

From: American Capital [reply-461@announcements.americancapital.com]
Sent: Wednesday, June 06, 2007 9:06 AM
To: Stuart Jamieson
Subject: American Capital Invests \$108 Million in Paradigm Precision Holdings



Two Bethesda Metro Center
14th Floor
Bethesda, MD 20814
(301) 951-6122
(301) 654-6714 Fax
Info@AmericanCapital.com
www.AmericanCapital.com

**FOR IMMEDIATE RELEASE:
June 6, 2007**

Contact

[Myung Yi](#), Managing Director, Special Situations Group (301) 951-6122
[Jeff Anapolsky](#), Vice President, Special Situations Group (301) 951-6122
[Brian Maney](#), Director, Corporate Communications (301) 951-6122

**AMERICAN CAPITAL INVESTS \$108 MILLION IN PARADIGM PRECISION HOLDINGS
FOR BUYOUTS OF SMITH WEST, PALMER MANUFACTURING AND EUROCAST**

Bethesda, MD – June 6, 2007 - American Capital Strategies Ltd. ([Nasdaq:ACAS](#)) announced today that it and an affiliate have invested \$108 million in Paradigm Precision Holdings LLC (“Paradigm”) for the One Stop Buyouts™ of Smith West Inc. (“Smith West”), Palmer Manufacturing Co. Inc. (“Palmer”) and Eurocast S.A. (“Eurocast”), leading manufacturers of precision machined aerospace engine components. American Capital’s investment takes the form of a senior credit facility, senior secured subordinated notes and common equity. American Capital Equity Fund I LLC (“ACE”), a fund managed by American Capital, provided 30% of the American Capital equity investment. American Capital partnered with private equity sponsor Wimbledon Partners LLC on the Smith West transaction and Radius Partners LLC on the Palmer and Eurocast transactions.

“The back-to-back acquisitions of Smith West, Palmer and Eurocast create a formidable foundation for launching Paradigm’s build-up strategy,” said [Gordon O’Brien](#), American Capital Managing Director. “These transactions demonstrate our Special Situations Group’s success in identifying, cultivating and executing atypical investment opportunities. The Special Situations Group was able to leverage American Capital’s in-house resources, including its Financial Analysis and Compliance, Operations and Legal Teams, to navigate complex negotiations and conduct due diligence with multiple sellers and sponsors under an accelerated timeframe.”

American Capital has invested directly and through its funds under management over \$8 billion in the last twelve months, approximately \$3.5 billion year to date and \$1.9 billion quarter to date. Not including funds under management, American Capital has invested approximately \$5.8 billion in the last twelve months, \$2.4 billion year to date and \$1.3 billion quarter to date. For more information about American Capital’s portfolio, [click here](#).

Paradigm is a newly-formed entity established to pursue the build-up of machining suppliers in the aerospace industry. The buyouts of Smith West, Palmer and Eurocast are the initial steps in Paradigm’s acquisition strategy to combine and grow multiple machining suppliers into a low cost, high performance international competitor. Paradigm relies upon nearly 450 skilled employees to manufacture complex components with exotic metal alloys, close tolerances, wide diameters and 5-axis milling. Customers, including three of the four largest jet engine manufacturers worldwide, use Paradigm’s components to assemble a well-diversified mix of jet engine platforms that power commercial, business and defense aircraft. These platforms include the “next generation” turbofan engine designed by GE Aviation, the GEnx, that will power

the new 787 Dreamliner by Boeing, the new 747-8 by Boeing and the new A350 by Airbus.

“Paradigm is designed to be a unique supplier of precision machined components to address chronic issues faced by the inefficient supply chain of jet engine manufacturers,” said [Myung Yi](#), American Capital Managing Director, Special Situations Group. “We have recruited a highly talented executive management team with proven capabilities in using the latest dynamic manufacturing techniques to provide top customer service. We intend to make significant investments to enable these executives to grow Paradigm through add-on acquisitions, capital expenditures for organic growth and continuous process improvement.”

