

MVC | CAPITAL

NYSE: MVC

MARCUM
ACCOUNTANTS ▲ ADVISORS

May 29, 2014

Safe Harbor Statement

This presentation contains “forward-looking statements.” These statements include the plans and objectives of management for future operations and financial objectives, loan portfolio growth, and availability of funds. Information in this presentation is not an update or reaffirmation of previously disclosed information. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors that could cause actual results to differ materially are included in the “Risk Factors” section of the Company’s periodic filings with the SEC, and include uncertainties of economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately, and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements included herein are reasonable, any of the assumptions could be inaccurate and therefore there can be no assurance that the forward-looking statements included herein will prove to be accurate. Therefore, the inclusion of such information should not be regarded as a representation by the Company for any other person that the objectives and plans of the Company will be achieved. This presentation should be read in conjunction with the Company’s recent SEC filings.

Introduction

MVC Capital, Inc. (“MVC”) is a Business Development Company (BDC) that seeks to build shareholder value by making yielding and other investments in middle-market companies across various industries and across the entire capital structure.

Recent Business Highlights:

- ✓ The near realization of the Capital Loss Carry Forwards has supported our investment allocation shift towards making yielding investments rather than equity investments
 - ✓ A disciplined transition to yield is underway
- ✓ Invested over \$19mm in total during the first quarter 2014 in five follow-on investments
 - ✓ Invested over \$14mm in three yielding follow-on investments
- ✓ Paid over \$104mm in dividends to shareholders through April 30, 2014¹
- ✓ Repurchased nearly \$19 million of stock in the last 14 months through April 30, 2014¹
- ✓ Current cash position of \$55.0mm as of January 31, 2014 (excluding restricted cash)

¹ Footnotes at end of presentation

Firm Founding

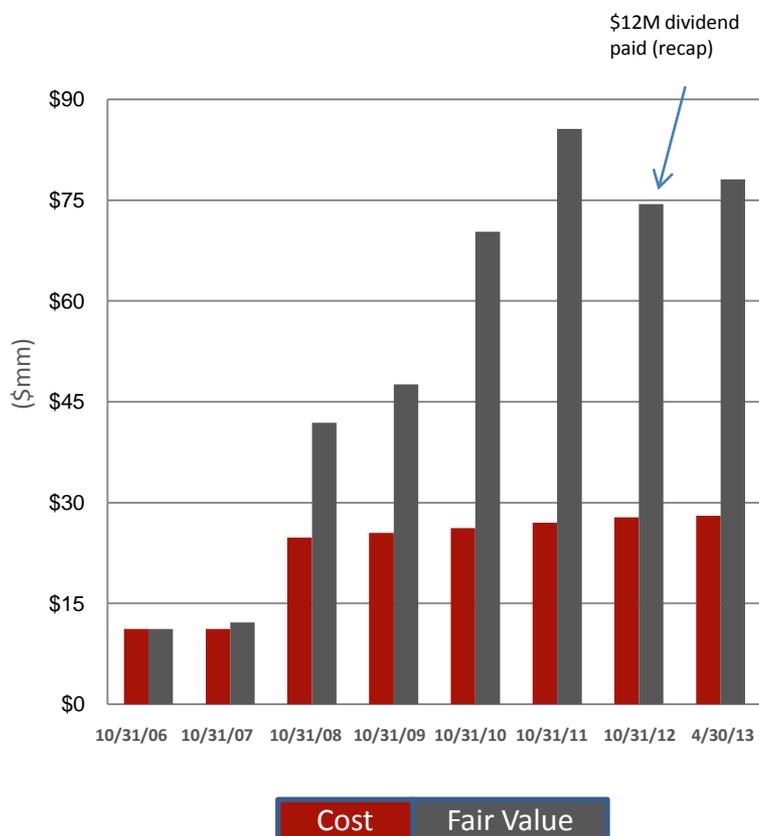
- Founded as meVC Draper Fisher Jurvetson Fund I, Inc. (“meVC”)
 - Affiliated with venture capital firm Draper Fisher Jurvetson
- Targeted venture capital investments in information technology companies, primarily in the Internet, e-commerce, telecommunications, networking, software and information services industries
- In March 2000, meVC raised approximately \$310 million via initial IPO, net of offering costs, but NAV per share and market price declined over the next three years

