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May 1, 2007

VIA FIRST CLASS MAIL

Anne Bates  
Audit Committee Chair  
Allied Capital Corporation  
1919 Pennsylvania Avenue, NW  
Washington, DC 20006-3434

Re: Allied Capital Pretexting Investigation

Dear Ms. Bates:

We represent Greenlight Capital Inc. ("Greenlight") and its principal, David Einhorn. For several years, Mr. Einhorn has maintained that Allied Capital Corporation and its agents ("Allied") illegally accessed his phone records. After repeated denials that Allied had accessed Mr. Einhorn's personal telephone records, Allied disclosed on February 6, 2007 in a press release titled "Allied Capital Comments on Recent Events" that it had become aware that "an agent of [Allied] obtained what were represented to be telephone records of David Einhorn and which purport to be records of calls from Greenlight Capital during a period of time in 2005."

Despite this public admission, Allied has thus far apparently kept the information its agents illegally accessed and given no information to Mr. Einhorn to allow him to evaluate the incursion into his privacy and the misappropriation of his personal information. It is unacceptable that Allied could allow such conduct by its agents and then simply ignore the obvious personal concerns it creates for Mr. Einhorn, the victim of this conduct. Incredibly, Allied has made no apology to Greenlight or to Mr. Einhorn. Nor has Allied offered to return the phone records to their rightful owners – Greenlight and Mr. Einhorn. Further, Allied has not informed Mr. Einhorn who these agents are so that he can assess what to do about their brazen misuse of his personal information and privacy. Your continuing retention of this illegally accessed information, and your failure to inform Mr. Einhorn of what was done here, simply continues the illegal conduct by Allied and its agents.

Since the records in question are not Allied's property, I write to request that you immediately provide us with: (1) copies of the phone records in Allied's and/or its agents' possession which purport to be Greenlight's or Mr. Einhorn's phone records; (2) a description of the methods used to obtain such phone records, including what information was used to misappropriate them (e.g., Mr. Einhorn's social security number, etc.) and the date(s) on which

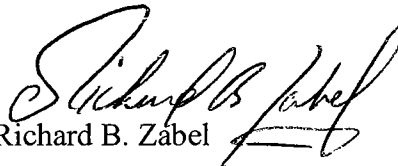
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the information was obtained; (3) the names of the individuals involved in obtaining those phone records, the organization for whom they work, and at whose direction they accessed this information; and (4) the names of any individuals to whom Mr. Einhorn's personal information or any misappropriated information of Mr Einhorn and/or Greenlight was provided.

Finally, we insist that all copies of this information be turned over to us as counsel for Mr. Einhorn and that no copies be retained by Allied or its agents. We would expect a reliable certification from the company that all such information has been turned over to us.

All of the above information should be relatively easy to provide, considering that your investigation began, at a minimum, three months ago. I look forward to hearing from you.

Sincerely,



Richard B. Zabel