“We were pleased to connect Radius Partners and Wimbleton Partners and facilitate the combination of their respective aerospace transactions to create a more valuable, more robust investment strategy,” said [Jeff Anapolsky](#), American Capital Vice President, Special Situations Group. “Wimbleton and Radius are dynamic sponsors who each made critical contributions by finding unique acquisition targets and performing essential aspects of the overall transaction. Our versatile partnership provides significant advantages for growing Paradigm and pursuing add-on acquisitions.”

“We are delighted that American Capital partnered with Paradigm Precision Holdings to invest in the acquisitions of Smith West, Palmer and Eurocast,” said Mike Harris, newly appointed Paradigm CEO. “These acquisitions are perfectly timed to meet the growing demand for jet engines, driven by a need for fuel-efficient aircraft, the need to replace aging commercial aircraft, the revived profitability of legacy commercial carriers and growing markets in developing countries. Smith West, Palmer and Eurocast are leaders in their segments, having each developed outstanding capability in the manufacture of very complex gas turbine engine and accessory components. Paradigm is especially fortunate to have gained a highly talented workforce and long-term customer relationships.”

Wimbleton Partners sponsored the acquisition of Smith West, which closed on February 20, 2007, and recruited Paradigm’s management team. Founded in 1977, Smith West is a manufacturer of precision machined jet engine components including housings, cases, shroud segments, half rings, combustion liners, flange and thin wall rings and torque tubes. Smith West’s components are used for commercial, business and defense jet engine platforms produced by GE Aviation, Honeywell Aerospace, Rolls-Royce Group plc and others. Smith West has manufacturing facilities in Tempe, AZ (headquarters) and Guaymas, Mexico.

“American Capital was clearly the best partner for the Smith West transaction, Wimbleton’s inaugural buyout. In addition to satisfying all of our financing needs, American Capital’s broad and capable resources were a decisive factor in completing our due diligence and negotiations for a highly complex situation,” said Kevin Prokop, Managing Director of Wimbleton Partners. “Under the strong leadership of Mike Harris and his team, Paradigm is well-positioned to provide superior service to the existing customers of Smith West, Palmer and Eurocast.”

Radius Partners sponsored the acquisitions of Palmer and its Tunisian subsidiary Eurocast, which closed on April 10, 2007, and facilitated the sales of non-core assets. Founded in 1965 by three families, Palmer machines and assembles complex aircraft engine components with a focus on combustion (liners and nozzles), rotating hardware (disks, seals, shafts and spools), and structural (casings, frames and housings) components. Based in Malden, MA, Palmer’s products serve all segments of the aerospace industry, including commercial, regional and business jets as well as military and marine procurements. Palmer’s primary customers are GE Aviation and Volvo Aero Corp. Based in Tunis, Tunisia, Eurocast manufactures castings and performs light machining for customers such as GE Aviation, Rolls-Royce, Volvo and Snecma.

“American Capital was an ideal financial partner for the fast-track buyouts of family businesses like Palmer and Eurocast because of their flexibility to offer terms and conditions tailored to the specifics of such a complex transaction. American Capital added substantial value to our investment thesis and we expect our partnership to be highly rewarding,” said Stuart Jamieson, Managing Director of Radius Partners. “Palmer and Eurocast are both real gems and we are very excited to be working closely with Paradigm to further the growth prospects of both of these businesses.”

ABOUT THE AMERICAN CAPITAL SPECIAL SITUATIONS GROUP

American Capital’s Special Situations Group has the flexibility to invest from \$20 million to \$800 million per transaction in a variety of investments. The Special Situations Group targets distressed, turnaround and other complex investments, providing flexible capital and a wealth of turnaround experience to middle market companies. It targets buyouts across all industries involving operational turnarounds, section 363 auctions, corporate orphans, portfolio add-ons and complex

management buyouts. It also provides DIP loans, exit financings, mezzanine financings for sponsored buyouts, second lien refinancings and direct lending to distressed companies. Companies interested in learning more about American Capital's Special Situations Group should contact [Myung Yi](#), Managing Director at (301) 951-6122 or [Dean Anderson](#), Managing Director at (312) 334-1446.

