



MCG Capital Corporation

Q1 2010 Investor Presentation

May 4, 2010

Solutions Focused Financial Services

NASDAQ: MCGC

www.mcgcapital.com



Safe Harbor Statement

Earnings Release Conference Call - General Announcements

Today's call is being recorded and webcast live through our website at www.MCGCapital.com. A replay of the call will be available on our website, and an audio replay will be available through May 18, 2010. The replay information is included in our press release announcing this call and is posted in the investor relations section of our website. This recording is the property of MCG Capital Corporation and cannot be used or reproduced without the prior written consent of MCG.

Before we begin this morning, we would like to remind you that various remarks that we may make during this morning's call regarding MCG's future expectations, plans and prospects constitute forward-looking statements for purposes of the safe harbor protection under applicable securities laws. These forward-looking statements involve risks and uncertainties that may cause actual results and/or performance to differ materially from any future results, performance or achievements discussed in, or implied by, such forward-looking statements. The risk and uncertainties include, but are not limited to, expectations regarding: our results of operations, including revenues, net operating income, distributable net operating income, net investment losses and general and administrative expenses and the factors that may affect such results; the cause of unrealized losses; the performance of our current and former portfolio companies; our strategic plan to increase our share price relative to our net asset value and deliver long-term value to all of our stockholders; our recent strategic initiatives, including monetizing assets (focusing on lower yielding equity investments), building liquidity, originating new investments and reducing debt obligations; the amount, timing and price (relative to fair value) of asset monetizations; our origination pacing; our liquidity renewal under our SunTrust Warehouse and its effects on our ongoing strategic plan, balance sheet flexibility and liquidity profile; our ability to enhance stockholder value by closing the gap between our stock price and net asset value and through increasing operating income to support the future growth of dividends; our need to access debt and equity capital in order to originate new investments; issuances of our common stock below net asset value and the impact of such issuances on, among other things, distributable net operating income; access to the equity capital markets, including the effect on access to the debt capital markets and any upgrade in our corporate credit rating and improved capital efficiency; our future strategic plans, including plans to redeploy our investments in lower-yielding equity investments and cash in securitization and restricted accounts into new investment opportunities; our ability to improve our return on equity by generating more earnings from low-yield equity and debt investments by improving their operating performance and through the expansion of valuation multiples as the economy continues to recover; the timing of, and our decisions regarding, dividend distributions during 2010 based on our quarterly assessments of the statutorily required level of distributions, gains and losses recognized for tax purposes, portfolio transactional events, our liquidity, cash earnings and our asset coverage ratio; and general economic factors.

In addition, any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change and, therefore, you should not rely on these forward-looking statements as representing our views as of any date subsequent to today.

Non-GAAP Measure

During this call, we will be referring to a non-GAAP financial measure, distributable net operating income (also referred to as DNOI). This non-GAAP measure is not prepared in accordance with generally accepted accounting principles. A reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measures is available in MCG's first quarter 2010 earnings release and in the investor relations section of our website at www.MCGCapital.com, under the heading "Financial Information"--"Non-GAAP Financial Measures."



Quarterly Update

	Quarter Ended		% change
	March 31,		
<i>(dollars in millions, except per share amounts)</i>	2010	2009	
Revenue	\$ 21.7	\$ 27.8	(22) %
Distributable Net Operating Income (DNOI) ^(a)	9.7	13.5	(28) %
Net Operating Income (NOI)	8.4	11.9	(29) %
Net Income (Loss)	6.0	(50.9)	N/M ^(b)
Gross Originations and Advances	40.7	52.8	(23) %
Total Investment Portfolio at Fair Value	991.0	1,115.0	(11) %
Net Increase (Decrease) in Investment Portfolio	4.7	(88.2)	N/M ^(b)
Stockholders' Equity	622.9	609.5	2 %
Per Share Amounts:			
DNOI ^(a)	0.13	0.18	(28) %
NOI	0.11	0.16	(31) %
Net Income (Loss)	0.08	(0.68)	N/M ^(b)
Dividends	\$ -	\$ -	N/M ^(b)
Net Asset Value/Share	\$ 8.16	\$ 8.02	2 %

