THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who, if you are taking advice in the United Kingdom, is authorised pursuant to the Financial Services and Markets Act 2000 or from an appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your European Capital Shares, please send this document at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred only part of your holding of European Capital Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

Unless the context otherwise requires, all capitalised terms in this document shall have the meanings given in the scheme document circular posted to shareholders on 12 January 2009 (the "**Scheme Document**").

This document is supplementary to and should be read in conjunction with the Scheme Document.

European Capital

Independent Directors:

Huw Evans
Alexis Babeau
Jean-Louis Gleizes

Registered office:

European Capital Limited
First Floor, Dorey Court
Admiral Park, St. Peter Port
Guernsey GY1 4AF
Registered number: 43583

9 March 2009

To European Capital Shareholders

Dear European Capital Shareholder,

ACQUISITION OF
EUROPEAN CAPITAL LIMITED BY AMERICAN CAPITAL, LTD.

1 Introduction

On 12 January 2009, you were sent the Scheme Document detailing ACAS's all-share offer to acquire the entire issued and to be issued share capital of European Capital not already owned by ACAS by means of a scheme of arrangement provided for under Part VIII of the Companies Law. On 6 February 2009, ACAS announced its intention to publish its results for the fourth quarter of 2008 (the "**ACAS Q4 Results**") and for the full year on 2 March 2009. Having considered the situation carefully, on 25 February 2009, the Independent Directors sent you a letter (the "**Letter Dated 25 February 2009**") explaining that the Court Meeting and the Extraordinary General Meeting to consider and vote on the Scheme had been adjourned (the "**Adjournment**") to give European Capital Shareholders time to consider the ACAS Q4 Results before voting on the Scheme.

On 2 March 2009, ACAS published the ACAS Q4 Results and its results for the full year. A copy of the ACAS Q4 Results is set out in Appendix 1 and excerpts from the ACAS Annual Report on Form 10-K for the year ended 31 December 2008 are set out in Appendix 2 to this document.

2 Background to and reasons for the Independent Directors' conclusion

Note regarding valuation information

The valuation information relating to the portfolio companies of European Capital and ACAS, and their respective net asset values, stated or referred to in this paragraph has been determined by the European Capital Board and the ACAS Board (respectively) in good faith, on a basis consistent with past practice and for the purposes of complying with their respective reporting obligations under applicable laws. To assist it in determining such valuation information, each of the European Capital Board and the ACAS Board has engaged independent valuation firms to perform certain valuation procedures. Such procedures are limited in their scope and extent, however, and do not comprise (or form the basis for) a full valuation of portfolio investments.

European Capital Shareholders should note that such valuation information has not been independently determined and, consequently, does not meet the standards that would be required under Rule 29 of the City Code in relation to a valuation given in connection with an offer and should not be relied on for the purposes of deciding whether or not to vote in favour of the Scheme and the associated Special Resolution to be proposed at the Court Meeting and the Extraordinary General Meeting. The European Capital Board considers that the European Capital Shareholders and the ACAS Board considers that the ACAS Shareholders are best served by receiving valuations which are prepared on a basis consistent with previous periods and that, given current market turbulence and the volatility affecting the share prices of listed companies (which are used in the valuation of portfolio companies), it would not be possible for an independent valuer to produce at this point in time a valuation of the entire portfolio of European Capital or ACAS which would be objectively reliable or robust. Accordingly, neither the European Capital Board nor the ACAS Board has commissioned an independent valuer to produce a valuation for the specific purposes of the Acquisition.

The Independent Directors have taken account of but, for the reasons set out in the preceding paragraph, not relied on the valuation information relating to the portfolio companies of European Capital and ACAS, and their respective net asset values, stated or referred to in this document for the purposes of reaching their conclusion on the Acquisition. In advising the Independent Directors on the terms of the Acquisition, Lexicon Partners has taken account of but not relied upon such valuation information, and has also taken into account a number of factors including the increased scale and liquidity of ACAS relative to European Capital. Both the Independent Directors and Lexicon Partners have taken into account certain valuation information relating to both European Capital and ACAS as one of a number of factors in arriving at their respective conclusions.

Background

The Acquisition was announced on 10 November 2008. At that time, the terms of the Acquisition valued each European Capital Share at €3.61 (based on an exchange rate of $1.2718:€1), based on the closing price per ACAS Share of $13.77 on 7 November 2008. The Acquisition price represented a premium of approximately 107.8 per cent. to the closing price of €1.735 per European Capital Share on 7 November 2008.

At the time of the announcement, the Acquisition was recommended by the Independent Directors, who were so advised by Lexicon Partners, having taken account of a number of factors including the following:

(a) the Acquisition price represented a substantial premium to the European Capital Share price prevailing before the announcement on 10 November 2008;

(b) European Capital's continued ability to fund its portfolio of investments was (and continues to be) reliant on the provision of debt and equity funding, the availability of which had deteriorated since mid-2007. In particular, a large proportion of European Capital's banking facilities fall due for repayment in 2009 and the Independent Directors considered there to be a risk that these facilities would not be renewed, or would only be renewed on more expensive terms;

(c) the possibility that the continuing volatility in the debt and equity markets, combined with the impact on the valuation of European Capital's investment portfolio under the FAS 157 "mark-to-market" accounting policy, would require further support from ACAS or accommodations from European Capital's lenders;

(d) the New ACAS Shares were being offered at a similar discount to their underlying net asset value to that implied by the prevailing European Capital Share price; and

(e) the relatively modest dilution to net asset value per share implied by the terms of the Acquisition (based on the net asset values per European Capital Share and ACAS Share as at 30 June 2008) was compensated for by European Capital Shareholders benefitting from the increased scale, liquidity and dividend potential, and the more secure funding base of ACAS relative to European Capital.

On 12 January 2009, the Scheme Document in relation to the Acquisition was sent to European Capital Shareholders. At this time, due to extreme fluctuations in the share prices of ACAS and European Capital, together with an adverse movement in the US dollar/Euro exchange rate, the terms of the Acquisition valued each European Capital Share at €1.49. This represented a decline of almost 60 per cent. since the time the Acquisition was announced. The terms of the Acquisition also represented a materially greater discount to the underlying net assets per European Capital Share than was implied by the Acquisition terms at announcement. Nevertheless, it represented a 43 per cent. premium to the average European Capital Share price since announcement and a 42 per cent. premium to the closing price of €1.05 on 8 January 2009 (being the latest practicable date prior to the posting of the Scheme Document).

At the time of the posting of the Scheme Document the Independent Directors viewed the standalone prospects for European Capital should the Acquisition not proceed as challenging. As a result, they considered there to be benefit in accepting the terms of the Acquisition and becoming shareholders in ACAS with the benefits of scale and greater liquidity in its shares and consequently continued to recommend the transaction.

However, the Independent Directors observed that in similarity with other financial services companies, ACAS's share price and the FAS 157 "mark-to-market" value of certain of its underlying portfolio of investments had come under pressure and that being a shareholder in ACAS carried risks. The Independent Directors of European Capital noted that they had no way of predicting what will happen to the business of ACAS and its share price in the future.

Given the uncertainty surrounding the prospects for ACAS, the Independent Directors continued to monitor developments to assess whether their recommendation remained appropriate in the circumstances. In particular, the Independent Directors committed to have regard to any new financial information published by ACAS, including ACAS's results of operations in respect of the quarter and year ended 31 December 2008.

Current views on the Acquisition

The comments made by the Independent Directors regarding European Capital's and ACAS's standalone position remain valid as of today. Furthermore, since the posting of the Scheme Document on 12 January 2009, there have been a number of developments which affect both the terms of the Acquisition and the Independent Directors' assessment of the benefits of the Acquisition for European Capital Shareholders:

(a) the share prices of European Capital and ACAS, as well as the US dollar / Euro exchange rate, have changed materially, affecting the terms of the Acquisition;

(b) ACAS has published its financial results for the year ending 31 December 2008; and

(c) there is greater clarity on the current position of European Capital's own debt facilities.

Between 8 January 2009, the last practicable business day posting of the scheme document and 6 March 2009, being the last practicable business day prior to the posting of this document, the European Capital share price has fallen by 82 per cent. from €1.05 to €0.19 per share; the ACAS share price has fallen by 90 per cent. from $6.150 to $0.585 per share; and the US dollar / Euro exchange rate has moved from $1.3702 to $1.2653. As a result of these changes, the terms of the Acquisition now value each European Capital Share at €0.15, representing a 90 per cent. decline since 8 January 2009. The Acquisition represents a discount of 19 per cent. to the closing European Capital Share price of €0.19 as at 6 March 2009, being the last practicable business day prior to the posting of this document.

European Capital Shareholders should also note that, under The NASDAQ Global Select Market's continued listing requirements, any listed company with a closing bid price over 30 days of less than $1.00 may be subject to compulsory delisting from The NASDAQ Global Select Market (although a temporary suspension of this rule has been implemented until 20 April 2009). ACAS's share price, at $0.585, is currently below this $1.00 threshold.

The ACAS financial results for the year ended 31 December 2008 were released on 2 March 2009. Some of the key factors of relevance for the Acquisition within this release are as follows:

(a) in the fourth quarter of 2008, ACAS experienced material depreciation (c. $1.5 billion) on the value of its portfolio of unquoted investments. The ACAS audited net asset value per share fell by 37 per cent. from $24.43 as at 30 September 2008 to $15.41 as at 31 December 2008 (although, as set out above, this net asset valuation is not sufficiently reliable or robust to meet the standards that would be required under Rule 29 of the City Code);

(b) as a consequence of this fall in net asset value, ACAS is now in breach of certain tangible net worth and other covenants on its c. $2.3 billion unsecured debt facilities (although there are no covenant violations or defaults and no cross-default provisions to the unsecured debt under $2.1 billion of secured debt facilities held by special purpose remote subsidiaries of ACAS); and

(c) as a consequence of these covenant breaches on ACAS's unsecured debt facilities, ACAS's auditors, Ernst & Young LLP, whilst issuing an unqualified opinion on ACAS's financial statements, issued an explanatory paragraph within their audit opinion regarding the uncertainty surrounding ACAS's ability to operate as a going concern.

Whilst ACAS remains in discussions with its lenders to restructure the unsecured debt facilities, there can be no certainty that these discussions will ultimately be successful. Under the terms of the unsecured debt facilities, a breach of covenant is classified as an act of default, entitling the unsecured creditors to issue to ACAS notice of default and notice of acceleration of the repayment of the unsecured facilities. Should the unsecured creditors require accelerated repayment of the unsecured facilities, ACAS may need to sell certain of its investment portfolio assets in order to generate sufficient liquidity to be able to repay the unsecured creditors. In the current extremely volatile markets, it must be considered that, should ACAS be forced to sell any investment assets, the price achieved for these assets would be lower than the fair value of those assets as reflected on ACAS's balance sheet. This could lead to a material reduction in ACAS's net asset value or, in extremis, the requirement for ACAS to seek protection from its creditors under Chapter 11 of the US Bankruptcy Code or a similar insolvency programme. Alternatively, should ACAS seek to enhance its current capital position through restructuring or by issuing new equity, ACAS Shareholders could be diluted, potentially materially. Should the Acquisition proceed, European Capital Shareholders would also suffer this dilution.

The financial results for European Capital for the year ended 31 December 2008 have not yet been finalised and audited. However, based on preliminary information produced by the Investment Manager, it is evident that European Capital's net asset position will have fallen significantly and that European Capital will, as of the date of publication of those results, be in breach of certain tangible net worth covenants under its secured debt facility. Given cross default provisions in European Capital's unsecured debt facilities, this would then lead to default under each of European Capital's secured and unsecured debt facilities. European Capital is currently in discussions with its lenders with regards to restructuring its debt facilities (with these negotiations being managed on European Capital's behalf by ACAS), but there can be no certainty this will result in a successful outcome. In particular, should ACAS withdraw or amend the terms of its support to European Capital, in the Independent Directors' opinion there is a material possibility that the value of European Capital Shares could be further eroded either as a result of forced realisations to repay indebtedness, liquidation or a capital restructuring which would be dilutive for existing European Capital Shareholders.

If the Acquisition were not to proceed, the impact both on European Capital and on the European Capital Shareholders would be highly uncertain and may lead to negative consequences.

As a consequence of the above factors, the outlook for both European Capital and ACAS is highly uncertain. Both face difficult operating environments and both are, or will be, in breach of debt covenants. A judgment of the attractiveness of the terms of the Acquisition therefore relies, to some extent, on the potential for either business to restructure its debt facilities and to trade through the current difficult environment, providing the potential for share price appreciation in the longer term.

Although the value of the offer is now extremely low, if European Capital were to remain a company listed on the London Stock Exchange, it is difficult for the Independent Directors to have any significant confidence that the outlook for the European Capital Share price would improve materially during the current recessionary environment. As noted above, in the opinion of the Independent Directors, in current market conditions, it is not practical to produce a valuation of net asset value that is sufficiently reliable or robust to meet the standards required under Rule 29 of the City Code. Nonetheless, the current European Capital Share price represents a significant discount to the net asset value as at 30 September 2008, the date to which the last financial statements have been released. Further, it is clear that, since that time, the performance of some of European Capital's portfolio companies has suffered as global economies have moved into recession and it is likely that this trend will continue for some time. As this happens, the underlying net asset value of European Capital is likely to fall further. In any event, even if the underlying net asset value of European Capital were to improve (and/or it were again practicable to provide a more reliable and robust assessment of such net asset value), if difficult conditions in the financial markets were to persist, there is no guarantee that the European Capital Share price would reflect that underlying value more closely.

The same observations hold true for ACAS, meaning that there is equally great uncertainty as to ACAS's future share price performance. Potential mitigating factors that may be to ACAS's relative advantage include:

(a) the benefits of greater scale and liquidity, both in terms of operational advantage and the ability for shareholders to dispose of a shareholding at the bid prices being quoted in the market at the time;

(b) ACAS's control of its discussions with its own lenders (since European Capital's investments are managed by ACAS, the negotiations with lenders are also managed by ACAS); and

(c) the fact that whilst European Capital will be (as of the date of publication of its financial results for the year ended 31 December 2008) in breach under all of its debt facilities, ACAS is in breach only with regards to its unsecured debt facilities, representing c. 53 per cent. of ACAS's total consolidated debt facilities and c. 74 per cent. of net assets as at 31 December 2008. Moreover, the creditors under ACAS's secured debt facilities have no recourse to ACAS and, under US law, unsecured creditors generally have far fewer rights and remedies than secured creditors.

However, quantifying the potential relative advantage or otherwise of holding ACAS Shares relative to European Capital Shares as a result of these factors is extremely challenging.

To assess whether or not the Acquisition is in the best interests of European Capital Shareholders would require foresight on how the negotiations with European Capital's and ACAS's lenders will be conducted and their final conclusion and how changes in the global economic environment in the future will affect the companies in which European Capital and ACAS have invested.

Having considered the situation carefully, the Independent Directors, who have been so advised by Lexicon Partners, have concluded that in the current uncertain environment they cannot determine whether or not acceptance of the terms of the Acquisition is likely to be in the best interests of the minority shareholders in European Capital. In providing its advice, Lexicon Partners has taken into account the commercial assessments of the Independent Directors.

The Independent Directors of European Capital confirm that it remains their intention to vote (or procure the vote) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Extraordinary General Meeting, as they have irrevocably undertaken and wish to do, in respect of their own beneficial holdings of European Capital Shares.

3 Financial effects of the Acquisition

The following tables show, for illustrative purposes only and on the bases set out in the notes below them, the change in capital value and income for a European Capital Shareholder holding 100 European Capital Shares, based on the consideration to which such European Capital Shareholder would be entitled under the Acquisition on the revised Effective Date (as set out in paragraph 4 below) and calculated on the basis of the closing mid-market price for a European Capital Share on 7 November 2008 (the Business Day prior to the commencement of the Offer Period) and on 6 March 2009 (the latest practicable date before the posting of this document).

	7 November 2008	**6 March 2009**
	(€)	**(€)**
Capital value		
Market value of 33 ACAS Shares(1)	357.30	15.18
Market value of 100 European Capital Shares(2)	173.50	19.00
Difference	183.80	-3.82
Percentage difference	105.93%	-20.11%
Income		
Gross dividend income from 33 ACAS Shares(3)	68.31	68.31
Gross dividend income from 100 European Capital Shares(4)	46.00	46.00
Difference	22.31	22.31
Percentage difference	48.50%	48.50%

Notes:

1. The market value of ACAS Shares is based on the closing middle market prices of:
   a) €10.83 per share as derived from The NASDAQ Global Select Market for 7 November 2008 (the last Business Day before the announcement of the Acquisition) and using an exchange rate of €1:$1.272; and
   b) €0.46 per share as derived from The NASDAQ Global Select Market for 6 March 2009 (the last practicable date before the posting of this document) and using an exchange rate of €1:$1.2653.
2. The market value of European Capital Shares is based on the closing middle market prices of:
   a) €1.735 per share as derived from the Official List for 7 November 2008 (the last dealing day prior to the announcement of the Acquisition); and
   b) €0.19 per share as derived from the Official List for 6 March 2009 (the last practicable date prior to the posting of this document).
3. Dividend income from ACAS Shares is based on the aggregate cash dividends of €2.07 per ACAS Share paid in respect of the nine months ended 30 September 2008 translated into euro at the spot $/€ exchange rate on the date of each dividend payment. **European Capital Shareholders should note that ACAS does not expect to pay a dividend for the first quarter of 2009.**
4. Dividend income from European Capital Shares is based on the aggregate cash dividends of €0.46 per European Capital Share paid in respect of the nine months ended 30 September 2008. **European Capital Shareholders should note that European Capital does not intend to pay quarterly dividends for the foreseeable future.**

No account has been taken of any liability to taxation of European Capital Shareholders or ACAS Shareholders and no account has been taken of any fractional entitlements to ACAS Shares.

