EXECUTION VERSION  
MEMORANDUM OF UNDERSTANDING  
This Memorandum of Understanding (“Memorandum”) is entered into as of July  
30, 2015, by and among plaintiffs David Ormsby, Ruth Thomas, Casey Boyer, Jeremy Means,  
Nicholas Ronald Ledonne, and Harold Ginsberg (collectively “Plaintiffs”) and Keith Kennedy,  
Richard W. Neu, Kenneth J. O’Keefe, Kim D. Kelly, Gavin Saitowitz (collectively, the  
“Individual Defendants”), MCG Capital Corporation (“MCGC” or the “Company”),  
PennantPark Floating Rate Capital, Ltd. (“PennantPark”), PFLT Panama, LLC (“Merger Sub  
One”), PFLT Funding II, LLC (“Merger Sub Two”), and PennantPark Investment Advisers, LLC  
(“Investment Adviser”) (collectively, and including the Individual Defendants, “Defendants,”  
and each a “Defendant”). Plaintiffs and Defendants are collectively referred to herein as the  
“Parties.” The Parties are parties to a putative consolidated class action lawsuit currently  
pending in the Court of Chancery of the State of Delaware (the “Court”) captioned In re MCG  
Capital Corp. Stockholder Litigation, Cons. C.A. 10992-VCN (the “Action”). Plaintiffs, by and  
through their attorneys, have reached an agreement in principle with the Defendants providing  
for the settlement of the Action (the “Settlement”) on the terms and subject to the conditions set  
forth in this Memorandum.  
WHEREAS, on April 28, 2015, MCGC and PennantPark entered into a definitive  
Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which Merger Sub One  
will merge with and into MCGC, with MCGC continuing as the surviving corporation and as a  
wholly owned subsidiary of PennantPark, followed immediately thereafter by the merger of  
MCGC with and into Merger Sub Two, in a transaction in which MCGC stockholders will  
receive a combination of cash and PennantPark stock valued at approximately $4.75 per MCGC  
share (the “Merger”);  
WHEREAS, between May 6 and 18, 2015, Plaintiffs filed six actions1 challenging  
the Merger. These complaints alleged, among other things, that the Individual Defendants  
breached their fiduciary duties to MCGC’s stockholders by entering into the Merger Agreement,  
approving the Merger, and allegedly failing to give adequate consideration to a competing  
proposal for an alternative transaction with HC2 Holdings, Inc. (“HC2”), and that PennantPark,  
Merger Sub One, Merger Sub Two and Investment Adviser aided and abetted such breaches;  
WHEREAS, on May 18, 2015, PennantPark filed with the United States  
Securities and Exchange Commission (the “SEC”) a Registration Statement on Form N-14 8C  
(the “Initial N-14”) including a Joint Proxy Statement of MCGC and PennantPark and a  
Prospectus of PennantPark (the “Joint Proxy Statement/Prospectus”), which contained, among  
other things, various disclosures concerning the Merger;  
WHEREAS, on June 3, 2015, the Court entered an Order of Consolidation and  
Appointment of Co-Lead Counsel that, among other things, consolidated the six actions;  
WHEREAS, on June 10, 2015, Plaintiff Ruth Thomas (“Named Plaintiff”) filed a  
Verified Consolidated Amended Class Action Complaint (the “Complaint”) that, among other  
things, added allegations that the Initial N-14 contained material misstatements and omissions;  
WHEREAS, on June 16, 2015, PennantPark filed with the SEC a Registration  
Statement on Form N-14 8C/A (the “Amended N-14”);  
WHEREAS, on June 25, 2015, the SEC declared the Amended N-14 effective;  
1 This six actions are David Ormsby v. Keith Kennedy, et al., C.A. No. 10992-VCN (filed  
May 6, 2015); Ruth Thomas v. MCG Capital Corp., et al., C.A. No. 10993-VCN (filed May 6,  
2015); Casey Boyer v. MCG Capital Corp., et al., C.A. No. 11002-VCN (filed May 8, 2015);  
Jeremy Means v. MCG Capital Corp., C.A. No. 11009-VCN (filed May 11, 2015); Nicholas  
Ronald Ledonne v. MCG Capital Corp., et al., C.A. No. 11019-VCN (filed May 13, 2015); and  
Harold Ginsberg v. Keith Kennedy, et al., C.A. No. 11036-VCN (filed May 18, 2015).  