(a) Non-GAAP measure

(b) N/M = Not meaningful



Selected Balance Sheet Data

<i>(dollars in millions, except per share data)</i>	<u>3/31/2009</u>	<u>6/30/2009</u>	<u>9/30/2009</u>	<u>12/31/2009</u>	<u>3/31/2010</u>
Total Investments	\$1,115	\$1,062	\$1,037	\$986	\$991
Cash and Cash Equivalents ⁽¹⁾	50	19	47	54	55
Cash, Securitization and Restricted ⁽²⁾	62	99	89	130	104
Total Assets	1,255	1,204	1,194	1,191	1,171
Total Debt ⁽³⁾	631	584	569	558	535
Total Shareholders' Equity	610	605	612	616	623
Asset Coverage Ratio ⁽⁴⁾	199%	206%	212%	216%	222%
Debt to Equity ⁽⁵⁾	1.03 : 1	0.97 : 1	0.93 : 1	0.91 : 1	0.86 : 1
Debt, Net of Cash, Securitization and Restricted Accounts to Equity	0.93 : 1	0.80 : 1	0.78 : 1	0.69 : 1	0.69 : 1
Portfolio Debt Yield - YTD ⁽⁶⁾	12.3%	11.6%	11.7%	11.9%	12.0%
Net Asset Value Per Share	\$8.02	\$7.97	\$8.06	\$8.06	\$8.16

As of April 29, 2010:

- (1): Cash and Cash Equivalents: \$56M
- (2): Cash, Securitization and Restricted: \$94M
- (3): Total Debt: \$528M
- (4): Asset Coverage Ratio: 224%
- (5): Debt to Equity Ratio: 0.85 : 1

(6) Yield on Average Loan Portfolio at Fair Value

	FY 2009	YTD 2010
Average LIBOR	0.7%	0.3%
Spread to LIBOR on Average Yielding Loan Portfolio at Fair Value	12.0%	12.4%
	12.7%	12.7%
Impact of Fee Accelerations of Unearned Fees on Paid/Restructured Loans	0.0%	0.1%
Impact of Non-Accrual Loans	-0.8%	-0.8%
Total Yield on Average Loan Portfolio at Fair Value	11.9%	12.0%



Selected Operating Data

<i>(dollars in millions, except per share data)</i>	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Revenue	\$ 27.8	\$ 24.7	\$ 23.6	\$ 23.7	\$ 21.7
Interest Expense	(6.6)	(6.3)	(5.5)	(5.1)	(4.5)
Salaries and Benefits	(3.8)	(2.9)	(4.1)	(4.0)	(4.8)
G & A	(4.0)	(5.5)	(3.1)	(3.1)	(2.8)
DNOI ^(a,b)	13.5	10.0	10.9	11.5	9.7
Amortization of Employee Restricted Stock Awards	(1.5)	(1.8)	(2.2)	(2.1)	(1.2)
Net Operating Income	11.9	8.2	8.7	9.4	8.4
Net Investment Loss	(68.3)	(14.0)	(4.4)	(7.6)	(2.4)
Gain (Loss) on Extinguishment of Debt	5.3	(0.1)	(0.1)	-	(0.1)
Income Tax Benefit (Provision)	0.2	0.1	-	(0.2)	0.1
Net (Loss) Income	\$ (50.9)	\$ (5.9)	\$ 4.2	\$ 1.6	\$ 6.0
DNOI / Share ^(a,b)	\$ 0.18	\$ 0.13	\$ 0.14	\$ 0.15	\$ 0.13
NOI / Share	\$ 0.16	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.11
Net (Loss) Earnings / Share	\$ (0.68)	\$ (0.08)	\$ 0.06	\$ 0.02	\$ 0.08

(a) Non-GAAP measure

(b) Does not include amortization of employee restricted stock awards in all periods



