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VIA FACSIMILE AND E-MAIL
Bruce W. Sanford, Esq.
Baker & Hostetler LLP
Washington Square, Suite 1100
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036-5304

Re: Allied Capital Corporation

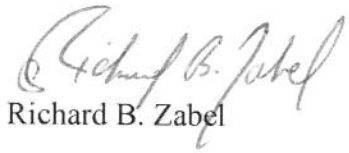
Dear Mr. Sanford:

I received your letter of December 11, 2007. It contains a host of inaccurate statements and disparaging remarks about Mr. Einhorn, all of which are baseless and easily refuted. Indeed, current events including, among other things, Congress's and Senator Kerry's evident negative view of the way BLX has conducted business, BLX's withdrawal from the SBA guaranteed loan program, BLX's emerging abysmal track record with USDA-backed loans, and BLX's desperate attempt to escape its own corrupt reputation by renaming itself Ciena Capital LLC, all speak for themselves. There is no point in continuing these letters between lawyers when the issue is that Mr. Einhorn has specific factually-based criticisms of Allied which Allied contends are untrue. When you were writing to John Wiley & Sons you offered to make management available to them to answer their questions regarding Mr. Einhorn's criticisms. We wrote you and said that it would not advance the dialogue to have publishers or even lawyers, all of whom at best have secondary knowledge of these issues, engaged in discussion. If Allied management, for example Mr. Walton and Ms. Sweeney, are willing to meet and answer questions that come indirectly from Mr. Einhorn. then they should be willing to do so directly with Mr. Einhorn, just as he is willing to meet directly with them. We certainly can have the lawyers for both sides present.

Your suggestion of a meeting solely among the lawyers does not serve any useful purpose in our minds at this point. Notwithstanding your erroneous characterizations of Mr. Einhorn and his statements, and your continuing thinly veiled attempts to intimidate the publisher, this is essentially a dispute about whether Mr. Einhorn's criticisms of Allied are correct or not. We are confident that they are. However, the resolution of that issue will not be achieved through a meeting among the lawyers.

Please let us know if you would like to arrange a meeting in which Allied management can have the opportunity to answer Mr. Einhorn's questions as you were prepared to do with John Wiley & Sons.

Sincerely,



Richard B. Zabel

cc: David Einhorn
Deirdre Silver