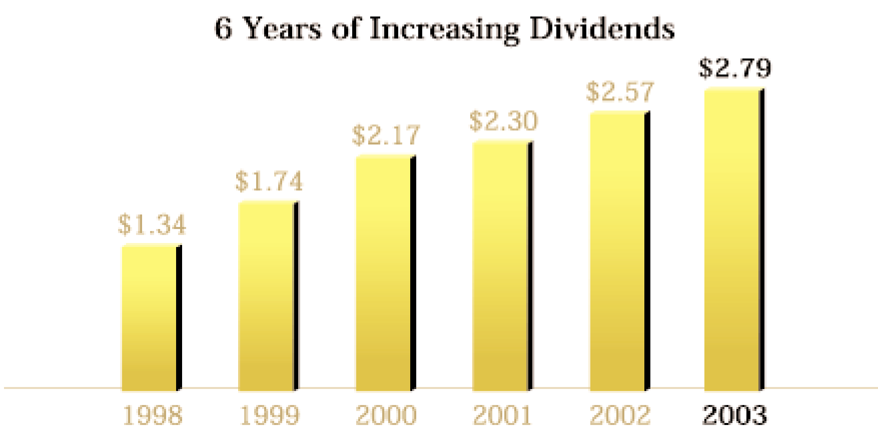
American Capital

Annual Report 2003

For American Capital, 2003 was a RECORD BREAKING year in:

- New investments;
- Repayments and exits;
- Net realized gains;
- Dividends.



American Capital is a publicly traded buyout and mezzanine fund with capital resources in excess of $2.5 billion. American Capital is an investor in and sponsor of management and employee buyouts, invests in private equity sponsored buyouts, and provides capital directly to private and small public companies. American Capital provides senior debt, mezzanine debt and equity to fund growth, acquisitions and recapitalizations.

Nasdaq: ACAS
www.AmericanCapital.com

COVER, CLOCKWISE FROM TOP:

CamelBak Products, Inc., the world's leader in the design, manufacturing and marketing of portable hands-free hydration systems, or customized backpacks that include integrated water storage and delivery systems; Euro-Pro Corporation, leading designer, marketer and distributor of vacuum cleaners and household appliances; Escort Inc., leading niche designer, manufacturer and distributor of automotive consumer electronic products; Case Logic, Inc., designer and marketer of storage products and accessories for the audio, computer, photo/video, DVD, automotive and recreational markets; Riddell Sports Group, Inc., leading designer, manufacturer and licensor of branded sporting goods; Nancy's Specialty Foods, Inc., leading producer of gourmet frozen treats, and the largest producer of frozen quiche products in the U.S. CENTER: Bumble Bee Seafoods, Inc. sells its broad range of products under the well-known brands Bumble Bee, Clover Leaf and Orleans.

AMERICAN CAPITAL STRATEGIES, LTD. CONSOLIDATED FINANCIAL HIGHLIGHTS

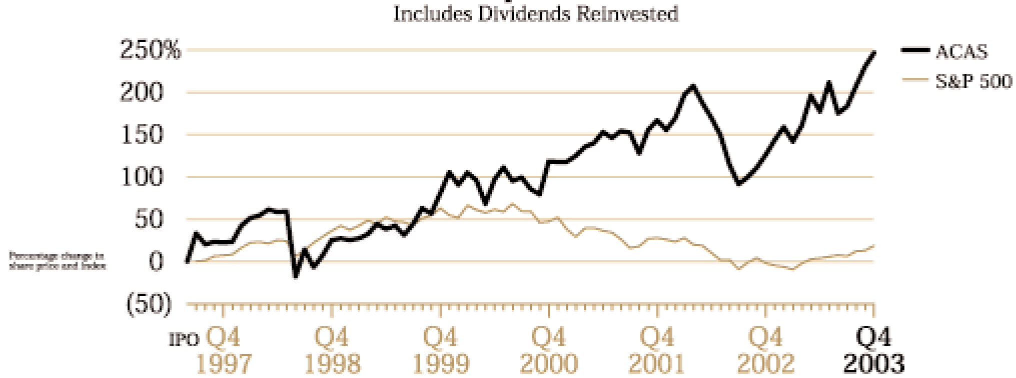
(in thousands except per share data)	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000	Year Ended December 31, 1999
PER SHARE DATA:					
Net asset value at beginning of the period	$ 15.82	$ 16.84	$ 15.90	$ 17.08	$ 13.80
Net operating income[1]	2.58	2.60	2.27	2.00	1.79
Net realized gain (loss) on investments[1]	0.40	(0.52)	0.17	0.21	0.20
(Increase) decrease in net unrealized depreciation on investments[1]	(0.82)	(1.57)	(1.85)	(2.41)	5.08
Net increase (decrease) in shareholders' equity resulting from operations[1]	2.16	0.51	0.59	(0.20)	7.07
Issuance of common stock	2.56	0.80	1.79	0.70	0.71
Effect of antidilution (dilution)	0.08	0.24	0.86	0.49	(2.76)
Distribution of net investment income	(2.79)	(2.57)	(2.30)	(2.17)	(1.74)
Net asset value at end of period	$ 17.83	$ 15.82	$ 16.84	$ 15.90	$ 17.08
Per share market value at end of period	$ 29.73	$ 21.59	$ 28.35	$ 25.19	$ 22.75
Total return[2]	53.50%	(15.21)%	22.33%	20.82%	
44.36%					
Shares outstanding at end of period	65,949	43,469	38,017	28,003	18,252
RATIO/SUPPLEMENTAL DATA:					
Net assets at end of period	$1,175,915	$687,659	$640,265	$445,167	$311,745
Average net assets	$ 931,787	$663,962	$542,716	$378,456	$232,234
Average long-term debt outstanding	$ 582,200	$416,800	$175,600	$ 97,600	$ 48,600
Average long-term debt per common share[1]	$ 10.66	$ 10.57	$ 5.58	$ 4.37	$ 3.54
Ratio of operating expenses, net of interest expense, to average net assets	5.05%	4.54%	4.10%	4.68%	
5.02%					
Ratio of interest expense to average net assets	1.99%	2.16%	1.91%	2.56%	
2.03%					
Ratio of operating expenses to average net assets	7.04%	6.70%	6.01%	7.24%	
7.05%					
Ratio of net operating income to average net assets	15.10%	15.45%	13.20%	11.80%	
10.33%					