4 Expected timetable of principal events

The timetable of principal events relating to the Scheme and the Acquisition, taking into account the Adjournment of the Meetings, is set out below:

Event	Time and/or date
Latest time for lodging Forms of Proxy for:	
Court Meeting (blue form)	11.00 a.m. on 17 March 2009(1)
Extraordinary General Meeting (purple form)	11.15 a.m. on 17 March 2009(1)
Voting Record Time	6.00 p.m. on 17 March 2009
Court Meeting	11.00 a.m. on 19 March 2009
Extraordinary General Meeting	11.15 a.m. on 19 March 2009(2)
The following dates are subject to change, please see note (3) below	
Suspension of listing and dealings in, and last time for registration of transfers of, European Capital Shares	5.00 p.m. on 25 March 2009
Scheme Record Time	6.00 p.m. on 25 March 2009
Court Hearing and Effective Date of the Scheme	26 March 2009
Commencement of dealing in New ACAS Shares	2.30 p.m. (9.30 a.m. New York time) on 26 March 2009(3)
Cancellation of listing of European Capital Shares	8.00 a.m. on 27 March 2009(3)
Despatch of shareholding notifications in respect of New ACAS Shares settled in book entry (uncertificated form) or settlement through CREST of ACAS CREST depository interests representing New ACAS Shares	27 March 2009(3)
Latest date for despatch of cheques in respect of fractional entitlements	14 days after the Effective Date

Notes:

(1) Please see “Action to be taken” as set out in paragraph 5 below.

(2) To commence at 11.15 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.

(3) These times and dates are indicative only and will depend, among other things, on the dates upon which the Court sanctions the Scheme and the date on which the Conditions are satisfied or, if capable of waiver, waived.

Unless otherwise stated, all references in this document to times are to London times.

If any of these expected dates change, European Capital will give notice of the change by issuing an announcement through an RIS and, if the Panel so requires, by posting a further circular to European Capital Shareholders.

Further information in respect of principal events of the Scheme is set out in paragraph 7 of Part II (*Explanatory Statement)* of the Scheme Document.

5 Action to be taken

The Meetings are now scheduled to take place on 19 March 2009. The Court Meeting is scheduled to be held at 11.00 a.m., and the Extraordinary General Meeting is scheduled to be held at 11.15 a.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned), each at First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 6HJ.

Enclosed with the Letter Dated 25 February 2009 was an additional copy of the blue Form of Proxy for use in connection with the Court Meeting and an additional copy of the purple Form of Proxy for use in connection with the Extraordinary General Meeting.

If you have not already returned the completed Form(s) of Proxy, please sign and return the completed Form(s) of Proxy (having had the opportunity to consider the ACAS Q4 Results) by 17 March 2009 as set out below and otherwise in accordance with the instructions printed on it.

If you have already returned the completed Form(s) of Proxy, but wish to recast your vote in respect of either (or both) Meeting(s), please sign and return the relevant completed Form(s) of Proxy (having had the opportunity to consider the ACAS Q4 Results) by 17 March 2009 as set out below and otherwise in accordance with the instructions printed on it.

If you have already returned the completed Form(s) of Proxy, and do not wish to recast your vote in respect of either (or both) Meeting(s), you do not need to take any further action as your votes previously cast shall continue to be valid.

Please return completed Forms of Proxy to European Capital's Sub-Registrars, Computershare Investor Services (Channel Islands) Limited at Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW, Channel Islands so as to be received at least 48 hours before the time appointed for the relevant adjourned Meeting, being:

BLUE Forms of Proxy for the Court Meeting	11.00 a.m. on 17 March 2009
PURPLE Forms of Proxy for the Extraordinary General Meeting	11.15 a.m. on 17 March 2009

A pre-paid envelope, for use in the UK and Channel Islands only, was also enclosed with the Letter Dated 25 February 2009. If a Form of Proxy is not returned by the relevant time, it may be handed to the Chairman of the relevant Meeting before the start of that Meeting. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at either the Court Meeting or the Extraordinary General Meeting, or any adjournment thereof, if you wish to do so and are so entitled.

When considering conflicting Forms of Proxy, later Forms of Proxy will prevail over earlier Forms of Proxy, and which Form of Proxy is later will be determined on the basis of which Form of Proxy is last delivered or received. If conflicting Forms of Proxy are delivered or received at the same time in respect of (or deemed in respect of) an entire holding, none of them will be treated as valid, and if European Capital is unable to determine which was delivered or received last, again none of them will be treated as valid.

Further information in respect of the Court Meeting and Extraordinary General Meeting is set out on page 5, paragraph 9 of the Independent Directors' letter in Part I and paragraph 7(b) of Part II (*Explanatory Statement)* of the Scheme Document.

6 Further information

Save as disclosed in this document, there has been no material change in the information contained in the Scheme Document for which the Independent Directors accepted responsibility (as per paragraph 1(a) of Part VIII (*Additional Information*) to the Scheme Document), nor to any information published by European Capital during the Offer Period.

The information contained in this letter is not exhaustive and is not a substitute for reading the remainder of this document and the Scheme Document. In particular, the Independent Directors urge European Capital Shareholders to review the ACAS Q4 Results and the excerpts from the ACAS Annual Report on Form 10-K for the year ended 31 December 2008 set out in Appendix 1 and Appendix 2 respectively to this document and Part VI of the Scheme Document (*Information on ACAS and ACAS Shares*), including paragraph 5 (*Risks associated with in investment in ACAS Shares*) therein. The Acquisition will be subject to the conditions and further terms set out in the Scheme Document.

7 Conclusion

For the reasons set out in paragraph 2 of this letter, having considered the situation carefully, the Independent Directors, who have been so advised by Lexicon Partners, have concluded that in the current uncertain environment they cannot determine whether or not acceptance of the terms of the Acquisition is likely to be in the best interests of the Scheme Shareholders. In providing its advice, Lexicon Partners has taken into account the commercial assessments of the Independent Directors.

Accordingly, European Capital Shareholders should form their own view as to how to vote at the Court Meeting and the Extraordinary General Meeting based on the information contained in this document and the Scheme Document. The Independent Directors still intend to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Extraordinary General Meeting, as they have irrevocably undertaken and wish to do, in respect of their own beneficial holdings of European Capital Shares which as at 6 March 2009 (being the latest practicable date prior to the posting of this document) totalled 6,315 European Capital Shares, representing, in aggregate, approximately 0.006 per cent. of the European Capital Shares then in issue.

Yours faithfully,

Huw Evans
Independent Director

APPENDIX 1

ACAS Q4 RESULTS

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American Capital

FOR IMMEDIATE RELEASE
March 2, 2009

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Investors—(301) 951-5917
Media—(301) 968-9400

AMERICAN CAPITAL ANNOUNCES Q4 AND 2008 EARNINGS

Bethesda, MD—March 2, 2009—American Capital ("ACAS" or the "Company") (Nasdaq: ACAS) announced net operating income ("NOI") for the quarter and year ended December 31, 2008 of $44 million, or $0.21 per diluted share, and $493 million, or $2.42 per diluted share, respectively. Earnings (loss) less appreciation and depreciation ("Realized Earnings (Loss)") for the year was $525 million, or $2.58 per diluted share. For the quarter, Realized Earnings (Loss) was $(3) million, or $(0.01) per diluted share. For the quarter and year ended December 31, 2008, there was a net loss of $(1.7) billion, or $(8.13) per diluted share and $(3.1) billion, or $(15.29) per diluted share, respectively.

2008 FINANCIAL HIGHLIGHTS

- $493 million of NOI earned in 2008
- $32 million of realized gains in 2008
- $383 million of cash flow from operations in 2008
- $2.2 billion of realizations in 2008
- $15.41 NAV per share

- $44 million of NOI earned in Q4 2008
- $(47) million of realized losses in Q4 2008
- $144 million of cash flow from operations in Q4 2008
- $246 million of realizations in Q4 2008

NET OPERATING INCOME

NOI decreased 72% to $0.21 per diluted share for the quarter ended December 31, 2008, compared to $0.74 per diluted share for the prior quarter. NOI before one-time charges totaled $0.41 per diluted share for the fourth quarter of 2008. These one-time charges included $35 million or $0.17 per diluted share for a valuation allowance on our deferred tax assets, $16 million or $0.08 per diluted share for restructuring charges and a deduction of $11 million or $0.05 per diluted share for reversal of bonus accruals. NOI decreased 28% to $2.42 per diluted share for the year ended December 31, 2008, compared to $3.36 per diluted share for the prior year.

REALIZED EARNINGS (LOSS)

Realized Earnings (Loss) decreased to $(0.01) per diluted share for the quarter ended December 31, 2008, compared to $0.72 per diluted share for the prior quarter. Realized Earnings (Loss) decreased 44% to $2.58 per diluted share for the year ended December 31, 2008, compared to $4.57 per diluted share for the prior year. The decline in 2008 is a result of the economy falling into a severe recession including the tremendous reduction in liquidity in most markets leading to a reduction in acceptable offers for our assets.

EARNINGS (LOSS)

Earnings (loss) decreased to $(8.13) per diluted share for the quarter ended December 31, 2008, compared to $(2.63) per diluted share for the prior quarter. Earnings (loss) decreased to $(15.29) per diluted share for the year ended December 31, 2008, compared to $3.96 per diluted share for the prior year.

For the quarter and year ended December 31, 2008, net unrealized depreciation of portfolio investments totaled $(1.5) billion and $(3.5) billion, respectively. The primary components of the net unrealized depreciation for the quarter ended December 31, 2008 were as follows:

- $40 million of reversals of prior depreciation associated with net realized losses;
- $(961) million of net depreciation of American Capital's private finance portfolio of which approximately $280 was due to performance and credit related depreciation and the balance due to widening investment spreads;
- $(305) million of net depreciation of American Capital's investment in European Capital due primarily to a decrease in its traded stock price;
- $(206) million of net depreciation from structured products, of which approximately $55 million was due to performance and credit related depreciation and the balance due to widening investment spreads; and
- $(141) million of depreciation of American Capital, LLC, an alternative asset fund manager, due largely to declines in the trading multiples of comparable public companies and reduction of its projected management fees.

"We know this is an extraordinarily difficult time for our shareholders, many of whom have been relying on our dividends," said Malon Wilkus, Chairman and Chief Executive Officer. "However, these are tumultuous times when liquidity is precious and we must conserve our capital resources to support our portfolio companies while reducing our debt. In 2008, we reduced our headcount by 32%, our offices by 29% and bonus payments by 93% from 2007 to maximize operating efficiencies. And, we remain aligned with our shareholders, as our employees and directors are also significant shareholders owning approximately 11 million shares of our common stock and approximately 34 million options that are deeply underwater. So, along with you, we have been personally devastated by the decline in our stock price. It will be a challenge to navigate through this terrible recession, but we have a diverse and high quality portfolio, an entrepreneurial spirit and an exceptional team who are working passionately to rebuild shareholder value."

"When in a severe recession of unknown dimensions, it's all about the portfolio," continued Mr. Wilkus. "Considering the economic and liquidity crisis, our portfolio is performing reasonably well. We experienced approximately $440 million of performance and credit related depreciation out of $1.7 billion of net depreciation during the quarter. The balance of the depreciation is due to widening spreads, a portion of which is reflecting trades of illiquid assets in distressed markets. Today there are very few willing sellers of assets and most buyers are offering fire sale prices. Despite that, we generated $2.2 billion of realizations in 2008 and $246 million in the fourth quarter; perhaps the worst quarter in middle market M&A history. The proceeds of these realizations were only 1.9% lower than the prior quarter's valuation, evidencing that we are not a forced seller, but a patient long-term investor. We have reduced our debt by $943 million since the peak in the second quarter of 2007 and are making good progress reducing our credit exposure."

FINANCIAL HIGHLIGHTS

As of December 31, 2008, net asset value ("NAV") per share was $15.41, down from $24.43 as of September 30, 2008 and $32.88 as of December 31, 2007. Based on anticipated realizable value ("Realizable Value") upon settlement or maturity, "Realizable NAV" per share was $20.63 as of December 31, 2008.

In the fourth quarter of 2008, $246 million of proceeds were received from realizations of portfolio companies which included $32 million of net realized losses. There was $337 million in new committed investments in the quarter. The weighted average effective interest rate on the Company's debt investments as of December 31, 2008, was 10.7%, 50 basis points lower than as of September 30, 2008, and 130 basis points lower than December 31, 2007.

FINANCING UPDATE AND COVENANT BREACHES

The Company also announced that as a result of continuing asset value declines, it is currently in breach of certain financial covenants under its $2.3 billion of unsecured credit arrangements outstanding as of December 31, 2008. The Company also has $2.1 billion of securitized non-recourse debt outstanding, which has no covenant violations and no cross-default provisions to the unsecured debt. The breached covenants include minimum consolidated tangible net worth covenants, asset coverage covenants and an available debt asset coverage covenant. The Company also announced that its auditors, Ernst & Young LLP, while issuing an unqualified opinion on the Company's financial statements, included a going concern explanatory paragraph in their opinion as a result of the covenant breaches under the Company's unsecured credit agreements.

"We began working with our lenders in December to revise our covenants," said John Erickson, Chief Financial Officer. "While we have traded a number of proposals and ideas including restructuring our credit facilities from unsecured to secured, we have not yet reached agreement. If we collateralize our credit facilities, we need to establish covenants that we are confident we can meet when we have little control over the fair value of our assets due to widening spreads. We do not want to place our shareholders in a position where a future covenant violation can allow our secured lenders to force us to sell illiquid assets at fire sale prices and destroy our $20.63 of Realizable NAV per share. We hope to continue to make progress with our lenders and reach a mutually acceptable amendment that will preserve shareholder value."

Asset value declines have also caused the Company to be below the 200% asset coverage ratio set forth in the Investment Company Act of 1940, which generally restricts the Company from issuing any new debt except to refinance existing debt. This does not restrict the use of cash from operations, allowing the reinvestment of proceeds from realizations of portfolio exits. The Company believes that it has sufficient liquidity to meet its currently scheduled debt amortization and the investment needs within its portfolio.

"We have been working with other leading business development companies on legislative, regulatory, tax and accounting solutions to address some of the challenges our industry currently faces," said Samuel Flax, Executive Vice President and General Counsel. "We have made some progress and raised the awareness of the BDC industry and are hopeful that these efforts will have further positive results."

PORTFOLIO LIQUIDITY AND PERFORMANCE

"We generated $144 million of operating cash flow and $246 million of liquidity from our portfolio in the fourth quarter," said Steven Burge, President North American Private Finance. "Given the size, diversity and quality of our portfolio, we continue to see opportunities to generate liquidity despite the significant decline in the economy and M&A markets. However, during the fourth quarter, we ended the sale process on approximately six companies as we believed bidders began assuming that anyone selling in the fourth quarter was a forced seller. Since we are a long-term, patient investor, we elected to wait rather than sell at distressed prices, which is fundamental to our investment success. In 2009, we have had four realizations from portfolio companies and are currently marketing approximately eight companies and continue to be optimistic that we will enjoy substantial liquidity during the year."

As of December 31, 2008, loans with a fair value of $150 million were on non-accrual. The $150 million fair value of non-accruing loans represented 2.9% of total loans at fair value as of December 31, 2008, compared to the $122 million fair value of non-accrual loans representing 2.1% of total loans at fair value as of December 31, 2007.

"We are not pleased with the level of non-accruing loans and credit impairments," said Gordon O'Brien, President, Specialty Finance and Operations. "Our Investment Teams, Operations Team, Human Resource Department and Legal Department are working hard to provide operational and managerial assistance to help maintain the high quality results of the well-performing companies and to turn around the faltering businesses. To optimize capital utilization in 2008, we had realizations from approximately 12 underperforming portfolio investments generating approximately $200 million of liquidity, resulting in a relatively clean portfolio."

VALUATION OF PORTFOLIO INVESTMENTS

The Company's Board of Directors is responsible for determining the fair value of its portfolio investments on a quarterly basis. In connection with the Company's quarterly valuation process to determine the fair value of its portfolio investments, the Board of Directors engages independent third-party valuation firm(s) to obtain assistance and advice as additional support in the preparation of its internal valuation analysis for the Company's investment portfolio each quarter.

