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June 3, 2015

Via Electronic Mail and Overnight Mail

Dontzin Nagy & Fleissig LLP
980 Madison Avenue
New York, New York 10075
Attention: Matthew S. Dontzin

Dear Mr. Dontzin:

This letter confirms receipt of your letter dated June 2, 2015 sent on behalf of Philip Falcone and Harbinger Capital Partners LLC ("Harbinger").

We continue to disagree with your allegations that the presentation filed by MCG with the Securities and Exchange Commission (the "Commission") on June 1, 2015 contains false and misleading statements with regard to Mr. Falcone and Harbinger. However, please be advised that MCG has issued a press release with respect to the amended presentation and the related correspondence.

We believe that any litigation over these points would be wholly without merit, and that threats of litigation in these circumstances are not productive.

MCG reserves all of its rights with respect to these matters.

Very truly yours,

David E. Shapiro

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June 2, 2015

VIA EMAIL AND OVERNIGHT MAIL

David E. Shapiro, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019-6150

Re: Philip Falcone

Dear Mr. Shapiro:

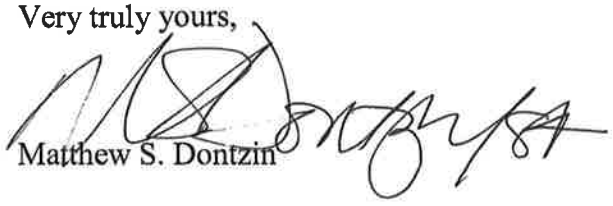
We write in response to your June 2, 2015 letter.

Philip Falcone and Harbinger Capital Partners LLC ("Harbinger") are well aware of their obligations under the August 16, 2013 Consent. As you well know, they have not made any public statements denying the allegations in the complaints filed by the Securities and Exchange Commission (the "Commission") on June 27, 2012. What they took exception to were the libelous and defamatory statements in the investor presentation MCG Capital Corporation ("MCG" or the "Company") filed with the Commission yesterday (the "Presentation")—in a transparent and malicious effort to harm Mr. Falcone and his business interests—which misrepresented Mr. Falcone's and Harbinger's admissions in the September 16, 2013 Final Consent Judgment and implied falsely that they had been criminally charged with securities fraud. Those statements were false and misleading and MCG acknowledged as much by filing a revised presentation with the Commission today, in which the statements we have challenged are omitted.

Although MCG has filed a revised presentation with the Commission, the original Presentation remains available on its website and on the Commission's website as well. We demand that, by the close of business today, the Company remove the original Presentation from

its website and file a press release with the Commission reporting that the Presentation has been corrected. Absent that we have been instructed to seek judicial redress.

Very truly yours,



Matthew S. Dontzin

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June 2, 2015

Via Electronic Mail and Overnight Mail

Dontzin Nagy & Fleissig LLP
980 Madison Avenue
New York, New York 10075
Attention: Matthew S. Dontzin

Dear Mr. Dontzin:

On behalf of MCG Capital Corporation ("MCG"), this letter confirms receipt of your letter to MCG Capital Corporation, dated June 1, 2015, sent on behalf of Philip Falcone and Harbinger Capital Partners LLC ("Harbinger").

We hereby inform you that we disagree with your allegations that the presentation filed by MCG with the Securities and Exchange Commission (the "Commission") on June 1, 2015 contains "materially false and misleading representations with regard to Mr. Falcone and Harbinger."

On June 27, 2012, the Commission issued a press release titled "Philip A. Falcone and Harbinger Charged with Securities Fraud" stating that it had filed fraud charges against Mr. Falcone and Harbinger "for illicit conduct that included misappropriation of client assets, market manipulation and betraying clients."

In complaints filed by the Commission against Mr. Falcone and Harbinger in the United States District Court for the Southern District of New York in 2012, the Commission alleged that Mr. Falcone and Harbinger engaged in fraudulent schemes that disadvantaged investors and alleged, among other things, the following:

- Mr. Falcone and Harbinger "misappropriated $113.2 million in [a Harbinger fund] funds to pay state and federal taxes owed by Falcone" at a time when "Falcone and Harbinger had blocked other [fund] investors for over one year from withdrawing any of their funds" and "approximately 60 percent of [fund] investors had unfulfilled requests to redeem their interests";

- Mr. Falcone and Harbinger concealed this transaction from investors because they were "soliciting investments in new Harbinger funds" at the time and disclosure would have "impeded these new offerings";

- Mr. Falcone falsely informed an investor that "other key investors were aware of" this transaction;

- Mr. Falcone and Harbinger "engaged in another scheme that disadvantaged investors" by making "side deals with some of their largest investors, providing those investors with preferential liquidity in return for an affirmative vote" with respect to a proposal to impose a more restrictive limit on investor redemptions from a Harbinger fund;

- Mr. Falcone and Harbinger "concealed or failed to disclose material terms of [the voting] arrangements from the [fund] board of directors, and to the other non-favored investors; failed to honor Most Favored Nation ("MFN") provisions with certain investors; and made misrepresentations and omissions of material facts to investors concerning the side letters and MFNs";

- Mr. Falcone and Harbinger "provided incomplete and misleading disclosure" to investors by failing to disclose the intent to enter into the side letter arrangements to all fund investors, although the "[k]nowledge of such *quid pro quo* arrangements was material"; and

- Mr. Falcone and certain related entities "formed the intent to manipulate the market" in certain bonds issued by MAAX Holdings, Inc. "by buying up all of the available bonds and restricting their supply in the market, and then pressuring the holders of short positions" in such bonds "to buy the bonds at artificially inflated prices."

