

ALLIED CAPITAL CORP  
Form POS 8C  
April 10, 2002

*As filed with the Securities and Exchange Commission on April 10, 2002*

**Registration No. 333-67336**

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**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. 3

**ALLIED CAPITAL CORPORATION**

*(Exact Name of Registrant as Specified in Charter)*

**1919 Pennsylvania Avenue, N.W.**

**Washington, D.C. 20006-3434  
(202) 331-1112**

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

**William L. Walton, Chairman of the Board 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:*

**Steven B. Boehm  
Cynthia M. Krus  
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 the appropriate box):**

**when declared effective pursuant to Section 8(c).**

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## PROSPECTUS (Subject to Completion)

**Issued** , 2002  
**\$300,000,000**

**Common Stock**  
**Preferred Stock**  
**Debt Securities**

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Please read this prospectus, and the accompanying prospectus supplement, if any, before investing, and keep it for future reference. It contains important information about the Company.

To learn more about the Company, you may want to look at the Statement of Additional Information dated , 2002 (known as the SAI ). For a free copy of the SAI, contact us at:

Allied Capital Corporation  
1919 Pennsylvania Avenue, N.W.  
Washington, DC 20006  
1-888-818-5298

The Company has filed the SAI with the U.S. Securities and Exchange Commission and has incorporated it by reference into this prospectus. The SAI s table of contents appears on page 74 of this prospectus.

The Commission maintains an Internet website (<http://www.sec.gov>) that contains the SAI, material incorporated by reference and other information about the Company.

Our common stock is traded on the New York Stock Exchange under the symbol ALD. As of , 2002, the last reported sales price on the New York Stock Exchange for the common stock was \$ .

*We may offer, from time to time, up to \$300,000,000 of our common stock, preferred stock, or debt securities in one or more offerings. All shares of common stock, preferred stock, and debt securities that are offered under this prospectus are collectively referred to herein as the Securities.*

*The Securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the case of our common stock, the offering price per share less any underwriting commissions or discounts will not be less than the net asset value per share of our common stock at the time we make the offering.*

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

*Our investment objective is to achieve current income and capital gains. We seek to achieve our investment objective by investing primarily in private businesses in a variety of industries throughout the United States. No assurances can be given that we will continue to achieve our objective.*

**You should review the information including the risk of leverage, set forth under Risk Factors on page 8 of this prospectus before investing in the Securities.**

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**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 representations to the contrary is a criminal offense.**

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**This prospectus may not be used to consummate sales of Securities unless accompanied by a prospectus supplement.**

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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.**

, 2002

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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 or incorporated by reference in this prospectus or any accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement as if we had authorized it. This prospectus and any prospectus supplement 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 prospectus supplement is accurate as of the dates on their covers.**

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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 document and the documents to which we have referred.*

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

### THE COMPANY (Page 13)

We are a business development company and provide long-term debt and equity investment capital to support the expansion of growing businesses in a variety of industries in diverse geographic locations throughout the United States. We have been investing in growing businesses for over 40 years and have financed thousands of companies nationwide. Our investment and lending activity is focused in two areas:

private finance, and

commercial real estate finance, or the investment in non-investment grade commercial mortgage-backed securities ( CMBS ).

Our investment portfolio includes:

long-term unsecured loans with equity features,

equity investments in growing companies, which may or may not constitute a controlling equity interest,

non-investment grade commercial mortgage-backed securities, and

commercial mortgage loans.

We identify loans and investments through our numerous relationships with:

mezzanine and private equity investors,

investment banks, and

other intermediaries, including professional services firms.

In order to increase our sourcing and origination activities, we have two regional offices in New York and Chicago. We centralize our credit approval process and service our loans through an experienced staff of professionals at our headquarters in Washington, DC.

We have an advantageous tax structure, as compared to operating companies, that allows for the pass-through of income to our shareholders through dividends without the imposition of a corporate level of taxation. See Tax Status.

We are an internally managed diversified closed-end management investment company that has elected to be regulated as a business development company ( BDC ) under the Investment Company Act of 1940, as amended ( 1940 Act ). Our investment objective is to achieve current income and capital gains. We seek to achieve our investment objective by investing in growing businesses in a variety of industries throughout the United States. As a BDC, we are required to meet regulatory tests, the most significant relating to our investments and borrowings. A BDC is required to invest at least 70% of its assets in private or thinly traded public, U.S.-based companies. A BDC must maintain a

coverage ratio of assets to senior securities of at least 200%. See Business Certain Government Regulations.