Prior to the fourth quarter of 2008, the Company's Board of Directors engaged independent third-party valuation firm(s) to perform certain procedures that the Board of Directors identified and requested the respective third-party firm(s) to perform on a predetermined selection of the Board of Director's fair value determinations. During the fourth quarter of 2008, the Board of Directors revised the valuation process to obtain quarterly assistance, advice and current market data from third-party valuation firm(s) by participating in the Company's quarterly valuation meetings and to perform independent procedures on specific portfolio companies, as requested.

AMERICAN CAPITAL, LTD.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2008 and 2007
(in millions)

	2008	2007	2008 Versus 2007 $	2008 Versus 2007 %
Assets				
Investments at fair value (cost of $10,691 and $10,667, respectively)	$ 7,427	$10,928	$(3,501)	-32%
Cash and cash equivalents	209	143	66	46%
Restricted cash and cash equivalents	71	401	(330)	-82%
Interest receivable	44	56	(12)	-21%
Other	159	204	(45)	-22%
Total assets	$ 7,910	$11,732	$(3,822)	-33%
Liabilities and Shareholders' Equity				
Debt	$ 4,428	$ 4,824	$ (396)	-8%
Derivative and option agreements (cost of $(20) and $1, respectively)	222	77	145	188%
Accrued dividends payable	—	195	(195)	-100%
Other	105	195	(90)	-46%
Total liabilities	4,755	5,291	(536)	-10%
Commitments and contingencies				
Shareholders' equity:				
Undesignated preferred stock, $0.01 par value, 5.0 shares authorized, 0 issued and outstanding	—	—	—	—
Common stock, $0.01 par value, 1,000.0 and 1,000.0 shares authorized, 214.3 and 201.4 issued and 204.7 and 195.9 outstanding, respectively	2	2	—	0%
Capital in excess of par value	6,550	6,020	530	9%
Notes receivable from sale of common stock	(5)	(7)	2	29%
Undistributed net realized earnings	76	254	(178)	-70%
Net unrealized (depreciation) appreciation of investments	(3,468)	172	(3,640)	NM
Total shareholders' equity	3,155	6,441	(3,286)	-51%
Total liabilities and shareholders' equity	$ 7,910	$11,732	$(3,822)	-33%

NM = Not meaningful.

AMERICAN CAPITAL, LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Twelve Months Ended December 31, 2008 and 2007
(in millions, except per share data)

	Three Months Ended December 31,		Three Months Ended December 31, 2008 Versus 2007		Fiscal Year Ended December 31,		Fiscal Year Ended December 31, 2008 Versus 2007	
	2008	2007	$	%	2008	2007	$	%
	(unaudited)	(unaudited)						
OPERATING INCOME:								
Investing operating income(1)	$ 204	$ 283	$ (79)	-28%	$ 943	$ 980	$ (37)	-4%
Asset management and advisory operating income(2)	14	71	(57)	-80%	108	260	(152)	-58%
Total operating income	218	354	(136)	-38%	1,051	1,240	(189)	-15%
OPERATING EXPENSES:								
Interest	59	73	(14)	-19%	220	287	(67)	-23%
Salaries, benefits and stock-based compensation	41	77	(36)	-47%	206	254	(48)	-19%
General and administrative	31	27	4	15%	95	99	(4)	-4%
Total operating expenses	131	177	(46)	-26%	521	640	(119)	-19%
OPERATING INCOME BEFORE INCOME TAXES	87	177	(90)	-51%	530	600	(70)	-12%
Provision for income taxes	(43)	(3)	(40)	-1333%	(37)	(6)	(31)	-517%
NET OPERATING INCOME	44	174	(130)	-75%	493	594	(101)	-17%
Net realized (loss) gain on investments								
Portfolio company investments	(32)	41	(73)	NM	132	198	(66)	-33%
Taxes on net realized gain	(1)	(2)	1	50%	(54)	(6)	(48)	-800%
Foreign currency transactions	1	5	(4)	-80%	(6)	5	(11)	NM
Derivative agreements	(15)	—	(15)	-100%	(40)	17	(57)	NM
Total net realized (loss) gain	(47)	44	(91)	NM	32	214	(182)	-85%
REALIZED (LOSS) EARNINGS	(3)	218	(221)	NM	525	808	(283)	-35%
Net unrealized (depreciation) appreciation of investments								
Portfolio company investments	(1,548)	(443)	(1,105)	-249%	(3,480)	(126)	(3,354)	-2662%
Foreign currency translation	(24)	37	(61)	NM	(41)	98	(139)	NM
Derivative and option agreements	(109)	(55)	(54)	-98%	(119)	(80)	(39)	-49%
Total net unrealized depreciation	(1,681)	(461)	(1,220)	-265%	(3,640)	(108)	(3,532)	-3270%
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ("NET (LOSS) EARNINGS")	$(1,684)	$ (243)	$(1,441)	-593%	$(3,115)	$ 700	$(3,815)	NM
NET OPERATING INCOME PER COMMON SHARE*:								
Basic	$ 0.21	$ 0.91	$ (0.70)	-77%	$ 2.42	$ 3.42	$ (1.00)	-29%
Diluted	$ 0.21	$ 0.91	$ (0.70)	-77%	$ 2.42	$ 3.36	$ (0.94)	-28%
REALIZED (LOSS) EARNINGS PER COMMON SHARE*:								
Basic	$ (0.01)	$ 1.14	$ (1.15)	NM	$ 2.58	$ 4.65	$ (2.07)	-45%
Diluted	$ (0.01)	$ 1.14	$ (1.15)	NM	$ 2.58	$ 4.57	$ (1.99)	-44%
NET (LOSS) EARNINGS PER COMMON SHARE*:								
Basic	$ (8.13)	$ (1.27)	$ (6.86)	-540%	$(15.29)	$ 4.03	$(19.32)	NM
Diluted	$ (8.13)	$ (1.27)	$ (6.86)	-540%	$(15.29)	$ 3.96	$(19.25)	NM
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:								
Basic	207.1	190.6	16.5	9%	203.7	173.9	29.8	17%
Diluted	207.1	190.6	16.5	9%	203.7	176.9	26.8	15%
DIVIDENDS DECLARED PER COMMON SHARE	$ —	$ 1.00	$ (1.00)	-100%	$ 3.09	$ 3.72	$ (0.63)	-17%

NM = Not meaningful.

* May not recalculate due to rounding.

(1) The investing operating income consists of interest, dividends, prepayment fees and other investment fee income.

(2) The asset management and advisory operating income consists primarily of asset management fees and reimbursements, dividends from portfolio company fund managers, transaction structuring fees, equity and loan financing fees, portfolio company management and administrative fees and other fee income.

AMERICAN CAPITAL, LTD.

OTHER FINANCIAL INFORMATION
Three Months Ended December 31, 2008 and September 30, 2008 and Twelve Months Ended December 31, 2008 and 2007
(in millions, except per share data)
(Unaudited)

	Q4 2008	Q3 2008	Q4 2008 Versus Q3 2008 $	Q4 2008 Versus Q3 2008 %	2008	2007	2008 Versus 2007 $	2008 Versus 2007 %
Assets Under Management:								
American Capital Assets at Fair Value(1)	$ 7,910	$ 9,846	$(1,936)	-20%	$ 7,910	$11,732	$(3,822)	-33%
Externally Managed Assets at Fair Value(2)	5,477	6,126	(649)	-11%	5,477	5,372	105	2%
Total	$13,387	$15,972	$(2,585)	-16%	$13,387	$17,104	$(3,717)	-22%
Capital Resources Under Management:								
American Capital Assets at Fair Value plus Available Capital Resources(1)	$ 8,430	$10,366	$(1,936)	-19%	$ 8,430	$13,285	$(4,855)	-37%
Externally Managed Assets at Fair Value plus Available Capital Resources(2)	5,956	6,606	(650)	-10%	5,956	5,896	60	1%
Total	$14,386	$16,972	$(2,586)	-15%	$14,386	$19,181	$(4,795)	-25%
New Investments:								
Senior Debt	$ 288	$ 99	$ 189	191%	$ 1,007	$ 3,977	$(2,970)	-75%
Subordinated Debt	16	317	(301)	-95%	920	1,224	(304)	-25%
Preferred Equity	22	3	19	633%	222	1,276	(1,054)	-83%
Common Equity	11	22	(11)	-50%	307	629	(322)	-51%
Common Equity Warrants	—	—	—	—	—	6	(6)	-100%
Structured Products	—	2	(2)	-100%	151	816	(665)	-81%
Total	$ 337	$ 443	$ (106)	-24%	$ 2,607	$ 7,928	$(5,321)	-67%
Investments in Managed Funds	$ 250	$ —	$ 250	100%	$ 775	$ 474	$ 301	64%
Financing for Private Equity Buyouts	27	348	(321)	-92%	484	1,756	(1,272)	-72%
Direct Investments	9	20	(11)	-55%	192	843	(651)	-77%
American Capital Sponsored Buyouts	—	—	—	—	303	3,273	(2,970)	-91%
CMBS Investments	—	—	—	—	137	499	(362)	-73%
CLO/CDO Investments	—	3	(3)	-100%	14	103	(89)	-86%
Add-on Financing for Working Capital in Distressed Situations	37	40	(3)	-8%	125	99	26	26%
Add-on Financing for Growth	10	2	8	400%	368	7	361	5157%
Add-on Financing for Acquisitions	2	30	(28)	-93%	98	385	(287)	-75%
Add-on Financing for Recapitalizations	2	—	2	100%	111	489	(378)	-77%
Total	$ 337	$ 443	$ (106)	-24%	$ 2,607	$ 7,928	$(5,321)	-67%
Realizations(4):								
Scheduled Principal Amortization	$ 11	$ 24	$ (13)	-54%	$ 80	$ 74	$ 6	8%
Senior Loan Syndications	6	48	(42)	-88%	349	1,601	(1,252)	-78%
Principal Prepayments	112	153	(41)	-27%	770	1,411	(641)	-45%
Payment of Accrued Payment-in-kind Interest and Dividends and Original Issue Discount	4	24	(20)	-83%	64	74	(10)	-14%
Sale of CMBS Securities	—	—	—	—	—	402	(402)	-100%
Sale of Equity Investments	113	271	(158)	-58%	913	975	(62)	-6%
Total	$ 246	$ 520	$ (274)	-53%	$ 2,176	$ 4,537	$(2,361)	-52%
Appreciation, Depreciation, Gain and Loss:								
Gross Realized Gain	$ 8	$ 133	$ (125)	-94%	$ 295	$ 363	$ (68)	-19%
Gross Realized Loss	(40)	(60)	20	33%	(163)	(165)	2	1%
Portfolio Net Realized (Loss) Gain	(32)	73	(105)	NM	132	198	(66)	-33%
Taxes on Realized Net Gain	(1)	(49)	48	98%	(54)	(6)	(48)	-800%
Foreign Currency	1	(13)	14	NM	(6)	5	(11)	NM
Interest Rate Derivatives	(15)	(14)	(1)	-7%	(40)	17	(57)	NM
Net Realized (Loss) Gain	(47)	(3)	(44)	-1467%	32	214	(182)	-85%
Gross Unrealized Appreciation at 14, 40, 37, and 87 Portfolio Companies	44	190	(146)	-77%	192	1,073	(881)	-82%
Gross Unrealized Depreciation at 153, 86, 192, and 85 Portfolio Companies	(1,632)	(722)	(910)	126%	(3,532)	(1,032)	(2,500)	-242%
Current Portfolio Net Unrealized (Depreciation) Appreciation	(1,588)	(532)	(1,056)	198%	(3,340)	41	(3,381)	NM

AMERICAN CAPITAL, LTD.

OTHER FINANCIAL INFORMATION—(Continued)
Three Months Ended December 31, 2008 and September 30, 2008 and
Twelve Months Ended December 31, 2008 and 2007
(in millions, except per share data)
(Unaudited)

	Q4 2008	Q3 2008	Q4 2008 Versus Q3 2008 $	Q4 2008 Versus Q3 2008 %	2008	2007	2008 Versus 2007 $	2008 Versus 2007 %
Net Appreciation (Depreciation) From the Recognition of Net Realized (Loss) Gain	40	(67)	107	NM	(140)	(167)	27	16%
Foreign Currency Translation	(24)	(90)	66	73%	(41)	98	(139)	NM
Derivatives and Option Agreements	(109)	(9)	(100)	1111%	(119)	(80)	(39)	-49%
Net Unrealized Depreciation	(1,681)	(698)	(983)	141%	(3,640)	(108)	(3,532)	NM
Net Gains, Losses, Appreciation and Depreciation	$(1,728)	$ (701)	$(1,027)	147%	$(3,608)	$ 106	$(3,714)	NM
Other Financial Data:								
Net Asset Value per Share	$ 15.41	$24.43	$ (9.02)	-37%	$ 15.41	$ 32.88	$(17.47)	-53%
Net Asset Value per Share Based on Realizable Value(3)	$ 20.63	$27.95	$ (7.32)	-26%	$ 20.63	$ 33.80	$(13.17)	-39%
Financial Liabilities at Cost	$ 4,428	$4,542	$ (114)	-3%	$ 4,428	$ 4,824	$ (396)	-8%
Financial Liabilities at Fair Value	$ 3,172	$4,095	$ (923)	-23%	$ 3,172	$ 4,605	$(1,433)	-31%
Market Capitalization	$ 663	$5,285	$(4,622)	-87%	$ 663	$ 6,456	$(5,793)	-90%
Total Enterprise Value	$ 4,882	$9,507	$(4,625)	-49%	$ 4,882	$11,137	$(6,255)	-56%
Credit Quality:								
Weighted Average Effective Interest Rate on Debt Investments at Period End	10.7%	11.2%	-0.5%	-4%	10.7%	12.0%	-1.3%	-11%
Loans on Non-Accrual at Face	$ 871	$ 602	$ 269	45%	$ 871	$ 338	$ 533	158%
Loans on Non-Accrual at Fair Value	$ 150	$ 135	$ 15	11%	$ 150	$ 122	$ 28	23%
Past Due Loans at Face	$ 50	$ 80	$ (30)	-38%	$ 50	$ 150	$ (100)	-67%
Past Due and Non-Accrual Loans at Face as a Percentage of Total Loans	14.5%	10.7%			14.5%	7.9%		
Non-Accrual Loans at Fair Value as a Percentage of Total Loans	2.9%	2.4%			2.9%	2.1%		
Number of Portfolio Companies on Non-Accrual and Past Due	35	27			35	22		
Debt to Equity Conversions at Cost	$ —	$ —	$ —	—	$ 70	$ —	$ 70	100%
Return on Equity:								
LTM Net Operating Income Return on Average Equity at Cost	7.5%	9.6%			7.5%	11.3%		
LTM Realized Earnings Return on Average Equity at Cost	8.0%	11.6%			8.0%	15.3%		
LTM (Loss) Earnings Return on Average Equity	-60.0%	-28.5%			-60.0%	12.2%		
Current Quarter Net Operating Income Return on Average Equity at Cost Annualized	2.6%	9.1%			2.6%	11.4%		
Current Quarter Realized (Loss) Earnings Return on Average Equity at Cost Annualized	-0.2%	8.9%			-0.2%	14.3%		
Current Quarter Loss on Average Equity Annualized	-164.0%	-41.1%			-164.0%	-14.9%		

NM = Not meaningful

(1) Includes American Capital's investment in its externally managed funds.

(2) Includes European Capital, American Capital Equity I , American Capital Equity II, ACAS CLO-1 and ACAS CRE CDO 2007-1.

(3) Realizable Value is a non-GAAP financial measure which does not represent current fair value or net present value. Realizable Value is the future value that we anticipate realizing on the settlement or maturity of our investments. Refer to the table on the following page for additional information and discussion regarding the use of non-GAAP financial information.

AMERICAN CAPITAL, LTD.