Gross Originations and Paydowns

Originations (\$ in 000's)	6/30/2009	9/30/2009	12/31/2009	FY 2009	3/31/2010
Debt Investments					
Senior Secured Debt	\$ 3,658	\$ 4,132	\$ 1,468	\$ 51,036	\$ 32,814
Subordinated Debt					
Secured	4,127	2,852	4,956	16,011	6,387
Unsecured	130	3,509	134	3,900	132
Total Debt Originations	7,915	10,493	6,558	70,947	39,333
Equity Investments					
Preferred Equity	2,102	1,287	1,479	11,693	1,330
Common/Common Equivalents Equity	-	-	-	-	-
Total Equity Originations	2,102	1,287	1,479	11,693	1,330
Total Originations	\$ 10,017	\$ 11,780	\$ 8,037	\$ 82,640	\$ 40,663
Paydowns (\$ in 000's)					
Debt Investments					
Senior Secured Debt	\$ 28,888	\$ 13,924	\$ 38,508	\$ 89,097	\$ 32,649
Subordinated Debt					
Secured	11,263	1,128	11,803	46,365	667
Unsecured	-	-	-	-	-
Total Debt Paydowns	40,151	15,052	50,311	135,462	33,316
Equity Investments					
Preferred Equity	9,660	15,240	70	67,259	-
Common/Common Equivalents Equity	-	2,556	1,500	4,482	133
Total Equity Paydowns	9,660	17,796	1,570	71,741	133
Total Paydowns	\$ 49,811	\$ 32,848	\$ 51,881	\$ 207,203	\$ 33,449
Net (Paydowns) Originations	\$ (39,794)	\$ (21,068)	\$ (43,844)	\$ (124,563)	\$ 7,214



Positioned to Grow Income and Dividends

- **Due to the successful execution on our strategic plan, we believe that MCG is well-positioned to grow operating income to support current and future dividends**
 - **During Q1 2010, MCG made \$40.7 million of originations and advances, including \$29.0 in senior debt originations to three new portfolio companies**
 - **MCG's investment focus will remain on investing in current yielding, debt securities to grow operating income to support dividend growth**
- **Existing CLO and SBIC credit facilities provide long-term capital at attractive rates to finance assets; dry powder in these facilities enables MCG to make additional investments without incurring additional leverage**
 - **As of April 29, 2010, MCG has \$240 million available for investment in portfolio companies without the need to access the credit or equity market**
 - **3-31-10 unrestricted cash position⁽¹⁾ of \$54.6 million and total restricted cash and securitization cash account position⁽¹⁾ of \$103.6 million provide liquidity to support existing portfolio companies and make new investments; total cash is 13.5% of Q1 ending assets**
 - **MCG is well matched from an asset and liability perspective with the next scheduled debt maturity in October 2011**
 - **Existing debt structure is designed to reduce debt obligations naturally over time as MCG monetizes assets and repays debt; hence, "bullet" payment obligations are mitigated prior to scheduled maturity dates**

(1) As of 4/29/10: unrestricted cash position was \$56M and total restricted cash and securitization cash was \$94M



Q1 Gain / Loss Summary

			Three Months Ended March 31, 2010			
(dollars in thousands)			Realized	Unrealized	Reversal of	Net
Portfolio Company	Industry	Type	(Loss)/Gain	(Depreciation)/ Appreciation	Unrealized Depreciation	(Loss)/Gain
Jet Plastica Investors, LLC	Plastic Products	Control	\$ -	\$ (7,601)	\$ -	\$ (7,601)
Active Brands International, Inc.	Consumer Products	Non-affiliate	-	(1,786)	-	(1,786)
Superior Industries Investors, LLC	Sporting Goods	Control	-	(1,662)	-	(1,662)
Total Sleep Holdings, Inc.	Healthcare	Control	-	(1,119)	-	(1,119)
Avenue Broadband LLC	Cable	Control	-	4,506	-	4,506
Jenzabar, Inc.	Technology	Non-affiliate	-	2,113	-	2,113
Orbitel Holdings, LLC	Cable	Control	-	1,066	-	1,066
WebMediaBrands Inc.	Information Services	Non-affiliate	(1,981)	-	1,984	3
Other			(286)	2,113	289	2,116
Total			\$ (2,267)	\$ (2,370)	\$ 2,273	\$ (2,364)



