

ALLIED CAPITAL CORP  
Form POS 8C  
June 11, 2008

*As filed with the Securities and Exchange Commission on June 11, 2008*

**Registration No. 333-141847**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM N-2**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

- Pre-Effective Amendment No.**  
 **Post-Effective Amendment No. 2**

**ALLIED CAPITAL CORPORATION**  
*(Exact Name of Registrant as Specified in Charter)*

**1919 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006-3434  
(202) 721-6100**

*(Address and Telephone Number, including Area Code, of Principal Executive Offices)*

**William L. Walton, Chairman and Chief Executive Officer  
Allied Capital Corporation  
1919 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006-3434**

*(Name and Address of Agent for Service)*

*Copies of information to:*

**Cynthia M. Krus, Esq.  
Steven B. Boehm, Esq.  
Sutherland Asbill & Brennan LLP  
1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2415**

*Approximate Date of Proposed Public Offering:*  
From time to time after the effective date of the Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective (Check appropriate box)

when declared effective pursuant to Section 8(c)

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered<sup>(1)</sup></b>	<b>Proposed Maximum Aggregate Principal Amount<sup>(2)</sup></b>	<b>Amount of Registration Fee<sup>(3)</sup></b>
Debt Securities	\$1,380,000,000	\$1,500,000,000	\$42,366

- (1) In reliance upon Rule 429 under the Securities Act of 1933, this amount is in addition to the amount previously registered by the Registrant under a registration statement on Form N-2 (File No. 333-133755). All amounts unsold under the prospectus contained in such prior Registration Statement (a total of \$120,000,000) are carried forward into this Registration Statement, and the prospectus contained as a part of this Registration Statement shall be deemed to be combined with the prospectus contained in the above-referenced registration statement, which has previously been filed.
- (2) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.
- (3) Previously paid.
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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**PROSPECTUS (SUBJECT TO COMPLETION)**

**ISSUED           , 2008**

\$1,500,000,000

**Debt Securities**

We may offer, from time to time, up to an aggregate principal amount of \$1,500,000,000 of one or more classes or series of debt securities, including notes, debentures, medium-term notes, commercial paper, retail notes or similar obligations evidencing indebtedness in one or more offerings.

The debt securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. See Plan of Distribution.

We are an internally managed closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940.

Our investment objective is to achieve current income and capital gains. We seek to achieve our investment objective by investing in primarily private middle market companies in a variety of industries. No assurances can be given that we will continue to achieve our objective.

Please read this prospectus, the accompanying prospectus supplement, if any, and the pricing supplement, if any, before investing in our debt securities and keep it for future reference. The prospectus and the accompanying prospectus supplement, if any, and the pricing supplement, if any, will contain important information about us that a prospective investor should know before investing in our debt securities. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information is available free of charge by contacting us at 1919 Pennsylvania Avenue, N.W., Washington, DC, 20006 or by telephone at (202) 721-6100 or on our website at [www.alliedcapital.com](http://www.alliedcapital.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

Our 6.875% Notes due 2047 are traded on the New York Stock Exchange under the symbol AFC.

**You should review the information set forth under Risk Factors on page 9 of this prospectus before investing in our debt securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

**This prospectus may not be used to consummate sales of our debt securities unless accompanied by a prospectus supplement and, if applicable, a pricing supplement.**

, 2008

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**We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus or any prospectus supplement, if any, or any pricing supplement, if any, to this prospectus. You must not rely upon any information or representation not contained in this prospectus or any such supplements as if we had authorized it. This prospectus and any such supplements do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any such supplements is accurate as of the dates on their covers; however, the prospectus and any supplements will be updated to reflect any material changes.**