OTHER FINANCIAL INFORMATION
As of December 31, 2008
(in millions)

The following table summarizes the current GAAP cost basis and fair value of our investments as of December 31, 2008 compared to the realizable value, which is the amount that we currently anticipate realizing on settlement or maturity of these investments, or realizable value:

Asset Class	GAAP Cost Basis	GAAP Fair Value	Realizable Value	Difference Between Realizable Value and GAAP Fair Value
			(Unaudited)	
Private finance	$ 8,285	$6,474	$6,921	$ 447
Managed funds	1,381	583	583	—
Structured products	956	186	870	684
American Capital, LLC	69	175	175	—
Derivatives and option agreements, net	(20)	(213)	(276)	(63)
Total	$10,671	$7,205	$8,273	$1,068

USE OF NON-GAAP FINANCIAL INFORMATION

In addition to the results presented in accordance with generally accepted accounting principles ("GAAP"), this press release includes realizable value, a non-GAAP financial measure which management uses in its internal analysis of results, and believes may be informative to investors gauging the quality of the Company's assets and financial performance from a long-term perspective, identifying trends in its results and providing meaningful period-to-period comparisons. Realizable value is defined as the future value that American Capital currently anticipates realizing on the settlement or maturity of its investments as of the reporting date. It does not represent current fair value or net present value and is based on assumptions of future cash flows as of the reporting date. Accordingly, changes to expectations of future cash flows as a result of events subsequent to the reporting date are not adjusted in the realizable value as of the reporting date. American Capital believes that this non-GAAP financial measure provides information useful to investors because the Company generally intends to hold its assets to settlement or maturity, and there may be material differences between the GAAP fair values of its investments and the amounts the Company expects to realize on settlement or maturity as of the reporting date. This is primarily because the current lack of liquidity in the financial markets has caused investment spreads between the cost of funds and investment income to widen significantly on investments, resulting in current fair values under Statement of Financial Accounting Standards No. 157, *Fair Value Measurements,* that are materially lower than what the Company currently anticipates realizing on settlement or maturity. American Capital believes that providing investors with realizable value in addition to the related GAAP fair value gives investors greater transparency to the information used by management in its financial operational decision-making. Although American Capital believes that this non-GAAP financial measure enhances investors' understanding of its business and performance, realizable value should not be considered as an alternative to GAAP basis financial measures. A reconciliation of non-GAAP realizable value to GAAP fair value is set forth above.

Portfolio Statistics(1)	Static Pool: Pre-2000	2000	2001	2002	2003	2004	2005	2006	2007	2008	Pre-2000 - 2008 Aggregate	2004 - 2008 Aggregate
					($ in millions, unaudited)							
Internal Rate of Return-All Investments(2)	7.8%	8.0%	18.4%	8.3%	21.5%	14.6%	4.8%	10.2%	0.9%	-1.3%	8.9%	6.9%
Internal Rate of Return-All Investments(3)	7.8%	8.0%	18.4%	8.3%	21.4%	13.6%	4.3%	8.0%	-13.9%	-15.8%	5.6%	1.8%
Internal Rate of Return-Equity Investments Only(3)(4)(5)	2.9%	12.1%	46.9%	11.9%	29.9%	27.4%	-8.6%	16.9%	-9.8%	-35.7%	5.3%	0.9%
Internal Rate of Return-Exited Portfolio Companies(6)	9.5%	8.0%	27.6%	15.8%	20.3%	22.8%	28.8%	20.9%	8.9%	69.0%	18.0%	23.7%
Original Investments and Commitments	$ 780	$ 285	$ 375	$ 960	$ 1,432	$ 2,266	$4,527	$5,126	$ 7,310	$1,012	$24,073	$20,241
Total Exits and Prepayments of Original Investments	$ 689	$ 285	$ 336	$ 706	$ 1,083	$ 1,641	$2,005	$2,728	$ 1,856	$ 15	$11,344	$ 8,245
Total Interest, Dividends and Fees Collected	$ 301	$ 105	$ 148	$ 310	$ 370	$ 558	$ 856	$ 746	$ 610	$ 84	$ 4,088	$ 2,854
Total Net Realized (Loss) Gain on Investments	$ (118)	$ (39)	$ 9	$ (51)	$ 142	$ 160	$ 322	$ 139	$ (24)	$ 6	$ 546	$ 603
Current Cost of Investments	$ 81	$ —	$ 37	$ 234	$ 317	$ 617	$2,261	$2,047	$ 4,202	$ 895	$10,691	$10,022
Current Fair Value of Investments	$ 47	$ —	$ 7	$ 149	$ 378	$ 394	$1,409	$1,588	$ 2,722	$ 724	$ 7,418	$ 6,837
Current Fair Value of Investments as a % of Total Investments at Fair Value	0.6%	0%	0.1%	2.0%	5.1%	5.3%	19.0%	21.4%	36.7%	9.8%	100.0%	92.2%
Net Unrealized Appreciation/(Depreciation)	$ (34)	$ —	$ (30)	$ (85)	$ 61	$ (223)	$ (852)	$ (459)	$ (1,480)	$ (171)	$ (3,273)	$ (3,185)
Non-Accruing Loans at Face	$ 20	$ —	$ 46	$ 53	$ 14	$ 55	$ 70	$ 330	$ 212	$ 71	$ 871	$ 738
Non-Accruing Loans at Fair Value	$ 6	$ —	$ 3	$ 11	$ 3	$ 15	$ 23	$ 42	$ 27	$ 20	$ 150	$ 127
Equity Interest at Fair Value(4)	$ 35	$ —	$ 1	$ 4	$ 154	$ 70	$ 438	$ 534	$ 728	$ 156	$ 2,120	$ 1,926
Debt to EBITDA(7)(8)(9)	4.9	—	NM	6.8	4.6	6.3	4.6	5.6	6.4	5.9	5.9	5.9
Interest Coverage(7)(9)	4.0	—	NM	1.4	1.7	1.7	2.3	2.0	2.0	1.8	2.0	2.0
Debt Service Coverage(7)(9)	3.3	—	NM	1.0	1.7	1.3	1.6	1.7	1.8	1.6	1.7	1.7
Average Age of Companies(9)	63 yrs	—	24 yrs	45 yrs	40 yrs	40 yrs	31 yrs	26 yrs	27 yrs	26 yrs	29 yrs	28 yrs
Diluted Ownership Percentage(4)	55%	0%	70%	38%	52%	34%	50%	35%	48%	31%	43%	43%
Average Sales(9)(10)	$ 135	$ —	$ 56	$ 65	$ 194	$ 115	$ 120	$ 139	$ 205	$ 128	$ 162	$ 163
Average EBITDA(9)(11)	$ 11	$ —	$ 1	$ 12	$ 37	$ 24	$ 23	$ 31	$ 40	$ 34	$ 33	$ 34
Average EBITDA Margin	8.1%	0%	1.8%	18.5%	19.1%	20.9%	19.2%	22.3%	19.5%	26.6%	20.4%	20.9%
Total Sales(9)(10)	$ 379	$ —	$ 256	$ 254	$ 1,385	$ 1,533	$2,692	$6,081	$15,044	$1,244	$28,868	$26,594
Total EBITDA(9)(11)	$ 28	$ —	$ 6	$ 30	$ 191	$ 254	$ 382	$ 948	$ 2,653	$ 289	$ 4,781	$ 4,526
% of Senior Loans(9)(12)	42%	0%	0%	66%	61%	53%	66%	42%	60%	29%	54%	53%
% of Loans with Lien(9)(12)	100%	0%	100%	100%	100%	93%	91%	95%	94%	55%	90%	89%

(1) Static pool classification is based on the year the initial investment was made. Subsequent add-on investments are included in the static pool year of the original investment. Investments in government securities and interest rate derivative agreements are excluded.
(2) Assumes investments are exited at realizable based on anticipated proceeds to be received upon settlement or maturity.
(3) Assumes investments are exited at current GAAP fair value.
(4) Excludes investments in Structured Products.
(5) Excludes equity investments that are the result of conversions of debt and warrants received with the issuance of debt.
(6) Includes fully exited portfolio companies. Partially exited portfolio companies are not included.
(7) These amounts do not include investments in which we own only equity.
(8) For portfolio companies with a nominal EBITDA amount, the portfolio company's maximum debt leverage is limited to 15 times EBITDA.
(9) Excludes investments in Structured Products, investments in managed funds and American Capital, LLC.
(10) Sales of the most recent twelve months, or when appropriate, the forecasted twelve months.
(11) EBITDA of the most recent twelve months, or when appropriate, the forecasted twelve months.
(12) As a percentage of our total debt investments.

SHAREHOLDER CALL

American Capital invites shareholders, prospective shareholders and analysts to attend the shareholder call on March 2, 2009 at 11:00 am ET. The shareholder call can be accessed through a free live webcast at *www.AmericanCapital.com* or by dialing (800) 553-0273 (U.S. domestic) or +1 (612) 332-0107 (international). Please advise the operator you are dialing in for the American Capital shareholder call.

An archived audio of the shareholder call combined with the slide presentation will be made available on our website after the call on March 2, 2009. In addition, there will be a phone recording available from 3:00 pm March 2, 2009 until 11:59 pm March 16, 2009. If you are interested in hearing the recording of the presentation, please dial (800) 475-6701 (U.S. domestic) or +1 (320) 365-3844 (international). The access code for both domestic and international callers is 982334.

ABOUT AMERICAN CAPITAL

American Capital is a publicly traded private equity firm and global asset manager. American Capital, both directly and through its asset management business, originates, underwrites and manages investments in middle market private equity, leveraged finance, real estate and structured products. American Capital was founded in 1986; and currently has $14 billion in capital resources under management and has ten offices in the U.S., Europe and Asia. For further information, please refer to *www.AmericanCapital.com.*

ADDITIONAL INFORMATION

Persons considering an investment in American Capital should consider the investment objectives, risks and charges and expenses of the Company carefully before investing. Such information and other information about the Company is available in the Company's annual report on Form 10-K, quarterly reports on Form 10-Q and in the prospectuses the Company issues from time to time in connection with its offering of securities. Such materials are filed with the Securities and Exchange Commission ("SEC") and copies are available on the SEC's website, www.sec.gov. Prospective investors should read such materials carefully before investing. Performance data quoted above represents past performance of American Capital. Past performance does not guarantee future results and the investment return and principal value of an investment in American Capital will likely fluctuate. Consequently, an investor's shares, when sold, may be worth more or less than their original cost. Additionally, American Capital's current performance may be lower or higher than the performance data quoted above.

This press release contains forward-looking statements. Forward-looking statements are based on estimates, projections, beliefs and assumptions of management of the Company at the time of such statements and are not guarantees of future performance. Forward-looking statements involve risks and uncertainties in predicting future results and conditions. Actual results could differ materially from those projected in these forward-looking statements due to a variety of factors, including, without limitation, the uncertainties associated with the timing of transaction closings, changes in interest rates, availability of transactions, changes in regional, national or international economic conditions or changes in the conditions of the industries in which American Capital has made investments. Certain factors that could cause actual results to differ materially from those contained in the forward-looking statements are included in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and the Company's subsequent periodic filings. Copies are available on the SEC's website at www.sec.gov. Forward-looking statements are made as of the date of this press release, and are subject to change without notice. We disclaim any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. Additionally, American Capital cannot give any assurance that the proposed acquisition will be completed or that it will be completed on the terms described in this press release. This press release does not constitute an offer or invitation to acquire or dispose of any securities or investment advice in any jurisdiction. Any statements herein regarding earnings enhancement are not a profit forecast and should not be interpreted to mean that American Capital's future earnings will necessarily match or exceed those of any prior year.

APPENDIX 2

ACAS Annual Report on Form 10-K for year ended 31 December 2008

Set out below are excerpts from ACAS's Form 10-K for year ended 31 December 2008. These excerpts are qualified in their entirety by such Form 10-K which can be found at *www.sec.gov*.

1 Excerpt 1 (pages 4 to 6 of Form 10-K for year ended 31 December 2008)

"Significant Developments in our Business in 2008

Global Financial Crisis

There have been traumatic developments in the capital markets worldwide over the past eighteen months. These developments began with credit problems in residential real estate, which led to a lack of liquidity and dramatic depreciation of residential real estate, and by extension, residential mortgage backed securities. The problems soon extended to disruptions in the markets and value of other structured finance products.

These developments caused a series of failures to befall a large number of financial institutions, which participated in the origination or underwriting of structured products or that invested in them. Public companies have had to depreciate their assets as trading values of structured finance products and other credit assets declined. At the end of the first quarter of 2008, The Bear Stearns Companies, Inc. collapsed and was sold to JP Morgan Chase & Co., with a large amount of Federal government assistance. This was followed by almost weekly revelations of illiquid and teetering financial institutions, government assistance and rapid mergers including Lehman Brothers Holdings, Inc., Washington Mutual, Inc., Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac"), American International Group, Inc., Merrill Lynch & Co., Inc. and Wachovia Corporation among others.

These developments have caused large and small corporations the world over to have significant difficulty borrowing on a short and long term basis and in raising capital. This has adversely affected aspects of businesses that rely on borrowed funds and new capital to grow and fund operations.

We have been significantly impacted by these developments, as has virtually every financial institution in the world. The global financial crisis has impacted our ability to currently access the debt and equity capital markets, has resulted in significant depreciation of our investment portfolio and may impact our ability to continue to exit portfolio investments in the near term. We continued to generate liquidity through the sales and repayments of portfolio investments generating over $2.2 billion of realizations of portfolio investments in 2008. However, although we currently have investments in various stages of the sales process, the increasing liquidity crisis could make it difficult for us to continue to generate significant liquidity through sales of portfolio investments at attractive prices. We also believe that the liquidity crisis will limit our ability to raise public equity and public and privately sourced debt in 2009. Our 2009 business plan assumes no new capital raises, continued delevering of our balance sheet and the reinvestment of capital only as we experience liquidity through realizations from exits and repayments.

Going Concern

Our independent registered public accounting firm, Ernst & Young LLP, has concluded that substantial doubt exists about our ability to continue as a going concern, and has included an explanatory paragraph to describe this uncertainty in its audit report on our consolidated financial statements for the year ended December 31, 2008 included in this Annual Report on Form 10-K. We incurred a net loss of $3.1 billion and recognized $3.5 billion of net unrealized depreciation on our portfolio investments for the year ended December 31, 2008 and our shareholders' equity has decreased from $6.4 billion as of December 31, 2007 to $3.2 billion as of December 31, 2008. While there were declines in the performance of our portfolio investments during 2008, a significant portion of the depreciation that we have reported to date is not the result of credit impairment of our underlying assets, but rather of an unprecedented widening of investment spreads caused by distressed selling in trading markets for assets deemed to be comparable to our assets, declines in purchase multiples of middle market acquisition transactions during 2008 and application of market yield analysis to assets that were acquired with the intent of holding them to settlement or maturity as opposed to trading them. However, as a result of such unrealized depreciation, we are currently in breach of certain financial covenants under our revolving credit facilities and unsecured debt borrowing arrangements, which had an aggregate $2.3 billion outstanding (out of $4.4 billion of total debt) as of December 31, 2008.

As a BDC, we are generally prohibited under the 1940 Act from issuing any senior security representing indebtedness if immediately after such issuance we do not have an asset coverage ratio of at least 200%, which is calculated as the amount of our total assets less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. Due to the significant net unrealized depreciation and resulting decrease in our shareholders' equity during 2008, we are currently below the 200% asset coverage ratio required to issue additional debt. Also, we are in breach of the minimum consolidated tangible net worth, portfolio charge-off and other asset coverage covenants in certain of our borrowing arrangements. As a result, the lenders and note holders under such borrowing arrangements could discontinue lending and/or declare all borrowings outstanding to be immediately due and payable after any applicable notice and/or cure periods. If any of these events occur, there is no assurance that we will have sufficient funds available to pay in full the total amount of obligations that would become due as a result of any such debt acceleration, or that we will be able to obtain additional or alternative financing to pay or refinance any such accelerated obligations.

We did not include any adjustments to the consolidated financial statements included in this Annual Report on Form 10-K to reflect the possible future effects that may result from the uncertainty of our ability to continue as a going concern because we believe that we will continue to be a financially sound and viable business, continuing to invest in the debt and equity capital of middle market companies and alternative asset funds, provide managerial assistance to our portfolio companies and provide value to our shareholders. As of December 31, 2008, we had $209 million in cash and cash equivalents and $71 million of restricted cash and cash equivalents, consisting primarily of interest and principal payments on assets that are securitized. For the year ended December 31, 2008, we had $654 million of positive cash flow from operating and investing activities, including $2.2 billion of principal payments, prepayments and exits from portfolio investments. Management believes that we have adequate liquidity to continue to fund our operations and the interest payments on our borrowing arrangements in the absence of an acceleration of the maturity of such debt. We have also undertaken or expect to commence the following efforts:

- We have entered into discussions with the lenders under our unsecured revolving credit facility and our private unsecured note holders, and plan to enter into discussions with our public note holders, regarding a restructuring of the borrowing arrangements;
- We expect to minimize our cash dividend distributions while maintaining our RIC status;
- We reduced headcount by 32% and offices by 29% in 2008;
- We reduced bonuses by 93% in 2008;
- We generated $2.2 billion of principal payments, prepayments and exits in 2008;
- We reduced debt by over $900 million, or 18%, since the second quarter of 2007;
- We repaid all of our borrowings outstanding under our secured credit facility in the past year; and
- We have and continue to sell assets in the ordinary course of business in order to delever our balance sheet.

We also believe that we can carry out our plans and continue as a going concern, in part because our assets exceed our liabilities by $3.2 billion based on fair value as determined by generally accepted accounting principles ("GAAP"), or $15.41 net asset value ("NAV") per share. Furthermore, we believe that we can continue to generate net operating income from our investments (over twice the amount of our interest payments in 2008) that exceeds our projected interest payments. Along with the fact that our assets exceed our liabilities by $3.2 billion, and by $4.2 billion when determined using the amount that we anticipate realizing on settlement or maturity ("Realizable Value"), will allow us either to successfully renegotiate the borrowing arrangements with our lenders and note holders or to reorganize under Chapter 11 of the United States Bankruptcy Code, significantly mitigating the risk of a forced liquidation. Finally, apart from our securitized loans which are non-recourse, none of our lenders currently have collateral security. Unsecured creditors generally have fewer rights than secured creditors in a bankruptcy proceeding. However, if we successfully renegotiate or amend our unsecured revolving credit facility and unsecured borrowing arrangements, we may have to provide a security interest to those lenders or note holders.

