



MCG Capital Corporation

***2010 Annual Stockholder Meeting
May 26, 2010***

Solutions Focused Financial Services

NASDAQ: MCGC

www.mcgcapital.com



Safe Harbor Statement

Annual Meeting General Announcements

Before we begin, we would like to remind you that various remarks that we may make during today's presentation 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 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; our 2010 Annual Meeting of Stockholders; 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 presentation, 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."



MCG Strategy and Performance

- **While the financial markets were in turmoil, MCG's Board and management undertook decisive measures to preserve liquidity and strengthen its capital base to improve stockholder value. We:**
 1. Renegotiated our key borrowing agreements
 2. Monetized portfolio investments at or near fair value with an emphasis on monetizing junior debt and equity securities
 3. Reduced general and administrative costs
 4. Suspended dividends
 5. Reduced leverage



Successful Execution on Strategy

1. Renegotiated our key borrowing agreements

- In 2008, we proactively proposed amended credit facilities that strengthened MCG's capital structure and liquidity
- We renegotiated three credit facilities in February 2009, providing us with continued debt financing at attractive rates (+100 bps over previous rates), extended maturities, and eliminated cross-default provisions
- In October 2009, we extended the maturity of \$34 million of notes from October 2010 to October 2011
- In February 2010, we renewed a \$150 million warehouse credit facility

2. Monetized portfolio investments at or near fair value with an emphasis on monetizing junior debt and equity securities

- Since beginning its monetization initiatives in July 2008, MCG has completed or announced a total of \$335.7 million of investment monetizations, of which \$324.1 million were completed at 100.3% of their most recently reported fair value and one was completed at 42.3% of its most recently reported fair value.
- 62.9% of the monetizations have been junior capital, validating our net asset value
- We have paid down debt with these proceeds and are redeploying a portion of the capital generated by these monetizations into current yielding debt securities to grow operating income and support dividends on our stock



Successful Execution on Strategy (continued)

3. Reduced general and administrative costs

- Closed certain facilities and reduced our workforce by 36% since August 2008
- Implemented a freeze on base salaries for executive management and other top earners (13 in total) for the last two years and other staff in 2009
- Paid no executive bonuses in 2008 and reduced targeted base cash bonuses for executive management by 50% in 2009
- Q1 2010 total compensation expense was 24% lower than Q1 2008

4. Suspended dividends to preserve capital and position MCG for resumption of origination and portfolio growth

- MCG was the first BDC to proactively reduce its dividends when the macro-credit crisis broke out
- The cash balance in our securitization and restricted accounts, which may be deployed for new investment, has more than doubled since December 31, 2008 and equaled \$103.6 million as of March 31, 2010
- MCG had \$56.3 million of unrestricted cash and cash equivalents as of April 29, 2010
- **MCG's successful execution of its strategy led to a reinstatement of its dividend (\$0.11) on May 4, 2010**



Successful Execution on Strategy (continued)

5. Reduced leverage

Since January 1, 2009:

- MCG paid down \$126.8 million of debt
- Asset coverage ratio increased from 201% to 224% as of April 29, 2010
- Debt to equity ratio decreased from 96.6% to 85.9% as of March 31, 2010
- Debt, net of cash, to equity ratio decreased from 90.8% to 69.2% as of March 31, 2010