(\$ millions except NAV per share and market price)	March 31, 2000 (IPO)	October 31, 2003
Cash	\$310	\$113
Portfolio of Venture Investments	N/A	\$24
Net Assets	\$310	\$137
NAV per Share	\$18.89	\$8.48
Market Price	\$20.00	\$8.10

New Leadership

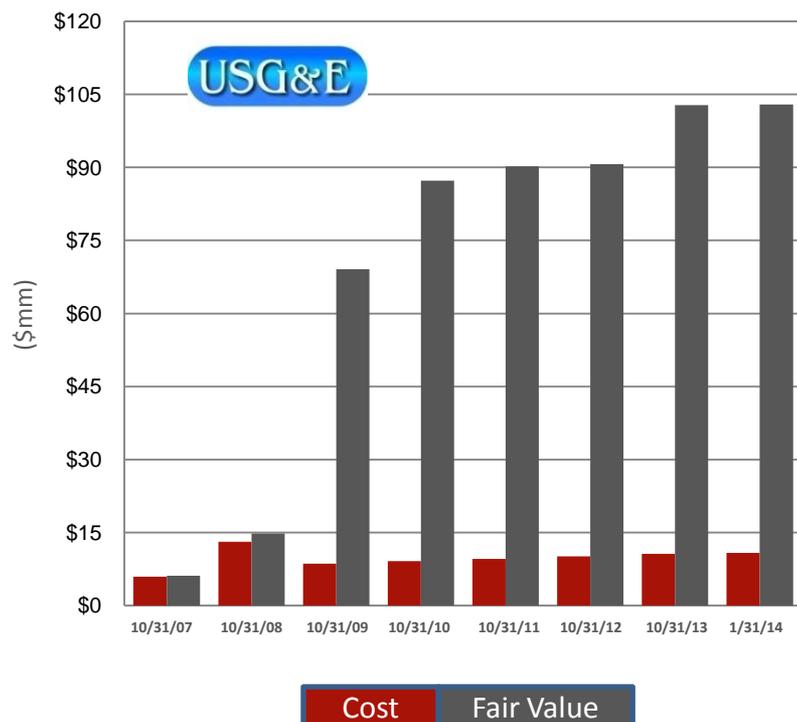
- Proxy battle ensued over performance
 - New Board of Directors elected in Feb. 2003
- In Nov. 2003, Michael Tokarz assumed position of Chairman and Portfolio Manager
 - MVC had capital loss carry forwards (“CLCF”) and unrealized losses totaling almost \$160 million
 - Despite most BDCs operating as debt vehicles due to their structures, Mr. Tokarz saw a valuable off-balance sheet asset (i.e. sizeable CLCF)
- In order to offset losses and organically grow NAV, MVC changed its investment objective
 - Began providing equity and debt financing to private companies to maximize total return from capital appreciation and/or income

