

# MCG CAPITAL CORPORATION

## AMENDED AND RESTATED CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of MCG Capital Corporation, a Delaware Corporation (the “Company”), has adopted the following Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of the Company and its stockholders. These Guidelines should be applied in a manner consistent with all applicable laws and stock market rules and the Company’s charter and bylaws, each as amended and in effect from time to time. The Guidelines provide a framework for the conduct of the Board’s business. The Board may modify or make exceptions to these Guidelines from time to time in its discretion and consistent with its duties and responsibilities to the Company and its stockholders.

### A. Director Responsibilities

1. Oversee Management of the Company. The principal responsibility of the directors is to oversee the management of the Company and, in so doing, serve the best interests of the Company and its stockholders. This responsibility includes:
  - Reviewing and approving fundamental operating, financial and other corporate plans, strategies and objectives.
  - Evaluating the performance of the Company and its senior executives and taking appropriate action, including removal, when warranted.
  - Evaluating the Company’s compensation programs on a regular basis and determining the compensation of its senior executives.
  - Reviewing and approving senior executive succession plans.
  - Evaluating whether corporate resources are used only for appropriate business purposes.
  - Establishing a corporate environment that promotes timely and effective disclosure (including robust and appropriate controls, procedures and incentives), fiscal accountability, high ethical standards and compliance with all applicable laws and regulations.
  - Reviewing and approving material transactions and commitments not entered into in the ordinary course of business.
  - Developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities.
  - Providing advice and assistance to the Company’s senior executives.
  - Evaluating the overall effectiveness of the Board and its committees.

2. Exercise Business Judgment. In discharging their fiduciary duties of care, loyalty and candor, directors are expected to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders.
3. Understand the Company and its Business. Directors have an obligation to become and remain informed about the Company and its business, including the following:
  - The principal operational and financial objectives, strategies and plans of the Company.
  - The results of operations and financial condition of the Company and of significant subsidiaries.
  - The relative standing of the departments within the Company and vis-à-vis competitors.
  - The factors that determine the Company's success.
  - The risks and problems that affect the Company's business and prospects.
4. Establish Effective Systems. Directors are responsible for determining that effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Company, including the following:
  - Current business and financial performance, the degree of achievement of approved objectives and the need to address forward-planning issues.
  - Future business prospects and forecasts, including actions, facilities, personnel and financial resources required to achieve forecasted results.
  - Financial statements.
  - Compliance programs to assure the Company's compliance with law and corporate policies.
  - Material litigation and governmental and regulatory matters.
  - Monitoring and, where appropriate, responding to communications from stockholders.

Directors should also periodically review the integrity of the Company's internal control and management information systems.
5. Board, Stockholder and Committee Meetings. Directors are responsible for attending Board meetings, meetings of committees on which they serve and the annual meeting of stockholders, and devoting the time needed, and meeting as frequently as necessary, to discharge their responsibilities properly.

6. Reliance on Management and Advisors; Indemnification. The directors are entitled to rely on the Company's senior executives and its outside advisors, auditors and legal counsel, except to the extent that any such person's integrity, honesty or competence is in doubt. The directors are also entitled to Company-provided indemnification, statutory exculpation and directors' and officers' liability insurance.

## **B. Director Qualification Standards**

1. Independence. Except as may otherwise be permitted by the rules of The NASDAQ Stock Market ("NASDAQ"), a majority of the members of the Board shall be independent directors. To be considered independent: (i) a director must be independent as determined under Rule 5605(a)(2) of the NASDAQ rules and (ii) in the Board's judgment, the director must not have a relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Ownership of a significant amount of the Company's stock, by itself, does not constitute a material relationship. The determination of whether a material relationship exists shall be made by the other members of the Board who are independent as defined above.