No assurance can be given that we will be successful in restructuring these borrowing arrangements on acceptable terms, if any, or amend such financial covenants in a manner sufficient to adequately reduce the risk of default in the near future. Should our lenders and/or other counterparties demand immediate repayment of all of our obligations, we will likely be unable to pay such obligations. In such event, we may have to recapitalize, refinance our obligations, sell some or all of our assets or seek to reorganize under Chapter 11 of the United States Bankruptcy Code.

In addition, pursuant to the terms of our unsecured revolving credit facility, during an event of default, the interest rate on our borrowings outstanding under the facility could increase by 2.00% at our lenders' option. After all events of default under a credit facility have been cured or waived, the default rate for the facility is no longer applicable. Pursuant to the terms of our unsecured private notes, during an event of default, the note holders can declare that all amounts outstanding are immediately due and payable. Any overdue amount would accrue interest at a default rate equal to the greater of 2.00% above the stated rate, or if applicable, the prime rate. The note holders can rescind any acceleration if all late payments are made, all events of default are cured or waived and no judgment has been entered for the payment of money due under the notes. Pursuant to the terms of our public unsecured bonds, during an event of default, the trustee or the holders of at least 25% in principal amount of the outstanding bonds may declare the principal and accrued interest to be due and payable immediately. Under certain circumstances, any such acceleration of the maturity of the bonds may be rescinded by the holders of a majority in aggregate principal amount of the outstanding bonds.

Upon adoption of Statement of Financial Accounting Standard ("SFAS") No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS No. 159"), on January 1, 2008, we decided to not elect the fair value option for our debt and therefore all of our debt liabilities are reflected on our consolidated balance sheet at their stated maturity values of $4.4 billion as of December 31, 2008. As of December 31, 2008, we estimate that the fair value of our debt is approximately $3.2 billion, or $1.2 billion less than the stated maturity values."

2 Excerpt 2 (page 7 of Form 10-K for year ended 31 December 2008)

"Strategic Restructuring

To better align our organization and cost structure with current economic conditions, we undertook a strategic review of our business in 2008 that resulted in the closing of several offices and the elimination of certain functions at other offices. We recorded an aggregate restructuring charge of $19 million, including $10 million for severance and related costs associated with 160 employees and $9 million of costs related to excess facilities."

3 Excerpt 3 (pages 7 to 15 of Form 10-K for year ended 31 December 2008)

"American Capital Investment Portfolio

We provide investment capital to middle market companies, which we generally consider to be companies with sales between $10 million and $750 million. We primarily invest in senior debt, mezzanine debt and equity in the buyouts of private companies sponsored by us, the buyouts of private companies sponsored by other private equity firms and provide capital directly to early stage and mature private and small public companies. Currently, we will invest up to $400 million in a single middle market transaction in North America. We also invest in Structured Products and alternative asset funds managed by us. For summary financial information by segment and geographic area, see note 4 to our consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" in this Annual Report on Form 10-K.

As of December 31, 2008, our average investment size, at fair value, was $33 million, or 0.4% of total assets, and we had investments in 223 portfolio companies. As of December 31, 2008, our ten largest investments were as follows (in millions):

Company Name	Industry	Fair Value
		$
European Capital Limited	Diversified Financial Services	481
RDR Holdings, Inc.	Household Durables	340
WRH, Inc.	Life Sciences Tools & Services	332
Mirion Technologies, Inc.	Electrical Equipment	305
WIS Holding Company, Inc.	Commercial Services & Supplies	267
Orchard Brands Corporation	Internet & Catalog Retail	243
SMG Holdings, Inc.	Hotels, Restaurants & Leisure	228
SPL Acquisition Corp.	Pharmaceuticals	192
American Capital, LLC	Capital Markets	175
Creditcards.com, Inc.	Diversified Consumer Services	167
Total		**2,730**

Historically, a majority of our financings have been to assist in the funding of change of control management buyouts, and we expect that trend to continue. A change of control transaction could be the result of a sale of a portfolio company by another private equity firm, a corporate divestiture, a sale of a family-owned or closely-held business, a going private transaction or an ownership transition. As an investor in the buyouts of other private equity firms, we also support other private equity sponsors with mezzanine debt, senior debt and minority equity investments in order to allow them to leverage their capital base. Since our IPO, we have partnered with approximately 150 equity sponsors.

Since our IPO through December 31, 2008, we invested committed capital of over $5.6 billion in equity securities and over $16.8 billion in debt securities of middle market companies and also invested $1.7 billion in Structured Products. Our loans typically range from $5 million to $100 million, mature in five to ten years, and require monthly or quarterly interest payments at fixed rates or variable rates generally based on LIBOR, plus a margin. We price our debt and equity investments based on our analysis of each transaction. As of December 31, 2008, the weighted average effective interest rate on our private finance debt investments was 10.7%, including the impact of non-accruing loans. As of December 31, 2008, we had a fully-diluted weighted average ownership interest of 43% in our private finance portfolio companies with a total equity investment at fair value of over $2.1 billion.

Our private finance portfolio investments consist of loans and equity securities primarily to privately-held middle market companies. There is generally no publicly available information about these companies and a primary or secondary market for the trading of these privately issued loans and equity securities generally does not exist. These investments have been historically exited through normal repayment or a change in control transaction such as a sale or recapitalization of the portfolio company. The opportunity to be repaid or exit our investments may occur if a portfolio company repays our loans out of cash flows, refinances our loans, is sold in a change of control transaction, or sells its equity in a public offering or if we exercise any put rights. As a public company, we can invest with a long-term horizon compared to a limited partnership, which typically have a finite life and must sell investments in order to return capital to investors in short time horizon.

Our ability to fund the entire capital structure is a competitive advantage in completing many middle market transactions. We often sponsor One-Stop Buyouts™ in which we provide most, if not all, of the senior debt, subordinated debt and equity financing in the transaction. We may initially fund all of the senior debt at closing and syndicate it to third-party lenders post closing. We have a loan syndications group that arranges to have all or part of the senior loans syndicated to third-party lenders. During the years ended December 31, 2008 and 2007, we syndicated $0.3 billion and $1.6 billion, respectively, of senior debt to third-party lenders.

As a BDC, we are required by law to make significant managerial assistance available to most of our portfolio companies. Such assistance typically involves providing guidance and counsel concerning the management, operations and business objectives and policies of the portfolio company to it's management and board of directors, including participating on the company's board of directors. As of December 31, 2008, we had board seats at 86 out of 177 of our private finance and managed fund portfolio companies and had board observation rights on 23 of our remaining private finance portfolio companies. We also have an operations team, including ex-CEOs with significant turnaround and bankruptcy experience, which provides intensive operational and managerial assistance. Providing assistance to our portfolio companies serves as an opportunity for us to maximize their value.

Our Structured Products investments are generally in non-investment grade tranches, which means that major rating agencies rate them below the top four investment-grade rating categories (i.e., "AAA" through "BBB"). Non-investment grade tranches have a higher risk of loss but are expected to provide a higher yield than investment grade securities. We may also make select investments in investment grade tranches if the expected returns meet our overall portfolio targeted returns. We invest in Structured Products with the intention of holding them until maturity. An active market for most of the non-investment grade tranches of Structured Products in which we invest generally does not exist.

Our investments in CMBS bonds are secured by diverse pools of high quality commercial mortgage loans. We also have an investment in ACAS CRE CDO, which is a commercial real estate CDO secured by CMBS bonds. Since our IPO through December 31, 2008, we have made $1.3 billion of investments in CMBS bonds. As of December 31, 2008, our total investment in CMBS bonds and ACAS CRE CDO at fair value was $108 million, or only 1% of our total investments. Our direct CMBS bonds and the CMBS bonds held by ACAS CRE CDO are secured by $117 billion of commercial mortgage loans, although senior creditors typically have claims against those loans that are superior to our interests. The actual experience to date for our investments in these securities has generally performed in accordance with our original underwriting assumptions and through December 31, 2008, we have experienced minimal losses of underlying commercial mortgage loan collateral of the CMBS bonds. However, the current macroeconomic factors could result in a future higher rate of default and loss rate of the loan collateral compared to what we originally expected when we underwrote the investments.

Our investments in commercial CLO securities are generally secured by diverse pools of commercial corporate loans and have minimal exposure to residential mortgage loans. Our investments are in 24 CLO funds managed by 18 separate portfolio managers. Certain of our commercial CLO investments are in a joint venture portfolio company. Since our IPO through December 31, 2008, we have made $319 million of investments in commercial CLO securities. As of December 31, 2008, our investment in commercial CLO securities at fair value was $78 million, or only 1% of our total investments. Our investments in commercial CLO securities are secured by $10 billion of primarily commercial loans, although senior creditors typically have claims against those loans that are superior to our interests. Our investments in these securities have generally performed in accordance with our original underwriting assumptions.

Our investments in CDO securities are generally secured by diverse pools of bonds of other securitizations including commercial loans, CMBS and residential mortgage backed securities. As of December 31, 2008, our total investment in our CDO securities at fair value was $0.3 million.

We have had 249 exits and repayments of over $11.3 billion of our originally invested committed capital, representing 47% of our total capital committed since our IPO, earning a 17% compounded annual return on these investments, including the interest, dividends, fees and net gains over the life of the investments. We have earned a 17% compounded annual return on the exit of our equity securities, including dividends, fees and net realized gains. Since our IPO through December 31, 2008, we have realized $1.3 billion in gross portfolio realized gains and $747 million in gross portfolio realized losses resulting in $546 million in cumulative portfolio net gains, excluding net gains and losses attributable to interest rate swap agreements, foreign currency and taxes on net gains.

Lending and Investment Decision Criteria

We review certain criteria in order to make investment decisions. The list below represents a general overview of the criteria we use in making our lending and investment decisions. Not all criteria are required to be favourable in order for us to make an investment. Add-on investments for growth, acquisitions or recapitalizations are based on the same general criteria. Add-on investments in distressed situations are based on the same general criteria, but are also evaluated on the potential to preserve prior investments.

Operating History. We generally focus on middle market companies that have been in business over ten years and have an attractive operating history, including generating positive cash flow. We generally target companies with significant market share in their products or services relative to their competitors. In addition, we consider factors such as customer concentration, performance during recessionary periods, competitive environment and ability to sustain margins. As of December 31, 2008, our current private finance portfolio companies had an average age of 29 years with 2008 average sales of $162 million and 2008 average adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") of $33 million and an EBITDA margin of 20%.

Growth. We consider a target company's ability to increase its cash flow. Anticipated growth is a key factor in determining the ability of the company to repay its debt and the value ascribed to any warrants and equity interests acquired by us.

Liquidation Value of Assets. Although we do not operate as an asset-based lender, liquidation value of the assets collateralizing our loans is a factor in many credit decisions. Emphasis is placed both on tangible assets such as accounts receivable, inventory, plant, property and equipment as well as intangible assets such as brand recognition, market reputation, customer lists, networks, databases and recurring revenue streams.

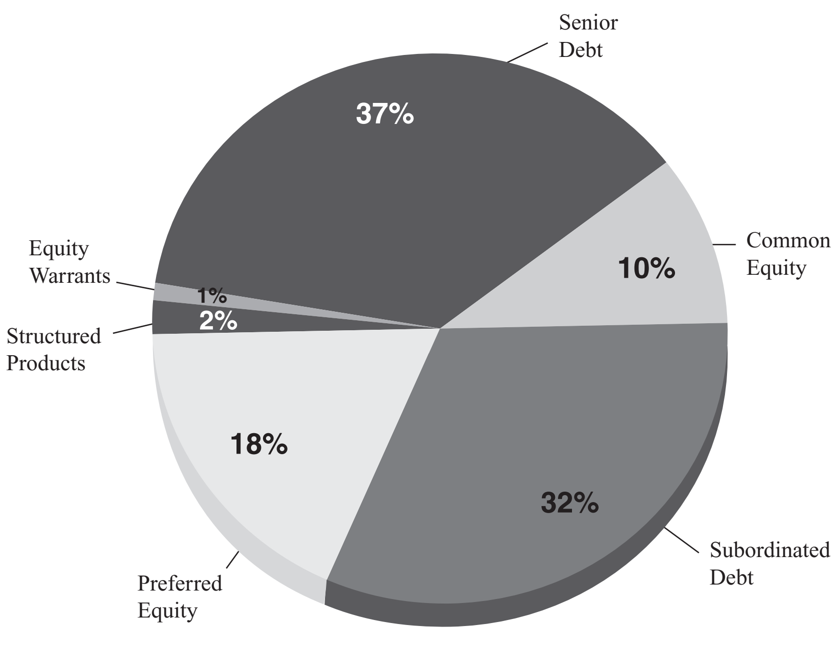
Experienced Management Team. We consider the quality of senior management to be extremely important to the long-term performance of most companies. Therefore, we consider it important that senior management be experienced and properly incentivized through meaningful ownership interest in the company.

Exit Strategy. Almost all of our investments consist of securities acquired directly from their issuers in private transactions. These securities are rarely traded in public markets, thus limiting their liquidity. Therefore, we consider it important that a prospective portfolio company have a number of methods by which our financing can be repaid and our equity investment sold or redeemed. These methods would typically include the sale or refinancing of the business or the ability to generate sufficient cash flow to repurchase our equity securities and repay our debt securities.

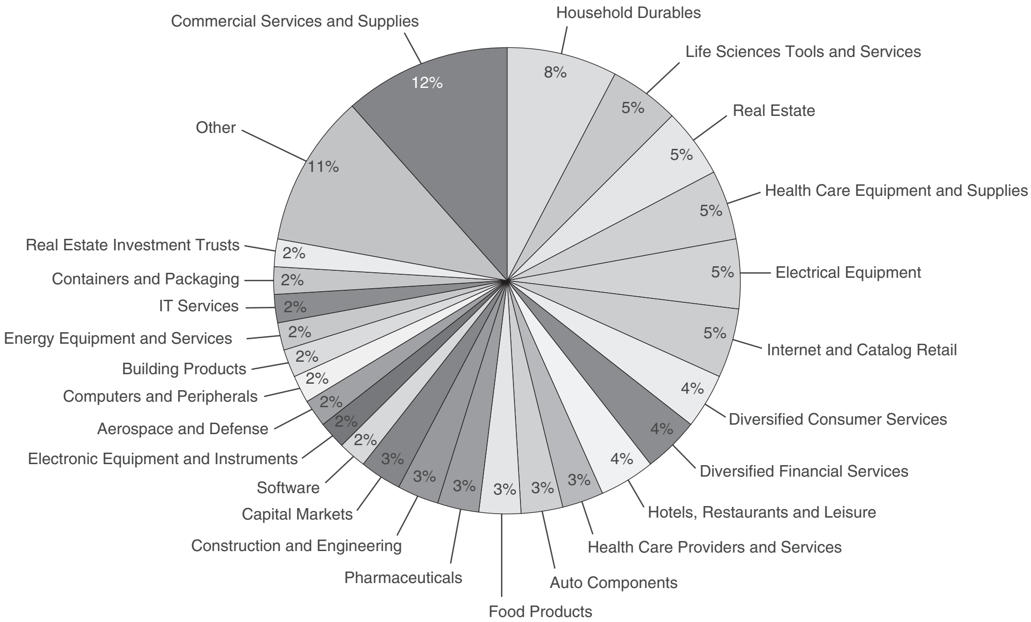
Structured Products Criteria. We receive extensive information from the issuer regarding the mortgage loans, commercial loans and other securities that are the underlying collateral for a CMBS, CLO or CDO pool. We extensively underwrite the collateral securing our investment as appropriate. For instance, on investments in the lowest rated tranches, we underwrite the commercial mortgage loans securing a CMBS transaction by inspecting the underlying properties securing the mortgage and the surrounding markets in which they reside, preparing an analysis of the historic and current cash flow of the properties based on our analysis of current rent rolls and estimates of appropriate operating expenses for the property. We then re-calculate the debt service coverage, assess the collateral value and resulting loan-to-value ratios, and review the pertinent loan documents and third-party reports such as appraisals, property condition and environmental reports. We study the local real estate market trends, review the credit worthiness of the sponsor and their past borrowing experience all to form an opinion as to whether the loan is an acceptable credit risk. Based on the findings of our diligence procedures, we may reject certain mortgage loans from inclusion in the collateral pool or request that the loan be restructured or individual loans repriced.