(1) Weighted average basic per share data.

(2) Total return equals the increase (decrease) of the ending market value over the beginning market value plus reinvested dividends, based on the stock price on date of reinvestment, divided by the beginning market value.

American Capital vs. S&P 500

Includes Dividends Reinvested



Since ACAS IPO	ACAS	S&P 500
Total Return	246.8%	18.4%
Annualized Return	21.7%	2.7%

John Erickson
Executive Vice President,
Chief Financial Officer

Malon Wilkus
Chairman, President,
Chief Executive Officer

Ira Wagner
Executive Vice President,
Chief Operating Officer

Fellow Shareholders

Record Year

2003 was a record year for American Capital and its shareholders. We experienced record new investment volume, record exits and repayments, and record net capital gains, culminating with a record year in dividend payments. In addition to the good news about our performance, we believe we are seeing further signs of an economic rebound. We continue to grow in this reviving economy, deploying over $1 billion in capital in the middle market in 2003.

Our Vision

Our vision is clear: to rationalize our industry. If you take a minute to look at our past annual reports, you will see we have been pursuing this vision for years. Our goal was to be number one in our market and to capture significant market share. We believe we have achieved the number one status and that we were the most active investor in the middle market in 2003. In our nearly seven years of public life, we have grown from investing $100 million per year to investing more than $1 billion per year; consequently, we have gained substantial market recognition. Now we must use our tremendous competitive advantages and seize the opportunity to continue to grow our market share and to institutionalize the deployment of capital in the middle market.

Leading Market Share

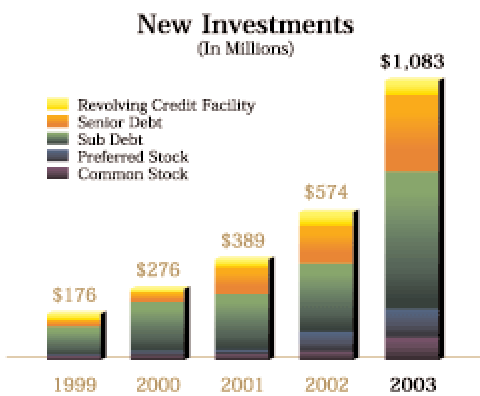
We have developed a proprietary database of reported transactions that for the first time allows us to track our market share and the opportunity to rationalize our industry. This data confirms our belief that the industry of deploying mezzanine and equity capital in the middle market remains extremely fragmented. Today, there are more than 700 buyout and mezzanine funds focusing on our market. Our database tells us that American Capital was the leading investor in 2003, garnering approximately 6% of the reported middle market transactions we have been able to track. Astonishingly, more than 66% of investments in our database were made by funds making no more than two investments during the year, indicating a remarkable degree of industry fragmentation.

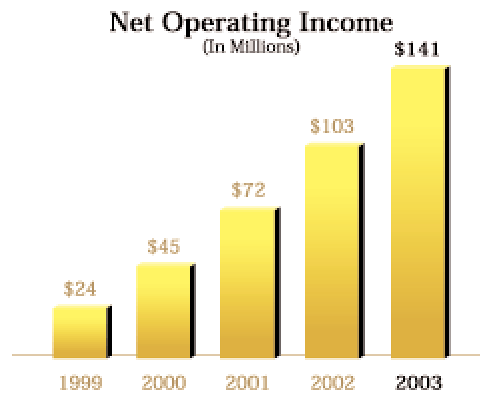
This research supports our view that the market is ripe for rationalization and presents wonderful opportunities to grow our business. We intend to take advantage of these opportunities by continuing to focus our dedicated marketing staff on increasing American Capital's market recognition, building our infrastructure with the best professionals and utilizing one of the lowest costs of capital in the industry.

Unmatched Access to Capital

Our ability to capture a leading market share is due in part to our unmatched access to capital, which is an immense advantage over the traditional mezzanine and equity funds. Since 1997, we have raised capital in virtually every market condition. During the Russian default and the Asian financial crisis of 1998-1999, we raised both debt and equity. In 2002, with the S&P 500 down 23% and substantial short selling of our stock, we successfully raised more than $400 million in debt and equity capital. In 2003, while facing the uncertainties of war and its impact on the capital markets, we raised more than $1.1 billion of debt and equity capital in four equity and two debt offerings.

To put our access to capital in context, it's necessary to understand how our competitors raise capital. Our competitors are typically funds structured as finite-life,





limited partnerships. These partnerships have a general partner, which is a company that manages the fund, and limited partners, who typically provide the majority of the capital. General partners spend from six months to two years visiting pension funds, endowments, high-net-worth individuals and other sources of capital in their efforts to raise a fund. Once the fund is raised it typically has a three to five year investment horizon, after which it is required to return the capital (plus gains or less losses), typically within seven to ten years, plus extensions. The fund is generally unable to take out a loan. As a result, all of their capital is usually higher cost equity capital.

