

November 12, 2010

## **Saratoga Investment Corp. Declares \$4.40 Dividend Per Share**

NEW YORK, Nov. 12, 2010 /PRNewswire-FirstCall/ -- Saratoga Investment Corp. (NYSE: SAR), a business development company, today announced that its Board of Directors has declared a dividend of \$4.40 per share payable on December 23, 2010 to common shareholders of record on November 19, 2010. The dividend will be paid in cash or shares of the Company's common stock at the election of the shareholders, although the total amount of cash to be distributed to all shareholders will be limited to approximately 10% of the total dividend to be paid to all shareholders. The remainder of the dividend (approximately 90%) will be paid in the form of shares of the Company's common stock. This dividend is being made in accordance with IRS Revenue Procedure 2010-12, which allows a publicly-traded regulated investment company to satisfy its distribution requirements from a distribution paid partly in common stock provided that at least 10% of the distribution is payable in cash and certain other requirements are satisfied. The dividend includes a carry-over balance from the Company's fiscal year 2010 taxable income and a significant portion of the Company's fiscal year 2011 taxable income, including one-time transaction-related income such as the \$2.6 million waiver of deferred incentive management fees by its former manager.

"We believe paying this dividend largely in stock is prudent and consistent with our focus on maintaining and enhancing our balance sheet liquidity and ability to diversify our portfolio," said Christian L. Oberbeck, Chief Executive Officer of Saratoga Investment Corp. "This dividend satisfies our regulated investment company taxable income distribution requirement. Importantly, it allows the Company to resolve all known past tax liabilities and move forward with a clean slate."

The liquidity from the use of the stock dividend is intended to provide the Company with incremental capital to grow and diversify its portfolio, which should ultimately allow the Company to increase its net asset value. There has been an increase in net assets of \$9.3 million as a result of operations over the first six months of this fiscal year. The Company intends to review its current dividend strategy in early 2011.

Each shareholder will have the opportunity to elect to receive the dividend in cash or in the Company's common stock. However, the total amount of cash to be distributed to all shareholders electing to receive their dividends in cash will be limited to approximately 10% of the total amount to be distributed to all shareholders. In the event that the amount of cash to be distributed to all shareholders electing to receive the dividend in cash would exceed 10% of the total dividend, each shareholder electing to receive cash will receive a pro rata portion of the total cash to be distributed based on the number of shares held by each such shareholder. The remainder of the dividend in excess of a shareholder's pro rata share of the total amount of cash to be distributed will be paid in the form of shares of the Company's common stock. Shareholders electing to receive the dividend in shares of the Company's common stock will receive their entire dividend in the form of shares of the Company's common stock regardless of the elections made by any other shareholders.

The Company will mail an election form to receive cash or common stock only to registered shareholders promptly after the November 19, 2010 record date. Registered shareholders are those shareholders who own their stock directly and not through a bank, broker or nominee. The completed election form must be received by Saratoga Investment Corp.'s transfer agent, American Stock Transfer, prior to 5:00 p.m. (EST) on December 20, 2010. Registered shareholders with questions regarding the dividend may call American Stock Transfer at 866-668-6563. Registered shareholders who do not make an election will be deemed to have elected to receive 100% of their dividend in stock.

Participants in the Company's dividend reinvestment plan will also receive an election form. The investment feature of the dividend reinvestment plan will be suspended for this distribution and will be reinstated after this distribution has been completed.

Shareholders who hold their shares through a bank, broker or nominee will not receive an election form from the Company and should contact their bank, broker or nominee for instructions on how to make an election.

Regardless of whether a shareholder receives the dividend in cash, stock, or some combination of cash and stock, the entire amount of this dividend will be fully taxable to shareholders and Saratoga Investment Corp. will report the actual tax characteristics of each year's dividends annually to shareholders and the IRS on Form 1099-DIV.

### **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.

## **Forward Looking Statements**

This press release may contain certain forward-looking statements. Words such as "intends," "believes," "expects," "projects," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors enumerated in 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.

**Contact:**

Richard Petrocelli  
Saratoga Investment Corp.  
212-906-7800

Roland Tomforde  
Broadgate Consultants  
212-232-2222

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