Portfolio Composition

We primarily invest in senior debt, subordinated (mezzanine) debt, preferred and common equity and Structured Products. The composition summary of our investment portfolio as of December 31, 2008 at fair value as a percentage of total investments, excluding derivative and option agreements, is shown below:



We have a diversified investment portfolio and do not concentrate in any one or two industry sectors. We use the Global Industry Classification Standards for classifying the industry groupings of our portfolio companies. The following chart shows the portfolio composition by industry grouping at fair value as a percentage of total investments, excluding derivative agreements as of December 31, 2008. Our investments in European Capital, CLO and CDO securities are excluded from the table below. Our investments in ACAS CRE CDO and CMBS are classified in the Real Estate category.



Alternative Asset Management Business

Existing Funds Under Management

As of December 31, 2008, our assets under management totalled $13 billion, including $5 billion of assets under management in our alternative asset funds. As of December 31, 2008, our capital resources under management totalled $14 billion, including $6 billion of capital resources under management in our alternative asset funds. Our third-party alternative asset management business is conducted through our wholly-owned portfolio company, American Capital, LLC. In general, wholly-owned subsidiaries of American Capital, LLC enter into management agreements with each of the managed alternative asset funds. The discussion of the operations of American Capital, LLC in this Annual Report on Form 10-K includes its wholly-owned consolidated subsidiaries.

American Capital, LLC had over 80 employees as of December 31, 2008, including ten investment teams with over 30 investment professionals located in three offices in London, Paris and Frankfurt. We also provide American Capital, LLC access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. We charge American Capital, LLC a fee for the use of these services. American Capital, LLC generally earns base management fees based on the size of the managed alternative asset funds and may earn incentive income based on the performance of the alternative asset funds. In addition, we may invest directly into our alternative asset funds and earn investment income from our investments in those funds.

The following table sets forth certain information with respect to our alternative asset funds under management as of December 31, 2008.

	American Capital	European Capital	AGNC	ACE I	ACE II	ACAS CLO-1	ACAS CRE CDO
Fund type	Public Alternative Asset Manager & Fund 1986	Public Fund-London Stock Exchange	Public REIT Fund—The NASDAQ Global Market	Private Fund	Private Fund	Private Fund	Private Fund
Established	1986	2005	2008	2006	2007	2006	2007
Assets under management	$7.9 Billion(1)	€1.9 Billion(2)	€1.7 Billion	€0.6 Billion	€0.3 Billion	€0.4 Billion	€0.1 Billion
Investment types	Senior & Subordinated Debt, Equity, CMBS, CLO & CDO	Senior & Subordinated Debt, Equity, CLO & CDO	Agency Securities	Equity	Equity	Senior Debt	CMBS
Capital type	Permanent	Permanent	Permanent	Finite Life	Finite Life	Finite Life	Finite Life

(1) Includes our investment in alternative asset funds that we manage.
(2) As of September 30, 2008.

European Capital is a publicly traded fund, which is not registered under U.S. securities law that invests in and sponsors management and employee buyouts, invests in private equity buyouts and provides capital directly to private and mid-sized public companies primarily in Europe. On May 10, 2007, European Capital closed on an IPO of ordinary shares, and the ordinary shares were admitted to the Official List of the U.K. Financial Services Authority and to trading on the main market of the London Stock Exchange under the ticker symbol “ECAS.” American Capital, LLC earns a base management fee of 2% of European Capital’s assets and receives 20% of the net profits of European Capital, subject to certain hurdles.

On November 10, 2008, American Capital and European Capital entered into an implementation agreement regarding our proposal to acquire all of the ordinary shares of European Capital held by other investors, representing 32.3% of European Capital’s outstanding ordinary shares, by means of a scheme of arrangement provided for under Guernsey company law. Terms of the agreement call for each European Capital shareholder to receive 0.333 American Capital shares of common stock for every one ordinary share of European Capital. On February 19, 2009, American Capital shareholders approved a proposal authorizing American Capital to sell shares of its common stock below its NAV in certain instances, including in connection with the proposed acquisition of European Capital. European Capital shareholders are scheduled to vote on the proposed transaction on March 19, 2009.

AGNC is a publicly traded mortgage real estate investment trust, or REIT, that invests exclusively in agency securities. On May 20, 2008, AGNC successfully completed its IPO of ten million shares of common stock for proceeds, net of the underwriters’ discount and estimated expenses, of $186 million. In a private placement concurrent with the AGNC IPO, we purchased five million shares of AGNC common stock at the IPO price of $20.00 per share, for a purchase price of $100 million. AGNC’s net proceeds from the IPO and the concurrent private placement were $286 million. The shares are traded on The NASDAQ Global Market under the symbol “AGNC.” American Capital, LLC earns a base management fee of 1.25% of AGNC’s stockholders’ equity.

ACE I is a private equity fund established in 2006 with $1 billion of equity commitments from third-party investors. ACE I purchased 30% of our equity investments in 96 portfolio companies for an aggregate purchase price of $671 million. Also, ACE I co-invested with American Capital in an amount equal to 30% of equity investments made by American Capital between October 2006 and November 2007 until the $329 million remaining equity commitment was exhausted. In addition, 10%, or $100 million, of the $1 billion of equity commitments are recallable for add-on investments with American Capital once they have been distributed to the third-party ACE I investors. As of December 31, 2008, there were $84 million of recallable distributions available for add-on investments. American Capital, LLC manages ACE I in exchange for a 2% base management fee on the net cost basis of ACE I’s assets and 10% to 30% of the net profits of ACE I, subject to certain hurdles.

ACE II is a private equity fund established in 2007 with $585 million of equity commitments from third-party investors. ACE II purchased 17% of our equity investments in 80 portfolio companies for an aggregate purchase price of $488 million. The remaining $97 million commitments will be used to fund add-on investments in the 80 portfolio companies. In addition, 10%, or $59 million, of the $585 million of equity commitments are recallable for add-on investments with American Capital once they have been distributed to the third-party ACE II investors. As of December 31, 2008, ACE II had $89 million and $59 million of unfunded equity commitments and recallable distributions outstanding, respectively. American Capital, LLC manages ACE II in exchange for a 2% base management fee on the net cost basis of ACE II's assets and 10% to 30% of the net profits of ACE II, subject to certain hurdles.

ACAS CLO-1 was established in 2006 as a "warehouse" to invest in broadly syndicated and middle market senior loans. In April 2007, ACAS CLO-1 completed a $400 million securitization. We purchased 55% of the BB rated notes and 70% of the non-rated subordinated notes in ACAS CLO-1 for a total purchase price of $33 million. American Capital, LLC earns a base management fee of 0.68% of ACAS CLO-1's assets and receives 20% of the net profits of ACAS CLO-1, subject to certain hurdles.

ACAS CRE CDO was established in 2007 as a commercial real estate collateralized debt obligation trust that holds investments in subordinated tranches of CMBS trusts. We own investment grade and non-investment grade notes and preferred shares of ACAS CRE CDO. American Capital, LLC serves as the collateral manager for ACAS CRE CDO in exchange for an annual senior management fee of 7.5 basis points and a subordinate management fee of 7.5 basis points.

Alternative Asset Management Business Funds Under Development

While the current macroeconomic environment and liquidity crisis have currently limited our ability to access the debt and equity capital markets, we expect to continue to develop our third-party alternative asset management business as a publicly traded manager of funds of alternative assets through our investment in American Capital, LLC. Our corporate development team and marketing department conduct market research and due diligence to identify industry and geographic sectors of alternative assets that have attractive investment attributes and where we can create an alternative asset fund with attractive return prospects. In addition to alternative asset funds focused on a specific industry or geographic location, we will also identify potential alternative asset funds that will invest in a specific security type such as first lien debt, second lien debt, distressed debt, real estate loans or equity securities. As particular funds are selected, we may utilize professionals on staff with experience in the proposed asset class for the alternative asset fund, or we may hire investment professionals with experience in the proposed asset class for the potential alternative asset fund. We may make initial investments directly in the assets of a proposed alternative asset fund. Those assets may either be sold or contributed to the proposed alternative asset fund upon formation of the fund. We would expect American Capital, LLC to enter into an asset management agreement with each new alternative asset fund.

The following additional potential alternative asset funds are in various stages of development as of December 31, 2008:

- Primary Equity—would co-invest with American Capital in equities of private companies.
- Secondary Equity—would purchase from American Capital a portion of our equities of private companies.
- European Primary Equity—would co-invest with European Capital in equities of private companies.
- Primary Mezzanine Debt—would co-invest with American Capital and European Capital in mezzanine debt of private companies.
- Special Situations—would invest in debt and equity of companies under unusual circumstances.

We expect to continue developing the alternative asset funds listed above in 2009. We are also reviewing other potential alternative asset funds that we may begin to develop in 2009."

4 Excerpt 4 (pages 23-26 of Form 10-K for year ended 31 December 2008)

"Risks Related to Our Business and Structure

Our independent registered public accounting firm, Ernst & Young LLP, has concluded that substantial doubt exists about our ability to continue as a going concern as a result of our breach of financial covenants in certain of our borrowing arrangements which could allow those lenders to accelerate the maturity of the debt

During 2008, the results of our operations were adversely affected by the unprecedented global financial crisis and economic downturn. We incurred a significant net loss and net unrealized depreciation on our portfolio investments and decline in our shareholders' equity. As a result, we are currently in breach of certain financial covenants under our revolving credit facilities and unsecured debt borrowing arrangements, which had a total of $2.3 billion outstanding as of December 31, 2008. Since we are not in compliance with the covenants, we are unable to make further draws under our revolving credit facilities and the lenders or the note holders under these borrowing arrangements could accelerate the maturity date for our outstanding obligations after any applicable notice and/or cure periods. In such event, it is likely that we would not have the liquidity to repay the accelerated debt.

We are currently in discussions with the lenders and the holders of our private unsecured notes regarding the restructuring of our borrowing arrangements. We have engaged financial advisors to assist us with these negotiations. No assurance can be given that we will be successful in restructuring our borrowing arrangements on acceptable terms, if any, or amend such financial covenants in a manner sufficient to adequately reduce the risk of a default in the near future. In connection with any such amendments, our creditors are likely to condition their agreement on increases in the fees and interest rates payable under the borrowing arrangements and may condition their agreement on a conversion to secured facilities. In the event that we are unable to obtain additional funding or negotiate a successful debt restructuring, the creditors would have the right to demand immediate repayment of any outstanding obligations. Any such acceleration of the maturity of our obligations would likely cause other lenders and contractual counterparties, including counterparties to our interest rate swap agreements, to terminate and/or to accelerate the maturity of our obligations under other financing and credit instruments and agreements. Should the lenders and/or other counterparties demand immediate repayment of all of our obligations, we will likely be unable to pay such obligations. In such event, we may have to recapitalize, refinance, raise additional liquidity by selling some or all of our assets or seek to reorganize under Chapter 11 of the United States Bankruptcy Code.

Our consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 were prepared on a “going concern” basis; however, our registered independent public accounting firm concluded in its report dated March 2, 2009 regarding those financial statements, that there is substantial doubt about our ability to continue as a going concern as a result of the conditions noted above.

We are currently in a period of credit and capital markets disruption and recession and we do not expect these conditions to improve in the near future

There have been traumatic developments in the financial markets worldwide over the past eighteen months which have led to a recession in the U.S. and other countries. We have been adversely affected by these conditions, as has virtually every financial institution in the world. The global financial crisis has limited our access to the debt and equity capital markets and resulted in significant depreciation of our investment portfolio. The market disruption and liquidity crisis has also dramatically reduced the volume of mergers and acquisitions in the market place affecting our ability to continue to generate additional liquidity through sales of portfolio investments. In addition, the ongoing liquidity crisis has also increased our funding costs and caused severe pressure on our stock price. We believe that these conditions may continue for a prolonged period of time or worsen in the future. Thus, we expect to continue to face significant challenges and uncertainties that could materially adversely affect our business, financial condition, and prospects.

Our business has significant working capital requirements and may be adversely affected by a prolonged inability to access the capital markets or to sell assets

Our business requires a substantial amount of working capital to operate. We historically have financed our operations through cash generated by our operating activities and through the sale of debt by special purpose affiliates to which we have contributed loan assets originated by us, unsecured borrowings by us and the sale of our equity. However, as explained above, this global financial crisis has significantly impacted our ability to access the credit and capital markets. There can be no assurance that we will be able to access the funds necessary for our liquidity requirements, especially in light of the recent downturn in the economy and continued dislocation in the financial markets.

Our ability to continue to rely on such sources or other sources of capital is also affected by legal, structural and other factors. As a BDC, our leverage is limited under the 1940 Act. The 1940 Act permits us to issue Senior Securities so long as our asset coverage, as defined in the 1940 Act, is at least 200% after each issuance of Senior Securities. We may, in addition, borrow amounts up to 5% of our total assets for temporary purpose as permitted by the 1940 Act. While we or our consolidated affiliates have issued, and intend to continue to issue when market conditions permit, debt securities and other evidences of indebtedness, up to the maximum amount allowed under the 1940 Act, a failure to continue short-term financings, to maintain our capacity under our existing unsecured revolving credit facility, to sell additional term debt notes or to add new or replacement debt facilities could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we may be unable to renew the capacity under our existing facilities or obtain access to additional debt facilities on acceptable terms, especially during the current economic downturn and dislocation in the credit markets. During such times, potential lenders and purchasers of our debt securities may be more restrictive in how they deploy their liquidity and capital. See the description of the term debt notes and the debt facilities under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition, Liquidity and Capital Resources."

The following table is designed to illustrate the effect on returns to a holder of our common stock of the leverage created by our use of borrowing, at the weighted average interest rate of 4.9% for the year ended December 31, 2008, and assuming hypothetical annual returns on our portfolio of minus 15% to plus 15%. As can be seen, leverage generally increases the return to shareholders when the portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed Return on Portfolio (Net of Expenses)(1)	-15.0%	-10.0%	-5.0%	—	5.0%	10.0%	15.0%
Corresponding Return to Common Shareholders(2) . . .	-30.7%	-21.6%	-12.5%	-3.4%	5.7%	14.8%	23.9%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance.

(2) In order to compute the "Corresponding Return to Common Shareholders," the "Assumed Return on Portfolio" is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. From this amount, all interest expense accrued during the period is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of our net assets as of the beginning of the period to determine the "Corresponding Return to Common Shareholders."

Because we are subject to regulatory restrictions on the amount of debt we can issue, we are dependent on the issuance of equity as a financing source. We are generally restricted to issuing equity at prices equal to or above our NAV per share at the time of issuance, subject to certain exceptions. One of these exceptions allows the sale of our common stock at a price below NAV per share if the sale is approved by holders of a majority of our outstanding voting securities and by holders of a majority of our outstanding voting securities who are not affiliated persons of us. Our Board of Directors must make certain determinations prior to any such sale. At a special meeting of stockholders in February 2009, we received the requisite approval of our stockholders to sell (i) the number of shares of our common stock necessary to complete the acquisition of the ordinary shares of our portfolio company European Capital that we did not already own, and (ii) a maximum of an additional 42,812,640 shares of our common stock, subject to adjustment for shares issued following the occurrence of events such as stock splits, stock dividends, distributions and recapitalizations, at prices below NAV per share. The authorization expires in February 2010. However, even with such approval, there can be no assurances that we can issue equity when necessary. If additional funds are raised through the issuance of our common stock or debt securities convertible into or exchangeable for our common stock, the percentage ownership of our existing shareholders who do not purchase such securities would decrease and they may experience additional dilution. In addition, any convertible or exchangeable securities may have rights, preferences and privileges more favourable than those of our common stock.

The recent economic recession has adversely affected our business and a continuation of current conditions could cause further harm to our operating results

As noted above, we incurred a significant net loss and net unrealized depreciation on our portfolio investments during 2008. In addition, many of our portfolio companies are susceptible to the current economic recession and may be unable to repay our debt investments, may be unable to be sold at a price that we could recover our investment, or even continue to operate during such periods. As a result, our non-performing assets have increased and may continue to increase and the value of our portfolio is likely to decrease during the current recession. In addition, adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Our ability to obtain capital to invest in such companies has also been impaired by the economic downturn. These results could have a material adverse effect on our business, financial condition and results of operations. [See "Risk Factors—Our business is dependent on external financing."]"

5 Excerpt 5 (pages 29 to 30 of Form 10-K for year ended 31 December 2008)

"Risks Related to Liquidity and Capital Resources

We are currently in default under the primary debt arrangements that we use to finance our operations. If we are unable to obtain a waiver, our lenders could accelerate the maturity of those borrowings

As discussed above, we were in default of the minimum consolidated tangible net worth covenant in our revolving credit facilities, the minimum consolidated tangible net worth and 200% asset coverage ratio covenants in our unsecured privately held notes and the 200% asset coverage ratio covenant in our public bonds as of December 31, 2008. A default under these borrowing arrangements could result, among other things, in termination of further funds availability under our revolving credit facilities and an accelerated maturity date for all amounts outstanding under these arrangements after any applicable cure and/or notice periods. We expect to generate cash flow from operations sufficient to service the debt under these borrowing arrangements prior to the stated maturity of the debt if there is not an acceleration of the maturity date. However, we will likely not be able to pay such obligations if our lenders require immediate repayment of all of our debt. We are working with our lenders on a waiver and amendment of these borrowing arrangements to reduce the risk of further defaults in the near term. There is no guarantee that we will be successful in restructuring or refinancing our debt on acceptable terms. If we are unable to renegotiate acceptable terms, this could have a material adverse effect on our business, financial condition and results of operations."