Case Study: Summit Research Labs, Inc.²



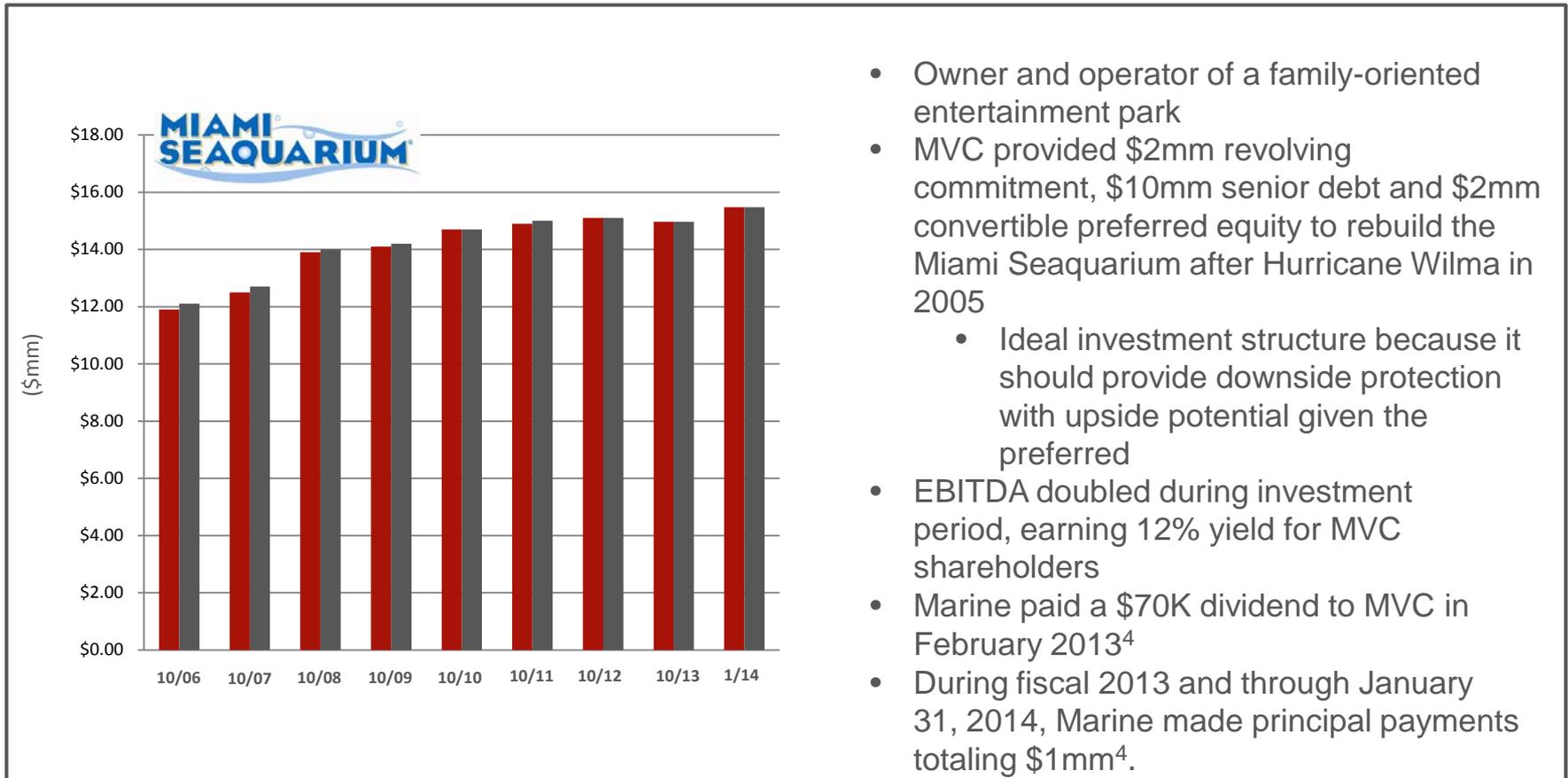
- New York based specialty chemical manufacturer of antiperspirant actives
- Solid customer base, a reputation for superior quality, and global distribution in more than 35 countries
 - 70%+ global market share of powder antiperspirant actives
- August 2006 – completed \$5.0mm debt financing and \$11.2mm of equity financing
- February 2008 – MVC sponsored Summit’s acquisition of Reheis – a producer of ingredients in antiperspirants
- March 2012 – distributed \$12.0mm or \$0.50 per share to MVC
- April 2013 – sold company for realized gain of \$49.5mm (IRR of 31%)³
 - Purchased Summit Custom Spray Drying division
 - Reinvested \$22mm second lien loan in Summit at 14%

