



Tax Characterization of 2005 Dividends

Record Date	Payable Date	Distribution Rate per Share	Ordinary Dividends %	Total Capital Gain %	Return of Capital %	Ordinary Dividends Rate	Qualified Dividend Rate
02/25/05	04/01/05	\$ 0.7300	100%	0%	0%	\$ 0.7289	\$ 0.0011
05/16/05	07/01/05	\$ 0.7500	100%	0%	0%	\$ 0.7500	\$ -
08/26/05	10/03/05	\$ 0.7800	100%	0%	0%	\$ 0.7788	\$ 0.0012
12/07/05	12/29/05	\$ 0.7900	100%	0%	0%	\$ 0.7808	\$ 0.0092
12/30/05	01/18/06	\$ 0.0300	100%	0%	0%	\$ 0.0297	\$ 0.0003
Total		\$ 3.0800	100%	0%	0%	\$ 3.0682	\$ 0.0118

American Capital, Ltd.'s 2005 dividends of \$3.08 per share were a distribution of ordinary income. Of its 2005 ordinary dividends, \$3.0682 were non-qualifying dividends and \$0.0118 were qualified dividends. The \$0.0118 of qualified dividends reflect qualified dividend income received by American Capital in 2005.

Qualified dividend income is dividend income received from domestic corporations and qualified foreign corporations. Qualified dividend income is taxed to stockholders at the rates that apply to net 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.