2. Size of the Board. The Board currently has five (5) members. The Board believes this is an appropriate size given the Company's present circumstances, but that a smaller or larger Board may be appropriate at any given time, depending on circumstances and changes in the Company's business.
3. Other Directorships. A director shall limit the number of other public company boards on which he or she serves so that he or she is able to devote adequate time to his or her duties to the Company, including preparing for and attending meetings. Directors should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve as a member of the board of directors or member of an advisory board of any other public company. Service on boards and/or committees of other organizations shall comply with the Company's codes of ethics and policies regarding affiliate and related person transactions.
4. Tenure. The Board does not believe it should establish term limits. Term limits could result in the loss of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and an institutional memory that benefit the entire membership of the Board as well as management. As an alternative to term limits, the Nominating and Corporate Governance Committee shall review each director's continuation on the Board at least once every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board and allow the Company to conveniently replace directors who are no longer interested or effective.
5. Lead Director. In the event that the Chairman of the Board is not an independent director, the Nominating and Corporate Governance Committee may nominate

one or more independent directors to serve as “Lead Director,” who shall be approved by a majority of the independent directors.

The Lead Director(s), if appointed, shall:

- Chair any meeting of the independent directors in executive session;
  - Meet with any director who is not adequately performing his or her duties as a member of the Board or any committee;
  - Facilitate communications between other members of the Board and the Chairman of the Board and/or the Chief Executive Officer; however, each director is free to communicate directly with the Chairman of the Board and with the Chief Executive Officer;
  - Work with the Chairman of the Board in the preparation of the agenda for each Board meeting and in determining the need for special meetings of the Board; and
  - Otherwise consult with the Chairman of the Board and/or the Chief Executive Officer on matters relating to corporate governance and Board performance.
6. Separation of the Offices of Chairman and Chief Executive Officer. The Board does not have a policy on whether the offices of Chairman of the Board and Chief Executive Officer should be separate and, if they are to be separate, whether the Chairman of the Board should be selected from among the independent directors or should be an employee of the Company.
7. Selection of New Director Candidates. Except where the Company is legally required by contract, corporate charter, bylaw or otherwise to provide third parties with the right to nominate directors, the Nominating and Corporate Governance Committee shall be responsible for, among other things (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, and (ii) recommending to the Board the persons to be nominated for election as directors at any meeting of stockholders and the persons to be elected by the Board to fill any vacancies on the Board. Director nominees shall be considered for recommendation by the Nominating and Corporate Governance Committee in accordance with the criteria and principles in its charter and the criteria to be established from time to time by the Board. It is expected that the Nominating and Corporate Governance Committee will have direct input from the Chairman of the Board, the Chief Executive Officer and, if one is appointed, the Lead Director.
8. Extending the Invitation to a New Director Candidate to Join the Board. The invitation to join the Board should be extended by the Chairman of the Board, on behalf of the Board, and the Chairman of the Nominating and Corporate Governance Committee, on behalf of such Committee. Unauthorized approaches to prospective directors can be premature, embarrassing and harmful.

9. Former Chief Executive Officer's Board Membership. The Board believes that the continuation of a former Chief Executive Officer of the Company on the Board is a matter to be decided in each individual instance by the Board, upon recommendation of the Nominating and Corporate Governance Committee. Accordingly, when the Chief Executive Officer ceases to serve in that position, he or she will be expected to resign from the Board if so requested by the Board, upon recommendation of the Nominating and Corporate Governance Committee.

### **C. Board Meetings**

1. Selection of Agenda Items. The Chairman of the Board shall approve the agenda for each Board meeting. Each Board member is free to suggest the inclusion of agenda items and is free to raise subjects at any Board meeting that are not on the agenda for that meeting.
2. Frequency and Length of Meetings. The Chairman of the Board, in consultation with the members of the Board, shall determine the frequency and length of the Board meetings. Special meetings may be called from time to time as determined by the needs of the business.
3. Advance Distribution of Materials. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. The Board acknowledges that certain items to be discussed at a Board or committee meeting may be of an extremely confidential or time-sensitive nature and that the distribution of materials on these matters prior to meetings may not be appropriate or practicable.
4. Executive Sessions. The independent directors shall meet periodically in executive session to discuss, among other matters, the performance of the Chief Executive Officer. The independent directors will meet in executive session at other times at the request of any non-management director. Absent unusual circumstances, these sessions shall be held in conjunction with regular Board meetings. The director who presides at these meetings shall be the Lead Director if there is one, and if not, shall be chosen by the non-management directors, and his or her name shall be disclosed in the annual meeting proxy statement.
5. Attendance of Non-Directors at Board Meetings. The Board encourages the senior executives of the Company to, from time to time, bring Company personnel into Board meetings who (i) can provide additional insight into the items being discussed because of personal involvement in these areas or (ii) appear to be persons with future potential who should be given exposure to the Board.

