MVC CAPITAL, INC.

Edited Transcript of
Sprague Maxim Presentation
January 15, 2014

SAFE HARBOR STATEMENT

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Edited Transcript*
Sprague Maxim Presentation
January 15, 2014
12:00 p.m. ET

Participants
Paul LaRosa, Senior Managing Director, Maxim Group
Mike Diana, Senior Research Analyst, Maxim Group
Scott Schuenke, CFO and CCO, MVC Capital, Inc.
Michael Tokarz, Chairman and Portfolio Manager, MVC Capital, Inc.

Operator: Good afternoon, ladies and gentlemen, and welcome to the MVC Capital conference call. At this time all participants have been placed on a listen-only mode. It is now my pleasure to turn the floor over to your host, Paul LaRosa. Sir, the floor is yours.

Paul LaRosa: MVC is Michael Diana's top pick in the BDC universe. It has a lot of the characteristics that we've made money in over the years with these business development companies. From the company today we have Scott Schuenke and Mike Tokarz. So, I'll let Mike Diana give a brief introduction, then we'll hand it over to management and then we'll have some Q&A.

Mike Diana: OK, and all of you have heard a lot of presentations by BDCs we've had through here from the biggest, Apollo, on down. MVC is different, and they have an intangible that really makes them different. Mike Tokarz is the Chairman and Portfolio Manager. He is going to run through some case studies for you, and I think you'll get a sense of what makes MVC different. Scott is going to start off first. Scott?

Scott Schuenke: Right. Thank you, Mike. I'm Scott Schuenke. I'm the CFO of MVC Capital. MVC Capital was actually founded as meVC Draper Fisher Jurvetson. It was a BDC focused on venture investments and technology companies back in the early 2000s. It was a way for widows and orphans to take advantage of the tech boom that was going on in Silicon Valley.

In March of 2000, meVC Draper Fisher Jurvetson raised approximately $310 million in an IPO, net of offering costs. By October 31, 2003, they had

* Please note that this is an edited transcript. All footnotes appear at the end of the edited transcript along with important legal disclosure and both should be read in conjunction with this edited transcript.

eroded roughly $173 million dollars of NAV. So the stock price traded as low as $7.25 off the IPO of $20.00, which was basically trading at cash. NAV per share dropped to $8.48. A proxy battle ensued over performance in February 2003.

A new board was elected, and they went to go find a new manager for this fund. They found Mike Tokarz, who is our current Chairman and Portfolio Manager. Mike had just retired from KKR in 2002. He was partner number six or seven, and he did some of those legendary '80s buyouts.

He did Safeway. He did Beatrice. He did Walter Industries. When Mike was brought in, he and the board had a tough decision on their hands. The decision was, "Are we going to liquidate this fund and the $113 million of cash? Or, are we going to try to revamp meVC?"

So, Mike did his due diligence and saw that there was a very valuable off balance sheet asset at meVC and that was a capital loss carryforward of roughly $160 million. Now, a capital loss carryforward is not a net operating loss. It can only be used to offset realized capital gains. So capital loss carryforwards allow a BDC to offset realized capital gains and retain them without having to be distributed, meaning you can grow NAV organically.

So with that in mind and wanting to offset this capital loss carryforward, the Board, along with Mike, changed the investment objective. What they tried to do is focus more on both equity and debt investments with a program of trying to offset these capital loss carryforwards. The first thing Mike did when he came in was to put in place a tender offer in early 2004.

Mike wanted those shareholders who wanted to get out, who didn't agree with the change in strategy, to have the opportunity to get out. So about roughly $30 million worth of shares tendered. So now you have an NAV of roughly $100 million, and with BDC/RIC rules the way they are, only half can go into a controlled investment. So you have a base of $50 million of which you can try to offset this $160 million capital loss carryforward.

With that, I will turn it over to Mike to show you what we've been up to for the past ten years.

Mike Tokarz: Thank you. I'm Mike Tokarz. It's good to see you here, and thank you for inviting us. Well, we inherited something that's $100 million in size and $50 million is all you can invest in controlled investments. This was not what I was accustomed to doing over at KKR.

The opportunity to realize $160 million of capital loss carryforwards on $50 million seemed remote, especially knowing that a fund can only have, by rules, half of its value in controlled investments at any one time. Once you exceed that, if something grows, your portfolio control investment goes over half, and you end up not being able to make any future investments in a control investment. You have to wait until you sell something and bring it back down below $50 million.