Over the two decades prior to 2001, the amount of capital raised by these funds generally increased year over year. Capital dedicated to these funds by limited partners increased, in part, because of the excellent returns many funds delivered during the 1980s and 1990s. Since the economic downturn, however, the capital raising environment has been much more challenging, with many funds unable to raise additional capital due to their poor performance and more discerning investors.

Why do we have better access to capital than the limited partnerships with whom we compete? Our structure offers you the liquidity, transparency and independent governance associated with being a public company. Limited partnerships are considered extremely illiquid, with inconsistent reporting and the traditional conflicts of interest associated with a partnership structure. (As we write this, The Wall Street Journal reports that the National Venture Capital Association has rejected recommendations that their members adopt fair value accounting as required by generally accepted accounting principles (GAAP).) As a business development company (BDC), American Capital must use fair value accounting and conform to GAAP.

Growing Sector

Our ability to raise equity capital in difficult environments and our ability to borrow debt capital on very attractive terms has caught the attention of the marketplace as well as the funds with whom we compete. It's helpful to recall what we said last year:

> How will our environment continue to evolve? First, it is inevitable that we will have some new competitors in our public format. Limited partners have become more selective in determining firms with whom they will invest and they have become more aware of the inherent conflicts of interest in the limited partnership format, much like the real estate industry in the 1980s. As the growing use of the REIT format moved real estate into a far more efficient and transparent public format in the 1990s, private equity and mezzanine funds will move in this direction as well. This change will be a slow process and we will have a significant head start over firms that succeed in going public. This will be a five to ten year trend, and due to current conditions in the capital markets, we would be surprised to see any competitor go public in 2003.

Not only does this continue to be true, but as we expected, one new BDC has gone public in 2004 and a well-known private equity firm has registered with the Securities and Exchange Commission to sponsor a new BDC later this spring. A growing population of BDCs is not a competitive threat; we already have a huge number of competitors, several more will not make a great difference. Instead, it is a welcome development. With an increase in the number of

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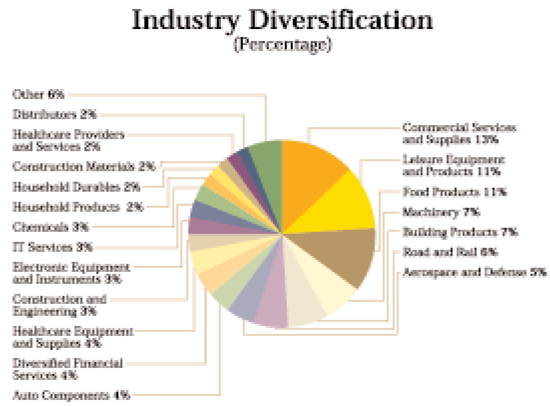


large, successful BDCs, more attention will be focused on our unique sector and we will attract more analyst coverage and institutional and individual investor interest in American Capital stock.

Ability to Buy When Valuations Were Low

When the economy turned negative and the senior loan market contracted in 2000, many funds sat on the sidelines because they had problems in their portfolios and they found it difficult to raise sufficient financing for new transactions. In our 2001 shareholder letter, we noted that "[t]his economic environment and the changes occurring in the capital markets provide the backdrop for a year that we believe is a turning point for American Capital." We cannot emphasize strongly enough how true this was. It is clear now that 2001 was a turning point: we moved from being one of the pack to a leadership position. Our access to capital gave us the ability to invest in well-performing companies while others were compelled to sit on the sidelines, allowing us to take advantage of a very favorable environment for buying and investing in companies at attractive valuations.

Favored Source of Capital

We invested $389 million in 2001, $574 million in 2002 and $1.1 billion in 2003 in what we believe are generally outstanding investments. As a result of this steady increase in investment volume, we have become a favored source of capital for both the intermediaries that sell and finance middle market companies as well as buyout funds that require mezzanine capital as part of the financing for their transactions.

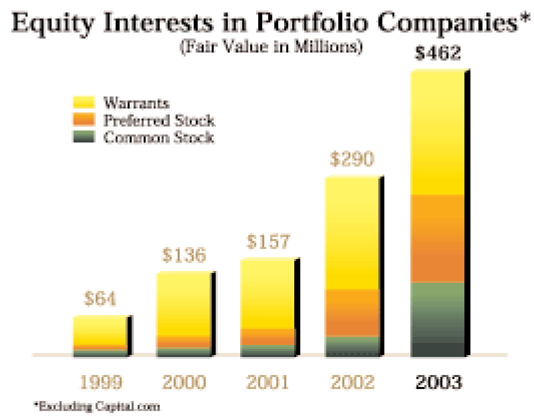
You can imagine an intermediary trying to sell a business will make the first call to the firms that have the resources to close a transaction and a reputation for performing. The same can be said for a buyout fund that has won a bid to buy a company and is seeking mezzanine capital. They are going to call the firms that they believe have the highest likelihood of closing a transaction. We have built our reputation by saying "no" quickly when an investment opportunity fails to meet our standards—we turn down over 99% of the investment opportunities we are shown—while performing expeditiously on investments that pass our extensive due diligence.