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WHEREAS, on June 29, 2015, the Court entered a Stipulation and Order for the  
Production and Exchange of Confidential Information;  
WHEREAS, on July 1, 2015, PennantPark filed with the SEC a Form 429  
including the Joint Proxy Statement/Prospectus;  
WHEREAS, on July 2, 2015, MCGC filed with the SEC a Definitive Proxy  
Statement on Schedule 14A (the “Definitive Proxy Statement”), which contained, among other  
things, various disclosures about the Merger;  
WHEREAS, counsel for Plaintiffs and Defendants consensually negotiated the  
scope of expedited document review and production by Defendants in advance of a possible  
hearing on a motion for preliminary injunction;  
WHEREAS, Defendants produced over 24,000 pages of documents to Plaintiffs  
on an expedited basis;  
WHEREAS, counsel for the Parties engaged in arms’-length discussions and  
negotiations concerning the potential resolution of the Action, including the negotiation of  
various supplemental disclosures to MCGC stockholders that Plaintiffs and their counsel  
requested be made;  
WHEREAS, the Parties to the Action have reached an agreement in principle to  
settle the Action on the terms and subject to the conditions set forth herein (the “Settlement”);  
WHEREAS, Defendants, solely to avoid the costs, disruption, and distraction of  
further litigation, and without admitting the validity of any allegations asserted by Plaintiffs, or  
any liability with respect thereto, have concluded that it is desirable that the claims asserted in  
the Action against them be settled and dismissed on the terms reflected in this Memorandum;  
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WHEREAS, all Defendants have denied, and continue to deny, that they have  
committed or aided and abetted in the commission of any violation of law of any kind or  
engaged in any of the wrongful acts alleged in the Action, and expressly maintain that they have  
diligently and scrupulously complied with any and all legal duties;  
WHEREAS, Plaintiffs represent that they brought their claims in good faith and  
continue to believe that their claims have legal merit;  
WHEREAS, subject to the completion of certain Additional Discovery (defined  
below), Plaintiffs have investigated and are continuing to investigate all claims that could have  
been brought in the Action;  
WHEREAS, Plaintiffs’ entry into this Memorandum is not an admission as to the  
lack of merit of any of the claims asserted in the Action;  
NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and  
among the parties hereto:  
1. Stipulation of Settlement. As soon as practicable after the execution of  
this Memorandum and the satisfactory completion of Additional Discovery (defined below), the  
Parties agree to seek to negotiate in good faith and execute an appropriate Stipulation of  
Settlement (the “Stipulation”) and will present to the Court the Stipulation and such other  
documentation as may be necessary to obtain the Court’s Final Approval of the Settlement.  
2. Consideration from Defendants. In consideration for the full and final  
settlement and release of all Released Claims (as defined below) by Plaintiffs and the Class (as  
defined below) and the dismissal with prejudice of the Action, Defendants agree to make certain  
supplemental disclosures to the MCGC stockholders through a Current Report on Form 8-K to  
be filed with the SEC, which disclosures shall contain substantially similar information to that  
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reflected in Exhibit A hereto (the “Supplemental Disclosures”). Before executing this  
Memorandum, Named Plaintiff and her counsel were provided with and reviewed the  
Supplemental Disclosures, and counsel for all other Plaintiffs were provided with the  
Supplemental Disclosures. Without admitting any wrongdoing or that any of the Supplemental  
Disclosures were material or required to be made, Defendants acknowledge that the pendency of,  
and the efforts to settle, the Action were the sole cause underlying Defendants’ decision to make  
the Supplemental Disclosures. Plaintiffs and their counsel believe that, with the addition of the  
Supplemental Disclosures, the Joint Proxy Statement/Prospectus and Definitive Proxy Statement  
are materially complete and not misleading.  
3. Consideration from Plaintiffs. In consideration of the benefits provided to  
Plaintiffs and the Class (as defined below) in paragraph 2, Plaintiffs agree to dismiss with  
prejudice all claims pending in the above-captioned action against Defendants, and to provide  
Defendants with a release of known or unknown claims as described herein, following the  
Court’s final approval (“Final Approval”) of the Settlement. The term “Final Approval” of the  
Settlement means that the Court has entered a final order and judgment certifying the Class,  
approving the Settlement, dismissing the Action with prejudice and with each Party to bear its  
own costs (except those costs set forth in paragraph 9 below), and providing for the releases set  
forth in paragraph 6 below, and that such final order and judgment is final and no longer subject  
to further appeal or review, whether by affirmance on or exhaustion of any possible appeal or  
review, lapse of time, or otherwise; provided, however, and notwithstanding any provision to the  
contrary in this Memorandum, Final Approval shall not include (and the Settlement is expressly  
not conditioned on) the award of attorneys’ fees and the reimbursement of expenses as provided  
in paragraph 9 below, and any appeal related thereto.  