### **D. Board Committees**

1. Key Committees. The Board shall have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each such committee shall have a charter that has been approved by

the Board. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

2. Assignment and Rotation of Committee Members. The Nominating and Corporate Governance Committee shall be responsible for recommending to the Board the directors to be appointed to each committee of the Board. Except as otherwise permitted by the applicable NASDAQ and SEC rules, each member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee shall be an “independent director” as defined by such rules.
3. Committee Charters. In accordance with the applicable NASDAQ rules, the charters of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee shall set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The Board shall, from time to time as it deems appropriate, review and reassess the adequacy of each charter and make appropriate changes.
4. Selection of Agenda Items. The chairman of each committee, in consultation with the committee members, shall develop the committee’s agenda. At the beginning of the year each committee shall establish a schedule of subjects to be discussed during the year (to the extent practicable). The schedule for each committee meeting shall be furnished to all directors.
5. Frequency and Length of Committee Meetings. The chairman of each committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee’s charter. Special meetings may be called from time to time as determined by the needs of the business and the responsibilities of the committees.

#### **E. Director Access to Management and Independent Advisors**

1. Access to Officers and Employees. Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by the director. The directors shall use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and shall, to the extent appropriate, copy the Chief Executive Officer on any written communications between a director and an officer or employee of the Company.
2. Access to Independent Advisors. The Board and each committee have the power to hire and consult with independent legal, financial or other advisors for the benefit of the Board or such committee, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance. Such independent advisors may be the regular advisors to the Company. The Board or any such committee is empowered, without further action by the

Company, to cause the Company to pay the compensation of such advisors as established by the Board or any such committee.

#### **F. Director Compensation**

1. Role of Board and Compensation Committee. The form and amount of director compensation shall be determined by the Board upon recommendation by the Compensation Committee in accordance with the policies and principles set forth below.
2. Form of Compensation. The Board believes that directors should be incented to focus on long-term stockholder value. Including equity as part of director compensation helps align the interest of directors with those of the Company's stockholders.
3. Amount of Consideration. The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate directors at least competitively relative to comparable companies. The Company's management shall, from time to time, present a comparison report to the Board, comparing the Company's director compensation with that of comparable companies. The Board believes that it is appropriate for the Chairman of the Board and the chairpersons and members of the committees to receive additional compensation for their services in those positions.
4. Employee Directors. Directors who are also employees of the Company shall receive no additional compensation for Board or committee service.

#### **G. Director Orientation and Continuing Education**

1. Director Orientation. The Board and the Company's management shall conduct a mandatory orientation program for new directors. The orientation program shall include presentations by management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its codes of ethics, its principal officers, its independent auditors and its outside legal advisors. In addition, the orientation program shall include a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties and visits to Company headquarters. All other directors are also invited to attend the orientation program.
2. Continuing Education. Each director is expected to be involved in continuing director education on an ongoing basis to enable him or her to better perform his or her duties and to recognize and deal appropriately with issues that arise. The Company shall pay all reasonable expenses related to continuing director education.

## **H. Management Evaluation and Succession**

1. Selection of Chief Executive Officer. The Board selects the Company's Chief Executive Officer in the manner that it determines to be in the best interests of the Company's stockholders.
2. Evaluation of Senior Executives. The Compensation Committee shall be responsible for overseeing the evaluation of the Company's senior executives. In conjunction with the Audit Committee, in the case of the evaluation of the senior financial executives, the Compensation Committee shall determine the nature, frequency of and persons subject to the evaluation process, supervise the conduct of the evaluations and prepare assessments of the performance of the Company's senior executives, which assessments shall be discussed periodically with the Board. The Board shall review the assessments to ensure that the senior executives are providing the best leadership for the Company over both the long- and short-term.
3. Succession of Senior Executives. The Nominating and Corporate Governance Committee shall be responsible for overseeing an annual evaluation of succession planning.

