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111 River Street
Hoboken, NJ 07030-5774
www.wiley.com

TEL 201.748.6559
FAX 201.748.6500
E-MAIL dsilver@wiley.com

Deirdre P. Silver
Legal Director

BY OVERNIGHT MAIL

October 5, 2007

Bruce W. Sanford
Baker & Hostetler LLP
Washington Square, Suite 1100
1050 Connecticut Avenue, N.W.
Washington, DC 20036-5304

Dear Mr. Sanford:

Attached please find a letter from the attorney for David Einhorn and Greenlight Capital, Inc. in response to your letter of September 26, 2007. Please contact Mr. Zabel if you would like to arrange a meeting between Allied management and Mr. Einhorn.

Sincerely,

Deirdre Silver
Legal Director

cc: Richard B. Zabel, Esq.

AKIN GUMP
STRAUSS HAUER & FELD LLP

Attorneys at Law

RICHARD B. ZABEL
212.872.8060/fax: 212.872.1002
rzabel@akingump.com

October 5, 2007

VIA FACSIMILE AND E-MAIL

Deirdre Silver, Esq.
Legal Director
John Wiley & Sons, Inc.
Hoboken, NJ 07030

Re: Allied Capital Corporation

Dear Ms. Silver:

We represent David Einhorn and Greenlight Capital, Inc. Mr. Einhorn and we have reviewed the September 26, 2007 letter from Bruce Sanford to you on behalf of Allied Capital Corporation ("Allied"). In the letter, Allied complains about a version of the cover art for Mr. Einhorn's book as well as a promotional copy of the book which apparently appeared on a French website. While these complaints have no merit, we do not see much point in discussing superseded items at this juncture. Further, Allied's Argus-like vigilance over Mr. Einhorn's book, and its apparent desire to be his editor, strike us as both paranoid and censorial respectively.

We are, however, willing to respond to Allied's third complaint in which they ask: "Why would anyone publish a book with such polemically damaging impact without first discussing it with the target [Allied] – especially one who stands ready, willing and able to meet with Wiley editors to discuss Einhorn's charges?" We understand this to mean that Allied wants to present facts that contradict what they believe are the factual conclusions reached in the book. If that is so, there is no need for Wiley & Sons to be the middleman; if Allied wants the book changed then it should present its case to the author since it is up to the author to determine what the book says. If Allied "stands ready, willing and able to meet with editors" of the book, it should be ready, willing and able to meet with Mr. Einhorn. Mr. Einhorn has for years – even after Allied barred him from Allied's group investor meetings and refused several requests for one-on-one meetings during Allied roadshows - publicly stated his willingness to discuss the validity of his criticisms of Allied with Allied. Allied has never accepted his offer.

We expect that Allied may say to you that it is an exercise in futility for them to meet with Mr. Einhorn because he will not have an open mind, and that therefore they should just work with your editors. There are two responses to that. First, Mr. Einhorn has previously advised Allied in writing that he would publicly correct any factual error that Allied identified in

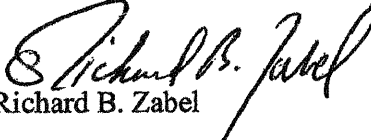
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his analysis. Allied responded by declining to identify any such errors, but instead making a general reference to its public disclosures and statements. There is, then, no basis for Allied to claim that it is futile for them to meet with him to present their point of view as he has already demonstrated in the past that he wants every fact presented correctly and fairly. Secondly, we can only be skeptical of Allied's desire to discuss Mr. Einhorn's criticisms with editors who will necessarily have less expertise and less of an ability to assess what Allied has to say than Mr. Einhorn has. Also, Allied cannot expect that editors will make substantive changes to the book without discussing them with Mr. Einhorn. If that is the case, those criticisms are better presented to Mr. Einhorn in the first place rather than relayed secondhand.

It also seems apparent to us that Allied is focusing on your editors not to illuminate them with "the necessary facts to publish a fair and accurate book" but rather to intimidate them from publishing the book at all. No doubt that is why Mr. Sanford ends his letter with a harangue about two cases in which "publishers" are being sued for libel for putting forth criticisms of companies. If that weren't sledgehammer enough he goes on to claim that Allied could have libel claims against Wiley & Sons. The cases he cites are laughably inapplicable but what is not funny is the attempt to muzzle Mr. Einhorn and intimidate your company

In order to alleviate the threats and open up the dialogue as Mr. Einhorn has always been willing to do, please convey to Allied that it does not need to work indirectly through you because Mr. Einhorn stands ready, willing and able to meet with Allied and hear whatever they have to say for as long as it takes. He would carefully consider any information Allied shares and would welcome the opportunity to interview Allied management on a number of topics. Please let us know if you wish to discuss this further and what response you receive from Allied. Please feel free to have their representative call me to arrange the meeting.

Sincerely,


Richard B. Zabel

cc: David Einhorn