Debt Obligation Summary Pro-Forma 4-29-10

Facility	Type	Total Facility Size	Collateral Necessary to Borrow Maximum	Blended Rate	Outstanding Borrowings (as of 4/29/10)	Term
2006-1 Securitization	Secured by assets in facility. Non recourse to MCG	\$393M	\$500M	L+68	\$312M ¹	April 2018
SunTrust Warehouse	Secured by assets in facility. Non recourse to MCG	\$150M	Minimum of \$234M	CP+250	\$138M	August 2012; renewable at lender's discretion each February
Private Placement	Unsecured	\$32M	Facility is unsecured; MCG is required to maintain a 1:1 ratio "unencumbered" loans to unsecured debt	9.98% (fixed)	\$32M	October 2011
Private Placement	Unsecured	\$16M	Facility is unsecured; MCG is required to maintain a 1:1 ratio "unencumbered" loans to unsecured debt	8.96% (fixed)	\$16M	October 2012
SBIC	Unsecured. Recourse up to MCG's \$65 million commitment	\$130M	2:1 leverage limit	T+203 (fixed)	\$30M	10 Years
Total		\$721M			\$528M	

¹ Excludes \$5.0 million of Class C notes and \$17.6 million of Class D notes, which were purchased by the Company in December 2008 and January 2009, respectively, and \$8.0 million of Class C notes purchased in April 2010.



Portfolio Distribution by Asset Class

Investments at Fair Value (\$ in 000's)	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010
Debt Investments					
Senior Secured Debt	\$ 456,377	\$ 428,576	\$ 416,302	\$ 379,457	\$ 379,600
Subordinated Debt					
Secured	303,490	283,471	292,144	275,398	272,713
Unsecured	27,823	27,961	30,476	30,618	30,760
Total Debt Investments	787,690	740,008	738,922	685,473	683,073
Equity Investments					
Preferred Equity	277,893	270,899	252,604	257,984	261,931
Common/Common Equivalents Equity	49,409	50,599	45,718	42,889	46,028
Total Equity Investments	327,302	321,498	298,322	300,873	307,959
Total Investments	\$ 1,114,992	\$ 1,061,506	\$ 1,037,244	\$ 986,346	\$ 991,032
Percent of Total Portfolio					
Debt Investments					
Senior Secured Debt	40.9%	40.4%	40.1%	38.5%	38.3%
Subordinated Debt					
Secured	27.2%	26.7%	28.2%	27.9%	27.5%
Unsecured	2.5%	2.6%	2.9%	3.1%	3.1%
Total Debt Investments	70.6%	69.7%	71.2%	69.5%	68.9%
Equity Investments					
Preferred Equity	24.9%	25.5%	24.4%	26.2%	26.4%
Common/Common Equivalents Equity	4.5%	4.8%	4.4%	4.3%	4.7%
Total Equity Investments	29.4%	30.3%	28.8%	30.5%	31.1%
Total Investments	100.0%	100.0%	100.0%	100.0%	100.0%



Portfolio Distribution by Industry

<i>Fair Value at</i>	<i>3/31/2009</i>	<i>6/30/2009</i>	<i>9/30/2009</i>	<i>12/31/2009</i>	<i>3/31/2010</i>
Telecommunications – CLEC	15.3%	16.3%	16.5%	17.2%	17.1%
Other Communications	1.5%	1.6%	1.7%	1.8%	1.8%
Cable	11.0%	11.8%	12.3%	13.0%	13.5%
Healthcare	10.0%	9.4%	9.5%	10.2%	9.8%
Food Services	7.4%	7.9%	6.6%	7.1%	7.2%
Broadcasting	5.4%	5.3%	5.0%	5.3%	5.3%
Plastic Products	4.9%	5.2%	5.7%	5.8%	5.1%
Electronics	3.8%	3.9%	4.0%	4.3%	4.4%
Business Services	6.7%	5.0%	4.7%	5.6%	4.3%
Sporting Goods	2.8%	3.2%	3.3%	4.0%	3.9%
Leisure Activities	1.2%	1.3%	1.4%	1.4%	3.6%
Laboratory Instruments	3.2%	3.4%	3.3%	3.5%	3.5%
Logistics	4.1%	3.4%	3.3%	3.2%	3.1%
Technology	2.6%	2.8%	2.7%	2.8%	3.0%
Education	2.6%	2.6%	2.6%	2.5%	2.5%
Insurance	1.9%	2.1%	2.2%	2.3%	2.3%
Home Furnishings	2.2%	2.3%	2.4%	2.1%	2.1%
Publishing	3.1%	3.3%	3.4%	1.4%	1.7%
Consumer Products	1.9%	2.0%	2.5%	1.9%	1.7%
Information Services	1.0%	0.8%	0.8%	0.7%	1.4%
Other Media	1.1%	0.9%	1.0%	1.1%	1.0%
Drugs	0.9%	1.0%	1.0%	1.0%	0.0%
Auto Parts	0.9%	0.9%	0.8%	0.9%	0.7%
Entertainment	1.1%	0.1%	0.1%	0.1%	0.1%
Industrial Products	2.6%	2.7%	2.5%	0.0%	0.0%
Other	0.8%	0.8%	0.7%	0.8%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