We are quoted on the New York Stock Exchange and trade under the symbol ALD.

### **THE OFFERING** (Page 72)

We may offer, from time to time, up to \$300,000,000 of our Securities, on terms to be determined at the time of offering.

Securities may be offered at prices and on terms described in one or more supplements to this prospectus. In the case of the offering of our common stock, the offering price per share less any underwriting commission or discount will not be less than the net asset value per share of our common stock at the time we make the offering.

Our 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 supplement to this prospectus relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will set forth any applicable purchase price, fee and commission or discount arrangement between our agents and us or among our underwriters or the basis upon which such amount may be calculated.

We may not sell Securities without delivering a prospectus supplement describing the method and terms of the offering of our Securities.

### **USE OF PROCEEDS** (Page 13)

Unless otherwise specified in the prospectus supplement accompanying this prospectus, we intend to use the net proceeds from selling Securities for general corporate purposes, which may include investments in growing businesses or CMBS, repayment of indebtedness, acquisitions and other general corporate purposes.

### **DISTRIBUTIONS** (Page 14)

We pay quarterly dividends to holders of our common stock. The amount of our quarterly dividends is determined by the Board of Directors. Other types of Securities will likely pay distributions in accordance with their terms.

### **DIVIDEND REINVESTMENT PLAN** (Page 67)

We have adopted an opt out dividend reinvestment plan ( DRIP plan ) for our common stockholders. Under the DRIP plan, if your shares of common stock are registered in your name, your dividends will be *automatically* reinvested in additional shares of our common stock unless you opt out of the DRIP plan. After May 1, 2002, our DRIP plan will convert to an opt-in plan.

### **PRINCIPAL RISK FACTORS** (Page 8)

Investment in Securities involves certain risks relating to our structure and our investment objective that you should consider before purchasing Securities.

As a BDC, our consolidated portfolio includes securities primarily issued by privately held companies. These investments may involve a high degree of business and financial risk, and they are generally illiquid. A large number of entities and individuals compete for the same kind of investment opportunities as we do.

We borrow funds to make investments in private businesses. 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.

Also, we are subject to certain risks associated with investing in non-investment grade CMBS, valuing our portfolio, changing interest rates, accessing additional capital, fluctuating quarterly results,

and operating in a regulated environment. In addition, the loss of pass-through tax treatment could have a material adverse effect on our total return, if any.

### **CERTAIN ANTI-TAKEOVER**

#### **PROVISIONS** *(Page 69)*

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 the Company. 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.

**FEES AND EXPENSES**

This table describes the various costs and expenses that an investor in our Securities will bear directly or indirectly.

**Shareholder  
Transaction Expenses**

Sales load (as a percentage of offering price)(1)  
%

Dividend reinvestment plan fees(2)  
None

**Annual Expenses (as a percentage of consolidated net assets attributable to common stock)(3)**

Operating expenses(4)  
3.3%

Interest payments on borrowed funds(5)  
4.8%

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Total annual expenses(6)  
8.1%

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(1) In the event that the Securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.

(2) The expenses of the Company's DRIP plan are included in Operating expenses. The Company has no cash purchase plan. The participants in the DRIP plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See Dividend Reinvestment Plan.

(3) Consolidated net assets attributable to common stock equals net assets (*i.e.*, total assets less total liabilities and preferred stock) at December 31, 2001.

(4) Operating expenses represent the operating expenses of the Company for the year ended December 31, 2001 excluding interest on indebtedness. This percentage for the year ended December 31, 2000 was 3.4%.

(5) The Interest payments on borrowed funds represents the interest expenses of the Company for the year ended December 31, 2001. The Company had outstanding borrowings of \$1,020.8 million at December 31, 2001. This percentage for the year ended December 31, 2000 was 5.6%. See Risk Factors.

(6) Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. The Company borrows money to leverage its net assets and increase its total assets. The Securities and Exchange Commission requires that Total annual expenses percentage be calculated as a percentage of *net* assets, rather than the total assets, including assets that have been funded with borrowed monies. If the Total annual expenses percentage were calculated instead as a percentage of consolidated total assets, Total annual expenses for the Company would be 4.5% of consolidated total assets.