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4. Additional Discovery. Defendants will provide to Plaintiffs’ counsel, and  
the Settlement will be specifically contingent upon, such final document discovery (if any) and  
additional deposition discovery (the “Additional Discovery”) as the Parties shall agree is  
reasonably necessary for the Plaintiffs to confirm the fairness, reasonableness, and adequacy of  
the Settlement and enter a Stipulation of Settlement. The Parties will use their commercially  
reasonable best efforts to complete such discovery promptly. The Parties expect that Additional  
Discovery will include the depositions of Defendants Kennedy and Neu and a representative of  
Morgan Stanley knowledgeable about the Merger, and will use their reasonable best efforts to  
ensure that such depositions take place.  
5. Stay Pending Final Approval. Pending the negotiation, execution, and  
Final Approval of the Stipulation, all proceedings in the Action, except for those related to the  
Settlement, shall be stayed. Plaintiffs agree not to initiate any other proceedings other than those  
incident to the Settlement itself. The Parties also agree to use their best efforts to prevent, stay,  
seek dismissal of, or oppose entry of any interim or final relief in favor of any member of the  
Class in any other litigation against any Party that asserts any Released Claim (as defined  
below).  
6. Terms of the Stipulation. The Stipulation shall provide, among other  
things:  
(a) for the certification, pursuant to Court of Chancery Rules 23(a),  
23(b)(1), and 23(b)(2), of a non-opt-out class in the Action that includes any and all record  
holders and beneficial owners of common stock of MCGC who held or owned such stock at any  
time during the period beginning on and including April 28, 2015, through and including the  
date of consummation of the Merger (the “Class Period”), including any and all of their  
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respective successors-in-interest, successors, predecessors-in-interest, predecessors,  
representatives, trustees, executors, administrators, estates, heirs, assigns and transferees,  
immediate and remote, and any person or entity acting for or on behalf of, or claiming under,  
any of them, and each of them, together with their predecessors-in-interest, predecessors,  
successors-in-interest, successors, and assigns (the “Class”). Excluded from the Class are  
Defendants and their immediate family members, any entity in which any Defendant has a  
controlling interest, and any successors-in-interest thereto. Certification of the Class is for  
settlement purposes only and is dependent on Final Approval;  
(b) for the full and complete discharge, dismissal with prejudice on the  
merits, and settlement and release of, any and all manner of claims, demands, rights, liabilities,  
losses, obligations, duties, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys’  
fees, actions, potential actions, causes of action, suits, agreements, judgments, defenses,  
counterclaims, offsets, decrees, matters, issues and controversies of any kind, nature or  
description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or  
unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected  
or unsuspected, liquidated or not liquidated, fixed or contingent, including unknown claims, that  
any of the Plaintiffs or any or all other members of the Class ever had, now have, or may have,  
whether direct, derivative, individual, class, representative, legal, equitable or of any other type,  
or in any other capacity, based on his, her, or its ownership of MCGC stock during the Class  
Period, against any of the Released Parties (defined below), based on state law (including,  
without limitation, all claims relating to fiduciary duties and disclosure), which, now or  
hereafter, are based upon, arise out of, relate in any way to, or involve, directly or indirectly, any  
of the actions, transactions, occurrences, statements, representations, misrepresentations,  
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omissions, allegations, facts, practices, events, claims or any other matters, things or causes  
whatsoever, or any series thereof, that were, could have been, or in the future can or might be  
alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to, directly  
or indirectly, the Action, or the subject matter thereof in any court, tribunal, forum or  
proceeding, including, without limitation, any and all claims which are based upon, arise out of,  
relate in any way to, or involve, directly or indirectly, (i) the Merger or the Merger Agreement;  
(ii) any deliberations or negotiations in connection with the Merger or the Merger Agreement,  
including the process of deliberation or negotiation by Defendants, and any of their respective  
officers, directors, principals, partners or advisors; (iii) the consideration to be received by Class  
members in connection with the Merger; (iv) the consideration to be received by any other  
person in connection with the Merger; (v) HC2’s or any other potential transaction  
counterparty’s alternative proposals to the Merger; (vi) the Initial N-14, Amended N-14, Joint  
Proxy Statement/Prospectus, Definitive Proxy Statement, or any other disclosures made  
available or filed relating to the Merger; (vii) the obligations, if any, of the Released Parties (as  
defined below) in connection with the Merger; (viii) any benefits or consideration received by  