But what do we do that's different, that makes us have this intangible that Mike Diana mentioned?

What we try to do is find situations that we can invest in, that we know going in we can seize an opportunity or overcome an impediment. After all, all of these shareholders had lost a lot of money with the old management team, and we didn't want to lose any more for them. So how were we going to do this?

Well, if you know in advance that you can seize an opportunity to allow a portfolio company to grow its business better than they could otherwise, or you can relieve an impediment that's holding a portfolio company back and that's going to make it surge forward, that's how you do it. You make more money that way. And we're going to give you some examples.[1]

The first one is Summit Research. Everyone in the room has a 70 percent chance of wearing what is made by this company. Assuming, of course, you're wearing antiperspirant. So knowing that most of you do, with Summit Research we started out with a very small company that two fellows took out of bankruptcy.

They grew it, and it had a little bit of EBITDA, and they wanted to monetize their investment. They were happy to make $5 million of EBITDA. So we came along and said that we'd buy it but would like you guys to stick with us because we think we see an opportunity to assemble a company in this niche. So we bought this company, and we started growing it. They had good operating talent, and we made sure that the equipment was the finest.

Then we saw the third largest guy in the industry go bankrupt in upstate New York. Knowing a little bit about bankruptcy from my days at KKR (we had a few, believe it or not), I had learned that it's a court of equity. That means that when you bid for access, if you're tied with someone, which is one of my favorite strategies, to tie, you win on the intangibles.

Well, our offer for this was attacked by the largest guy in the industry, a subsidiary of a publicly traded chemical company called Reheis, who was the number one guy in the world. They themselves had a 40 percent market share and we were about 30 percent.

So Reheis ended up bidding for these assets but just for the equipment in the building. We bid for the building saying we'd reopen the company right on that spot.

We win, they lose. Why? Because the judge says, "Look, some employees will get their jobs back and there's going to be community income here," while Reheis was going to pick the equipment up and move it to their New Jersey plant.

We were much more cost effective than Reheis. So, what do we do? They wait – and we start nipping away and start to grow. They call us and they say, "Mike, how would you like to buy our business – our company, our subsidiary here and Reheis Chemical?" We said, "You operate a plant in New Jersey that's very inefficient." Reheis said, "Yes, but we'll sell you our whole business and make you the kingpin."

We said, "Fine, we'll buy your business. You keep your plant and the employees. You keep the equipment. We don't want any of it. All we want is your actual business, the name." We took that and moved it into our factory.

Now we're the worldwide leader in powder antiperspirant actives, the most cost-effective producer.

So we grow this business from a starting EBITDA of $5 million to $18 million, and we sell to a buyout firm for 31 percent IRR.[2] So, here we go. We find the niche. We're dominating a tiny little niche (in the world no less, with 70 percent global market share, up from 30 percent at the start), and we did all of this in the first 24 months of our investment in Summit.

So let's go to another one.[1] This is one of my favorites. This one, I really thought out of the box. I bought a Ford dealership just like the one you see down the street. You know, the one that sells cars to you and me, and the other mom and pops out there. However, this one has only sold 500 cars a year, and it was located in Riga, Latvia. Anybody have a clue where that is?

It's over there by St. Petersburg, Russia and Helsinki, Finland. Yes, I bought this dealership. It was in a rented space in the middle of this town in Riga, Latvia. We bought it for $10.5 million, $4.5 million in the form of an MVC loan and $6 million of equity. Our CFO at the time went to the board of directors and said, "Mike has lost his mind. He's buying something in Latvia. This is only a $100 million fund. What is he doing?" The Board turned to me and said, "Mike, you know, this is a very interesting investment, a Ford dealership in Latvia. Could you tell us why you think it's a good investment?" I said, "Sure. What it is, it's an economic cycle play." Having an undergraduate degree in economics, and also having worked in Russia, I have a sense for the economic environment in that part of the world.

Everybody in Russia knows that the one thing you wanted post-Soviet era is an automobile. Because, you see, if you grew up in Russia, you got your education for nothing, you got your healthcare for nothing and you got your flat when the Soviet Union dissolved; they gave you your house. The one thing you wanted was good food when you got a little economic subsidence, then some better food and better clothes and then the next thing you wanted was a car.

Well, Latvia is an Eastern European country that's highly educated. Almost everybody in that country has some form of college degree and some have advanced degrees. They're fantastic engineers. They were just recently admitted to the European Union where labor is free trade.

