



SARATOGA INVESTMENT CORP.

Compensation Committee Charter

Purpose

The Compensation Committee is created by the Board of Directors of the Company to:

- oversee the Company's compensation policies generally and make recommendations to the Board with respect to incentive compensation and equity-based plans of the Company that are subject to Board approval;
- evaluate executive officer performance and review the Company's management succession plan;
- oversee and set compensation for the Company's executive officers; and
- prepare the report on executive officer compensation that the Securities and Exchange Commission (the "SEC") rules require to be included in the Company's annual proxy statement.

Membership

The Compensation Committee shall consist of at least three members, comprised solely of independent directors meeting the independence requirements of the New York Stock Exchange as well as the applicable laws, regulations, rules, and orders of the SEC. A director of a business development company shall be considered to be independent if he or she is not an "interested person" of the company, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended. The Nominating and Corporate Governance Committee shall recommend nominees for appointment to the Compensation Committee annually and as vacancies or newly created positions occur. Compensation Committee members shall be appointed by the Board and may be removed by the Board at any time. The Nominating and Corporate Governance Committee shall recommend to the Board, and the Board shall designate, the Chairman of the Compensation Committee.

Procedures

The Compensation Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this Charter. The Chairman of the Compensation Committee, in consultation with the other committee members, shall determine the frequency and length of the Committee meetings and shall set meeting agendas consistent with this Charter. No executive officer should attend that portion of any meeting where such executive's performance or compensation is discussed, unless specifically invited by the Compensation Committee. No executive officer may be present during the Compensation Committee's voting or deliberations on his or her compensation.

Goals and Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, the Compensation Committee is responsible for the following matters.

Compensation Policies

- The Compensation Committee shall review and make recommendations to the Board in respect of any incentive compensation and equity-based plans of the Company that are subject to Board approval.

Executive Compensation

- The Compensation Committee shall review and approve the compensation, if any, by the Company for each of the Company's executive officers (for purposes of clarification, currently none of the Company's executive officers are compensated by the Company). In so reviewing and approving executive officer compensation, the Compensation Committee shall, among other things:

- identify corporate goals and objectives relevant to executive officer compensation;
- evaluate each executive officer's performance in light of such goals and objectives and set each executive officer's compensation based on such evaluation and such other factors as the Compensation Committee deems appropriate and in the best interests of the Company (including the cost to the Company of such compensation); and
- determine any long-term incentive component of each executive officer's compensation based on awards given to such executive officer in past years, the Company's performance, shareholder return and the value of similar incentive awards relative to such targets at comparable companies and such other factors as the Compensation Committee deems appropriate and in the best interests of the Company (including the cost to the Company of such compensation).
- The Compensation Committee may delegate to one or more officers of the Company the authority to make grants and awards of stock rights or options to any non-Section 16 officer of the Company under such of the Company's incentive-compensation or other equity-based plans as the Compensation Committee deems appropriate and in accordance with the terms of such plans.

Management Succession

- The Compensation Committee shall, in consultation with the Company's CEO, periodically review the Company's management succession planning including policies for CEO selection and succession in the event of the incapacitation, retirement or removal of the CEO, and evaluations of, and development plans for, any potential successors to the CEO.

Disclosure

- The Compensation Committee shall prepare the report on executive officer compensation that the SEC rules require to be included in the Company's annual proxy statement (currently no such report would be required to be produced because none of the Company's executive officers are compensated by the Company).

Performance Review

- At least annually, the Committee shall evaluate its own performance and report to the Board on such evaluations.

Authority to Hire Consultants

The Compensation Committee shall have the right to use reasonable amounts of time of the Company's independent accountants, outside lawyers and other internal staff and may, in its sole discretion, hire experts, lawyers, compensation consultants and other advisors (each, a "Consultant") to assist and advise the Compensation Committee in connection with its responsibilities. The Compensation Committee shall be directly responsible for the appointment, compensation (at the Company's expense) and oversight of any work of such Consultants and shall keep the Company's Chief Executive Officer, President, Chief Financial Officer, Chief Compliance Officer and Board of Directors advised as to the general range of anticipated expenses in connection therewith. When selecting a Consultant, the Compensation Committee should first consider factors relevant to that person's independence from the Company, such as:

- the provision of other services to the Company by the Consultant or person that employs the Consultant;
- the amount of fees received from the Company by the Consultant or person that employs the Consultant, as a percentage of the total revenue of the Consultant or person that employs the Consultant;
- the policies and procedures of the Consultant or person that employs the Consultant that are designed to prevent conflicts of interest;
- any business or personal relationship of the Consultant with a member of the Compensation Committee;
- any stock of the Company owned by the Consultant; and
- any business or personal relationship of the Consultant or person that employs the Consultant with an executive officer of the Company.