any of the Defendants in the Merger; or (ix) any of the allegations in any complaint or  
amendment(s) thereto filed in the Action (collectively, the “Released Claims”); provided,  
however, for the avoidance of doubt, the Released Claims shall not include the right to enforce  
this Memorandum or the Settlement or any claims for appraisal pursuant to Section 262 of the  
Delaware General Corporation Law;  
(c) that Defendants release Plaintiffs and Plaintiffs’ counsel from all  
claims, complaints, petitions, or sanctions arising out of the investigation, commencement,  
prosecution, settlement, or resolution of the Action, and shall be barred from asserting same;  
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provided, however, that such releases will not include a release of the right to enforce this  
Memorandum or the Settlement;  
(d) whether or not each or all of the following persons or entities were  
named, served with process, or appeared in the Action, that “Released Parties” means MCG  
Capital Corporation, Keith Kennedy, Richard W. Neu, Kenneth J. O’Keefe, Kim D. Kelly,  
Gavin Saitowitz, PennantPark Floating Rate Capital, Ltd., PFLT Panama, LLC, PFLT Funding  
II, LLC, PennantPark Investment Advisers, LLC, and each of their respective past or present  
family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries,  
distributees, foundations, agents, employees, fiduciaries, partners, control persons, partnerships,  
general or limited partners or partnerships, joint ventures, member firms, limited liability  
companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities,  
stockholders, principals, officers, managers, directors, managing directors, members, managing  
members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-  
interest, assigns, financial or investment advisors, advisors, consultants, investment bankers,  
funding sources, entities providing any fairness opinion, underwriters, brokers, dealers, lenders,  
commercial bankers, attorneys, personal or legal representatives, accountants, insurers, co-  
insurers, reinsurers, and associates, of each and all of the foregoing;  
(e) that, upon Final Approval of the Settlement, any party providing a  
release (a “Releasing Person”) shall waive and relinquish, to the fullest extent permitted by law,  
the provisions, rights and benefits of any state, federal, or foreign law or principle of common  
law, which may have the effect of limiting the release set forth above. This shall include a  
waiver by the Releasing Persons of any rights pursuant to section 1542 of the California Civil  
Code (or any similar, comparable, or equivalent provision of any federal, state, or foreign law,  
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or principle of common law). The Stipulation shall further provide that Plaintiffs acknowledge,  
and the members of the Class shall be deemed by operation of the entry of a final order and  
judgment approving the Settlement to have acknowledged, that the foregoing waiver was  
separately bargained for, is an integral element of the Settlement, and was relied upon by each  
and all of the Defendants in entering into the Settlement;  
(f) that Defendants have denied, and continue to deny, any  
wrongdoing or liability with respect to all claims asserted in the Action, including that they have  
committed any violations of law, that they have acted improperly in any way, that they have any  
liability or owe any damages of any kind to Plaintiffs and/or the Class, and that any additional  
disclosures (including the additional disclosures made in the Supplemental Disclosures) are  
required under any applicable rule, regulation, statute, or law, but are entering into this  
Memorandum and will execute the Stipulation solely because they consider it desirable that the  
litigation be settled and dismissed with prejudice in order to, among other things, (i) eliminate  
the burden, inconvenience, expense, and distraction of further litigation; and (ii) finally resolve  
and terminate the Released Claims that were or could have been asserted against Defendants in  
the litigation;  
(g) that Plaintiffs and their counsel believe that the claims they have  
asserted in the Action have legal merit, and that their claims were brought in good faith, but that  
they are entering into this Memorandum and will execute the Stipulation because they believe  
the Settlement provides benefits to the stockholders of MCGC and is fair, reasonable, and  
adequate;  
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(h) for entry of a final and binding judgment dismissing the Action  
with prejudice on the merits and, except as set forth in paragraph 9 herein, without costs to any  
Party; and  
(i) that Defendants shall have the right to withdraw from the  
Settlement in the event that (i) any court permanently or temporarily enjoins or otherwise  
precludes the Merger; or (ii) any Released Claim is commenced or prosecuted against any of the  
Released Parties in any court prior to Final Approval of the Settlement, and (following a motion  
by any Defendant) any such claim is not dismissed with prejudice or stayed in contemplation of  
dismissal with prejudice following Final Approval. In the event that any such claim is  
commenced or prosecuted against any of the Released Parties, the Parties shall cooperate and  
use their best efforts to secure the dismissal with prejudice thereof (or a stay thereof in  
contemplation of dismissal with prejudice following Final Approval of the Settlement).  