In other words, a job shift was going to occur. They were all going to make a lot of money. Whether you know it or not, Ford has the second largest market share in Europe. We bought the company for $10.5 million—$4.5 million debt and $6 million of equity—and built a new dealership. One year later, we were named "Brand Ambassador" by Ford of Europe.

Ford, all of the salesmen and all of the dealers, came to Riga, Latvia for the annual conference. They loved it. They couldn't believe how well we were doing. By 30 months, we had talked to the banks about how to make credit loans. Latvia had no credit and FICO scores, or anything like it. We advised the country on how to set that up, and we ended up selling 2,000 cars in 2006, up from 500 in 2004. As a matter of fact, along the way we got so many cars coming in. They used to ship those cars to Turku, Finland, truck them to Helsinki, then put them on a ferry over to Tallinn, Estonia and then it was back on a truck to Riga.

We went to Ford and said look, the Soviet Union had their Baltic port facility at Riga, Latvia, because it didn't freeze. St. Petersburg's port freezes. We're going to set up a processing plant in Riga, Latvia to import these cars on the water. So we bought a property on the port and then built a facility to import cars.

That got us a distribution agreement from Ford—15 percent more in profits and saved $350 a car in transportation costs. Now, every other manufacturer is coming in for that business. They want to move into that business and have us process their cars.

Meanwhile, we're going wild. We're selling more and more cars. Then there's this BMW guy who has a brand new beautiful glass and stainless steel building. Floors stacked on top of each other with glass floors, and you could see the motorcycles over here and the BMW 328 cars over there and so on. It's just gorgeous.

Except for one thing, the BMW guy was being prosecuted for tax evasion. He was out of the country ignoring the business. He only sold 60 cars the year before.

Their BMW franchise was revoked, and BMW was going to transfer it over to another franchise owner. Well, we were interested in BMW, too. Our portfolio company in Latvia, Baltic Motors, had already acquired Land Rover and Jaguar on top of Ford by this time, 24 months later from the investment. Now we're up to four dealerships. I said to our team, "You know this guy who's out there and being chased by the law? Can you get a hold of him?" They said, "Yes."

When I spoke to his people, I said, "I want to buy your building." They said, "What building?" I said, "That BMW building." They said "Well, you can't do that." I said, "Well he owns the building, doesn't he? So, let's buy that building, all of the cars and all of the parts. Tell him we'll give him the money to pay his taxes so he can come back in the country. We'll pay him book value. We'll give him a premium." To which they responded, "Really? But you realize he's got a letter. You're not going to be able to sell BMWs." I said, "No problem."

So the BMW guy takes the money, and we buy his dealership. We now own the building. Then we call BMW. I'm sitting in my office, and I happened to be by myself that day. I called the guy in Stockholm, who has the regional responsibility for BMW in the Baltics, and I said, "Sir, My name is Mike Tokarz." He said, "Yes, I know about you. You're going to want to sell BMWs. Well, you're not going to be selling any BMWs. You know that we are going give you another franchise. So I'm sorry, but you're not going to be able to sell BMWs. Don't even ask." I said, "Well, I was going to ask, but if that's the case, hold on one second." I put the phone down. There's nobody in the room. It's just me in my office, and I say, "All right, guys, take down the BMW sign, and let's put up the Land Rover, Jaguar and Ford signs, please." I lift up the phone. The guy says, "What was that? You can't do that."

I said, "Well, you said I couldn't sell BMWs. I guess we're not going to be selling BMWs. We're going to sell Land Rovers, Jaguars and Fords in that building." He said, "But that's a BMW Dealership. It was built to BMW standards." I said, "But it's just the building, and we own it. So I guess we're not going to be selling any BMWs. Go sell your BMWs over there on the Toyota lot." He said, "Send your guys to Stockholm. You have got one year, and I know I'm going to see a hockey stick projection."

One year later, we sold over 350 cars versus 60 the prior year. We beat the hockey stick projection we gave them. So here we are now making substantial profits.

Then we get this call from Inchcape, a publicly traded, London-based automotive dealership, all pan-European, and they say that they would like to buy our dealership. I said, "We only take cash." They replied, "Well, we have some cash." I said, "We're only going to take this number." They said, "Well that's a pretty high number." I said, "Well do your homework. If you want it, you can have it for cash."

We sold the whole lot for cash for a 115 percent IRR in 37 months on our combined equity investments. Our $6 million initial equity and $10 million of follow-on equity investments turned into $83 million of proceeds. So there you go. Buy a Ford dealer in Latvia, and you can get rich. OK, and that's number two. Like I mentioned earlier, we look for these little companies with an impediment, and we see an opportunity.