## TABLE OF CONTENTS

	Page
Prospectus Summary	1
Selected Condensed Consolidated Financial Data	6
Where You Can Find Additional Information	8
Risk Factors	9
Ratios of Earnings to Fixed Charges	17
Use of Proceeds	18
Price Range of Common Stock and Distributions	19
Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Senior Securities	75
Business	79
Portfolio Companies	93
Determination of Net Asset Value	101
Management	103
Portfolio Management	110
Compensation of Directors and Executive Officers	112
Control Persons and Principal Holders of Securities	131
Certain Relationships and Related Party Transactions	133
Tax Status	134
Certain Government Regulations	136
Stock Trading Plans	139
Dividend Reinvestment Plan	139
Description of Capital Stock	141
Description of Public Notes	147
Plan of Distribution	157
Legal Matters	158
Custodians, Transfer and Dividend Paying Agent and Registrar	158
Brokerage Allocation and Other Practices	158
Independent Registered Public Accounting Firm	158
Index to Consolidated Financial Statements	F-1

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, we may offer, from time to time, up to \$1,500,000,000 in aggregate principal amount of debt securities on the terms to be determined at the time of the offering. The debt securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the debt securities we may offer. Each time we use this prospectus to offer debt securities, we will provide a prospectus supplement and, if applicable, a pricing supplement that will contain specific information about the terms of that offering. Please carefully read this prospectus and any such supplements together with the additional information described under **Where You Can Find Additional Information** in the **Prospectus Summary** and **Risk Factors** sections before you make an investment decision.

A prospectus supplement and, if applicable, a pricing supplement may also add to, update or change information contained in this prospectus.

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## PROSPECTUS SUMMARY

*The following summary contains basic information about this offering. It may not contain all the information that is important to an investor. For a more complete understanding of this offering, we encourage you to read this entire prospectus and the documents that are referred to in this prospectus, together with any accompanying supplements.*

*In this prospectus or any accompanying prospectus supplement, unless otherwise indicated, Allied Capital, we, us or our refer to Allied Capital Corporation and its subsidiaries.*

### BUSINESS (Page 79)

We are a business development company in the private equity business and we are internally managed. Specifically, we provide long-term debt and equity capital to primarily private middle market companies in a variety of industries. We have participated in the private equity business since we were founded in 1958. Since then through March 31, 2008, we have invested more than \$13 billion in thousands of companies nationwide. Our investment objective is to achieve current income and capital gains.

We believe the private equity capital markets are important to the growth of small and middle market companies because such companies often have difficulty accessing the public debt and equity capital markets. We use the term middle market to include companies with annual revenues typically between \$50 million and \$500 million. We believe that we are well positioned to be a source of capital for such companies.

We primarily invest in the American entrepreneurial economy. At March 31, 2008, our private finance portfolio included investments in 124 companies that generate aggregate annual revenues of over \$13 billion and employ more than 98,000 people.

We generally target companies in less cyclical industries with, among other things, management teams with meaningful equity ownership, high returns on invested capital, the ability to generate free cash flow, and well-capitalized balance sheets. As a private equity investor, we spend significant time and effort identifying, structuring, performing due diligence, monitoring, developing, valuing, and ultimately exiting our investments.

Our investment activity is primarily focused on making long-term investments in the debt and equity of primarily private middle market companies. Debt investments may include senior loans, unitranche debt (an investment that combines both senior and subordinated financing, generally in a first lien position), or subordinated debt (with or without equity features). Equity investments may include a minority equity stake in connection with a debt investment or a substantial equity stake in connection with a buyout transaction. In a buyout transaction, we generally invest in senior debt, subordinated debt and equity (preferred and/or voting or non-voting common) where our equity ownership represents a significant portion of the equity, but may or may not represent a controlling interest.

Our investments in the debt and equity of primarily private middle market companies are generally long-term in nature and are privately negotiated, and no readily available market exists for them. This makes our investments highly illiquid and, as result, we cannot readily trade them. When we make an investment, we enter into a long-term arrangement where our ultimate exit from that investment may be three to ten years in the future.

The capital we provide is generally used by portfolio companies to fund buyouts, acquisitions, growth, recapitalizations, note purchases, or other types of financings.

Our investments are typically structured to provide recurring cash flow in the form of interest income to us as the investor. In addition to earning interest income, we may earn income from management, consulting, diligence, structuring, or other fees. We may also enhance our total return with capital gains realized from investments in equity instruments or from equity features, such as nominal cost warrants.