7. Binding Effect. The Settlement is expressly conditioned on, and the  
definitive Stipulation will reflect, the following conditions: (a) final certification of the Class as a  
non-opt-out class; (b) Final Approval of the Settlement; (c) dismissal of the Action with  
prejudice on the merits as to all members of the Class (including Plaintiffs) without the award of  
any damages, costs, fees or the grant of further relief except for the payments contemplated by  
this Settlement; (d) approval of a release of the Released Parties by the Court, in accordance with  
the definition of Released Claims above; and (e) the consummation of the Merger. All  
provisions of the Memorandum shall be rendered null and void and of no force and effect in the  
event that the Court fails to grant Final Approval of the Settlement or the Merger is not  
consummated for any reason. Additionally, Defendants may, but are not obligated to, render this  
Memorandum null and void in the event that any Released Claim is commenced or prosecuted  
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against any of the Released Parties and such claims are not dismissed with prejudice or stayed in  
contemplation of the dismissal of the Action. In any event of nullification of this Memorandum,  
the Parties shall be deemed to be in the position they were in prior to the execution of this  
Memorandum and the statements made herein and in connection with the negotiation of the  
Memorandum or the Settlement shall not be deemed to prejudice in any way the positions of the  
Parties with respect to the Action, or any other litigation or judicial proceeding, or to constitute  
an admission of fact of wrongdoing by any Party, shall not be used or entitle any Party to recover  
any fees, costs, or expenses incurred in connection with the Action or in connection with any  
other litigation or judicial proceeding, and neither the existence of this Memorandum nor its  
contents nor any statements made in connection with the negotiation of this Memorandum or any  
settlement communications shall be admissible in evidence or shall be referred to for any  
purpose in the Action or in any other litigation or judicial proceeding.  
8. Modifications to the Merger. Plaintiffs acknowledge and agree that the  
parties to the Merger may make amendments or modifications to the Merger, including  
amendments or modifications to the Merger Agreement, prior to the effective date of the Merger.  
Plaintiffs agree that they will not challenge or object to any such amendments or modifications  
so long as it does not change the Merger consideration to the Class’s detriment, materially  
change any other terms of the Merger that would be materially adverse to the Class’s interests, or  
materially conflict with this Memorandum.  
9. Attorneys’ Fees. Defendants recognize that Plaintiffs’ counsel intend to  
apply for an award of attorneys’ fees and expenses. The Parties will seek to negotiate attorneys’  
fees and expenses after conducting Additional Discovery and reaching agreement on the  
substantive terms of the Stipulation. In the event the Parties reach an agreement on the amount  
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of Plaintiffs’ petition for attorneys’ fees and expenses, Plaintiffs will not seek attorneys’ fees or  
expenses from the Court in excess of the amount negotiated and agreed to with counsel for  
Defendants in the Action. In the event the Parties are unable to reach agreement concerning such  
attorneys’ fees and expenses, Defendants may oppose the amount of any application for  
attorneys’ fees and expenses made by Plaintiffs. Any fees and expenses awarded by the Court  
in connection with the Settlement shall be payable within ten (10) business days of the entry of  
an order awarding them. Plaintiffs’ counsel shall be jointly and severally responsible for the  
repayment of any such fees as may be reduced or rescinded upon a successful appeal or collateral  
attack. Any failure by the Parties to reach agreement in the Stipulation on an amount of  
attorneys’ fees and expenses, or by the Court to approve the amount of such attorneys’ fees, shall  
not affect the validity of the Settlement.  