ABOUT AMERICAN CAPITAL

American Capital is the second largest U.S. publicly traded alternative asset manager with approximately \$11 billion in assets under management (second to Fortress (NYSE: FIG)). American Capital, both directly and through its global asset management business, is an investor in management and employee buyouts, private equity buyouts, and early stage and mature private and public companies. American Capital provides senior debt, mezzanine debt and equity to fund growth, acquisitions, recapitalizations and securitizations. American Capital and its affiliates invest from \$5 million to \$800 million per company in North America and €5 million to €500 million per company in Europe.

As of May 31, 2007, American Capital shareholders have enjoyed a [total return of 656%](#) since the Company's IPO - [an annualized return of 23%](#), assuming reinvestment of dividends. American Capital has paid a total of \$1.6 billion in dividends and paid or declared [\\$24.24 dividends per share](#) since going public in August 1997 at \$15 per share.

Companies interested in learning more about American Capital's flexible financing should contact [Mark Opel](#), Senior Vice President, Business Development, at (800) 248-9340, or visit www.AmericanCapital.com or www.EuropeanCapital.com.

ABOUT WIMBLETON PARTNERS

Wimbleton Partners LLC is a partnership formed by several current and former investment professionals at Questor Management Company to pursue acquisitions in the aerospace machining industry.

ABOUT RADIUS PARTNERS

Radius Partners LLC was formed to provide special situation/unique investment opportunities in both growth and distressed mid-market companies, with a primary focus in the industrial manufacturing, distribution and entertainment sectors. Radius is able to react quickly to opportunities through a network of operational firms to augment its due diligence work and implement post acquisition strategies. Radius maintains funding relationships with several other large private equity funds, hedge funds and alternative asset managers, which allows for quick transaction execution.

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. The statements regarding expected results of American Capital are subject to various factors and uncertainties, including 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.

American Capital
has invested in
Paradigm Precision Holdings, LLC

**Paradigm
Precision**
HOLDINGS

Leading machining supplier of precision aerospace
components for jet engine manufacturers

\$108,000,000
senior credit facility
senior secured subordinated notes
common equity

Equity Co-Sponsors: Wimbledon Partners, Radius Partners

 **American
Capital**

Chicago ■ Dallas ■ Frankfurt ■ London ■ Los Angeles ■ New York
Palo Alto ■ Paris ■ Philadelphia ■ San Francisco ■ Washington, D.C.

February 2007, April 2007

This announcement is neither an offer to sell nor a solicitation to buy securities.

This announcement appears as a matter of record only.

Do not reply to this message. To unsubscribe, [click here](#) or send an email to: unsubscribe-461@announcements.americancapital.com

HEADQUARTERS

Washington, DC
2 Bethesda Metro Center
14th Floor
Bethesda, MD 20814
(301) 951-6122
(301) 654-6714 fax
Info@AmericanCapital.com

REGIONAL OFFICES

Chicago
111 South Wacker Drive
Suite 4000
Chicago, IL 60606
(312) 681-7400
(312) 454-0600 fax

Dallas
2200 Ross Avenue
Suite 4500W
Dallas, TX 75201
(214) 273-6630
(214) 273-6635 fax

Frankfurt*
Niederlassung Frankfurt
Taunusanlage 18
60325 Frankfurt am Main
+49 (0) 69 71 71 297 -0
+49 (0) 69 71 71 297-30 fax

London*
25 Bedford Street

Los Angeles
11755 Wilshire Blvd.

New York
505 Fifth Avenue

London WC2E 9ES
United Kingdom
+44 (0)207 539 7000
+44 (0)207 539 7001 fax

Los Angeles, CA 90025
(310) 806-6280
(310) 806-6299 fax

26th Floor
New York, NY 10017
(212) 213-2009
(212) 213-2060 fax

Paris*
55, Avenue Hoche
75008 Paris
France
+33 (0)1 40 68 06 66
+33 (0)1 40 68 06 88 fax

Palo Alto
525 University Avenue
Suite 500
Palo Alto, CA 94301
(650) 289-4560
(650) 289-4570 fax

Philadelphia
Three Hundred Four Falls, Suite 770
300 Conshohocken State Road
West Conshohocken, PA 19428
(610) 238-0210
(610) 238-0230 fax

San Francisco
Three Embarcadero Center
Suite 2320
San Francisco, CA 94111
(415) 591-0120
(415) 591-0111 fax

**affiliated offices*