Case Study: U.S. Gas & Electric²



- Marketer and distributor of natural gas and electricity to small commercial and residential retail customers
- August 2007 – provided \$18mm investment commitment to recapitalize company and provide growth capital
 - Arranged \$25mm senior debt financing
 - Sponsored major synergistic acquisition
- Historically cold 2014 negatively impacted business, but long-term growth potential remains
- Generated an unrealized return on equity of over 185X through January 31, 2014
- MVC is exploring ways to monetize asset

Case Study: Marine Exhibition Corporation / "Miami Seaquarium"² - Yield



Cost

Fair Value

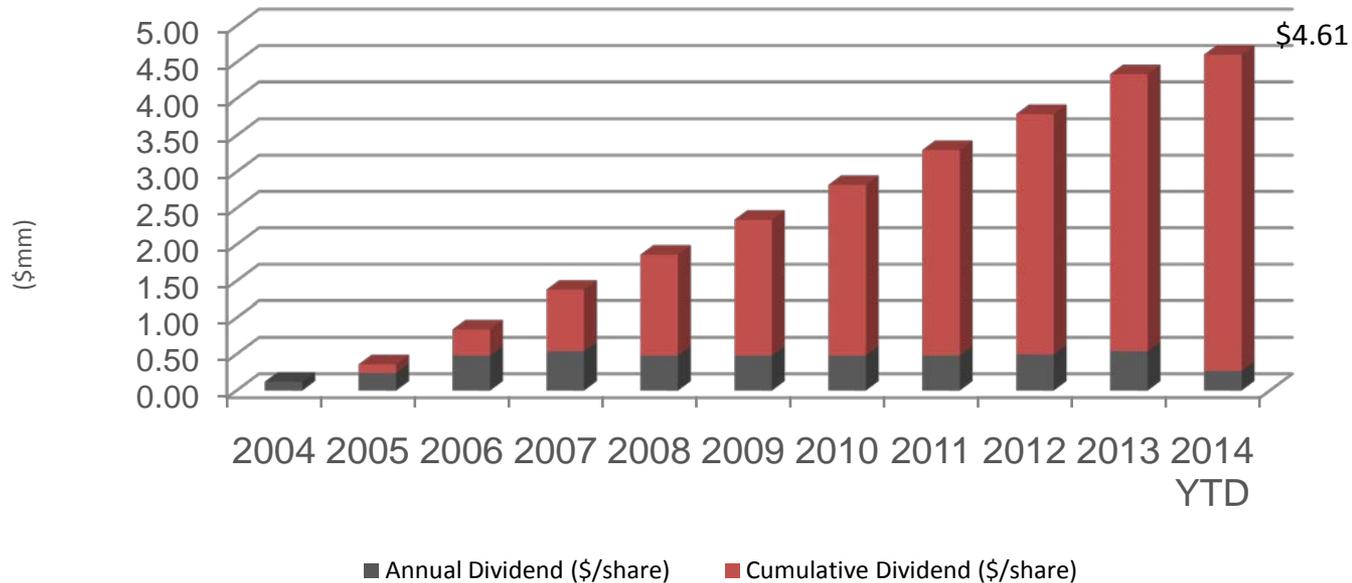
Successful Track Record for Over 10-Year Period²

- Organic growth in Net Assets, net of all fees and expenses, totaling over \$265mm
- Returned approximately \$154mm to shareholders through January 31, 2014¹
 - ≈ \$53mm share repurchases / tenders
 - ≈ \$101mm dividends
- Increased NAV Per Share ≈ 105% from \$8.48 to \$17.36 per share
- Issued new equity totaling over \$140mm

(\$ millions except NAV per share and market price)	March 31, 2000 (IPO)	October 31, 2003	January 31, 2014
Cash	\$310	\$113	\$55
Portfolio Investments	N/A	\$24	\$459
Net Assets	\$310	\$137	\$393
NAV per Share	\$18.89	\$8.48	\$17.36
Market Price	\$20.00	\$8.10	\$14.25

Cumulative Dividend Returns and Share Repurchases

Strong operating results have allowed for distributions and share repurchases of approximately \$160 million – more than the \$137 million asset base started with in fiscal 2004¹