10. Injunction Against Further Proceedings. If, before Final Approval of the  
proposed Settlement by the Court, any action was or is filed in any court asserting claims that are  
related to the subject matter of the Action, the Parties agree to take any and all necessary actions  
to prevent, stay, or seek dismissal of such action, and to oppose entry of any interim or final  
relief in favor of any member of the Class in any other litigation against any of the Parties to this  
Memorandum that challenges the Settlement or otherwise involves a Released Claim.  
11. Representations and Warranties. This Memorandum will be executed by  
counsel for the Parties, each of whom represents and warrants that they have the authority from  
their respective client or clients to enter into this Memorandum and bind their respective client or  
clients thereto. Plaintiffs’ counsel further represent that Named Plaintiff has been a continuous  
stockholder of MCGC at all relevant times and has not assigned, encumbered, or otherwise  
transferred, in whole or in part, the claims in the Action. Proof of Named Plaintiff’s ownership  
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will be provided to Defendants’ counsel before the filing of the Stipulation with the Court. Each  
of the undersigned attorneys affirms that he or she has been duly empowered and authorized to  
enter into this Memorandum.  
12. Governing Law. This Memorandum, the Stipulation, and the Settlement  
shall be governed by and construed in accordance with the laws of the State of Delaware without  
regard to any state’s principles governing choice of law.  
13. Jurisdiction and Venue. Each Party hereto irrevocably and  
unconditionally submits to and accepts the exclusive jurisdiction of the Court for any action, suit,  
or proceeding arising out of or relating in any way to this Memorandum or any matter relating to  
it, and waives any objection that it may have to the laying of venue in the Court or that the Court  
is in an inconvenient forum or does not have personal jurisdiction over it.  
14. No Admission of Liability. The provisions contained in this  
Memorandum shall not be deemed a presumption, concession, or admission by any Defendant of  
any fault, liability, wrongdoing as to any facts or claims that have been or might be alleged or  
asserted in the Action or any other action or proceeding that has been, will be, or could be  
brought, and shall not be interpreted, construed, deemed, invoked, offered, or received in  
evidence or otherwise used by any person in the Action or in any other action or proceeding,  
whether civil, criminal, or administrative, for any purpose other than as provided for expressly  
herein.  
15. Binding on Successors. This Memorandum shall be binding upon and  
inure to the benefit of the Parties and their respective agents, executors, heirs, legal  
representatives, successors, and assigns.  
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16. Modification. This Memorandum shall only be modified or amended by a  
writing, signed by all of the signatories hereto, that refers specifically to this Memorandum.  
17. Execution by Counterparts. This Memorandum may be executed in any  
number of actual, telecopied, or electronically distributed counterparts and by each of the  
different Parties on several counterparts, each of which when so executed and delivered will be  
an original. The executed signature page(s) from each actual, telecopied, or electronically-  
distributed counterpart may be joined together and attached and will constitute one and the same  
instrument.  
18. Miscellaneous. This Memorandum constitutes the entire agreement  
among the Parties to this Memorandum with respect to the subject matter hereof, supersedes all  
written or oral communications, agreements or understandings that may have existed prior to the  
execution of this Memorandum, and may be modified or amended only by a writing signed by  
the Parties hereto. This Memorandum shall be binding upon and inure to the benefit of the  
Parties and their respective agents, executors, heirs and assigns, provided that no Party shall  
assign or delegate its rights or responsibilities under this Memorandum without the prior written  
consent of the other Parties. The Released Parties who are not Parties hereto shall be third party  
beneficiaries under this Memorandum entitled to enforce this Memorandum in accordance with  
its terms.  
19. Notification to the Court. Promptly upon execution of this Memorandum,  
Plaintiffs’ counsel shall inform the Court of the proposed Settlement and provide a copy of this  
Memorandum to the Court.  
Dated: July 30, 2015  
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KAHN SWICK & FOTI, LLC LEVI & KORSINSKY, LLP  
/s/ Michael J. Palestina /s/ Shane T. Rowley  
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Funding II, LLC, and PennantPark Attorneys for PennantPark Floating Rate Capital,  
Investment Advisers, LLC Ltd., PFLT Panama, LLC, PFLT Funding II, LLC,  
and PennantPark Investment Advisers, LLC  
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WACHTELL, LIPTON ROSEN & KATZ ROSS ARONSTAM & MORITZ LLP  
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Richard W. Neu, Kenneth J. O’Keefe, Kim  
D. Kelly, Gavin Saitowitz and MCG Attorneys for Defendants Keith Kennedy, Richard W.  
Capital Corporation Neu, Kenneth J. O’Keefe, Kim D. Kelly, Gavin  
Saitowitz and MCG Capital Corporation  
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EXHIBIT A  
On page 91, the following sentence is inserted after the first sentence of the final paragraph:  
The MCG board of directors discussed with representatives of Morgan Stanley & Co. LLC (“Morgan  
Stanley”), among other things, the ongoing pressure on valuations in the BDC sector, MCG’s inability  
to issue stock with its stock price trading below NAV, the difficulties of making acquisitions in such a  
situation, dividend sustainability, and the interest in BDCs from certain entities looking to increase  
their capital.  