The Commission made claims in the complaints that, as a result of the alleged conduct outlined in the complaints, Mr. Falcone and Harbinger:

- "employed devices, schemes or artifices to defraud";
- "engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons"; and
- "engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser."

The Commission additionally made claims in the complaints that the facts set forth above variously constituted violations of Section 17(a) of the Securities Act of 1933, as amended, Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 10b-5(a), (b) and (c) under the Exchange Act, Sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and Rule 206(4)-8 under the Advisers Act.

The final consent judgment entered with respect to the two Commission actions, as agreed to by Mr. Falcone, contains an admission by Mr. Falcone and Harbinger to the following facts:

- Mr. Falcone "improperly borrowed $113.2 million from [the fund], at an interest rate less than [the fund] was paying to borrow money, to pay his personal tax obligation, at a time when Falcone had barred other [fund] investors from making redemptions, and did not disclose the loan to investors for approximately five months";
- Mr. Falcone told an investor representative that the $113.2 million loan was collateralized by "all my holdings, essentially 14x" when the "pledged collateral for the loan was limited to Falcone's interest in [the fund], which was less than two times the principal amount of the loan";
- Mr. Falcone and Harbinger "granted favorable redemption and liquidity terms to certain large investors in [a Harbinger fund] who voted in favor of more restrictive redemption terms, and did not disclose certain of these arrangements to the fund's board of directors and the other fund investors";
- Mr. Falcone and Harbinger "failed to honor Most Favored Nation ("MFN") provisions with certain investors"; and
- Mr. Falcone "retaliated against" a financial services firm for shorting the MAAX bonds by causing a Harbinger fund to "purchase all of the remaining outstanding [bonds] in the open market," ultimately accumulating a position in excess of the total issue size, and transferring the Harbinger holdings of these bonds to a custodial account with the

"principal purpose and effect" of "prevent[ing] the bonds from being lent out or used to cover short positions" and demanding that the financial services firm settle its outstanding short positions without disclosing that it would be "virtually impossible" for it to do so because of Harbinger's holdings.

In connection with your letter and your other communications to MCG, we note that the consent signed by Mr. Falcone on August 16, 2013 contains an agreement by Mr. Falcone and the other defendants in the relevant actions not to make "any public statement denying, directly or indirectly, any allegation in the complaints or creating the impression that the complaints are without factual basis" and not to make "any public statement to the effect that [such defendants] do not admit the allegations of the complaints, or that [such consent] contains no admission of the allegations." We fail to see how Mr. Falcone's threatened litigation would be in compliance with such restrictions, and question whether the threats contained in Mr. Falcone's communications with MCG constitute violations of such restrictions in and of themselves.

MCG believes that the facts set forth above speak for themselves with respect to the conduct in question and the characterization of such facts in the previously filed presentation, and that any litigation over these points would be wholly without merit. However, please be advised that MCG has filed a revised presentation with the Commission.

MCG reserves all of its rights with respect to these matters.

Very truly yours,

David E. Shapiro

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June 1, 2015

VIA EMAIL AND OVERNIGHT MAIL

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

Mr. Christian Lown
Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036

Re: Philip Falcone

Gentlemen:

We represent Philip Falcone and Harbinger Capital Partners LLC ("Harbinger"). On June 1, 2015, MCG Capital Corporation ("MCGC" or the "Company") filed with the Securities and Exchange Commission ("SEC") an investor presentation entitled "Selected Reasons Why the HC2 Offer Is Not Reasonably Likely to Lead to a Superior Proposal" (the "Presentation"). We understand that Morgan Stanley & Co. LLC ("Morgan Stanley") is serving as financial advisor to MCGC and prepared the Presentation.

We are writing because the Presentation contains materially false and misleading representations with regard to Mr. Falcone and Harbinger. We demand that the Company and Morgan Stanley immediately take steps to file a corrected version of the Presentation with the SEC, and issue a Press Release reporting such a filing. Absent that we are authorized to commence litigation without further notice.

The Presentation states on page 4 that: "In 2012, Philip Falcone and Harbinger Capital Partners LLC were charged with, and in 2013 *subsequently admitted to*, multiple counts of securities fraud stemming from activities beginning in 2006." (Emphasis added). The Presentation further states on page 4 that: "In order to settle the charges, Falcone and Harbinger *admitted to their guilt with respect to the charges* and agreed to the following restrictions and penalties . . . ." (Emphasis added).

The statement that Mr. Falcone and Harbinger "admitted" to engaging in securities fraud is false. Mr. Falcone and Harbinger did not admit to engaging in securities fraud—much less "multiple counts of securities fraud"—and never admitted "their guilt with respect to the charges" asserted by the SEC in the two civil complaints filed with the United States District Court for the Southern District of New York on June 27, 2012 (the "Actions").

In fact, as the September 16, 2013 Final Consent Judgment (the "SEC Final Judgment") entered in the Actions reflects, Mr. Falcone and Harbinger merely admitted to certain "facts" set forth in the Final Consent Judgment. They never admitted that they engaged in any fraudulent conduct or that they violated any particular civil statute, particularly any statute requiring an intent to defraud. The statements in the Presentation to the contrary are false and must be immediately corrected.

In addition, the deliberate use of the phrases "charged with", "multiple *counts* of securities fraud" and "admitted to their guilt" in the Presentation suggests that Mr. Falcone and Harbinger had been charged *criminally* for securities fraud. Such an implication is false and defamatory.

Please confirm that a corrected version of the Presentation, and an accompanying Press Release, will be filed with the SEC immediately.

Mr. Falcone and Harbinger reserve their rights.

Very truly yours,

Matthew S. Dontzin/ks

cc: Wachtell, Lipton, Rosen & Katz (via overnight mail)