

MVC Capital Announces Sale Of 0-In Design To Mentor Graphics For Stock

PURCHASE, NY - SEPTEMBER 2, 2004 - MVC Capital, a publicly traded business development company that makes private mezzanine debt and equity investments, is pleased to announce that 0-In Design Automation, Inc., one of the Fund's portfolio companies, has been acquired for stock plus a multi-year earn-out by Mentor Graphics Corp. (Nasdaq: MENT), a world leader in electronic hardware and software design solutions.

As a result of the acquisition, the Fund is receiving 685,679 shares of Mentor Graphics stock, with a current market value of approximately \$7.5 million. Of these shares, 603,386 shares are freely-tradable and will be valued daily by the Fund. The Fund is currently valuing these shares at \$6.6 million. The balance of the shares are required to be held in escrow for a one-year period and, under the terms of the transaction, the Fund's rights to receive all or a portion of these shares are subject to certain contingencies. While the current market value of the escrowed shares is approximately \$900,000, the Fund has initially placed no value on them due to these contingencies. The terms of the acquisition also include a multi-year earn-out, based upon future revenues, under which the Fund may be entitled to receive additional cash consideration.

The Fund originally invested \$4 million in 0-In Design in late 2001. The value of the Fund's investment in 0-In Design was written up on June 9, 2004 from \$2 million, its prior fair value, to \$6 million at the announcement of the signing of the definitive agreement for the purchase of 0-In, which resulted in an increase to NAV of approximately \$.32 per share. An additional incremental NAV increase of \$.05 per share, or approximately \$600,000 will be recorded today at the close of the acquisition. The deferred portion of the purchase price (the value of the escrowed shares and any payments due to the Fund as a result of the earn-out) will be added to the Fund's NAV when more details become available as to the precise timing and amount, if any, of the contingent payments.

"Our investment team has worked very hard over the past few months to achieve this positive event, which reflects our commitment to achieve long-term value from the Fund's legacy technology portfolio through active management," said Michael Tokarz, Chairman and Portfolio Manager of MVC Capital. "We look forward to continuing to work on realizing the value of the legacy portfolio while we pursue the Fund's new investment objective of maximizing total return from capital appreciation and/or income."

MVC Capital is a Business Development Company traded on the New York Stock Exchange that provides long-term debt and equity investment capital to fund growth, acquisitions and recapitalizations of companies in a variety of industries. For additional information about MVC, please contact Kim Levy or Keil Decker at 212-687-8080.

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The information contained in this press release contains forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results and conditions to differ materially from those projected in these forward-looking statements, and these factors are enumerated in the company's periodic filings with the Securities and Exchange Commission.