

April 24, 2017

**U.S. Gas & Electric to Consolidate with Equus*****Tax-Free Transaction Allows MVC to List U.S. Gas & Electric on NYSE******Transaction Consideration Values USG&E at \$167.5 Million***

PURCHASE, N.Y., April 24, 2017 (GLOBE NEWSWIRE) -- MVC Capital, Inc. (NYSE:MVC) ("MVC" or the "Fund"), a publicly-traded business development company that makes private debt and equity investments, announced today that Equus Total Return, Inc. (NYSE:EQS) ("Equus"), a publicly-traded business development company that previously announced its intention to become an operating company, has entered into a definitive agreement (the "Purchase Agreement") to acquire MVC's largest portfolio holding, U.S. Gas & Electric, Inc. ("USG&E"), a commercial and residential energy services company.

The acquisition of USG&E by Equus (hereafter referred to as the "Consolidation") represents the final step of Equus's plan of reorganization within the meaning of Section 2(a)(33) of the Investment Company Act of 1940 ("1940 Act"), as adopted by Equus on May 13, 2014. The Consolidation will be effected in two stages. The first stage ("the Initial Closing") consists of Equus's acquisition of more than 90% of USG&E's common and convertible preferred stock from MVC and certain other USG&E stockholders in exchange for shares of Equus. In the second stage, a wholly-owned subsidiary of Equus (formed to hold all such common and convertible preferred shares of USG&E) will be merged with and into USG&E (the "Second Closing"), with USG&E as the surviving corporation and wholly-owned by Equus, which will change its name to USG&E, Inc.

The transaction has been approved by the Boards of Directors of USG&E, MVC and Equus, and will not be subject to further shareholder approvals. In connection with the transaction, Equus has obtained the necessary consent of a majority of its stockholders, including MVC, which currently holds 33% of Equus's common stock.

Following the Consolidation, Equus intends to monetize and liquidate certain of its assets that are inconsistent with its planned change in strategy to focus on commercial and retail energy marketing.

Upon completing the Consolidation, the combined company will be among the largest energy service companies in the United States, with over 375,000 residential customer equivalents ("RCEs") across 11 states and the District of Columbia. As a publicly-listed company with access to the capital markets, the combined company will be better positioned to pursue organic and other growth opportunities to drive future value creation for all stakeholders. John Hardy, CEO of Equus, will continue to serve as CEO of the public parent company; David Weinberg and Kevin McMinn, USG&E's CFO and COO, respectively, who have successfully led USG&E to date, will continue in their positions at the USG&E subsidiary; and Michael Tokarz, Chairman and Portfolio Manager of MVC, will be appointed Executive Chairman of Equus's Board of Directors.

"The transaction is a significant milestone in our investment in USG&E and allows the opportunity for it to grow in value and for MVC to potentially benefit from receiving consistent dividend payments," said Michael Tokarz, Chairman and Portfolio Manager of MVC. "It also will provide greater visibility and transparency into the operations and performance of MVC's largest asset. Lastly, it demonstrates our commitment to the reorganization of Equus and provides Equus stockholders with an attractive opportunity to participate in the potential upside and growth of USG&E."

"We are pleased with the transaction and the prospects for USG&E to operate as a publicly-traded company with access to the capital markets, providing opportunities for growth and strategic acquisitions," said John Hardy, CEO of Equus. "We believe the transaction structure will deliver value to all key stakeholders, who will benefit from a stronger and more financially flexible partner. We look forward to continuing to work closely with the USG&E management team to realize long-term growth and strong financial results."

**Additional Transaction Details**

Pursuant to the Purchase Agreement, based on the deemed transaction price of \$3.28 per share of Equus common stock, USG&E stockholders will receive on a pro rata basis an aggregate of: (i) 32,606,539 shares of Equus common stock; and, (ii) \$40 million in par value of 5-year mandatory convertible Equus preferred stock ("Preferred Stock") that is entitled to dividends at the rate of 7.5% per annum. The Preferred Stock may be converted at any time into Equus common stock at conversion prices ranging from \$3.28 to \$4.10 per share, and automatically converts into common stock in December 2022. At the deemed transaction stock price of \$3.28 per share of Equus common stock, the shares of Equus common stock and Preferred Stock to be issued in the first stage of the Consolidation would be valued together at \$150.5 million (the "Equity Value"), which would imply a total enterprise value for USG&E of approximately \$167.5 million (including other

indebtedness of \$22.4 million and excluding estimated cash at closing of \$5.5 million). Based on MVC's current 76.4% ownership stake in USG&E, MVC's share of the Equity Value would be valued at \$115.1 million (excluding any illiquidity discount that would be applied), as compared to MVC's fair value estimate for its equity investment in USG&E of \$89.4 million as of January 31, 2017.

As a result of the Consolidation, and assuming conversion of the Preferred Stock at \$3.28 per share, MVC will own 66.3% of the combined company (inclusive of MVC's existing 33% ownership in Equus on a fully-diluted basis), with other Equus stockholders owning 15.6% on a fully-diluted basis and other USG&E stockholders owning 18.1% on a fully-diluted basis. The number of shares of the common stock and Preferred Stock of Equus to be issued to USG&E stockholders in the Consolidation is based in part on the deemed transaction stock price of \$3.28 per share of Equus common stock. The actual value of the shares of Equus common stock and Preferred Stock to be issued upon the closing of the Initial Stage and the Second Closing will be dependent upon the market value of Equus's common stock at such time. As of 4:00 pm ET on Friday, April 21, 2017, the market value of Equus's common stock was \$2.46 per share.