During the past year, there were several buyouts that we eventually won not as the highest bidder, but because the highest bidder failed to close. The seller then came back to us because of our financial resources and reputation for performing. This has allowed us to finance buyouts at excellent valuations even though there were others willing to pay more. Our excellent reputation, and the capabilities that support it, have earned us a top position on many intermediaries' and buyout funds' calling lists, a terrific advantage.

Validation of the BDC Format

We are not surprised that the second most active investor in our market behind American Capital is not a traditional fund, but another BDC with nearly 4% of the transactions in our database. Considering the long term success demonstrated by several BDCs, why are conventional funds not going public to take advantage of the BDC format? Indeed, we believe that as funds realize the disadvantages of accessing capital in their current form, a few will elect to go

We must use our tremendous competitive advantages and seize the opportunity to continue to grow our market share and to institutionalize the deployment of capital in the middle market.



public as a BDC. However, for several reasons, the vast majority of funds will probably not take this path.

The Future of Conventional Funds

General partners receive very lucrative compensation, with annual management fees ranging from 2% to 2.5% of their assets plus a 20% profit sharing plan called a "carried interest." In addition, we believe many are not willing to be subject to the scrutiny that comes with being a public company. Most funds will continue to operate in their existing partnership format until either their partners retire or their performance precludes access to capital. Either way, it will merely be a matter of time before limited partnership buyout and mezzanine funds take a second position to publicly traded BDCs, similar to the way real estate partnerships yielded to REITs.

Results and Expectations: 2003 in Review and 2004 Outlook

In 2003, American Capital increased its dividend by 9% to $2.79 per share. American Capital shareholders earned a total return from stock appreciation (and assuming dividend reinvestment) of 178% over the five year period ending December 31, 2003 and 247% since going public in 1997 at $15 per share.

Furthering our commitment to provide greater transparency to investors, in the third quarter of 2003 we engaged Houlihan Lokey Howard & Zukin Financial Advisors, Inc., a premier valuation firm, to review independently, on a quarterly basis, the determination of aggregate fair value of approximately 25% of American Capital's portfolio company investments. Over the course of a year, Houlihan Lokey will review the entire portfolio. Their conclusions of aggregate value have corroborated our valuations.

We also were proud of having raised $557 million through two on-balance sheet term debt securitizations in 2003. Not only did we continue to lower our cost of borrowing but we received upgrades from Fitch on two tranches of our older securitizations. Our securitization performance continues to allow us access to low cost debt capital and provides another measure of scrutiny of the quality of our assets.

Finally, we anticipate paying between $2.88 and $3.00 in dividends per share in 2004. There is no greater measure of performance and no better way to make evident our strong commitment to shareholders than the payment of our taxable income to our shareholders in cash dividends.

It's been a record year at American Capital. Thank you for your support.

Malon Wilkus
Chairman, President, CEO

John Erickson
Executive Vice President, CFO

Ira Wagner
Executive Vice President, COO

American Capital Portfolio Companies

American Capital has invested nearly $2.7 billion in over 100 companies in services, transportation, construction, wholesale, retail, health care and industrial, consumer, chemical and food products and many other sectors. You can learn about the entire portfolio at our web site, www.AmericanCapital.com. Our current portfolio companies have total sales of approximately $7.3 billion and over $950 million of EBITDA.

The following is a review of the new portfolio companies in which we invested in 2003.

"In our experience, American Capital has proved itself a steady, flexible and reliable partner. Their hard work and institutional capabilities mean that we know we can get the transaction done on time and on appropriate terms."

—Allan Weinstein, Managing Director, Lincolnshire Management Inc.

3SI SECURITY SYSTEMS

American Capital first invested in 3SI, with global headquarters in Exton, PA, in 2002. In 2003, American Capital purchased majority control. Operating for over 30 years, 3SI is a world leader in protecting cash in banks, ATMs, safes and all segments of the cash delivery chain. The company employs over 150 people in its two U.S. facilities in Pennsylvania and Georgia and one European facility in Belgium. 3SI's leading security solutions serve numerous financial institutions worldwide: 86 of the top 100 banks in the U.S. and 24 of the top 50 banks in Europe use 3SI products.

ACE CASH EXPRESS, INC.

With 35 years experience, Irving, TX headquartered ACE Cash Express, Inc. (Nasdaq: AACE) is one of the nation's largest owners, operators and franchisors of retail financial service stores. Founded in 1968, ACE is a provider of retail financial services including check cashing, third party bill payment, money orders, money transfers and other retail financial products. Through strategic expansion and an excellent franchise program, the company currently has an extensive network of over 1,100 stores, of which approximately 200 are franchises, located in 35 states and the District of Columbia. Through its over 2,000 employees, ACE has captured attractive market share in the retail financial services market, especially in its main two areas of concentration, check cashing and pay day loans, serving over 35 million customers, many of whom are repeat customers. American Capital invested $40 million to recapitalize ACE in March, 2003.

BANKRUPTCY MANAGEMENT SOLUTIONS, INC.

Bankruptcy Management Solutions, based in Irvine, CA, is a leading provider of software solutions and support for the management of Chapter 7 bankruptcies. The company's pioneering service, established in 1987, provides Chapter 7 trustees with the resources they need to manage and simplify the essential tasks of asset liquidation tracking, court reporting, and regulatory requirements. BMS captured a leading share of the market and now serves more than half of the approximately 1,200 active Chapter 7 bankruptcy panel trustees in the United States. BMS software is used in an estimated 800,000 bankruptcy cases per year. American Capital's investment was critical in assisting BMS as it became an independent firm.