We provide managerial assistance to our portfolio companies, including, but not limited to, management and consulting services related to corporate finance, marketing, human resources, personnel and board member recruiting, business operations, corporate governance, risk management and other general business matters.



We have also participated in commercial real estate finance over our history. Over the past few years, we have not actively participated in commercial real estate finance as we believed that the market for commercial real estate had become too aggressive and that investment opportunities were not priced appropriately. As a result, our commercial real estate finance portfolio totaled \$115.8 million at value, or 2.3% of our total assets, at March 31, 2008. As the capital markets evolve and should commercial real estate investment opportunities improve, we may become more active investors in commercial real estate finance for our own portfolio or through a future managed fund.

In addition to managing our own assets, we manage certain funds that also invest in the debt and equity securities of primarily middle market companies in a variety of industries, which we refer to as Managed Funds. We may invest in the equity of these funds, along with other third parties, from which we may earn a current return and/or future incentive allocation. We may also manage the assets held by these funds, for which we may earn management or other fees for our services.

We are internally managed, led by an experienced management team with our senior officers and managing directors possessing, on average, 22 years of experience. At March 31, 2008, we had 186 employees, who are focused on transaction sourcing, origination and execution, portfolio monitoring, accounting, valuation and other operational and administrative activities. We are headquartered in Washington, DC, with offices in New York, NY, Chicago, IL, and Los Angeles, CA and have centralized investment approval and portfolio management processes.

We have elected to be taxed as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, otherwise referred to as the Code. Assuming that we qualify as a regulated investment company, we generally will not be subject to corporate level income taxation on income we timely distribute to our stockholders as dividends. See Tax Status. We pay regular quarterly dividends based upon an estimate of annual taxable income available for distribution to shareholders and the amount of taxable income carried over from the prior year for distribution in the current year. Since 1963, our portfolio has provided sufficient ordinary taxable income and realized net capital gains to sustain or grow our dividends over time.

We are a Maryland corporation and a closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, which we refer to as the 1940 Act.

As a business development company, we are required to meet certain regulatory tests, the most significant relating to our investments and borrowings. A business development company is required to invest at least 70% of its assets in eligible portfolio companies. A business development company must also maintain a coverage ratio of assets to senior securities of at least 200%. See Certain Government Regulations and Risk Factors.

Our executive offices are located at 1919 Pennsylvania Avenue, N.W., Washington, DC, 20006-3434 and our telephone number is (202) 721-6100. In addition, we have regional offices in New York, Chicago, and Los Angeles.

Our Internet website address is [www.alliedcapital.com](http://www.alliedcapital.com). Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be part of this prospectus.

Our 6.875% Notes due 2047 are traded on the New York Stock Exchange under the symbol AFC.

**DETERMINATION OF  
NET ASSET VALUE** *(Page 101)*

Our portfolio investments are generally recorded at fair value as determined in good faith by our Board of Directors in the absence of readily available public market values.

Pursuant to the requirements of the 1940 Act, we value substantially all of our portfolio investments at fair value as determined in good faith by the Board of Directors on a quarterly basis. Since there is typically no readily available market value for the investments in our portfolio, our Board of Directors determines in good faith the fair value of these portfolio investments in accordance with our valuation policy and the provisions of the 1940 Act and FASB Statement No. 157, *Fair Value Measurements* (SFAS 157). In the first quarter of 2008, we adopted SFAS 157. The adoption of SFAS 157 did not change our requirement to record our investments at fair value.

There is no single approach for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. Unlike banks, we are not permitted to provide a general reserve for anticipated loan losses. Instead, we are required to specifically value each individual investment on a quarterly basis. Because of the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments determined in good faith by the Board of Directors may differ significantly from the values that would have been used had a ready market existed for the investments, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on our investments to be different than the values determined at the measurement date.