On page 91, the final sentence of the final paragraph is amended and restated as follows:  
Following a thorough review of MCG’s investment portfolio and market conditions, the MCG board of  
directors determined to explore strategic alternatives for the company and to formally engage Morgan  
Stanley as its financial adviser and Wachtell, Lipton, Rosen & Katz (“Wachtell Lipton”) as its legal  
adviser in the matter.  
On page 92, the first two sentences of the second full paragraph are amended and restated as follows:  
Following the public announcement, Morgan Stanley contacted a total of 103 potential counterparties to  
solicit their interest in pursuing a strategic transaction with MCG. These potential counterparties  
consisted of 51 BDCs, 9 specialty finance companies, 39 private equity and credit funds, and 4 asset  
managers. Of those contacted, 52 entered into confidentiality agreements with MCG that included  
customary terms regarding non-disclosure of MCG’s non-public information but that did not include  
“standstill” provisions that could have limited any of these parties from making a subsequent offer.  
These 52 counterparties consisted of 29 BDCs, 4 specialty finance companies, and 19 private equity and  
credit funds.  
On page 92, the third and fourth sentences of the fourth full paragraph are amended and restated as  
follows:  
The MCG board of directors discussed with its financial and legal advisers the desirability of reducing  
the number of parties in the process in order to better focus on and negotiate with those parties who  
seemed more likely to produce the strongest final bids and to consummate a transaction. Following a  
detailed discussion, the MCG board of directors instructed Morgan Stanley to inform four parties,  
including PFLT, that they had been selected to continue in the process and were invited to submit  
definitive transaction proposals. The MCG board of directors also instructed Morgan Stanley to inform a  
BDC that had submitted a preliminary indication of interest that the preliminary indication did not  
provide sufficient value but that it was invited to revise its proposal to offer greater value to MCG  
stockholders.  
On page 98, the final sentence of the final paragraph is restated as follows:  
Representatives of Morgan Stanley also informed the MCG board of directors that, in the two previous  
years, Morgan Stanley or its affiliates had provided financing services for PFLT and its affiliates, for  
which Morgan Stanley and its affiliates had received fees. For a further discussion of the opinion of  
Morgan Stanley, and the compensation Morgan Stanley and its affiliates received for such financing  
services, see “The Merger—Opinion of Morgan Stanley & Co. LLC.”  
On page 123, the following language is inserted after the phrase “$167 million” in the third sentence  
under the heading “Historical NAV per Share Analysis”:  
(equating to a NAV per share of MCG Common Stock of $4.521)  
On page 124, the following table and text is inserted after the bulleted list:  
The specific current and historical financial information, ratios and public market multiples that Morgan  
Stanley used to compare MCG with each of the selected companies is set forth in the following table  
(with all market data being as of April 24, 2015):  
Market  
Value Total Assets  
Price / Price / Current  
($ in ($ in LTM 2015E 2016E Price / Dividend  
Company millions) millions) Total Return EPS EPS NAV Yield  
MCG Capital $151 $184 13.8% N/M N/A 0.87x -  
Corp.  
Alcentra Capital $186 $272 N/A 9.9x 9.8x 0.92x 9.9%  
Corp.  
American $134 $282 (0.7)% 11.2x 11.2x 0.93x 8.7%  
Capital Senior  
Floating, Ltd.  
Capitala Finance $291 $550 (4.8)% 9.5x 9.0x 0.95x 10.6%  
Corp.  
CM Finance Inc. $185 $356 (1.5)% 9.7x 9.6x 0.91x 10.2%  
Fidus Investment $272 $436 (9.6)% 10.2x 9.7x 1.12x 9.0%  
Corp.  
Firsthand $118 $263 (26.5)% 30.6x 20.4x 0.63x -  
Technology  
Value Fund, Inc.  