## **I. Annual Performance Evaluation of the Board**

The Nominating and Corporate Governance Committee shall oversee an annual self-evaluation of the Board to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee shall determine the nature of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the Board's performance, which assessment shall be discussed with the Board. The purpose of this process is to improve the effectiveness of the Board and its committees and not to target individual Board members.

## **J. Board Interaction with Stockholders, Institutional Investors, the Press, Customers, Etc.**

The Board believes that the Chief Executive Officer and his or her designees are the primary individuals authorized to speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company regarding publicly-available information about the Company. However, where non-public information is requested by an outside party or in the event there is a media inquiry, Board members should only discuss such information with the involvement of the appropriate Executive Officer of the Company and/or the Company's Investor Relations spokesperson.

The Board will give appropriate attention to written communications that are submitted by stockholders and other interested parties, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by the committee charters, the Chairman of the Board (if an independent director), or the Lead Director (if one is appointed), or otherwise the Chairman of the Nominating and Corporate Governance Committee shall, subject to advice and assistance from the Chief Compliance Officer and, if requested, outside legal counsel, (i) be primarily responsible for monitoring

communications from stockholders and other interested parties, and (ii) provide copies or summaries of such communications to the other directors as he or she considers appropriate.

**K. Confidentiality**

All Board members shall comply with the Company's disclosure policies, including the Disclosure Policy. Each Board member shall maintain the confidentiality of information provided to such director by the Company (including information disclosed at Board and Committee meetings and in other Board discussions) and any other confidential information about the Company that comes to such director, from whatever source, in his or her capacity as a director, and shall not disclose any such confidential information to any person or entity (including members of the media) other than the Board members and executive officers of the Company, the independent accountants, legal counsel and financial and other advisors retained by the Company, except in each case when disclosure is authorized by the Board or authorized by law. No director shall use confidential information for his or her personal benefit or to benefit persons or entities other than the Company and its stockholders generally and except as authorized by the Board. For purposes of these Guidelines, "confidential information" includes all non-public information relating to the Company, including information regarding Board deliberations and discussions and the status thereof.

**L. Policy on Recoupment of Incentive Payments (Clawback Policy)**

The Board shall, in all appropriate circumstances, require reimbursement of any annual cash and equity-based awards, performance-based compensation and other forms of cash or equity compensation made under the Company's Amended and Restated 2006 Employees Restricted Stock Plan, as may be amended from time to time, or any other incentive compensation plan of the Company, excluding time-based awards of restricted stock (collectively, the "Awards"), which Awards are made to a Senior Officer after January 1, 2011 where: (i) the payment was predicated upon achieving certain financial results that were subsequently the subject of a material restatement of Company financial statements filed with the Securities and Exchange Commission; (ii) the Board determines the Senior Officer engaged in the willful commission of an act of fraud, dishonesty, recklessness or other intentional misconduct that caused or substantially caused the need for the material restatement; and (iii) a lower payment would have been made to the Senior Officer based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the Senior Officer the amount by which the Senior Officer's incentive payments under the Awards for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this policy, the term "Senior Officer" means the Company's Chief Executive Officer, President, Chief Financial Officer (interim or otherwise), Executive Vice President and General Counsel and each Managing Director of the Company.

**M. Stock Ownership Guidelines**

To further align the interests of the Chief Executive Officer and the Board with Company stockholders, the Board has established minimum stock ownership guidelines under

which the (i) Chief Executive Officer is required to own Company stock equal in value to three times his or her annual salary and (ii) each member of the Board is required to own Company stock equal in value to three times his or her annual retainer.

The Compensation Committee develops and reviews from time to time the Stock Ownership Guidelines set forth above and recommends any changes for approval by the Board.

**N. Periodic Review of the Corporate Governance Guidelines**

The Nominating and Corporate Governance Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of these Guidelines and recommend any proposed changes to the Board for approval.

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Adopted by the Board of Directors of  
MCG Capital Corporation,  
as of March 26, 2014