- MVC has issued dividends totaling over \$104mm over 36 consecutive quarters through April 30, 2014¹
- In 2013, MVC distributed cash or repurchased stock totaling over \$29 million, an implied 7.4% yield on ending net assets of \$394 million¹

Capital Shift Underway

Approximately \$9.9mm of capital loss carry forwards “CLCFs,” current year net realized losses and unrealized losses as of January 31, 2014⁵

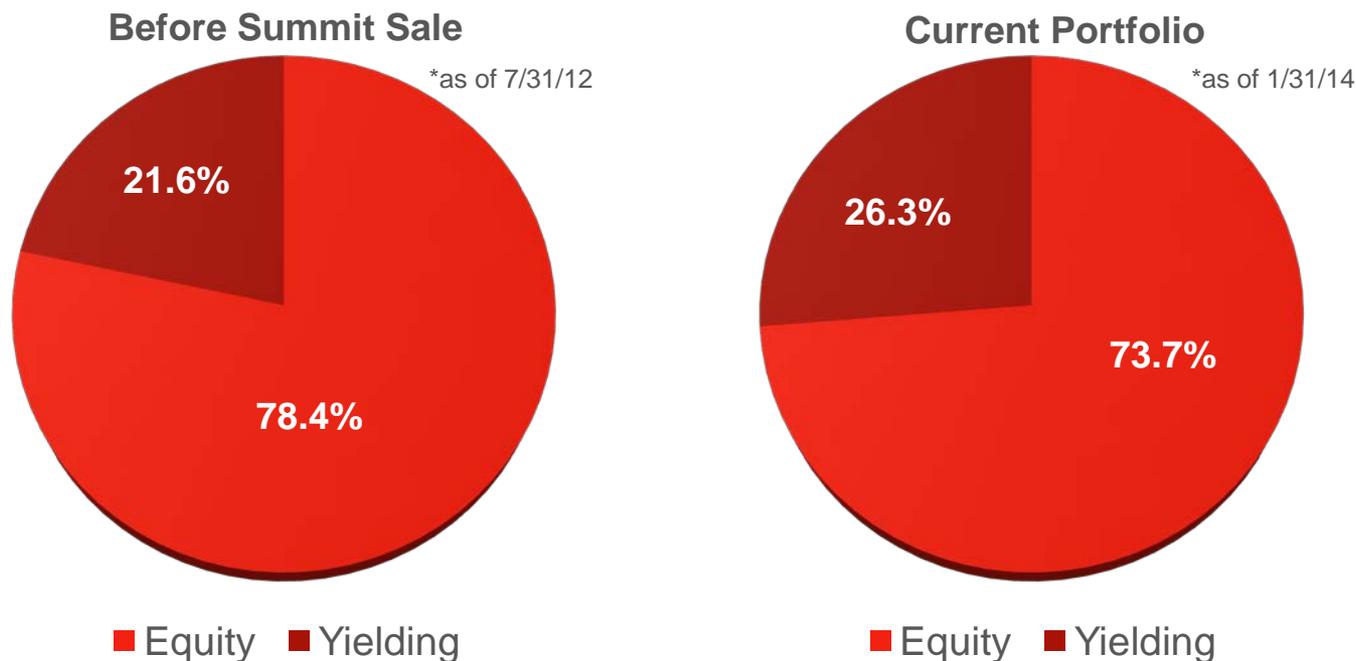
<u>U.S. Gas & Electric, Inc.</u>		<u>Summit Research Labs, Inc.</u>	
Fair Market Value ⁵	\$102,916,252	Gross Equity Proceeds ⁵	\$65,500,000
<u>Investment Cost</u>	<u>\$10,748,645</u>	<u>Investment Cost</u>	<u>\$16,000,000</u>
<i>Implied Gain</i>	<i>\$92,167,607</i>	<i>Implied Gain</i>	<i>\$49,500,000</i>
<i>Per Share Unrealized Gain</i>	<i>\$4.08</i>	<i>Per Share Gain</i>	<i>\$2.19</i>