Garrison Capital $252 $506 6.1% 9.7x 9.6x 0.96x 9.3%  
Inc.  
Gladstone $187 $344 (9.8)% 10.5x 10.6x 0.95x 9.5%  
Capital Corp.  
Gladstone $229 $412 (4.4)% 10.2x N/A 0.88x 9.9%  
Investment Corp.  
GSV Capital $189 $486 2.6% 28.0x 14.0x 0.66x -  
Corp.  
Horizon $166 $225 6.5% 10.6x 9.8x 1.00x 9.7%  
Technology  
Finance Corp.  
KCAP Financial, $227 $510 (23.9)% 9.8x 8.5x 0.89x 13.6%  
Inc.  
Medallion $260 $632 (24.4)% 8.9x 8.5x 0.94x 9.1%  
Financial Corp.  
Monroe Capital $175 $244 10.7% 9.0x 8.6x 1.03x 9.7%  
Corp.  
MVC Capital, $221 $597 (26.1)% 10.3x N/A 0.61x 5.5%  
Inc.  
OFS Capital $118 $341 (4.2)% 9.5x 8.1x 0.86x 11.1%  
- 19 -  
Corp.  
OHA Investment $117 $242 (19.3)% N/A N/A 0.76x 8.5%  
Corp.  
PennantPark $210 $356 2.3% 11.5x 12.1x 1.00x 8.1%  
Floating Rate  
Capital, Ltd.  
Solar Senior $187 $385 (4.0)% 11.7x 11.3x 0.92x 8.7%  
Capital Ltd.  
Stellus Capital $187 $327 (7.8)% 9.5x 8.9x 0.90x 10.8%  
Investment Corp.  
TriplePoint $238 $326 (6.2)% 9.0x 8.5x 0.99x 10.0%  
Venture Growth  
BDC Corp.  
WhiteHorse $190 $427 (6.7)% 9.5x 9.4x 0.84x 11.2%  
Finance, Inc.  
On page 127, the following language is inserted after the phrase “from 2015 to 2019” in the first bullet  
under the heading “Dividend Discount Analysis”:  
(which dividends per share of PFLT Common Stock were estimated to be $1.10 in 2015, $1.03 in 2016,  
$1.02 in 2017, $1.03 in 2018 and $1.04 in 2019)  
On page 127, the seventh bullet under the heading “Dividend Discount Analysis” is amended and  
restated as follows:  
$50 million equity capital raises in each year from 2015 to 2019 (which was selected by Morgan Stanley  
based on its estimate of the amount of additional equity capital PFLT would need to support portfolio  
growth while allowing it to comply with all of its required debt ratios), in each case at an issuance price  
equal to the NAV per share of PFLT Common Stock (which was determined by Morgan Stanley based on  
the fact that (i) PFLT had never raised equity capital at an issuance price that was less than the NAV per  
share of PFLT Common Stock and (ii) the PFLT board of directors did not have the authority to issue  
additional equity at an issuance price that is less than the NAV per share of PFLT Common Stock without  
the prior receipt of PFLT stockholder approval);  
On page 127, the following language is inserted after the phrase “PFLT Common Stock” in the eighth  
bullet under the heading “Dividend Discount Analysis”:  
(which was selected by Morgan Stanley based on the fact that (i) shares of PFLT Common Stock had not  
historically traded above a P/NAV of 1.0x and (ii) in Morgan Stanley’s view, potential buyers of PFLT’s  
loan portfolio would likely apply a discount when acquiring such loans)  
On page 127, the following language is inserted after the phrase “4.4% to 6.4%” in the ninth bullet  
under the heading “Dividend Discount Analysis”:  
(which was calculated by Morgan Stanley based on a (i) risk free rate of 1.93% (based on the 10-year  
treasury spot rate as of April 24, 2014), (ii) 6% market risk premium (based on Morgan Stanley internal  
estimates) and (iii) predicted beta of 0.57 (based on a select set of PFLT peer companies); using these  
inputs, Morgan Stanley calculated a cost of equity of 5.4% and then applied an upside and downside  
sensitivity range of 1%)  
On page 128, the following sentence is inserted before the first sentence in the final paragraph:  
- 20 -  
In the two years prior to the date of its opinion, Morgan Stanley and its affiliates have not been engaged  
on any financial advisory or financing assignments for MCG, and have not received any fees for such  
services from MCG during this time.  
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