"This is the first time we are partnering with American Capital and we're impressed with their staff of investment professionals, ability to quickly conduct intensive due diligence and provide the necessary financing package to complete this transaction."

—Bo Arlander, Senior Managing Director, Bear Stearns Merchant Banking

BC NATURAL FOODS LLC

American Capital first invested in BC Natural Foods, formerly Petaluma Holdings, in January 2002. Petaluma was the first company to sell chicken with the U.S. Department of Agriculture certification for organic poultry. In November 2002, American Capital supported the company's expansion into other organic meat markets with its acquisition of Coleman Natural Products and B3R Country Meats. Both companies are natural beef processors and Coleman was the first USDA certified natural beef processor. More recently, we supported BC Natural Foods' acquisition of the Poultry Meat Division of Pennfield Corp. and Penn Valley Farms/Hans' Sausage.

BUMBLE BEE SEAFOODS, INC.

Bumble Bee, with world headquarters in San Diego, CA, has annual revenues of over $500 million. In addition to its leading position in the canned albacore tuna market, Bumble Bee has established the second leading position in the U.S. market and leading positions in other major canned seafood markets such as salmon and specialty canned seafood. The company sells its broad range of products under the well-known brands Bumble Bee, Clover Leaf and Orleans. American Capital's investment supported the spin-off of Bumble Bee from ConAgra Foods, Inc.

CALIFORNIA PELLET MILL

California Pellet Mill is the world's leading supplier of process machinery for the animal feed and oilseed processing industries. With world headquarters in Waterloo, IA, CPM's excellent reputation, firm dedication to customer service and high quality, and durable and reliable products have enabled it to dominate the domestic and international markets and experience tremendous success since its founding in 1883. With a continuously growing world population and higher standards of living, consumption of white meat and soybean oil continue to rise domestically and internationally. These favorable market conditions, coupled with CPM's market dominance, place the company in an excellent position for continued growth and market opportunity. We invested $24.3 million in California Pellet Mill in February 2003, exiting the investment at the end of the year and earning a $6 million gain, or a 52% return. Pictured here is one of CPM's pellet mills, ideal for producing pellets for poultry and hog feed in very demanding environments.

"American Capital proved to be a flexible, creative firm, sensitive to the unique needs and interests of all parties. They were everything we needed in a partner."

—Mark Bono, General Partner, Presidio Capital

CAMELBAK PRODUCTS, INC.

CamelBak Products, Inc., based in Petaluma, CA, is the world's leader in the design, manufacturing and marketing of portable hands-free hydration systems, or customized backpacks that include integrated water storage and delivery systems. The company commands a significant share in its markets with products and proprietary technology that let recreational users as well as military users remain better hydrated wherever they are. Since 1998, the company has achieved significant growth, fueled by increased penetration of existing markets and a steady stream of new and innovative products that facilitate entry into new markets. American Capital's investment helps the company introduce new products and enter new product segments and geographic markets. Here you can see CamelBak's Rim Runnere, a stylish and multifunctional hydration backpack perfect for year round hiking.

CHRONIC CARE SOLUTIONS, INC.

Founded in 1994, Clearwater, FL-based Chronic Care Solutions, Inc. serves patients in the United States and Puerto Rico under the business names Diabetic Supply of USA, Respiratory Supply of USA, Rx Supply of USA, and Ostomy Supply of USA. The Company sells a full line of diabetic, respiratory, ostomy and urological products, including glucose meters, test strips, lancets, insulin pumps, inhalers and nebulizers, all of which are high quality branded products from leading manufacturers, and serves a customer base of approximately 70,000 patients. Chronic Care also has a mail-order pharmacy, licensed in all 50 states, that provides its patients with a full line of prescription drugs. Chronic Care employs over 200 people and has experienced a compounded annual sales growth rate of over 40% since 2001. American Capital invested $39 million, enhancing the company's ability to complete strategic add-on acquisitions.

CIVCO MEDICAL INSTRUMENTS CO.

Founded in 1981, Kalona, IA-headquartered CIVCO Medical Instruments Co. is the market-leading designer, manufacturer and marketer of leading edge disposable and consumable accessory technologies supporting the ultrasound imaging equipment manufactured by virtually all major ultrasound OEMs globally. The company's primary product lines include equipment covers, imaged-guided biopsy systems, ultrasound supplies and imaging equipment positioning systems. CIVCO operates out of two facilities located in Kalona, IA and Sarasota, FL and employs over 120 people. American Capital invested $15 million in 2003. The transaction builds upon CIVCO's vision of creating a dominant global one-stop-shop for imaging accessories across multiple imaging modalities.

CORPORATE BENEFIT SERVICES OF AMERICA, INC.

With healthcare costs spiraling ever upward, employers are searching for the most cost-effective way to provide and administer their medical and dental benefits. Corporate Benefit Services of America, Inc., based in Minnetonka, MN, is a leading provider of such cost management solutions. CBSA designs and administers customized self-funded and fully-insured plans targeting small to mid-sized companies. Operating on a nationwide basis, CBSA is in the top 10% of third-party administrators operating in the U.S. CBSA is one of only a few diversified companies that offer a full range of benefits products for its clients. American Capital's $23 million investment enables CBSA to successfully expand through new product innovations and enhanced services.

ESCORT INC.

Escort Inc. designs, manufactures, and distributes radar and laser detectors that keep motorists informed about the presence of radar and laser speed guns. The company leads the market in technological advances in the field and has been issued more patents than all other radar detector manufacturers combined. Sold both domestically and internationally, the company's products outperform those of its competition and are known for their sensitivity, superior performance, and ease of use. American Capital invested $42 million in Escort's recapitalization, helping to support its future growth.

