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## Via Email and Overnight Mail

Deirdre Silver, Esq.  
Legal Director  
John Wiley & Sons, Inc.  
111 River Street  
Hoboken, N.J. 07030

Re: *"A Capital Offense: A Hedge Fund Manager's Struggle for Justice and the Allied Capital Scandal"* by David Einhorn.

Dear Ms. Silver:

Thank you for your correspondence dated May 3, 2007. We appreciate knowing that David Einhorn's new book is undergoing legal review and that it has a new tentative title. Based on our review of your company's website, Amazon.com, Walmart.com and other sites, we understand that the full title of the book is "A Capital Offense: A Hedge Fund Manager's Struggle for Justice and the Allied Capital Scandal" (hereafter, the "Book"), with cover artwork showing a pyramid of playing cards shaped in the letter "A".

Allied Capital's senior management and I stand ready to provide you or your editors at Wiley with any assistance we can to ensure that any book published about Allied is accurate, complete, and fair.

At the outset, however, we note that the title, cover art and promotional copy for the Book as presently available on the Internet contain explicit and implied statements that are incorrect, unfair, and damaging to Allied and its shareholders. Taken together, they make the emphatic accusation that Allied is a "rogue" company filled with so much "clear fraud" and lack of substance that Allied's complete collapse like a house of cards is inevitable. Instead of admitting that he made a mistake in targeting or criticizing Allied, Mr. Einhorn continues to state or suggest that Allied belongs in the group of "a dozen clear frauds" that he has identified in his hedge fund business and that it is just a matter of time before Allied "blows up" and shareholders lose their investment in the

company. His Book promises to perpetuate and re-publish statements about Allied that are wrong, that have been accepted as wrong by the investing public, and that should simply stop being made.

The title of the Book in its current form makes a false and damaging charge against Allied. The words "A Capital Offense" falsely suggest criminal wrongdoing. Similarly, the reference to "the Allied Capital Scandal" is wholly unjustified since there is no "scandal" involving Allied. Even the reference to Mr. Einhorn's "Struggle for Justice" is false and misleading. Mr. Einhorn has not been *denied* any justice – he simply has been incorrect, made a bad bet on a short position in Allied and lost money on his investment. While Mr. Einhorn may choose to short Allied and consistently refuse to disclose the extent of his short position, Wiley should not countenance Mr. Einhorn's transparent efforts to manipulate stock prices, malign Allied, and blame others for his ineptitude, especially where he has an overwhelming financial incentive to do so.

The "house of cards" artwork for the Book's cover, in conjunction with the title, graphically suggests that Allied is certain to collapse. The playing cards are constructed as a pyramid and directly relate to Mr. Einhorn's false accusations dating back to 2002 that Allied is a "House of Cards" and his implication that it is a Ponzi scheme, as noted in my previous letter. In December 2002, Mr. Einhorn published two articles on the Street.com website which were titled "The Joker in Allied Capital's House of Cards Part I and II". In the articles, Mr. Einhorn inaccurately described Allied's valuation process as a "magic trick." These statements are similar to the allegations regarding valuation in the 2002 class action lawsuits, which a federal judge in the Southern District of New York promptly dismissed.

In view of the damaging nature of the tentative title, the cover artwork and the promotional material, Allied requests that (1) Wiley immediately remove the offending material from [www.Wiley.com](http://www.Wiley.com), [Amazon.com](http://Amazon.com), [www.Walmart.com](http://www.Walmart.com) and any other website posting these materials and (2) issue an immediate advisory to booksellers and other third parties to which the material has previously been sent stating that the Book's title, artwork, and promotional description have been withdrawn and will be changed. Please provide us with a copy of this advisory notice and advise us by May 11, 2007 that no further use or distribution of such promotional material will be made and that the title and cover artwork will be changed.

Finally, a personal note. As you may know, I have represented over the past 36 years many book publishers, journalists, and news organizations in defense of First Amendment freedoms. On a few select occasions, I have represented companies like Allied which are the subject of proposed publications. In these instances, I try to help the company tell its story with the objective of fostering journalism that is accurate, responsible and fair. The media's credibility with the public and its legal protections in court are only tarnished by publications that are sensational, sleazy, or seemingly more connected to the search for profits than the search for truth.

I would not presume to lecture you and your publishing house on the responsibilities that accompany the rights of the media, but I do believe that Wiley should not be an accomplice to Mr. Einhorn's stubborn refusal to have the humility or good grace to admit that he made a huge mistake in attacking Allied. There may well

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be a book that a long-short hedge fund manager like Mr. Einhorn should write that tells the story of how the "shorts do well" by "doing good," i.e. how they make millions while also helping the SEC and other regulators. But making Allied the centerpiece of such a book grossly distorts the factual record and is unfair and unwarranted by any standard. As a public company, Allied does not shrink from, indeed it invites, scrutiny from the investing public. It is accustomed to criticism, even bogus speculation and "cheap shots." But it should not have to tolerate false, factually-laden charges of criminality and wrongdoing that damage its ability to conduct its business and injure its shareholders' stake in the company.

I look forward to hearing from you at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce", with a long horizontal flourish extending to the right.

Bruce W. Sanford

cc: Stephen Kippur  
Gary M. Rinck  
David Pugh  
William L. Walton  
Ralph G. Blasey III