Here we seized an opportunity. You can see that we're a little scrappy, and we play the game. We have to do what we have to do to try to be successful and make money for our shareholders. Remember we had $160 million in capital loss carryforwards and only $50 million to invest. Meanwhile, things are improving in value, and we're limited in making other control investments.

So it was very convenient that Inchcape came along and bought our dealership business. Then I get a call from Ford Motor Company's Dearborn, Michigan corporate office saying, "Mike, please report to Dearborn, Michigan. We want to talk to you." I said, "Report to Dearborn, Michigan? I didn't know I worked for Ford." They said, "Well, will you come on up? We want to see you up here."

So I get up there. Ford management, says, "Why did you sell your dealerships in Europe? You're the best performing dealership group we have, and now you sold it. Why did you do that?" I said, "Well, somebody offered us a lot of money, and we sold it to an authorized Ford guy who was pre-approved to buy it. We didn't know we'd done anything wrong. I'm sorry, nobody called us." Ford said, "Well look, we own dealerships in Belgium, France, Austria, the Czech Republic, and we would like you to buy them." I said, 'Was this punishment for doing a good job in Riga, Latvia?"

Ford said, "No, no, it's not punishment. What it is, is that we know you're so good that we can sell you these things, and you'll really do well with them." I said, "But, you know that I know you're going to sell them to us, so how much money are they losing right now?" Ford said, "How did you know they're losing money?"

I said, "Please, they're losing money. How much?" Ford said, "Well 5.5 million euros collectively." I said, "We're too small to buy something that's losing that kind of money." Ford said, "You can fix them." I said, "Well we aren't going to buy something like that."

Then I said, "You probably want book value don't you?" The bottom line is we ended up buying them, and we got a discount. I signed two letters. I can't tell you what the discount was except I can give you a little clue: it starts with "E", for enormous.

So we own those dealerships, which are still in our portfolio, but you know, this is early in our days. We got a couple of more to show you in a minute here, but the bottom line is that this is what we do. We're not over there syndicating loans. We're not buying a loan off the street and hoping it doesn't go under.

Dakota Growers, this is another fun one.[1] 3,000 farmers in North Dakota form a cooperative originally to sell their wheat (Durum wheat), which is used in the manufacture of pasta. So they decided that they were going to build a factory and make pasta in Carrington, North Dakota, which is right in the middle of the state.

They started making this pasta and selling it. They were doing private label and industrial type of sales – food service and that kind of thing. They also had a tiny little brand selling in North Dakota. Then Atkins diet comes out and wipes out the 2nd largest guy in this space.

The largest guy, AIPC, is limping and struggling, losing money left and right. Meanwhile, these farmers are saying, "We're now the third largest manufacturer of pasta in the United States. We should figure out what we are going to with this. Do we go public? What do we do?"

So they interviewed about a dozen different bankers and professionals. Somebody right near the end of this process contacted us and said, "These guys might be able to help." So, we were invited to a board meeting, and the team and I made our presentation. They had a little recess, and they came back and said, "We'd like to have you guys as our partner in this and help us." (Later on, I was told that they had already picked someone else when we came into the Board meeting.)

I think it helped that I was on the Board of Swift Premium, Beatrice, ConAgra and Nabisco. They thought that background might be a help to them. So they said, "One thing we don't want; we don't want you to be in your ivory tower in New York calling in and telling us what to do. Yes, we're hands-on guys here. We're farmers. We grow the wheat and put it in the plant, and we make this pasta. So Mike, you know, we really like you, but you have to promise you'll go on our board." I said, "Well that's a requirement that I go on your board, and there's also a requirement that I make an investment in the company for our shareholders. We're not going to come out here and help you for a fee. We believe in putting our money down with you."

They said, "OK, fine. You're going to be on our board?" I said, "Yes, I am." He said, "OK, fine, and you'll come every meeting?" I said, "Yes, I will." He says, "OK, good, that's the good news. Now, I'm going to tell you the bad news," this is the chairman of the company who happened to be the lieutenant governor of the state at the time, "We have monthly meetings in Carrington, North Dakota only. You want to change your mind?" I said, "No."

I made every meeting other than a handful in five years. I went to all of these meetings, and twice in a blizzard, I walked in and made the quorum.