6 Excerpt 6 (pages 74 to 79 of Form 10-K for year ended 31 December 2008)

"In the fourth quarter of 2008, Moody's Investor Services downgraded us from a Baa2 rating to Baa3 rating. In the first quarter of 2009, both Standard & Poor's Ratings Services and Fitch Ratings downgraded us from a BBB rating to a BBB- rating. The decrease in the credit ratings in the first quarter of 2009 did not cause a covenant violation, but the interest rate on our borrowings under certain of our facilities will increase based on pre-determined thresholds as discussed below.

Secured Revolving Credit Facility

In September 2008, we amended our secured revolving credit facility, administered by Wachovia Capital Markets, LLC, to extend it for an additional year to September 2009. In connection with the renewal, we reduced the facility commitment size from $1,300 million to $500 million. As amended, our ability to make draws under the facility expires as of September 7, 2009, unless extended. If the facility is not extended before the termination date, any principal amounts then outstanding will be due and payable at that time. Interest on borrowings under this facility is paid monthly and is generally charged at one-month LIBOR plus a spread of 2.50%, an increase over the previous spread of 1.125%. In addition, the unused commitment fee increased from 0.125% to 0.50% per annum. The facility contains covenants that, among other things, restrict the loans securing the facility to certain dollar amounts, concentrations in industries, certain loan grade classifications, certain security interests and interest payment terms. It also contains customary default provisions, as well as the following default provisions: a cross-default on our debt of $15 million or more, a minimum consolidated tangible net worth requirement of the greater of (a) $4.2 billion plus seventy five percent (75%) of any capital stock issued or debt conversions that occur after December 31, 2007 and (b) the minimum consolidated tangible net worth requirement set forth in our unsecured revolving credit facility, which is currently $4.5 billion plus forty percent (40%) of any capital stock issued or debt converted after October 1, 2008, loan collateral charge-off and default ratios, a default triggered by a change of control and a default triggered if our senior unsecured issuer or debt rating is downgraded below BB by any rating agency.

As of December 31, 2008, we were not in compliance with the minimum consolidated tangible net worth and twelve month portfolio charge-off ratio covenants for this facility. As of December 31, 2008 and February 27, 2009, we had no borrowings outstanding under the facility. We delivered a termination notice to the lenders for this facility on February 27, 2009.

Unsecured Revolving Credit Facility

In September 2008, we amended our unsecured revolving credit facility administered by an affiliate of Wachovia Capital Markets, LLC. In connection with the amendment, the commitment size of the facility was reduced from $1,565 million to $1,409 million and will be reduced further to $1,252 million on December 31, 2009. The maturity date was also amended from May 2012 to March 2011. Interest on borrowings under this facility is charged at either (i) the applicable index rate and the applicable percentage at such time based on our senior unsecured debt rating, or (ii) for borrowings denominated in U.S. dollars, the greater of the prime rate in effect on such day and the federal funds effective rate in effect on such day plus 0.50%, and for borrowings denominated in an alternative currency, the applicable base rate, in each case, plus the applicable percentage at such time based on our unsecured debt rating. As a result of the amendment, our applicable spread over the applicable index rates increased from 0.90% to 3.25% as of December 31, 2008 and the applicable spread over the applicable base rates increased from 0% to 2.25% as of December 31, 2008. To the extent that our unsecured debt rating decreases, the applicable spread over the applicable index rate and applicable base rate would both increase by 0.50% for each rating decrease to a maximum spread of 4.75% and 3.75%, respectively. We are also charged an unused commitment fee based on our corporate rating. As a result of the amendment, the applicable unused commitment fee for the facility also increased from 0.125% to 0.50% per annum as of December 31, 2008. To the extent that our unsecured debt rating decreases, the unused commitment fee would increase by 0.10% for each rating decrease to a maximum of 0.80%. In connection with the amendment, the minimum consolidated tangible net worth covenant was decreased to $4.5 billion plus forty percent (40%) of any capital stock issued or debt converted after October 1, 2008. The agreement also contains various other covenants, including maintaining an asset coverage ratio equal to or greater than 1.55 to 1.00 and an interest coverage ratio equal to or greater than 1.75 to 1.00. The agreement also contains a cross-default provision on our consolidated debt of $25 million or more and a default triggered if we fail to maintain an unsecured debt rating equal to or greater than BB by any one rating agency and a default triggered by a change of control.

As of December 31, 2008, we were not in compliance with the minimum consolidated tangible net worth covenant for this facility. Pursuant to the terms of the facility, the applicable spread on any borrowings outstanding under this facility could increase by 2.00% during an event of default at the election of our lenders. Once the event of default is cured or waived, the default rate is no longer applicable. We expect the lenders to formally declare an event of default.

Unsecured Public Debt

In July 2007, we completed a public offering of $550 million of senior unsecured notes for proceeds of $547 million, net of underwriters' discounts. The notes bear interest at an initial fixed rate of 6.85% and mature in August 2012. Interest payments are due semi-annually on February 1 and August 1 and all principal is due at maturity. At the time of the issuance, the notes were rated Baa2, BBB and BBB by Moody's Investor Services, Standard & Poor's Ratings Services and Fitch Ratings, respectively. If the ratings of the notes from at least two of the rating agencies are decreased to ratings set forth in the table below, the initial interest rate of 6.85% will increase from the initial interest rate by each of the percentages for the two ratings set forth below:

Fitch Rating	Interest Rate Adjustment	S&P Rating	Interest Rate Adjustment	Moody's Rating	Interest Rate Adjustment
BB+	0.25%	BB+	0.25%	Ba1	0.25%
BB	0.50%	BB	0.50%	Ba2	0.50%
BB-	0.75%	BB-	0.75%	Ba3	0.75%
B+ or below	1.00%	B+ or below	1.00%	B1 or below	1.00%

If at least two of the rating agencies then subsequently increase their ratings of the notes to any of the ratings set forth above, the interest rate on the notes would decrease such that the interest rate on the notes equals the initial interest rate of 6.85% plus (if applicable) each of the percentages for the ratings set forth above. Each adjustment required by any decrease or increase in the ratings set forth above is made independent of any and all other adjustments, provided that if the ratings from three rating agencies are decreased to the ratings set forth above, then only the lowest two of the three ratings will be utilized for such adjustments. In no event shall the interest rate be reduced below 6.85% or increased above 8.85%. If at least two rating agencies cease to provide ratings for the notes, any increase or decrease necessitated by a reduction or increase in the rating by the remaining rating agency shall be twice the percentages set forth above. As of December 31, 2008, at least two of the rating agencies maintained the rating at either Baa2 or BBB. The indenture contains various covenants, including a covenant that requires us to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200%. The notes may be redeemed by us in whole or in part, together with an interest premium, as stipulated in the note agreement.

As of December 31, 2008, we were not in compliance with the asset coverage covenant for these notes. Such noncompliance could lead to an event of default under the notes after the applicable cure period.

Pursuant to the terms of the notes, during an event of default, the trustee or at least 25% of the note holders may declare the principal and accrued interest to be due and payable immediately. As of the date of this filing, an event of default has not occurred and no acceleration actions have been taken by the note holders. However, we have not obtained a waiver of the noncompliance issues from the note holders.

Unsecured Private Debt

In February 2006, we entered into a note purchase agreement to issue €14 million and £3 million of senior unsecured five-year notes to institutional investors in a private placement offering ($27 million and $24 million as of December 31, 2007 and 2006, respectively). The €14 million Series 2006-A Notes have a fixed interest rate of 5.177% and the £3 million Series 2006-B Notes have a fixed interest rate of 6.565%. Each series matures in February 2011.

In September 2005, we entered into a note purchase agreement to issue $75 million of senior unsecured fifteen-year notes to accredited investors in a private placement offering. The unsecured notes have a fixed interest rate of 6.923% through the interest payment date in October 2015 and bear interest at the rate of LIBOR plus 2.65% thereafter and mature in October 2020.

In August 2005, we entered into a note purchase agreement to issue an aggregate of $126 million of unsecured five-year notes to institutional investors in a private placement offering. The unsecured notes have a fixed interest rate of 6.14% and mature in August 2010.

In September 2004, we sold an aggregate $167 million of unsecured five-and seven-year notes to institutional investors in a private placement offering pursuant to a note purchase agreement. The unsecured notes consist of $82 million of senior notes, Series A and $85 million of senior notes, Series B. The Series A notes have a fixed interest rate of 5.92% and mature in September 2009. The Series B notes have a fixed interest rate of 6.46% and mature in September 2011.

The note purchase agreements discussed above contain various covenants, including covenants that require us to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 200%, an available debt asset coverage ratio, a minimum consolidated tangible net worth and a minimum interest coverage ratio. Each note purchase agreement also contains a cross-default provision on our consolidated debt of $15 million or more and a default triggered by a change of control.

As of December 31, 2008, we were not in compliance with the minimum consolidated tangible net worth covenants, the available debt asset coverage covenants or the asset coverage covenants for these notes. Pursuant to the terms of the notes, during an event of default the lenders can declare that all amounts outstanding are immediately due and payable and a default rate equal to the greater of 2.00% above the stated rate or 2.00% over the prime rate is applied on all overdue amounts. The note holders can rescind any acceleration if all late payments are made, any events of default are amended, cured or waived and no judgment or decree has been entered for the payment of any monies due on the notes. We expect the note holders to formally declare an event of default.

Total Return Swap Facility

Our $300 million total return swap facility with Wachovia Bank, N.A. was terminated on December 18, 2008. The balance outstanding on the facility was paid down at the time of the termination.

Securitizations

As of December 31, 2008, we were in compliance with all of our asset securitizations.

In August 2007, we completed a $500 million asset securitization. In connection with the transaction, ACAS Business Loan Trust 2007-2 ("BLT 2007-2"), an indirect consolidated subsidiary, issued $300.5 million Class A notes, $37.5 million Class B notes and $162 million of Class C through Class F notes (collectively, the "2007-2 Notes"). The Class A notes and Class B notes were sold to institutional investors and all of the Class C through Class F notes were retained by us. The 2007-2 Notes are secured by loans originated or acquired by us and sold to our wholly-owned consolidated subsidiary, BLT 2007-2. Through February 2008, BLT 2007-2 could have also generally used principal collections from the underlying loan pool to purchase additional loans to secure the 2007-2 Notes. After such time, principal payments on the 2007-2 Notes will generally be applied pro rata to each class of 2007-2 Notes outstanding until the aggregate outstanding principal balance of the loan pool is less than $250 million or the occurrence of certain other events. Payments will then be applied sequentially to the Class A notes, the Class B notes, the Class C notes, the Class D notes, the Class E notes and the Class F notes. However, if any loan collateral in the trust becomes a defaulted loan, as defined in the indenture, all interest and principal collections that would be applied to the Class C notes are applied sequentially to pay the principal on the Class A notes and Class B notes in an amount equal to the principal balance of the defaulted loan collateral. As of December 31, 2008, there was defaulted loan collateral in the trust and therefore all interest and principal collections are being applied sequentially to pay down the principal of the notes as outlined above. Subject to continuing compliance with certain conditions, we will remain as servicer of the loans. The Class A notes have an interest rate of three-month LIBOR plus 40 basis points, the Class B notes have an interest rate of three-month LIBOR plus 100 basis points, the Class C notes have an interest rate of three-month LIBOR plus 125 basis points, the Class D notes have an interest rate of three-month LIBOR plus 300 basis points and the Class E and Class F notes retained by us do not have an interest rate. The 2007-2 Notes are secured by loans and assets from our portfolio companies with a principal balance of $443 million as of December 31, 2008. The 2007-2 Notes contain customary default provisions and mature in November 2019 unless redeemed or repaid prior to such date.

In April 2007, we completed a $600 million asset securitization. In connection with the transaction, ACAS Business Loan Trust 2007-1 (“BLT 2007-1”), an indirect consolidated subsidiary, issued $351 million Class A notes, $45 million Class B notes, $81 million Class C notes, $45 million Class D notes and $78 million Class E notes (collectively, the “2007-1 Notes”). The Class A notes, Class B notes, Class C notes and $15 million of the Class D notes were sold to institutional investors and $30 million of the Class D notes and all the Class E notes were retained by us. The 2007-1 Notes are secured by loans originated or acquired by us and sold to our wholly-owned consolidated subsidiary, BLT 2007-1. Through November 2007, BLT 2007-1 could have also generally used principal collections from the underlying loan pool to purchase additional loans to secure the 2007-1 Notes. After such time, principal payments on the 2007-1 Notes are generally applied pro rata to each class of 2007-1 Notes outstanding until the aggregate outstanding principal balance of the loan pool is less than $300 million or the occurrence of certain other events. Payments will then be applied sequentially to the Class A notes, the Class B notes, the Class C notes, the Class D notes and the Class E notes. However, if any loan collateral in the trust becomes a defaulted loan, as defined in the indenture, all interest and principal collections that would be applied to the Class D notes are applied sequentially to pay the principal on the Class A notes, Class B notes and Class C notes in an amount equal to the principal balance of the defaulted loan collateral. As of December 31, 2008, there was defaulted loan collateral in the trust and therefore all interest and principal collections are being applied sequentially to pay down the principal of the notes as outlined above. Subject to continuing compliance with certain conditions, we will remain as servicer of the loans. The Class A notes have an interest rate of three-month LIBOR plus 14 basis points, the Class B notes have an interest rate of three-month LIBOR plus 31 basis points, the Class C notes have an interest rate of three-month LIBOR plus 85 basis points, the Class D notes have an interest rate of three-month LIBOR plus 185 basis points and the Class E notes retained by us do not have an interest rate. The 2007-1 Notes are secured by loans and assets from our portfolio companies with a principal balance of $467 million as of December 31, 2008. The 2007-1 Notes contain customary default provisions and mature in August 2019 unless redeemed or repaid prior to such date.

In July 2006, we completed a $500 million asset securitization. In connection with the transaction, ACAS Business Loan Trust 2006-1 (“BLT 2006-1”), an indirect consolidated subsidiary, issued $291 million Class A notes, $37 million Class B notes, $73 million Class C notes, $35 million Class D notes and $64 million Class E notes (collectively, the “2006-1 Notes”). The Class A notes, Class B notes, Class C notes and Class D notes were sold to institutional investors and the Class E notes were retained by us. The 2006-1 Notes are secured by loans originated or acquired by us and sold to a wholly-owned consolidated subsidiary, which in turn sold such loans to BLT 2006-1. Through August 2009, BLT 2006-1 could have also generally used principal collections from the underlying loan pool to purchase additional loans to secure the 2006-1 Notes. After such time, principal payments on the 2006-1 Notes will generally be applied pro rata to each class of 2006-1 Notes outstanding until the aggregate outstanding principal balance of the loan pool is less than $250 million or the occurrence of certain other events. Payments will then be applied sequentially to the Class A notes, the Class B notes, the Class C notes, the Class D notes and the Class E notes. However, if any loan collateral in the trust becomes a defaulted loan, as defined in the indenture, all interest and principal collections that would be applied to the Class E notes are applied sequentially to pay the principal on the Class A notes, Class B notes, Class C notes and Class D notes in an amount equal to the principal balance of the defaulted loan collateral. As of December 31, 2008, there was defaulted loan collateral in the trust and therefore all interest and principal collections are being applied sequentially to pay down the principal of the notes as outlined above. Subject to continuing compliance with certain conditions, we will remain as servicer of the loans. The Class A notes have an interest rate of three-month LIBOR plus 23 basis points, the Class B notes have an interest rate of three-month LIBOR plus 36 basis points, the Class C notes have an interest rate of three-month LIBOR plus 65 basis points and the Class D notes have an interest rate of three-month LIBOR plus 125 basis points. The 2006-1 Notes are secured by loans and assets from our portfolio companies with a principal balance of $491 million as of December 31, 2008. The 2006-1 Notes contain customary default provisions and mature in November 2019 unless redeemed or repaid prior to such date.

