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July 10, 2002

Mr. David Einhorn  
Greenlight Capital, Inc.  
420 Lexington Avenue  
Suite 1740  
New York, New York 10170

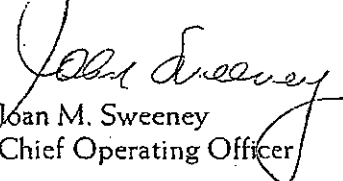
Dear Mr. Einhorn:

I write in response to your letter of July 2, 2002. Contrary to your letter, we have on several occasions addressed your criticisms by pointing out the numerous false statements and innuendos in your statements about us and our accounting. I direct you to our statements of May 16, May 29, June 17 and June 19, 2002. Your attack on Allied Capital is inaccurate and irresponsible; you are no "whistle blower."

Ms. Sparrow has already publicly acknowledged your communications with company representatives in a Dow Jones newswire article dated May 16, 2002. With respect to the remaining points about which you complain, each of our statements reflects our belief based on the facts of which we are aware and on reasonable inferences from those facts and your conduct.

We look forward to seeing you at our investors conference on August 1.

Sincerely,

  
Joan M. Sweeney  
Chief Operating Officer