The second time I did that, the lieutenant governor says, "I don't—I just can't believe it. You're getting here from New York—why can't my guys get the 100 miles from Minot to here, from Jamestown to here or whatever because you've got to drive all that way from Fargo." I said, "That's right. It takes 2.5 hours to get here, although, six in this case."

So we actually get in, and we were able to help this company. You know, they buy and sell wheat along the way. They have to acquire wheat. We helped them land one particular product called Dreamfields, which, if you don't know, it's in the marketplaces here (New York) now. It's a low-digestible carb pasta, not like the ones you've tried before that are whole wheat that taste like cardboard. This is the technology that they came up with, and we helped them commercialize and market, it uses inulin and natural fiber that coats the molecule of starch that's in the pasta so it doesn't get digested, which reduces the carbs from 42 grams to 5 grams.

We did a recapitalization along the way. We made an investment to finance that recapitalization at $10.00 a share, and we bought in initially at $5.50 share. Then we sold the company. Wouldn't you know it, Viterra, the largest agribusiness company in Canada, made an offer over the transom, just like those guys from Inchcape.

They just came in and said, “We got to have it. We want to buy it. Will you sell it to us?” Of course we sold it to them, and we got another wonderful return (28% gross IRR). To top it all off, because of this deal, we now have potential deal flow coming out of North Dakota because of the contacts we made there, which, as you know, is home to the Bakken oil formation. So we look at potential deals coming from there regularly. In fact, I’ll be there this Saturday to work on a potential deal for our fund.

Being a BDC and doing these deals is a little challenging because, as we’ve mentioned earlier, once you get over the 50 percent control investment threshold, you’ve got to stop. You can’t make any more of those types of investments. To overcome this, we set up a subsidiary private equity fund.

We raised money from outsiders, but MVC is the anchor LP. As an MVC shareholder, you get your pro rata share of 25 percent of the fees and 30 percent of the carry that we make on that fund. So MVC shareholders not only have access to these PE investments via MVC’s LP commitment, they also stand to make money on other people’s money. That’s part of what we’re doing to help stimulate the profits for shareholders.

So there is one more case study I want to go over real quick to give you a feel for this. This is kind of a fun one, too. This one is Vitality Juice.[1]

Now, some of you have gone to these Hampton Inns and Hilton Garden Inns. These are the places that have these little juice machines in the lobby where you go in the morning to have a muffin or some scrambled eggs. This is also where they have a machine that dispenses juice. Sometimes it says Vitality on it. (We have also leased the name to Sunkist.)

We acquired this company in a kind of strange way. This used to be owned by a big family in Florida. They got into trouble and sold their company to a well-known private equity firm. You’d know the name of this private equity firm, but they defaulted, and the banks took the company back in lieu of bankruptcy.

They hired a CEO who was running it and trying to get it to be salable, and it got to the point where it was salable, and the CEO put it on the market. I found it when MVC was still small, and I made him an offer. He wanted $150 million. The most equity we could squeeze into the bucket was $15 million. I cobbled the rest of it all together to pay the $150 million. He loved our proposal.

He thought we'd be great. He thought we could really do something with it, but then the lead bank called me and told me, "Mike, you can't have it because a much bigger private equity firm has made an offer for it, and they have a lot more equity. We just can't take a chance this comes back." I said, "Well you're not leaving any debt in it. It's not going to come back to your bank if I fail. You don't have to worry about it."

He says, "We're just going to go with them, sorry." I was so disappointed. Four weeks later he calls and he says, "That big private equity firm couldn't finance it, Mike. Do you really have all of that money cobbled together like that? You think you can do it?" I said, "Yes, I sure can." He says, "Great, then let's go, except one thing: the board met, and we'd like you to bring in the PE shop that couldn't finance the purchase. We want you to have kind of a big guy there with you." I said, "The big guy stalled, and he's going to drag me down, we're going to do it by ourselves."

He said, "No, no we need you to do it." I said, "OK, as long as we have a seat at the board table and can help drive the strategy." So we ended up putting a portion of our investment in as preferred stock on top of the PE Fund's. Well, after all, that's what they deserve, right? Well, they agreed to it.

We upgraded the company into all of the finer places. Not quite the Four Seasons, but the finer places you might want to stay, and other places, too. The bottom line was that it had grown substantially. Then guess who came up and said that they had to have this company because by the time we got done with it, the company was national?