EURO-PRO CORPORATION

Building on a family business started more than 50 years ago, Euro-Pro Corporation has become a highly successful designer, marketer and distributor of vacuum cleaners and household appliances. Its brand names—Shark, Fantom, Bravetti, Omega and Euro-Pro—are well known to consumers and synonymous with quality, innovation and superior performance. The company's strong partnerships with leading retailers and strategic use of specialty marketing channels such as television and the Internet have resulted in rapid growth and wide product distribution. American Capital invested $50 million, a good example of our ability to support an innovative and rapidly growing business with leading niche market positions.

"American Capital's ability to perform due diligence and get to closing on a tight schedule was critical to this transaction. Their team approach and responsiveness to Morgenthaler's requirements as an equity sponsor were precisely what we needed."

—Fred Festa, General Partner, Morgenthaler Partners

FLEXI-MAT CORPORATION

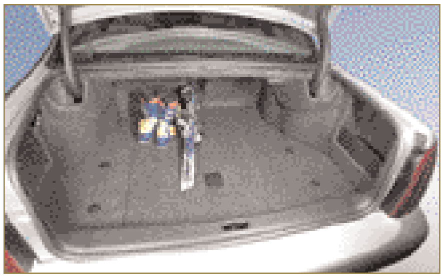
Flexi-Mat Corporation, founded in 1948 in Chicago, IL, is the leading producer, importer and marketer of pet beds. With a history of product innovation, the company has led the commercialization of pet beds for over 35 years. Many industry staples are products introduced by Flexi-Mat, including decorative fabrics, cedar/synthetic fiber blended filling, anti-microbial fabrics and orthopedic foam filling. The company's dominant position enables it to sell branded products through all retail channels, including mass merchants, pet superstores, independent pet stores, and catalog and internet retailers. American Capital invested $54 million in the one stop buyout of Flexi-Mat, providing the entire financing package. As the market leader and innovator, Flexi-Mat is poised to take advantage of market opportunities and remain top dog for pet bedding products. Here you can see the patented Bolster Bed, a comfortable and relaxing bed that ensures man's best friend gets his well-deserved rest.

FMI INTERNATIONAL, INC.

FMI International, Inc. provides superior import logistics services to the apparel industry. The company seamlessly moves products from an international overseas port to a customer's distribution center in the United States. A one-stop provider, FMI ensures a more timely and cost-efficient service than is possible with a combination of multiple vendors or in-house logistics departments. Founded in 1979, FMI offers a fully integrated line of logistics services, including freight forwarding, transloading, warehousing, distribution, and local and long distance ground transportation to the U.S. import apparel industry. Along the entire transport route, FMI offers a comprehensive inventory tracking system that enables customers to locate their merchandise at any point on the supply chain. FMI is one of the few companies in the industry with expertise in garment-on-hanger shipping, a shipping method in which delicate apparel remains hung on slick rails throughout its transport, avoiding the weight and pressure of other garments that could adversely affect their appearance. Headquartered in Carteret, NJ, FMI employs over 500 employees. American Capital invested $49 million in support of FMI's recapitalization, a critical part of the company's plan to increase its market share through continuous product innovation and expansion of its customer base.

FORMED FIBER TECHNOLOGIES, INC.

Formed Fiber Technologies, Inc., headquartered in Auburn, Maine, is the industry innovator and technology leader of nonwoven fiber products used for automotive interior trim. Founded in 1979, FFT manufactures and supplies nonwoven fiber and custom thermoformed products in addition to nonwoven roll goods and polyester staple fiber. Nonwoven material is a fuzzy polyester mass created by needle punching fibers, and is increasingly popular in the manufacture of automobile trunks and other car components. FFT's revolutionary products were far superior to the standard offering of regular carpet glued to cardboard or polyethylene, and have been rapidly embraced by major automotive OEMs and suppliers. American Capital's investment supported the spin-off of this non-core business from its corporate parent.



JONES STEPHENS CORPORATION

Jones Stephens Corporation, based in Moody, AL, is a leading designer, supplier, assembler and distributor of specialty plumbing components. The company offers the most extensive product line in the industry with some 9,400 individual units—nearly five times the number offered by competitors. Design improvements are continually incorporated into new and existing products, resulting in some 400 to 500 new product introductions every year. The company's wholesale, retail and OEM customers have come to rely on Jones Stephens for its national distribution network and superior customer service. American Capital provided $35 million of financing in the buyout of Jones Stephens, helping to further position the company for solid growth.

GLOBAL DOSIMETRY SOLUTIONS, INC.

Global Dosimetry is a supplier of analytical monitoring services to detect occupational exposure to radiation. The company, formed in 1973 as part of a parent company acquisition, enjoys an extremely diverse global customer base of over 25,000 clients, with large customers including nuclear power plants, hospitals, industrial clients, universities and research labs, in addition to myriad medical, dental and veterinary accounts. American Capital invested $49 million in a buyout in 2003. We were the right investor to support Global Dosimetry's evolution from non-core division of a larger parent corporation to stand-alone company.

MBT INTERNATIONAL, INC.

MBT International, Inc.'s acquisition of Midwest Musical Instruments, Inc. (Midco), a distributor of musical instruments, equipment and accessories, significantly solidifies the company's position in the instruments and accessories distribution industry. An American Capital portfolio company since July 1999, Charleston, SC headquartered MBT is a distributor and manufacturer of musical instruments and accessories, audio products and professional stage lighting. MBT's combination with Midco results in significant synergies for the combined entity and places it in an excellent position for future growth. MBT was founded in 1979 and is one of the largest national distributors of musical instruments and accessories. Midco, founded in 1949 and headquartered in Effingham, IL, is a major distributor of guitars, percussion products, electronic music equipment and a wide variety of music accessories.