We adjust the valuation of our portfolio quarterly to reflect the change in the value of each investment in our portfolio. Any changes in value are recorded in our statement of operations as net change in unrealized appreciation or depreciation.

**PLAN OF DISTRIBUTION** *(Page 157)*

We may offer, from time to time, up to \$1,500,000,000 aggregate principal amount of debt securities, including notes, debentures, medium-term notes, commercial paper, retail notes or similar obligations evidencing indebtedness, on terms to be determined at the time of the offering.

Our debt securities may be offered at prices and on terms described in one or more supplements to this prospectus. Our debt securities may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The supplements to this prospectus relating to any offering of debt securities will identify any agents or underwriters involved in the sale of our debt securities, and will set forth any applicable purchase price, fee and commission or discount arrangement or the basis upon which such amount may be calculated.

We may not offer our debt securities if our BDC asset coverage ratio would be less than 200% after giving effect to such offering. We may not sell debt securities pursuant to this prospectus without delivering a prospectus supplement and, if applicable, a pricing supplement describing the method and terms of the offering of such debt securities.

**USE OF PROCEEDS** *(Page 18)*

We intend to use the net proceeds from selling debt securities for general corporate purposes, which includes investing in debt or equity securities in primarily privately negotiated transactions, repayment of indebtedness, acquisitions and

other general corporate purposes.

Any supplement to this prospectus relating to any offering of debt securities will more fully identify the use of the proceeds from such offering.

**RISK FACTORS** (Page 9)

Investment in our debt securities involves a number of significant risks relating to our business and our investment objective that you should consider before investing in our debt securities.

Substantially all of our portfolio of investments, which are generally illiquid, are recorded at fair value, as determined in good faith by our Board of Directors. Our portfolio includes securities primarily issued by private companies. These investments may involve a high degree of business and financial risk; they are illiquid, and may not produce current returns or capital gains. If we were forced to immediately liquidate some or all of the investments in the portfolio, the proceeds of such liquidation could be significantly less than the current value of such investments. We may be required to liquidate some or all of our portfolio investments to meet our debt service obligations or in the event we are required to fulfill our obligations under agreements pursuant to which we guarantee the repayment of indebtedness by third parties.

An economic slowdown may affect the ability of a portfolio company to repay our loans or engage in a liquidity event, such as a sale, recapitalization or initial public offering. These conditions could lead to financial losses in our portfolio and a decrease in our revenues, net income and assets. Numerous other factors may affect a borrower's ability to repay its loan, including the failure to meet its business plan, a downturn in its industry or negative economic conditions.

Our total investment in companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies.

We may not borrow money unless we maintain asset coverage for indebtedness of at least 200%, which may affect returns to shareholders. We borrow funds to make investments. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, magnify the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities.

A large number of entities and individuals compete for the same kind of investment opportunities as we do. Increased competition would make it more difficult for us to purchase or originate investments at attractive prices. As a result of this competition, sometimes we may be precluded from making otherwise attractive investments.

Our business of making private equity investments and positioning them for liquidity events also may be affected by current and future market conditions.

To maintain our status as a business development company, we must not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets.

We may not be able to pay dividends and failure to qualify as a regulated investment company for tax purposes could have a material adverse effect on the income available for debt service or distributions to our shareholders, which may have a material adverse effect on our total return to common shareholders, if any.

Although funds managed by us may have a different primary investment objective than we do, the managed funds may invest in the same or similar asset classes that we target. There may be conflicts in the allocation of the investment opportunities between us and the managed funds. We have sold assets to certain managed funds and, as

part of our investment strategy, we may offer to sell additional assets to managed funds or we may purchase assets from managed funds. While assets may be sold or purchased at prices that are consistent with those that could be obtained from third parties in the marketplace, there is an inherent conflict of interest in such transactions between us and funds we manage.

Also, we are subject to certain risks associated with valuing our portfolio, changing interest rates, accessing additional capital, fluctuating financial results, operating in a regulated environment, and certain conflicts of interest.

The trading market or the market value of our publicly issued debt securities may be volatile.

