facility to, among other things, expand the borrowing capacity under the credit facility from \$40 million to \$45 million; extend the revolving period from July 30, 2013 to February 24, 2015; and, remove the condition that Saratoga Investment may not acquire additional loan assets without the prior written consent of the administrative agent.

With the \$45 million credit facility and the up to \$150 million borrowing capacity at the SBIC subsidiary, Saratoga Investment has a total of \$195 million of borrowing capacity.

### Dividend

Given the size of the Company's asset base and its growing pipeline of attractive investments, the Company's board of directors believes that retaining its capital resources to build and diversify its portfolio serves stockholders' interests best by better positioning the Company to generate current income and capital appreciation on an increasing scale in future periods. Therefore, the Company's board of directors determined to pay a 20% cash and 80% stock dividend with respect to a significant portion of the Company's taxable income for its 2012 fiscal year. This dividend maintains the company's favorable regulated investment company tax status.

#### 2012 Fiscal Fourth Quarter and Year End Conference Call/Webcast Information

**When:** Thursday, May 24, 2012 at 9 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 p.m. ET on May 24, 2012 through 11:59 p.m. ET on May 31, 2012 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 84351946.

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

#### About Saratoga Investment Corp.

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

#### About Saratoga Investment Advisors, LLC

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

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

#### Forward Looking Statements

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

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#### **Saratoga Investment Corp.**

#### **Consolidated Statements of Assets and Liabilities**

	<b>As of</b>	
	<u>February 29, 2012</u>	<u>February 28, 2011</u>
<b>ASSETS</b>		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$73,161,722 and \$73,779,271, respectively)	\$ 69,513,434	\$ 57,292,723
Control investments (cost of \$23,540,517 and \$27,364,350, respectively)	<u>25,846,414</u>	<u>22,732,038</u>
Total investments at fair value (amortized cost of \$96,702,239 and \$101,143,621, respectively)	95,359,848	80,024,761
Cash and cash equivalents	1,325,698	10,735,755
Cash and cash equivalents, securitization accounts	25,534,195	4,369,987
Outstanding interest rate cap at fair value (cost of \$131,000 and \$131,000, respectively)	75	16,265
Interest receivable, (net of reserve of \$273,361 and \$14,796, respectively)	1,689,404	1,666,083
Deferred credit facility financing costs, net	1,199,490	1,638,768
Management fee receivable	227,581	231,753

Other assets	94,823	85,166
Receivable from unsettled trades	59,511	-
Total assets	<u>\$ 125,490,625</u>	<u>\$ 98,768,538</u>
LIABILITIES		
Revolving credit facility	\$ 20,000,000	\$ 4,500,000
Payable for unsettled trades	4,072,500	4,900,000
Management and incentive fees payable	2,885,670	2,203,806
Accounts payable and accrued expenses	704,949	785,486
Interest and credit facility fees payable	53,262	67,792
Due to manager	394,094	240,000
Total liabilities	<u>\$ 28,110,475</u>	<u>\$ 12,697,084</u>
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	161,644,426	153,768,680
Distribution in excess of net investment income	(13,920,068)	(8,918,890)
Accumulated net realized loss from investments and derivatives	(48,874,767)	(37,548,016)
Net unrealized depreciation on investments and derivatives	(1,473,318)	(21,233,597)
Total Net Assets	<u>97,380,150</u>	<u>86,071,454</u>
Total liabilities and Net Assets	<u>\$ 125,490,625</u>	<u>\$ 98,768,538</u>
NET ASSET VALUE PER SHARE	<u>\$ 25.12</u>	<u>\$ 26.26</u>

**Saratoga Investment Corp.**

**Consolidated Statements of Operations**

	For the year ended February 29, 2012	For the year ended February 28, 2011	For the year ended February 28, 2010
INVESTMENT INCOME			
Interest from investments			
Non-control/Non-affiliate investments	\$ 7,055,709	\$ 8,745,939	\$ 10,902,482
Control investments	4,198,007	3,295,359	2,397,514
Total interest income	11,253,716	12,041,298	13,299,996
Interest from cash and cash equivalents	7,865	8,857	23,624
Management fee income	2,011,516	2,032,357	2,057,397
Other income	238,579	90,503	236,259
Total investment income	<u>13,511,676</u>	<u>14,173,015</u>	<u>15,617,276</u>
EXPENSES			
Interest and credit facility financing expenses	1,297,985	2,611,839	4,096,041
Base management fees	1,617,496	1,645,552	1,950,760
Professional fees	1,455,380	3,325,475	2,071,027
Administrator expenses	1,000,000	810,416	670,720
Incentive management fees	1,257,087	1,868,503	327,684
Insurance	578,746	704,800	869,969
Directors fees and expenses	208,851	373,385	294,932
General & administrative	389,825	478,730	265,575
Other expense	5,445	-	-
Expenses before expense waiver and reimbursement	7,810,815	11,818,700	10,546,708
Expense reimbursement	-	(258,562)	(670,720)
Waiver of deferred incentive management fees	-	(2,636,146)	-
Total expenses net of expense waiver and reimbursement	<u>7,810,815</u>	<u>8,923,992</u>	<u>9,875,988</u>
NET INVESTMENT INCOME BEFORE INCOME TAXES	5,700,861	5,249,023	5,741,288
Income tax expense, including excise tax	-	-	(27,445)
NET INVESTMENT INCOME	<u>5,700,861</u>	<u>5,249,023</u>	<u>5,713,843</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized loss from investments	(12,185,997)	(24,684,262)	(6,653,983)
Net unrealized appreciation (depreciation) on investments	19,776,469	36,419,362	(9,525,054)
Net unrealized appreciation (depreciation) on derivatives	(16,190)	(25,882)	2,634
Net gain (loss) on investments	<u>7,574,282</u>	<u>11,709,218</u>	<u>(16,176,403)</u>

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 13,275,143</u>	<u>\$ 16,958,241</u>	<u>\$ (10,462,560)</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$ 3.87	\$ 6.96	\$ (9.86)
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED	3,434,345	2,437,577	1,061,351

\*Earnings per share and Weighted average shares outstanding for the year ended February 28, 2010 have been adjusted to reflect a one-for-ten reverse stock split in August 2010.

SOURCE Saratoga Investment Corp.

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