“The biggest obstacle in doing [the Jones Stephens] deal was the unique aspect of the business model,” said Lindsey Alley, director of M&A for Houlihan, Lokey, Howard & Zukin, the intermediary in the deal…After a hotly contested auction that included both strategic and financial suitors Alley said American Capital won “based on the terms and conditions and a high probability of the deal closing.”

—Buyouts Newsletter, November 17, 2003

MONEY MAILER HOLDINGS, LLC

Money Mailer Holdings, LLC, based in Garden Grove, CA, is one of the leading direct mail advertising companies in the United States. Founded in 1979, the company has built a successful franchise network that enables small businesses and service providers, as well as large national companies, to combine their advertising in a single mail package and cost effectively reach local consumers. The company’s distinctive oversize red-white-and-blue envelopes are rapidly gaining a strong brand identity. American Capital invested $10 million, helping Money Mailer to capitalize on its diversified customer base, excellent product quality, extensive network of regional sub-franchisors and local franchisees and favorable industry conditions to significantly increase Money Mailer’s market share.

MP TOTALCARE, INC.

MP TotalCare, Inc., is a national specialty pharmacy based in Tampa, FL. The company provides pharmaceutical and medical supplies by mail to more than 100,000 customers with chronic conditions such as diabetes, incontinence and respiratory disease. MP TotalCare also provides education and counseling services, operates drug compliance support programs and manages chronic care pharmacy operations for third-party customers. American Capital provided $15 million in senior term financing to support MP TotalCare’s acquisition of Medical Holdings, Inc., a leading national supplier of direct-to-consumer urological supplies, serving customers with total or partial paralysis across the United States.

NAILITE INTERNATIONAL, INC.

Nailite International, Inc., based in Miami, FL, is the premier manufacturer of molded polypropylene siding for the home remodeling and construction markets. Founded in 1978, Nailite was first to develop an injection-molded siding product that replicates the appearance of natural cedar, brick and stone, giving homeowners the look of natural materials at a much lower cost. The company’s varied product offerings, proprietary designs, colors and shadings, and highly successful new product launches have made Nailite the design and innovation leader in its market. “Nailite,” in fact, is typically used as a generic term for injection-molded siding. American Capital invested $9.3 million in Nailite. The investment provides the resources to increase Nailite’s penetration into the whole-house and new construction segments, as well as enter untapped geographic markets.

“American Capital understands long-term value creation. They worked quickly to understand our investment thesis and strategy, enabling us to move forward without delay.”

—Jay Gates, Partner, Charterhouse Group

NANCY’S SPECIALTY FOODS, INC.

A leading producer of gourmet frozen treats, Nancy Mueller founded Nancy’s Specialty Foods in 1977 when she wanted to capitalize on her personal success in creating delicious appetizers for family and friends at her celebrated parties. Today, Nancy’s is the largest producer of frozen quiche products in the United States. Once a one woman operation serving the San Francisco Bay area, Nancy’s savory specialties are now produced by over 300 employees and are served at parties nationwide. American Capital invested $15 million of senior subordinated debt in support of Nancy’s recapitalization, assisting in the growth of a dominant market leader in all of its niches.

THE NEW PIPER AIRCRAFT, INC.

The New Piper Aircraft, Inc., based in Vero Beach, FL, is a leading manufacturer of general aviation aircraft. Founded in 1937, the company became famous for its yellow “Cub,” a cloth covered, two-seat airplane used in World War II. With years of steady growth, great brand loyalty and the manufacturing of industry-renowned, high quality and excellent performance aircrafts, Piper has grown into a major industry player and the only general aviation manufacturer to offer a complete line of aircraft for every general aviation mission. American Capital first invested in Piper, headquartered in Vero Beach, FL, in 1998. In 2003, American Capital completed a buyout and recapitalization of New Piper, an iconic brand name in the general aviation industry and the company with the most extensive product line in its industry.

nSpired NATURAL FOODS, INC.

Based in San Leandro, CA, nSpired Natural Foods is a leader in its market, appealing to consumers looking for healthier eating and snack alternatives without compromising taste. The company’s top selling brands include Maranatha, Tropical Source, Cloud Nine, Sunspire and Skinny. nSpired’s products are sold to some 2,500 natural/specialty retailers and 3,000 mainstream grocers through leading market distributors. Led by its talented management team, nSpired continues to grow rapidly, doubling sales in the past two years. American Capital’s investment helps nSpired meet the rapidly growing market demands driven by increasing consumer diet and health concerns.

RIDDELL SPORTS GROUP, INC.

Riddell Sports Group, Inc. is a leading designer, manufacturer and licensor of branded sporting goods. The company manufactures the official helmet of the National Football League and is also the top supplier of helmets to collegiate, high school and youth leagues. The Chicago-based company also provides helmet reconditioning services nationwide and has created a growing market for its branded athletic equipment such as shoulder pads, uniforms, and practice wear. The company's reputation for product quality, safety and innovation has earned Riddell a leading share in its primary markets. Its licensing agreements help ensure wide exposure of the Riddell name and position the company for future growth. American Capital's $23 million investment assists in Riddell's growth.

ROADRUNNER FREIGHT SYSTEMS, INC.

