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March 18, 2005

Mr. David Einhorn  
President  
Greenlight Capital, LLC  
140 East 45th Street  
24th floor  
New York, NY 10017

Dear Mr. Einhorn:

I write in response to your letter of March 11, 2005, on behalf of the Board of Directors of Allied Capital Corporation.

We are familiar with the allegations you have made in the past with respect to Allied Capital and its management, and have on a number of occasions requested and received information from management and from outside counsel with respect to the facts. That information has not supported your accusations of misconduct. This is combined with what we understand to be your financial stake in depressing Allied Capital's stock price and your efforts to persuade other parties not to do business with Allied Capital.

Pursuant to its charter, the Audit Committee is authorized by the Board to receive and evaluate any evidence of wrongdoing by Allied Capital, its officers or employees. If you provide us with specific information upon which you base your allegations, we can determine whether further action is warranted. Please address any correspondence, marked "confidential", to the Audit Committee Chairman, c/o Corporate Secretary, Allied Capital Corporation, 1919 Pennsylvania Avenue, NW, Washington, DC 20006.

Respectfully,

A handwritten signature in black ink, appearing to read "Brooks H. Browne".

Brooks H. Browne  
Chairman of the Audit Committee