



Tax Characterization of 2008 Dividends

Record Date	Payment Date	Distribution Rate per Share	Ordinary Dividends %	Distributed Capital Gain %	Return of Capital %	Long-Term Capital Gain Distribution	Non-Qualified Dividend	Qualified Dividend
10/06/08	10/14/08	\$1.05	100%	0%	0%	\$0.00	\$1.04	\$0.01
06/13/08	07/01/08	\$1.03	32%	68%	0%	\$0.70	\$0.33	\$0.00
03/07/08	04/01/08	\$1.01	100%	0%	0%	\$0.00	\$1.01	\$0.00
Total		\$3.09	77%	23%	0%	\$0.70	\$2.38	\$0.01

American Capital, Ltd.'s 2008 distributions of \$3.09 per share consisted of \$2.39 per share of ordinary income and \$0.70 per share of long-term capital gain distributions for federal income tax purposes. Stockholders receiving long-term capital gain distributions may receive preferential tax rates on such income. American Capital also announced that of its 2008 ordinary dividends, \$2.38 per share were non-qualifying dividends and \$0.01 per share were qualified dividends. The \$0.01 per share of qualified dividends reflect qualified dividend income received by American Capital from portfolio companies in 2008. Qualified dividend income is dividend income received from qualified domestic and foreign corporations. Qualified dividend income is taxed to stockholders at the rates that apply to capital gains.

American Capital stockholders should receive IRS Form 1099-DIV containing this information from their brokers, transfer agents or other institutions.

American Capital must make certain distributions of its taxable income in order to maintain its tax status as a regulated investment company. Investors can refer to the Company's most recent report on SEC Form 10-K for more information about its tax status. American Capital reports the estimated tax characteristics of each dividend when announced, while the actual tax characteristics of each year's dividends are reported annually to stockholders on Form 1099-DIV.

In addition, for its tax year ended September 30, 2008, American Capital retained its taxable net long-term capital gain on investments and paid a federal income tax thereon on behalf of its shareholders. Stockholders of record as of September 30, 2008 should receive a Form 2439, which reports their share of such capital gain and their share of the federal income tax paid for American Capital's tax year ending September 30, 2008.

Stockholders must include on their income tax return for 2008 their portion of American Capital's taxable net long-term capital gain and may take a credit for the tax paid on that gain by American Capital on the stockholder's behalf. Stockholders should increase the tax basis of their investment in American Capital stock by the difference between their portion of the taxable net long-term capital gain and the federal income tax paid on their behalf. The total taxable net long-term capital gain realized and retained by American Capital for its tax year ending September 30, 2008, was \$0.747872430 per share and the tax credit is equivalent to \$0.261755351 per share.



The increase in the stockholder's tax basis in American Capital stock is equivalent to \$0.486117080 per share.

American Capital does not provide advice regarding a stockholder's federal, state or local tax liability, and this notice does not constitute such advice. Please consult with your personal tax adviser regarding your Form 2439.