

ALLIED CAPITAL CORP
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Allied Capital Prices Public Offering of Common Stock

Washington, DC January 30, 2008 Allied Capital Corporation (NYSE: ALD) announced today that the Company has priced its public offering of 4,000,000 shares of common stock at an offering price of \$22.00 per share for net proceeds, after the underwriting discount and estimated offering expenses, of \$85.8 million. Allied Capital has granted the underwriters a 30-day option to purchase up to an additional 600,000 shares to cover over-allotments, if any. The offering is subject to customary closing conditions and is expected to close on February 4, 2008. The shares were issued from the Company's shelf registration statement on file with the Securities and Exchange Commission.

The Company intends to use the net proceeds of the offering to reduce borrowings under its revolving line of credit to invest in debt or equity securities in primarily privately negotiated transactions, and for other general corporate purposes. Morgan Stanley acted as the sole book-running manager for the offering.

This press release does not constitute an offer to sell or a solicitation of an offer to buy the securities in this offering, nor shall there be any sale of these securities in any state in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Investors are advised to carefully consider the investment objectives, risks and charges and expenses of the Company before investing. The prospectus supplement, dated January 29, 2008, and prospectus, dated August 23, 2007, contains this and other information about Allied Capital Corporation and should be read carefully before investing. The offering may be made only by means of a prospectus and a related prospectus supplement, copies of which may be obtained from Morgan Stanley & Co. Incorporated, Prospectus Department, 180 Varick Street, 2nd Floor, New York, NY 10014, telephone: 1-866-718-1649 or via e-mail at prospectus@morganstanley.com.

About Allied Capital

Allied Capital is a leading business development company (BDC) in the U.S. that invests private debt and equity capital in middle market businesses nationwide. Founded in 1958 and operating as a public company since 1960, Allied Capital is celebrating 50 years of investing in and supporting the U.S. entrepreneurial economy.

Allied Capital provides long-term debt and equity capital for management and sponsor-led buyouts, and for recapitalizations, acquisitions and growth of middle market companies. Allied Capital's one-stop financing capabilities include first and second lien senior loans, unitranche debt, junior or subordinated debt and equity. Allied Capital seeks to invest in stable, less cyclical companies that produce significant free cash flow and high returns on invested capital.

At September 30, 2007, the Company's private finance portfolio included investments in 110 companies that currently generate aggregate revenues of over \$13 billion and employ more than 90,000 people.

Headquartered in Washington, DC, Allied Capital offers shareholders the opportunity to participate in the private equity industry through an investment in its New York Stock Exchange-listed stock. Allied Capital has paid consistent or increasing regular, quarterly cash dividends annually to shareholders since 1963. For more information, please visit www.alliedcapital.com, call Allied Capital investor relations toll-free at (888) 818-5298, or e-mail us at ir@alliedcapital.com.

Forward-Looking Statements

The information contained in this press release includes forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results and conditions to differ materially from those projected in these forward-looking statements, and these factors are enumerated in Allied Capital's filings with the Securities and Exchange Commission. This press release should be read in conjunction with the company's recent SEC filings.

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