

FITCH UPGRADES AMERICAN CAPITAL STRATEGIES IDR TO 'BBB'; OUTLOOK STABLE

Fitch Ratings-Chicago-04 December 2006: Fitch upgraded the following American Capital Strategies, Ltd. (NASDAQ: ACAS) debt ratings:

- Long-term Issuer Default Rating (IDR) to 'BBB' from 'BBB-';
- Senior Unsecured Debt Rating to 'BBB' from 'BBB-'.

The Rating Outlook is Stable.

The ratings upgrade reflects the strength of ACAS' overall financial performance, strong capitalization, and slightly improved funding flexibility due to the company's progress over the past two years toward meeting its goal of having unsecured debt comprise 50% of total debt.

The company's overall financial performance reflects significant asset growth and net portfolio appreciation and gains. ACAS has issued, through private placements, \$368 million of unsecured term debt since September 2004 and has increased the size of its unsecured revolving bank facility from \$255 million to \$900 million. Including unsecured revolving bank debt, unsecured debt currently represents 34% of overall funded debt. Secured financing (particularly collateralized loan obligations) continues to represent an important funding source, especially for the long-term component of ACAS' funding strategy. Furthermore, the company has raised nearly \$2.4 billion of equity capital over the past three years to support portfolio growth.

Other key rating factors include the company's market position as one of the premier private equity and mezzanine investment firms in the U.S., strong liquidity, and the quality and capability of its support infrastructure, which includes the Financial Analysis and Compliance Team (FACT) and the Operations team.

A primary rating concern remains the overall size and pace of growth over the past three years as well as the planned expansion of the asset management business. Other primary rating concerns include the significant reliance on capital markets to fund growth and the increased level of competition within the sector.

ACAS is a publicly traded buyout and mezzanine fund that provides investment capital in the form of senior and subordinated debt and equity to middle market companies. At Sept. 30, 2006, ACAS reported total assets of nearly \$7.9 billion, which included total investments at fair value of \$7.5 billion.

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