Portfolio Investment Rating

Investment Rating		Fair Value at:	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10
1	Capital gain expected or realized		60.0%	62.9%	57.8%	58.1%	57.4%
2	Full return of principal and interest or dividend expected with customer performing in accordance with plan		16.1%	14.3%	13.1%	12.7%	15.3%
3	Full return of principal and interest or dividend expected but customer requires closer monitoring		20.9%	21.0%	27.1%	27.5%	25.9%
4	Some loss of interest or dividend expected but still expecting an overall positive internal rate of return on the investment		1.7%	1.5%	1.1%	0.4%	0.3%
5	Loss of interest or dividend and some loss of principal investment expected which would result in an overall negative internal rate of return on the investment		1.3%	0.3%	0.9%	1.3%	1.1%
Non-Accrual Loans as a % of Total Debt							
At Fair Value:			4.8%	6.2%	7.0%	3.7%	4.1%
At Cost:			14.5%	19.6%	19.6%	10.8%	12.9%



Q1 Performance and Strategic Summary

- **Distributable net operating income, or DNOI, for the quarter ended March 31, 2010 was \$9.7 million, or \$0.13 per share.**
- **Net operating income, or NOI, for the quarter ended March 31, 2010 was \$8.4 million, or \$0.11 per share.**
- **Net income for the quarter ended March 31, 2010 was \$6.0 million, or \$0.08 per share.**
- **Portfolio valuation stabilized during the current quarter with the total portfolio loss during the quarter equal to 0.2% of prior quarter ending fair value.**
- **Net asset value as of March 31, 2010 was \$8.16 per common share as compared to \$8.06 at December 31, 2009.**
- **Made \$40.7M of advances and originations, including \$29.0 million in senior debt originations to three new portfolio companies. Subsequent to quarter end, MCG originated a \$10.0 million subordinated debt investment in one new portfolio company.**
- **Since beginning its monetization initiatives in July 2008, MCG has completed or announced a total of \$335.7 million in investment monetizations, \$324.1 million which were completed at 100.3% of their most recently reported fair value and one which was completed at 42.3% of its most recently reported fair value.**
- **Repurchased \$8.0 million of its outstanding debt securities which will result in a \$3.6 million gain in the second quarter 2010.**
- **MCG's ratio of total assets to total borrowings and other senior securities was 222% as of March 31, 2010. As of April 29, 2010, the asset coverage ratio increased to 224%, which includes the impact of the dividend distribution declared on that day. MCG also had \$56.3 million of unrestricted cash as of April 29, 2010 and \$93.7 million of cash in securitization and restricted accounts, which may be deployed for suitable new investment opportunities and distributions of dividends.**
- **Reinstated the dividend by declaring a distribution of \$0.11 per common share payable on July 2, 2010 to shareholders on record on June 2, 2010. Future distributions to stockholders will be based upon a quarterly assessment of the statutorily required level of distributions, gains and losses recognized for tax purposes, portfolio transactional events, liquidity, cash earnings, and asset coverage ratio.**