None other than Nestle calls us and says they were interested. So we sold it to Nestle. No book on the street, the company wasn't for sale. Nestle just came in and paid it. So if you look at these things, the element that we have is that this is not uncommon for our investments. We have a track record of adding value.[3]

Thank you. Scott?

Scott Schuenke: Thank you, Mike. So ten years later, we have grown NAV organically by over $265 million. We have net assets today of roughly $400 million. We've returned over $150 million to our shareholders between dividends, share repurchases and tenders,[4] and we've increased NAV per share from $8.48 to $17.40 a share.[3] So where do we go from here?

Well, those capital loss carryforwards that we talked about at the beginning of the presentation have been used up with the exception of $10 million.[5] We decided that over the course of ten years, we've seen that the BDC is not really a great place to do these types of investments. As Mike mentioned, there are rules and regulations that make it very tough to do control investing. So we have determined to transition the portfolio to more of a yielding portfolio.

Now when we say yielding, we don't mean buying syndicated paper. We're going to do some senior and uni-tranche. We'll do some second lien and maybe some mezzanine with warrants and equity kickers. We'll even do preferred stock with cash coupons or convertible notes.

The key for our shareholders is to try to achieve downside protection with strong equity upside. So if you look at our portfolio today, you'll see we've started to make that transition. We showed you the case study on Summit. It sold in April 2013 for a roughly $50 million gain,[2] and we have one other investment with a large embedded gain in U.S. Gas & Electric.

What would that sale look like if we hypothetically sold U.S. Gas & Electric at its fair market value? Our $500,000 investment is valued today at roughly $92 million, so we would use up the remaining $10 million of the capital loss carryforward.[6]

Then, hypothetically, we would have $82 million which would be required to be distributed to our shareholders. That's $3.65 a share on a $13.50 stock.[6] That would be over a 25% yield. Also, those distributions would retain their character because we're a BDC, and they would be distributed to our shareholders as long-term capital gains. So you'd be taxed at much lower rates than a typical BDC distributing ordinary income.

So where are we in this transition? Well, in July 2012, we had roughly 80 percent of our portfolio on a fair market value basis in equity investments with roughly 20 percent yielding. Today, we are approximately 50/50, and we have significant cash, approximately $75 million, on our balance sheet as of October 31, 2013, which we are planning to continue to deploy into these yielding investments.

So why do we think this opportunity makes sense today? Well, as we've shown, we have a strong management team. We have experienced investment advisors with a ten-year successful track record. There is also significant shareholder alignment. We have done over $16 million in share buybacks in 2013.[4] We have an expense cap in place and significant insider ownership.

We're in a transformative period. We're in a period where with this increased investment and capacity, we're going to focus on yielding investments and seek to increase our yield going forward.[4] In addition to growing the yield, we believe there is additional equity upside, as we have portfolio companies that currently have large embedded unrealized gains.

Moreover, as Mike talked about, we have the MVC Private Equity Fund, which will hopefully continue to provide our shareholders with some upside from these equity investments that we've been successful with over the last ten years.

Because of our equity focus and the nature of our portfolio, we trade at roughly a 20 percent discount to NAV in today's current market dynamics. Hopefully what we can provide to somebody who buys the stock today is a growing yield and a discount that will narrow over time.

In conclusion, MVC Capital is a business development company in a transformative period. Over time, we are planning to transition into a more yielding portfolio. As we transition, we will hopefully see our dividend yield grow[4] and, as we exit our remaining equity investments, see capital gains distributions to shareholders at a favorable tax rate.

Operator: Thank you very much, ladies and gentlemen, this does conclude today's conference call. You may disconnect your phone lines at this time. Have a wonderful day. Thank you for your participation.

END

FOOTNOTES

1. Note: These monetization case studies are provided for illustration purposes only and represent the largest realizations in MVC history. See the Company's 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 historical results and historical results are not necessarily indicative of future results. See footnotes and important disclosures on the cover page and page 17. Source: 10-K and 10-Q filings. Financial data is unaudited.

2. Summit was sold on March 29, 2013. 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.

3. Past performance is no guarantee of future results.

4. There can be no assurance that future dividend payments or share repurchases will match or exceed historic ones, or that they will be made at all.

5. Available capital loss carry forwards as of October 31, 2013. Includes only unrealized losses attributable to legacy investments that have been written to $0.

6. 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. See footnotes and important disclosures on the cover page and the next page.

IMPORTANT DISCLOSURE

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.

Past performance does not guarantee future results. Our share value may fluctuate. For more detailed information on risks and expenses relating to the Company, 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.

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