Implied Gains (combined)

Implied Gains	\$92,167,607
Sheltered Gains (CLCFs) ⁵	(\$906,000)
Current Year Net Realized Losses	(\$237,139)
Unrealized Losses ⁵	<u>(\$8,750,003)</u>
<i>Potential Distributable Gains⁵</i>	<i>\$82,274,465</i>
<i>Potential Per Share Distributable Gains⁵</i>	<i>\$3.64</i>
<i>Net Asset Value Per Share (as of 1/31/14)</i>	<i>\$17.36</i>

Implied 28% Yield on \$12.98 stock price as of May 19, 2014

Capital Allocation Shift - Disciplined Transition Underway



- Sale of Summit has allowed for the disciplined implementation of a shift in capital allocation to better align with investment strategy
- Increased available capital from \$114mm debt raise to be used for new, yielding investments and to support existing portfolio
- Unlimited share repurchase program implemented to increase value to shareholders¹
- Potential to support growing dividend¹

Investment Opportunity

Management Strength

- ✓ Experienced Investment Professionals
- ✓ Successful Track Record
- ✓ Strength in Equity and Debt Investing
- ✓ Significant Shareholder Alignment
(share buy back, expense cap, insider ownership, not paid on cash...)

Strategy

- ✓ Transformative Period/ Investment Capacity
- ✓ Consistent Dividend Strategy with Potential to Expand

Additional Upside

- ✓ Embedded Potential Gains to be Distributed Upon Realization¹
- ✓ Asset Management Opportunity

Market Dynamics

- ✓ Currently Trading at a Discount to NAV

Experienced Investment Professionals

Michael Tokarz

- Chairman & Portfolio Manager MVC Capital and the Tokarz Group Advisers (“TTGA”), MVC’s external manager
- Buyout pioneer and former General Partner of KKR for 17 years. Investment experience includes: Safeway, Beatrice, Walter
- Over 12 years of lending experience at Continental Illinois

Warren Holtsberg

- Director of MVC Capital and Co-Head of Portfolio Management at TTGA
- Founded and built Motorola Ventures into the second largest corporate venture capital and private equity manager in the world

Bruce Shewmaker

- Senior Managing Director, MVC and TTGA
- Co-founder of Merrill Lynch Venture Capital
- Successfully launched and managed six private funds since 1982
- Responsible for maximizing value from MVC’s legacy portfolio

MVC Investment Criteria²

Quantifiable Target Criteria

- Investment size generally ranging from \$3mm to \$25mm
- Focus on companies with revenues from \$10mm to \$150mm
- Focus on companies with EBITDA of \$3mm to \$25mm

Target Investment Signals

- Availability of downside protection with equity upside potential
- Opportunities to revitalize and support management to redirect a company's resources and strategy
- Support management teams in realigning structural impediments
- Businesses with secure market niches, predictable profit margins, and special product or service expertise
- Stable free cash flow
- Presence or availability of highly qualified management teams
- Sustainable competitive advantage and favorable industry dynamics

Middle Market Investment Opportunity

Revenue

\$1B **Middle Market**

✓ 200,000 companies

✓ \$9 trillion in revenue

✓ 1/3 of GDP

✓ 44 million jobs

“MVC” Middle Market Definition

- Established businesses with structural impediments
- Strong companies in market niches
 - Challengeable peers and/or M&A opportunities
- Lower segment of Mid-Market can allow for greater influence on portfolio companies
- Flexible and creative structuring is warranted

Why Opportunities Exist in the Lower Middle Market

- Funding gap tends to exist for Middle Market companies across all industries – often overlooked by traditional lenders and investment banks
- MVC’s expertise can potentially help mitigate risk

\$150M

MVC’s Target Market

\$10M

MVC Private Equity Fund Opportunity²

MVC Shareholders have access to Private Equity Investments

Asset Management Opportunities

- Raised approximately \$104 million in capital for MVC Private Equity Fund, L.P. (“MVCPE”), a private equity fund focused on control equity investments in the lower middle market
- MVCPE is targeting non-diversified deals that MVC Capital is currently restricted from investing in
- MVC shareholders participate in up to 25% of the management fees and up to 30% of the carried interest generated by the MVCPE Fund
- Through January 31, 2014, MVCPE invested in three companies, Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Global, allocating approximately 46% of the committed capital

Conclusion

MVC is an opportunistic BDC with an experienced management team that has steered the company through financial challenges to a strong position where we believe that it can return value to its shareholders in dividends and NAV growth through a variety of corporate actions.

