

# FitchRatings

## *Rating Action Commentary*

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### **Fitch Upgrades 1 Class of ACAS Business Loan Trust 2002-1**

Fitch Ratings-New York-February 16, 2005: Fitch Ratings upgrades one class of notes issued by ACAS Business Loan Trust 2002-1 (ACAS 2002-1). The following rating actions are effective immediately:

--\$2,274,931 class B notes upgraded to 'AAA' from 'AA-'.

ACAS Business Loan Trust 2002-1 is a collateral loan obligation (CLO) that closed on March 15, 2002. The servicer is American Capital Strategies (Nasdaq: ACAS), based in Bethesda, Maryland. The rated liabilities are supported by the cash flows of a static portfolio of high yield loans to middle market U.S. businesses, a majority of which are privately owned. The loans were made for the purpose of working capital, growth, acquisitions, and recapitalizations. The loan obligors operate in several industries, including industrial and consumer manufacturing, retail, and services. A majority of the loans are subordinate loans, with the remaining balance divided between senior unsecured and senior secured obligations.

The portfolio is a static pool with no discretionary trading. Substitution is limited to defined circumstances not to exceed 20% of the original portfolio balance. To date, there have been two substitutions representing 7.63% of the original portfolio.

As of the Jan. 20, 2005 servicer report, the class A note has paid in full and the class B note has received over \$32 million in principal distributions over the past 12 months, with 4.63% of the note outstanding. In total, 73.84% of the capital structure has been redeemed, leaving \$51.37 million in collateral to cover \$2.27 million in rated notes. There has been some credit migration of the portfolio since the last review on Oct. 18, 2003. Most of this negative migration is due to higher

credit quality assets maturing or prepaying, not to downgraded collateral. The overall credit quality of the investments remains sound.

The rating of the class B notes addresses the likelihood that investors will receive full and timely payments of interest, as per the governing documents, as well as the stated balance of principal by the legal final maturity date.

Due to the deleveraging of the structure, the significant amount of cash in the reserve account and the relative stability of the loans, Fitch upgrades the class B note.

Fitch will continue to monitor and review this transaction for future rating adjustments. Additional deal information and historical data are available on the Fitch Ratings web site at '[www.fitchratings.com](http://www.fitchratings.com)'. (For more information on the Fitch VECTOR model, see 'Global Rating Criteria for Collateralised Debt Obligations,' dated Sept. 13, 2004, available on Fitch's web site at '[www.fitchratings.com](http://www.fitchratings.com)'.)

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