In October 2005, we completed a $1,000 million asset securitization. In connection with the transaction, ACAS Business Loan Trust 2005-1 ("BLT 2005-1"), an indirect consolidated subsidiary, issued $435 million Class A-1 notes, $150 million Class A-2A notes, $50 million Class A-2B notes, $50 million Class B notes, $145 million Class C notes, $90 million Class D notes and $80 million Class E notes (collectively, the "2005-1 Notes"). The Class A-1 notes, Class A-2A notes, Class A-2B notes, Class B notes and Class C notes were issued to institutional investors and the Class D notes and Class E notes were retained by us. The 2005-1 Notes are secured by loans originated or acquired by us and sold to a wholly-owned consolidated subsidiary, which in turn sold such loans to BLT 2005-1. Of the $150 million Class A-2A notes, $82 million was drawn upon in 2005 and the balance of $68 million was drawn upon in 2006. Through January 2009, BLT 2005-1 could have also generally used principal collections from the underlying loan pool to purchase additional loans to secure the 2005-1 Notes. After such time, principal payments on the 2005-1 Notes will be applied first to the Class A-1 notes, Class A-2A notes and Class A-2B notes, next to the Class B notes and then to the Class C notes. However, if any loan collateral in the trust becomes a defaulted loan, as defined in the indenture, all interest and principal collections that would be applied to the Class D notes are applied sequentially to pay the principal on the Class A notes, Class B notes and Class C notes in an amount equal to the principal balance of the defaulted loan collateral. As of December 31, 2008, there was defaulted loan collateral in the trust and therefore all interest and principal collections are being applied sequentially to pay down the principal of the notes as outlined above. Subject to continuing compliance with certain conditions, we will remain as servicer of the loans. The Class A-1 notes have an interest rate of three-month LIBOR plus 25 basis points, the Class A-2A notes have an interest rate of three-month LIBOR plus 20 basis points, the Class A-2B notes have an interest rate of three-month LIBOR plus 35 basis points, the Class B notes have an interest rate of three-month LIBOR plus 40 basis points, and the Class C notes have an interest rate of three-month LIBOR plus 85 basis points. The 2005-1 Notes are secured by loans and assets from our portfolio companies with a principal balance of $968 million as of December 31, 2008. The 2005-1 Notes contain customary default provisions and mature in July 2019 unless redeemed or repaid prior to such date.

In December 2004, we completed a $500 million asset securitization. In connection with the transaction, ACAS Business Loan Trust 2004-1 ("BLT 2004-1"), an indirect consolidated subsidiary, issued $302 million Class A notes, $34 million Class B notes, $74 million Class C notes, $50 million Class D notes, and $40 million Class E notes (collectively, the "2004-1 Notes"). The Class A notes, Class B notes, and Class C notes were issued to institutional investors and the Class D and Class E notes were retained by us. The 2004-1 Notes are secured by loans originated or acquired by us and sold to a wholly-owned consolidated subsidiary, which in turn sold such loans to BLT 2004-1. Through January 2007, BLT 2004-1 could have also generally used principal collections from the underlying loan pool to purchase additional loans to secure the 2004-1 Notes. After such time, payments are first applied to the Class A notes, then to the Class B notes and then to the Class C notes. However, if any loan collateral in the trust becomes a defaulted loan, as defined in the indenture, all interest and principal collections that would be applied to the Class D notes are applied sequentially to pay the principal on the Class A notes, Class B notes and Class C notes in an amount equal to the principal balance of the defaulted loan collateral. As of December 31, 2008, there was defaulted loan collateral in the trust and therefore all interest and principal collections are being applied sequentially to pay down the principal of the notes as outlined above. Subject to continuing compliance with certain conditions, we will remain as servicer of the loans. The Class A notes have an interest rate of three-month LIBOR plus 32 basis points, the Class B notes have an interest rate of three-month LIBOR plus 50 basis points, and the Class C notes have an interest rate three-month LIBOR plus 100 basis points. The 2004-1 Notes are secured by loans and assets from our portfolio companies with a principal balance of $291 million as of December 31, 2008. The 2004-1 Notes contain customary default provisions and mature in October 2017 unless redeemed or repaid prior to such date.

To the extent that we receive unscheduled prepayments on our debt investments that securitize our debt obligations, we are required to apply those proceeds to our outstanding debt obligations."

APPENDIX 3

ADDITIONAL INFORMATION

1 Responsibility statement

(a) The European Capital Directors, whose names are set out in paragraph 2(a) of Part VIII (*Additional Information*) of the Scheme Document, accept responsibility for all the information contained in this document other than the information for which responsibility is taken by others pursuant to paragraph 1(b) below, and save that only the Independent Directors accept responsibility for their conclusions regarding the Acquisition, for giving the background to and reasons for their conclusions regarding the Acquisition, and for any views of the Independent Directors expressed in this document. To the best of the knowledge and belief of the European Capital Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are respectively responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

(b) The ACAS Directors, whose names are set out in paragraph 2(b) of Part VIII (*Additional Information*) of the Scheme Document, accept responsibility for the information contained in this document relating to ACAS, the ACAS Group and the ACAS Directors (and any person whose interests in European Capital Shares an ACAS Director is taken to be interested in pursuant to Part 22 of the Companies Act 2006). To the best of the knowledge and belief of the ACAS Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Consent

Lexicon Partners has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.

3 Material changes

Save as disclosed in this document, as at 6 March 2009 (being the latest practicable date prior to the posting of this document), there has been no change in the information contained in paragraphs 4, 5, 6, 7, 9(b), 9(c) of Part VIII (*Additional Information*) of the Scheme Document.

4 Shareholdings and dealings – ACAS Shares

(a) As at 6 March 2009 (being the latest practicable date prior to the posting of this document), the interests of the ACAS Directors and any person whose interests the ACAS Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006, all of which are beneficial unless otherwise stated, in ACAS Shares (other than the options detailed in paragraph (b) below) were as follows:

Name	Number of ACAS Shares
Malon Wilkus	831,174
Mary Baskin	11,303
Neil Hahl	21,000
Philip Harper	1,029,273
John Koskinen	37,476
Stan Lundine	19,500
Kenneth Peterson, Jr.	274,250
Alvin Puryear	29,231

(b) As at 6 March 2009 (being the latest practicable date prior to the posting of this document), the ACAS Directors had outstanding the following interests in options over ACAS Shares:

Name	Plan	Date of Grant	Number of ACAS Shares	Exercise Price ($)
Malon Wilkus	1997 Employee Stock Option Plan (1)	28/10/2004	8,000	30.91
	2000 Employee Stock Option Plan (2)	09/02/2001	54,646	25.00
	2000 Employee Stock Option Plan (2)	08/05/2002	210,000	29.87
	2000 Employee Stock Option Plan (2)	09/05/2001	200,000	26.10
	2000 Employee Stock Option Plan (2)	29/07/2004	8,000	28.82
	2000 Employee Stock Option Plan (2)	10/12/2001	80,000	28.87
	2002 Employee Stock Option Plan (3)	08/05/2002	20,000	29.87
	2003 Employee Stock Option Plan (4)	15/08/2003	88,000	22.80
	2003 Employee Stock Option Plan (4)	15/08/2003	22,000	17.72
	2003 Employee Stock Option Plan (4)	15/05/2003	88,000	24.49
	2003 Employee Stock Option Plan (4)	15/05/2003	22,000	18.73
	2003 Employee Stock Option Plan (4)	13/11/2003	14,000	22.96
	2003 Employee Stock Option Plan (4)	13/11/2003	56,000	27.35
	2003 Employee Stock Option Plan (4)	29/01/2004	51,600	31.53
	2004 Employee Stock Option Plan (5)	29/04/2004	150,000	26.38
	2004 Employee Stock Option Plan (5)	29/07/2004	20,000	28.82
	2004 Employee Stock Option Plan (5)	28/10/2004	8,000	30.91
	2005 Employee Stock Option Plan (6)	20/06/2005	118,333	35.61
	2005 Employee Stock Option Plan (6)	27/10/2005	118,333	36.68
	2005 Employee Stock Option Plan (6)	19/01/2006	99,401	34.51
	2006 Stock Option Plan (7)	11/05/2006	67,988	34.11
	2006 Stock Option Plan (7)	27/07/2006	67,988	34.66
	2006 Stock Option Plan (7)	26/10/2006	67,988	42.81
	2006 Stock Option Plan (7)	01/02/2007	67,988	49.37
	2006 Stock Option Plan (7)	22/06/2007	186,113	43.50
	2007 Stock Option Plan (8)	27/07/2007	260,759	38.14
	2007 Stock Option Plan (8)	26/10/2007	207,012	42.00
	2007 Stock Option Plan (8)	31/01/2008	175,035	35.17
	2008 Stock Option Plan (9)	24/07/2008	463,803	21.70
	2008 Stock Option Plan (9)	07/01/2009	575,000	6.24
Mary Baskin	1997 Disinterested Director Stock Option Plan (10)	15/06/2000	15,000	22.813
	2000 Disinterested Director Stock Option Plan (11)	28/02/2006	25,000	35.620
	2006 Stock Option Plan (7)	16/02/2007	40,000	47.900
	2007 Stock Option Plan (8)	24/10/2007	50,000	41.400
Philip Harper	2000 Disinterested Director Stock Option Plan (11)	28/02/2006	25,000	35.620
	2006 Stock Option Plan (7)	16/02/2007	40,000	47.900
	2007 Stock Option Plan (8)	24/10/2007	50,000	41.400
John Koskinen	1997 Disinterested Director Stock Option Plan (11)	02/02/2007	20,000	49.630
	2006 Stock Option Plan (7)	16/02/2007	40,000	47.900
	2007 Stock Option Plan (8)	24/10/2007	50,000	41.400
Stan Lundine	2000 Disinterested Director Stock Option Plan (11)	28/02/2006	25,000	35.620
	2006 Stock Option Plan (7)	16/02/2007	40,000	47.900
	2007 Stock Option Plan (8)	24/10/2007	50,000	41.400
Kenneth Peterson, Jr.	2006 Stock Option Plan (7)	16/02/2007	40,000	47.900
	2007 Stock Option Plan (8)	24/10/2007	50,000	41.400
Alvin Puryear	2000 Disinterested Director Stock Option Plan (11)	28/02/2006	25,000	35.620
	2006 Stock Option Plan (7)	16/02/2007	40,000	47.900
	2007 Stock Option Plan (8)	24/10/2007	50,000	41.400

Notes:

(1) Under 1997 Employee Stock Option Plan, options vest over a three year period, rateably at the end of each year (i.e. 33.3 per cent. of any options granted will vest one year after the date of their grant). Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(2) Under the 2000 Employee Stock Option Plan, options vest over a three year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(3) Under the 2002 Employee Stock Option Plan, options vest over a three year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(4) Under the 2003 Employee Stock Option Plan, options vest over a five year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(5) Under the 2004 Employee Stock Option Plan, options vest over a five year period. Rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(6) Under the 2005 Employee Stock Option Plan, options vest over a five year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(7) Under the 2006 Stock Option Plan, options vest over a three year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(8) Under the 2007 Stock Option Plan, options vest over a three year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from date of their grant, when the options will expire.

(9) Under the 2008 Stock Option Plan, options vest over a three year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(10) Under the 1997 Disinterested Director Stock Option Plan, options vest over a three year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(11) Under the 2000 Disinterested Director Stock Option Plan, options vest over a three year period, rateably at the end of each year. Options are exercisable from vesting until 10 years from the date of their grant, when the options will expire.

(c) In addition to the grants of options listed above, from 10 November 2007 to 6 March 2009 (being the latest practicable date prior to the posting of this document), the following dealings in relevant securities of ACAS were made by ACAS Directors and persons whose interests the ACAS Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006:

Name	Date	Transaction	Number of ACAS Shares	Price per ACAS Share
Malon Wilkus	28 November 2007	Purchase	3,000	36.80-37.11
	5 December 2007	IBP Acquisition(1)	92,950	—
	8 January 2008	Purchase	30,000	32.09
	13 February 2008	IBP Acquisition(1)	100,285	—
	8 May 2008	Purchase	3,000	31.04-31.07
	8 May 2008	Purchase	13,100	31.05-31.07
	2 March 2009	Disposal(2)	1,060,656	—
Mary Baskin	19 November 2008	Purchase	1,000	5.86
	4 March 2009	Purchase	6,000	0.76
Neil Hahl	14 November 2008	Purchase	2,250	6.24
Philip Harper	5 September 2008	Purchase	47,840	20.86
	13 November 2008	Purchase	9,000	5.79
	20 November 2008	Purchase	10,000	4.64
	6 March 2009	Purchase	350,000	0.61
John Koskinen	7 January 2008	Purchase	5,000	32.22
	16 January 2008	Reinvested Dividends	164	—
	1 April 2008	Reinvested Dividends	291	—
	8 May 2008	Purchase	5,000	31.06
	1 July 2008	Reinvested Dividends	600	—
	14 October 2008	Reinvested Dividends	1,199	—
	13 November 2008	Purchase	20,000	5.67
Stan Lundine	12 June 2008	Purchase	2,000	29.01
	12 November 2008	Purchase	5,000	6.39
Kenneth Peterson, Jr.	27 November 2007	Purchase	5,000	36.20
	27 November 2007	Purchase	4,000	34.84
	8 January 2008	Purchase	5,000	31.49
	10 January 2008	Purchase	5,000	31.04
	16 January 2008	Purchase	5,000	30.99
	12 June 2008	Purchase	1,000	29.18
	7 August 2008	Purchase	5,000	20.87
	11 November 2008	Purchase	10,000	7.27
	12 November 2008	Purchase	20,000	6.30
	26 November 2008	Purchase	20,000	3.91
	2 December 2008	Purchase	10,000	3.78
	5 December 2008	Purchase	10,000	2.99
	4 March 2009	Purchase	10,000	0.807
	6 March 2009	Purchase	10,000	0.60
Alvin Puryear	16 January 2008	Reinvested Dividends	768	—
	1 April 2008	Reinvested Dividends	684	—
	1 July 2008	Reinvested Dividends	1,059	—
	14 October 2008	Reinvested Dividends	1,666	—

Notes:

(1) The transaction is an allocation of shares to Mr. Wilkus, as an executive offer, under the ACAS Incentive Bonus Plan. The ACAS Compensation and Corporate Governance Committee determines the dollar amount of each award made to other employees. Each bonus award granted under the ACAS Incentive Bonus Plan is credited to a separate bookkeeping account established for the bonus award in the name of the participant. In connection with the ACAS Incentive Bonus Plan, ACAS has established a trust fund that has purchased ACAS Shares on the open market, used as a notional investment for bonus accounts. Participants' awards vest in accordance with a vesting schedule specified by the ACAS Compensation and Corporate Governance Committee, which is generally three to six years, and are eligible to receive distributions of the vested portions of bonus awards immediately upon vesting. All distributions are made directly by the trust in the form of ACAS Shares.

(2) On 2 March 2009, ACAS foreclosed on the stated shares of the company's stock that Mr. Wilkus had pledged to secure certain full recourse loans entered into as of 2 March 2001, 7 March 2001, and 12 December 2001, related to the exercise of options. The outstanding balance of the loans on the date of foreclosure was $5,021,109. ACAS accepted the shares in full satisfaction of the loans.

5 Important information

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and any persons into whose possession this document may come should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the law of any such jurisdiction. This document does not constitute or include an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy or sell any securities.

The transaction is subject to the disclosure requirements of Guernsey law and the City Code. This document has been prepared in accordance with, and in the style expected by, such requirements, which differ from the requirements and style in the United States for disclosure documents prepared for business combination transactions.

Lexicon Partners, which is authorised and regulated in the UK by the Financial Services Authority, is acting exclusively for European Capital and no-one else in connection with the Scheme and will not be responsible to anyone other than European Capital for providing the protections afforded to clients of Lexicon Partners or for providing advice in relation to the Acquisition or any other matters referred to in this announcement.

6 Cautionary note regarding forward-looking statements

This document contains statements about European Capital and ACAS that are or may be forward-looking statements. All statements other than statements of historical facts included in this document may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof are forward-looking statements. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and prospects; and (ii) business and management strategies and the expansion and growth of European Capital’s or, as the case may be, ACAS’s operations. These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of European Capital or ACAS. These forward-looking statements involve known and unknown risks (including those highlighted in ACAS’s most recent Annual Report on Form 10-K and quarterly report filed with the SEC, and other publicly filed or available information), uncertainties and other factors which may cause the actual results, performance or achievements of European Capital or ACAS, or industry results, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of European Capital and ACAS and the environment in which each will operate in the future. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to European Capital or ACAS or any members of their respective groups or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included in this document are based on information available to European Capital or ACAS (as the case may be) on the date hereof. Investors should not place undue reliance on such forward looking statements, and neither European Capital nor ACAS undertakes any obligation to update publicly or revise any forward-looking statements.

7 Dealing disclosure requirements

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, “interested” (directly or indirectly) in 1 per cent. or more of any class of “relevant securities” of ACAS or of European Capital, all “dealings” in any “relevant securities” of that company (including by means of an option in respect of, or a derivative referenced to, any such “relevant securities”) must be publicly disclosed by no later than 3.30 p.m. (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the “offer period” otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an “interest” in “relevant securities” of ACAS or of European Capital, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all “dealings” in “relevant securities” of European Capital by ACAS or European Capital, or by any of their respective “associates”, must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose “relevant securities” “dealings” should be disclosed, and the number of such securities in issue, can be found on the Panel’s website at www.thetakeoverpanel.org.uk.

“Interests in securities” arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an “interest” by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the City Code, which can also be found on the Panel’s website. If you are in any doubt as to whether or not you are required to disclose a “dealing” under Rule 8, you should consult the Panel.

Dated 9 March 2009

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