Zipping through the fast lane, Milwaukee, WI-based Roadrunner Freight Systems, Inc. is on the road to continued success in the U.S. for-hire commercial ground transportation industry. Known for its ability to provide superior service through quick and safe freight delivery, Roadrunner's differentiated business model makes it an attractive alternative to traditional national less-than-truckload providers. Since its founding in 1984, Roadrunner has expanded its terminal network to include Chicago, Dallas, Atlanta, Nashville, Charlotte, Los Angeles, Cincinnati and Cleveland. The company's continued sales and profit growth at existing facilities coupled with new terminal expansion has been a key to Roadrunner's success. The expanded geographic footprint has enabled a large number of shippers across a broad base of consumer and industrial manufacturing sectors to benefit from Roadrunner's unique services. American Capital invested $33 million in the acquisition of Roadrunner, supporting the growth of an outstanding company.

ROADRUNNER FREIGHT SYSTEMS, INC.

SPECIALTY BRANDS OF AMERICA, INC.

Founded in 1991 and based in Westbury, NY, Specialty Brands of America has built a leading branded specialty foods company through acquisitions and internal growth. SBA entered the syrup category by acquiring the leading U.S. sugar free table syrup brands, Cary's Sugar Free Syrup and Cary's and MacDonald's pure maple syrup. The company subsequently acquired Spring Tree Corporation, and with it, obtained the leading pure maple syrup brand in the U.S., Spring Tree Pure Maple Syrup, and the rapidly growing Spring Tree Low Calorie Sugar Free Syrup. SBA's syrups can be found in the U.S. in just about every grocery store, in the leading breakfast restaurant chains, and in 18 countries. The company's other brands include Original Trenton Crackers, a 150-year old line of distinctive oyster and wine crackers; Dixie Fry, a brand of chicken and fish coating mix; Canoleo, a canola oil based margarine; and New York Flatbreads, a unique and delicious crispbread distributed nationwide in retail stores and upscale restaurants. The Company's customers include the leading retailers and wholesalers in the U.S. American Capital completed the buyout of Specialty Brands in 2003.

"We know we can count on American Capital as a business partner. They were quick to respond to issues, solve problems, and they delivered for the benefit of all parties."

—Robert Taylor, Managing Director, Blue Capital Management

TECHNICAL CONCEPTS, LLC

Based in Mundelein, IL, a suburb of Chicago, Technical Concepts, LLC is a global designer and marketer of "touch-free" automated products and other related products and services for hygiene and odor control in "away from home" washrooms. The company has led the market with innovative products and proprietary designs that help property owners in non-residential settings provide clean, hygienic washrooms employing the latest technology for automated water use and conservation. As part of a major thrust into the automated touch-free market and with an expanded and diversified product line, sales doubled and profits increased three-fold in the last six years. American Capital's investment supports Technical Concepts' rapid growth in both the new construction and renovation markets.

STRAVINA OPERATING COMPANY LLC

Stravina Operating Company LLC is the nation's leading designer and supplier of personalized novelty items and souvenirs. The Chatsworth, CA-based company manages more than 900 product lines, ranging from pens and pencils to key chains and albums. Its products are impulse-purchase novelty items, often personalized with the first names of girls and boys or localized with place names of popular tourist destinations. Stravina sells its products through a variety of channels, including five of the top ten retailers in the U.S., as well as small, independent gift and souvenir shops. We originally invested in Stravina in 2002, and again in 2003 to support its acquisition of Hanover Accessories.

VIGO REMITTANCE CORPORATION

Founded in 1985, Vigo Remittance Corporation is among the largest electronic funds transfer firms in the world. In 2002, the company transferred some $2.5 billion, mostly from the United States to countries in Latin America and the Caribbean. Based in Sunrise, FL, the company operates in over 33 countries around the world. American Capital's investment backs a major niche player in a rapidly growing service industry. Vigo is well-positioned to increase its market share in key Latin American markets.

VISADOR HOLDING CORPORATION

Residential stairs and columns are taking Visador Holding Corporation to the next level as a premier manufacturer for the residential construction market. Visador Holdings Corporation, headquartered in Marion, VA, was founded in 1951 and later merged with Coffman Stairs, a manufacturer of wooden stair parts since 1874. The Company has over 475 employees, two manufacturing facilities in Virginia and Alabama, and a warehouse facility in Texas. Coffman offers a vast array of product species and design, including this Hampton style stairway. American Capital is supporting a market leading company that has achieved success in two highly fragmented industries.

American Capital

CLOCKWISE FROM TOP:

Texstars, Inc., worldwide supplier of transparencies, composites and molded products for the aviation and transportation industries; Nailite International, Inc., premier manufacturer of molded polypropylene siding for the home remodeling and construction markets; Global Dosimetry Solutions, Inc., supplier of analytical monitoring services to detect occupational exposure to radiation; nSpired Natural Foods, Inc., leading natural and organic food products company; Hartstrings Inc., designer, wholesaler and retailer of classic coordinated children's apparel sold under the hartstrings, kitestrings and k.c. parker labels; Automatic Bar Controls, Inc., dominant manufacturer and supplier of hand-held beverage dispensers for the food service industry; Confluence Holdings Corp., leading manufacturer of kayaks and canoes. CENTER TOP: Flexi-Mat Corporation, the leading producer, importer and marketer of pet beds. CENTER BOTTOM: Euro-Pro Corporation's brand names—Shark, Fantom, Bravetti, Omega and Euro-Pro—are household names and synonymous with quality, innovation and superior performance.

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