

FitchRatings

Rating Action Commentary

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Fitch Upgrades 3 & Affirms 1 Class of ACAS Business Loan Trust 2003-1

Fitch Ratings-New York-April 28, 2005: Fitch Ratings upgrades three classes and affirms one class of notes issued by ACAS Business Loan Trust 2003-1, (ACAS 2003-1). The following rating actions are effective immediately:

--\$10,118,310 class A notes affirmed at 'AAA';

--\$30,805,000 class B notes upgraded to 'AAA' from 'AA';

--\$17,104,000 class C-1 notes upgraded to 'AA' from 'A+';

--\$6,000,000 class C-2 notes upgraded to 'AA' from 'A+'.

ACAS Business Loan Trust 2003-1 is a collateral loan obligation (CLO) that closed on May 21, 2003. 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, transportation and services. A majority of the loans are subordinate loans, with the remaining balance divided between senior unsecured and senior secured obligations.

Included in this review, Fitch discussed the current state of the portfolio with the asset manager and their portfolio management strategy going forward. In addition, Fitch conducted cash flow modeling utilizing various default timing and interest rate scenarios to measure the breakeven default rates going forward relative to the minimum cumulative default rates required for the rated liabilities. 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 loans substituted out of the trust equaling 4.04% of the original portfolio.

As of the March 20, 2005 servicer report, the class A note has paid down approximately 95.5% of the original balance. In total, 56.7% of the capital structure has been redeemed leaving \$133.3 million in collateral to cover \$64 million in rated notes. There has been a small change in the weighted average rating of the portfolio investments that is primarily due to improved performance of the obligors. Fitch's view of the overall credit quality of the portfolio investments remains consistent with that at the closing of the transaction.

The ratings of the class A, class B, class C-1 and class C-2 notes address the likelihood that investors will receive full and timely payments of interest on scheduled interest payment dates, as well as the stated balance of original principal on the final payment date.

Due to the de-leveraging of the structure, the significant excess spread and relative stability of the loans, Fitch upgrades the class B and class C notes.

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'. For more information on the Fitch VECTOR Model, see 'Global Rating Criteria for Collateralised Debt Obligations,' dated Sept. 13, 2004, also available at 'www.fitchratings.com'.

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