

# FitchRatings

## *Ratings Action Commentary*

### Contact

Jeffery Cromartie +1-212-908-0722

Alla Zaydman +1-212-908-0542

### **Fitch Upgrades 2 Classes of ACAS Business Loan Trust 2003-1**

Fitch Ratings-New York-December 6, 2005: Fitch Ratings upgrades two classes of notes issued by ACAS Business Loan Trust 2003-1 (ACAS 2003-1). The following rating actions are effective immediately:

- \$309,125 class B notes affirmed at 'AAA';
- \$17,104,000 class C-1 notes upgraded to 'AAA' from 'AA';
- \$6,000,000 class C-2 notes upgraded to 'AAA' from 'AA'.

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. There is no discretionary trading and substitution is limited to defined circumstances not to exceed 20% of the original portfolio balance.

The upgrades reflect the increase in credit enhancement resulting from deleveraging. As of the Nov. 20, 2005 servicer report, the class A notes have paid in full and the class B notes have paid down \$30.5 million or 99.0% of its original balance. In total, 69.9% of the capital structure has been redeemed leaving \$92.7 million in collateral to cover \$23.4 million in rated notes. One asset defaulted since last review resulting in an additional principal amount payment of \$5 million, the par value of the loan. To date, there have been two loans substituted out of the trust equaling 7.5% of the original portfolio.

The ratings of the 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.

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.

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