- ✓ Recent asset sales and debt raise have positively affected capital structure when compared to previous years
- ✓ Disciplined but growing investment pace
 - ✓ Allocated over \$19mm of capital during Q1 14, including \$14mm to yielding investments
- ✓ Potential large future gains payable in special dividends now that “capital-loss carry forwards” have been largely exhausted
- ✓ Investment capacity of approximately \$55mm as of January 31, 2014 (excluding restricted cash)

An abstract geometric composition featuring several overlapping shapes in two shades of red (a bright red and a darker, more saturated red) and white. The shapes include triangles and quadrilaterals that create a sense of depth and movement. A prominent white triangle is located in the upper left, and another white triangle is in the lower right. The overall effect is a dynamic, layered composition.

Appendix

Footnotes

1. There can be no assurance that future dividend payments will match or exceed historic ones, or that they will be made at all. YTD information is as of April 30, 2014.
2. Note: These case studies are provided for illustration purposes only. See most recent public filings for MVC's full financial results. No assurance can be given that any investment opportunity in MVC portfolio companies will be profitable or that results similar to historical results will be achieved in the future. These returns represent only certain historical results and historical results are not necessarily indicative of future results. Past performance does not guarantee future results. See important disclosures on pg. 2 and pg. 21. Source: 10-K and 10-Q filing. Financial data is unaudited.
3. The anticipated \$49.5 million gain and associated Gross IRR assumes the full receipt of all escrow proceeds scheduled for 18 months from the closing of the transaction.
4. There can be no assurance that future Miami Seaquarium dividend and principal payments to MVC will match or exceed historic ones, or that they will be made at all.
5. FMV as of January 31, 2014. Summit was sold on March 29, 2013, resulting in a realized gain of \$49.5 million (assuming the full receipt of all escrow proceeds). Available capital loss carry forwards as of October 31, 2013. Includes only unrealized losses attributable to legacy investments that have been written to \$0. These unrealized losses would only be available to shelter gains from USG&E if the losses are realized prior to or in the same tax year the gains are realized and if no other gains are recognized to offset the unrealized losses. Potential gains if USG&E sold at current FMV. There can be no assurance that this investment will be sold in the near term and at prices that approximate current FMV. The Company, in its discretion, may determine to retain and not distribute all or a portion of such gains. Based upon closing stock price on May 19, 2014. Per share based on shares outstanding as of January 31, 2014. See footnotes and important disclosures on pg. 2 and pg. 21.

Gross IRR is calculated before giving effect to any taxes, management fees, incentive compensation, transaction expenses and other expenses, which may be substantial. Gross IRR includes any cash flows on realized investments and may include management fees, dividends and any other cash flows received with respect to a given investment, even if earned after the date of exit.

Important Disclosure

Past performance does not guarantee future results. Our share value may fluctuate. For more detailed information on risks and expenses relating to the Fund, see the latest form 10-K and subsequent quarterly reports filed on form 10-Q.

Our Company is subject to certain significant risks relating to our business and investment objective, including, for example, the potential volatility of our common stock price and the illiquidity of our investments in portfolio companies. For a detailed description of the risk factors impacting the Company, please read the “Risk Factors” section of our recent SEC filings. Past performance is no guarantee of future results. There can be no assurance that we will achieve our investment objective.

This document is provided for informational purposes only and constitutes neither an offer nor a solicitation to buy or sell securities in MVC Capital, Inc. (the “Fund”).

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