**CERTAIN ANTI-TAKEOVER PROVISIONS** *(Page 143)*

Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for Allied Capital. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock.

**RATIOS OF EARNINGS TO FIXED CHARGES** *(Page 17)*

Our ratio of earnings to fixed charges for the five years ended December 31, 2007, was 2.2, 3.6, 12.3, 4.3, and 3.4, respectively. For the quarter ended March 31, 2008, we had a loss before taxes of \$38.7 million, which included unrealized depreciation (a non-cash item) of \$113.4 million, which resulted in a deficit to cover fixed charges of \$0.8 million. Earnings include the net change in unrealized appreciation or depreciation. Net change in unrealized appreciation or depreciation can vary substantially from year to year. Excluding the net change in unrealized appreciation or depreciation, the earnings to fixed charges ratio would be 3.0 for the quarter ended March 31, 2008, and 4.2, 8.2, 6.4, 5.2, and 4.4, for the five years ended December 31, 2007, respectively. For more information, see the section entitled "Ratios of Earnings to Fixed Charges" in this prospectus.

**SENIOR SECURITIES** *(Page 75)*

At March 31, 2008, we had \$2.2 billion of outstanding indebtedness bearing a weighted average annual interest cost of 6.2%. If our portfolio fails to produce adequate returns, we may be unable to make interest or principal payments on our indebtedness when they are due, which could give rise to a default on and acceleration of our indebtedness. In order for us to cover annual interest payments on indebtedness, we had to achieve annual returns on our assets of at least 2.7% as of March 31, 2008, which returns were achieved.

**SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA**

You should read the condensed consolidated financial information below with the Consolidated Financial Statements and Notes thereto included herein. Financial information at and for the years ended December 31, 2007, 2006, 2005, 2004, and 2003, has been derived from our financial statements that were audited by KPMG LLP. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) which are necessary to present fairly the results for such interim periods. Interim results at and for the three months ended March 31, 2008, are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. See **Management's Discussion and Analysis of Financial Condition and Results of Operations and Senior Securities** below for more information.

(in thousands, except per share data)	At and for the Three Months Ended March 31, 2008      2007 (unaudited)		At and for the Year Ended December 31, 2007      2006      2005      2004      2003					
	<b>Operating Data:</b>							
Interest and related portfolio income:								
Interest and dividends	\$ 134,660	\$ 101,983	\$ 417,576	\$ 386,427	\$ 317,153	\$ 319,642	\$ 290,719	
Fees and other income	10,284	5,969	44,129	66,131	56,999	47,448	38,510	
Total interest and related portfolio income	144,944	107,952	461,705	452,558	374,152	367,090	329,229	
Expenses:								
Interest	37,560	30,288	132,080	100,600	77,352	75,650	77,233	
Employee	22,652	21,928	89,155	92,902	78,300	53,739	36,945	
Employee stock options <sup>(1)</sup>	4,195	3,661	35,233	15,599				
Administrative	9,019	13,224	50,580	39,005	69,713	34,686	22,387	
Total operating expenses	73,426	69,101	307,048	248,106	225,365	164,075	136,565	
Net investment income before income taxes	71,518	38,851	154,657	204,452	148,787	203,015	192,664	
Income tax expense (benefit), including excise tax	1,969	(649)	13,624	15,221	11,561	2,057	(2,466)	
Net investment income	69,549	39,500	141,033	189,231	137,226	200,958	195,130	
Net realized and unrealized gains (losses):								
Net realized gains	3,143	27,666	268,513	533,301	273,496	117,240	75,347	
Net change in unrealized appreciation or	(113,404)	65,920	(256,243)	(477,409)	462,092	(68,712)	(78,466)	

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depreciation

Total net gains (losses)	(110,261)	93,586	12,270	55,892	735,588	48,528	(3,119)
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Net increase (decrease)  
in net assets resulting  
from operations

\$ (40,712)	\$ 133,086	\$ 153,303	\$ 245,123	\$ 872,814	\$ 249,486	\$ 192,011
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**Per Share:**