



16 Wall Street, 2<sup>nd</sup> Floor  
Madison, Connecticut 06443  
203.482.5805 direct  
info@accretivecapital.com  
www.accretivecapital.com

***An Open Letter to the Boards of Directors of MCG Capital Corporation and PennantPark Floating Rate Capital Ltd.***

August 14, 2015

Mr. Richard W. Neu, Chairman  
MCG Capital Corporation  
1001 19th Street North, 10th Floor  
Arlington, VA 22209

Mr. Art Penn, Chairman and Chief Executive Officer  
PennantPark Floating Rate Capital Ltd.  
590 Madison Avenue, 15th Floor  
New York, NY 10022

Dear Ladies and Gentlemen of the MCG Capital Corporation and PennantPark Floating Rate Capital Boards:

As you are aware, Accretive Capital Partners has been a significant and supportive shareholder of MCG Capital Corporation ("MCG" or the "Company") for more than six years and, today, is the largest owner of MCG, with approximately two million shares or 5.3% of the Company's outstanding stock through our fund and its affiliates. We appreciate the recent efforts of the Board on behalf of MCG shareholders, particularly those of Chairman Rick Neu, and we are pleased that the value-creating steps we advocated in our letter of March 11, 2014 were implemented—specifically, removing the prior CEO from his position; initiating a Dutch auction tender offer to repurchase MCG shares; abandoning plans to grow loan origination staff and, instead, focusing on managing and monetizing portfolio assets; and, ultimately, seeking a buyer of the Company. We anticipate the successful completion of this final step of selling the Company and would like to thank Rick and the Board for their honorable actions and diligent implementation.

It is apparent that a superior offer to that of PennantPark Floating Rate Capital Ltd. ("PennantPark") has not emerged; as such, we wish to provide our support of the transaction with PennantPark. The MCG Board continues to endorse this transaction, and we will stand behind Rick Neu and the Board's judgment that exchanging our shares for shares of PennantPark is a good deal and the best alternative for MCG shareholders.

It is our expectation that the new custodians of our capital, PennantPark and its board of directors, will invest our assets with great patience and extreme prudence. We believe it is highly probable that severe dislocations in the corporate bond market will occur in the near term

and that these dislocations will offer an extraordinary opportunity to deploy cash at very attractive rates of return. Accordingly, we strongly encourage PennantPark management to exercise patience with investing its new cash infusion and, given the increased share-count over a fixed base of interest earning assets pursuant to the expected MCG transaction, we encourage the PennantPark board of directors to consider adjusting its dividend to reflect the reduced per-share earning power and to alleviate the pressure on management to hastily invest this cash. A decline in PennantPark share price may result from this dividend adjustment, which would present an opportunity for PennantPark to repurchase shares aggressively at a potentially substantial discount to NAV, and we hope the PennantPark board of directors will not miss this opportunity should it occur.

We look forward to a strong and prosperous relationship with Art Penn and PennantPark. And it is our hope and assumption that our new stewards, Art and the PennantPark board of directors, will be careful, honorable and dependable custodians of our capital.

Sincerely,

Richard E. Fearon, Jr.  
Managing Partner