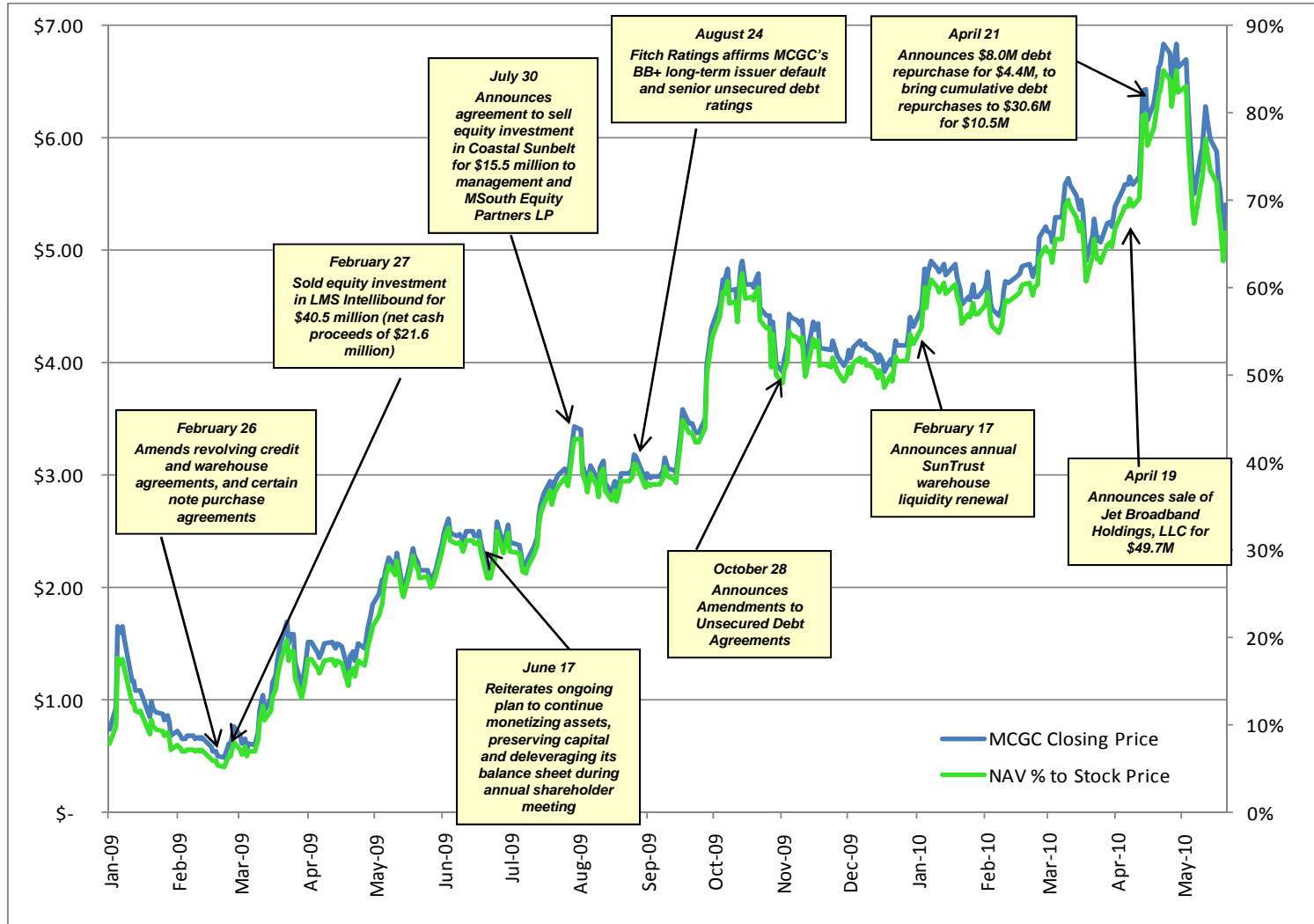


The Market Has Recognized Our Progress

MCGC = \$5.40 on 5-21-10

MCGC = \$0.71 on 1-1-09

Stock Price



Price to NAV



Positioned to Grow Income and Dividends

- **Successful execution of our strategic plan has positioned us to grow operating income to support dividends**
 - MCG has resumed originations; during Q1 2010, MCG made \$40.7 million of advances, including \$29.0 million in senior debt originations to three new portfolio companies
 - MCG's investment focus will remain on investing in current yielding debt securities
- **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 had \$240 million available for investment in portfolio companies without the need to access the credit or equity market
 - March 31, 2010 unrestricted cash position of \$54.6 million and total restricted cash and securitization cash account position 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 gradually over time as MCG monetizes assets and repays debt; hence, "bullet" payment obligations are mitigated prior to scheduled maturity dates



Market Opportunity is Robust

- **MCG is a longstanding investor in the middle market**
- **The middle market is the growth engine for the economic recovery**
- **Banks have exited the space to focus on larger companies**
- **We are entering a long-term bull market for our target asset class (middle market debt assets)**
- **MCG is well positioned to capitalize on the opportunity**



Summary

- **Our long-term plan was to stabilize the business, reposition the asset base, and then grow**
- **We began the repositioning phase in the fourth quarter of 2009 and originated \$29 million of new investments during the first quarter of 2010**
- **Our pipeline is building and the pace of originations are accelerating**
- **We reinstated our dividend on May 4, 2010 at \$0.11 per share**
- **MCG's stock price has increased by 661% since January 1, 2009**
- **We are positioned to grow income and dividends**