The Consolidation is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes, and USG&E stockholders are not expected to recognize a gain or loss to the extent of the stock consideration received.

The Initial Closing is subject to certain conditions, including regulatory approvals, and is expected to occur approximately 60 days from the signing date. The Second Closing is subject to the effectiveness of a registration statement on Form S-4, which is to be filed with the Securities and Exchange Commission ("SEC") following the Initial Closing, covering the Equus common stock and Preferred Stock to be issued to the remaining USG&E stockholders at the Second Closing. Prior to the Initial Closing, Equus will finalize its termination of its election to be classified as a business development company under the 1940 Act.

JMP Securities LLC served as financial advisor to USG&E, and Jefferies LLC served as financial advisor to Equus. Kramer Levin Naftalis & Frankel LLP served as legal counsel to MVC, Locke Lord LLP served as legal counsel to USG&E, and Orrick, Herrington & Sutcliffe LLP served as legal counsel to Equus.

### **Additional Information**

In connection with the first stage of the Consolidation, Equus intends to file with the SEC an information statement on Schedule 14C (the "Information Statement") in preliminary and definitive form, as well as other relevant documents concerning the Consolidation. In connection with the second stage of the Consolidation, Equus intends to file with the SEC a registration statement on Form S-4 registering the shares of Equus common stock and Preferred Stock to be issued to USG&E stockholders at the Second Closing, as well as other relevant documents concerning the Consolidation. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THESE DOCUMENTS, INCLUDING THE INFORMATION STATEMENT AND PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT MVC, EQUUS, USG&E, THE CONSOLIDATION AND RELATED MATTERS. Investors and security holders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). In addition, copies of these materials (when they become available) may be obtained free of charge by accessing Equus's website at [www.equuscap.com](http://www.equuscap.com), and documents filed with the SEC by MVC may be obtained free of charge by accessing MVC's website at [www.mvccapital.com](http://www.mvccapital.com). Shareholders may also read and copy any reports, statements and other information filed by Equus or MVC with the SEC, at the SEC public reference room at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC's website for further information on its public reference room.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of securities in any jurisdiction in which such solicitation or sale would be unlawful prior to registration or qualification or exemption under the securities laws of such jurisdiction.

### **About MVC Capital, Inc.**

MVC Capital, Inc. is a business development company traded on the New York Stock Exchange that provides long-term debt and equity investment capital to fund growth, acquisitions and recapitalizations of companies in a variety of industries.

### **About U.S. Gas & Electric, Inc.**

Founded in 2002, U.S. Gas & Electric, Inc. is a leading provider of energy supply to commercial and residential customers. As of January 31, 2017, USG&E served over 375,000 residential customer equivalents ("RCEs") in 64 utility markets, including the District of Columbia and across the following 11 states: Connecticut, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, and Pennsylvania.

## About Equus Total Return, Inc.

Founded in 1991, Equus Total Return, Inc. is a business development company that trades as a closed-end fund on the New York Stock Exchange, under the symbol "EQS".

## Forward-Looking Statements

This press release contains certain statements about MVC, Equus and USG&E that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These matters involve risks and uncertainties as discussed in MVC's and Equus's respective periodic reports on Form 10-K and Form 10-Q and current reports on Form 8-K, filed from time to time with the SEC. The forward-looking statements contained in this press release may include statements about the expected effects on MVC, Equus and USG&E of the Consolidation, including the future performance of the combined company and its impact on MVC; the ability of Equus, USG&E and the combined company to pay any dividends in the future to stockholders, which is uncertain; the price or trading volume of Equus's common stock, which can fluctuate and is subject to volatility risk; the anticipated timing and benefits of the Consolidation; the ability to close and consummate the Consolidation; and MVC's, Equus's and USG&E's anticipated financial results; and also include all other statements in this press release that are not historical facts. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "should," "would," "could," "positioned," "strategy," "future," or words, phrases, or terms of similar substance or the negative thereof, are forward-looking statements. These statements are based on the current expectations of the management of MVC, Equus and USG&E (as the case may be), and are subject to uncertainty and to changes in circumstances and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. In addition, these statements are based on a number of assumptions that are subject to change. Such risks, uncertainties and assumptions include: the satisfaction of the conditions to each stage of the Consolidation and other risks related to the completion of the Consolidation and actions related thereto; MVC's, Equus's and USG&E's ability to complete the Consolidation on the anticipated terms and schedule, including the ability to obtain regulatory, stock exchange or other approvals and the anticipated tax treatment of the Consolidation and related transactions; risks relating to any unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses, and future prospects; the risk that benefits from the Consolidation may not be fully realized or may take longer to realize than expected; business and management strategies and the expansion and growth of Equus's and USG&E's operations; failure to pay dividends to holders of Equus's common or preferred stock; impairment charges for goodwill; the outcome of any legal proceedings that may be instituted related to the Consolidation; the performance of USG&E and Equus's existing portfolio investments and Equus's ability to successfully monetize non-retail energy assets; and the risk that disruptions from the Consolidation will harm Equus's or USG&E's businesses. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Forward-looking statements included herein are made as of the date hereof, and neither MVC, Equus nor USG&E undertakes any obligation to update publicly such statements to reflect subsequent events or circumstances.

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Source: MVC Capital

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