**Example**

The following example, required by the Commission, demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in the Company. In calculating the following expense amounts, we assumed we would have no additional leverage and that our operating expenses would remain at the levels set forth in the table above. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$82	\$247	\$413	\$837

Although the example assumes (as required by the Commission) a 5.0% annual return, our performance will vary and may result in a return of greater or less than 5.0%. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in the DRIP plan may receive shares of common stock that we issue at or above net asset value or are purchased by the administrator of the DRIP plan, at the market price in effect at the time, which may be higher than, at, or below net asset value. See Dividend Reinvestment Plan.

**The example should not be considered a representation of future expenses, and the actual expenses may be greater or less than those shown.**



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Total operating expenses  
110,059 98,872 70,099 51,493 51,339

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Net operating income before net realized and unrealized gains  
179,051 112,717 71,041 55,245 46,066

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Net realized and unrealized gains:

Net realized gains  
661 15,523 25,391 22,541 10,704

Net unrealized gains  
20,603 14,861 2,138 1,079 7,209

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Total net realized and unrealized gains  
21,264 30,384 27,529 23,620 17,913

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Income before minority interests and income taxes

200,315 143,101 98,570 78,865 63,979

Minority interests

1,231

Income tax benefit (expense)

412 (787) (1,444)

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Net increase in net assets resulting from operations

\$200,727 \$143,101 \$98,570 \$78,078 \$61,304

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**Per Share:**

Diluted net operating income per common share(1)

\$1.92 \$1.53 \$1.18 \$1.06 \$1.04

Diluted earnings per common share

\$2.16 \$1.94 \$1.64 \$1.50 \$1.24

Dividends per common share(2)

\$2.01 \$1.82 \$1.60 \$1.43 \$1.71

Weighted average common shares outstanding diluted(3)

93,003 73,472 60,044 51,974 49,251

At December 31,

(in thousands,  
except per share data)

2001	2000	1999	1998	1997
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**Balance Sheet Data:**

Portfolio at value

\$2,329,590 \$1,788,001 \$1,228,497 \$807,119 \$703,331

Portfolio at cost

2,286,602 1,765,895 1,222,901 803,479 697,030

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Total assets	2,460,713	1,853,817	1,290,038	856,079	807,775
Total debt outstanding(4)	1,020,806	786,648	592,850	334,350	347,663
Preferred stock issued to SBA(4)	7,000	7,000	7,000	7,000	7,000
Shareholders' equity	1,352,123	1,029,692	667,513	491,358	420,060
Shareholders' equity per common share (NAV)	\$13.57	\$12.11	\$10.20	\$8.79	\$8.07
Common shares outstanding at period end(3)	99,607	85,057	65,414	55,919	52,047

Year Ended December 31,				
2001	2000	1999	1998	1997

**Other Data:**

Investments funded	\$680,329	\$901,545	\$751,871	\$524,530	\$364,942
Repayments	74,461	111,031	139,561	138,081	233,005
Sales	129,980	280,244	198,368	81,013	53,912
Realized gains	10,107	28,604	31,536	25,757	15,804
Realized losses	(9,446)	(13,081)	(6,145)	(3,216)	(5,100)

- (1) Diluted net operating income per common share for the year ended December 31, 1997 excludes merger-related expenses.
- (2) Distributions are based on taxable income, which differs from income for financial reporting purposes. Dividends for 1997 exclude certain merger-related dividends of \$0.51 per common share.
- (3) Excludes 234,977, 516,779 and 810,456 common shares held in the deferred compensation trust at or for the years ended December 31, 2000, 1999, and 1998, respectively.
- (4) See Senior Securities on page 30 for more information regarding the Company's level of indebtedness.

(in thousands, except per share data)

2001				2000			
Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
(unaudited)				(unaudited)			

**Quarterly Data:**

Total interest and related portfolio income	\$82,666	\$72,634	\$68,739	\$65,071	\$61,735	\$55,992	\$49,965	\$43,897
Net operating income before net realized and unrealized gains	53,016	44,189	42,118	39,728	34,725	30,719	24,700	22,573
Net increase in net assets resulting from operations	42,890	59,703	46,106	52,028	42,281	36,449	34,790	29,581
Diluted net operating income per share	\$0.53	\$0.47	\$0.46	\$0.46	\$0.43	\$0.40	\$0.35	\$0.34
Diluted earnings per common share	0.43	0.63	0.51	0.60	0.52	0.48	0.50	0.45
Dividends declared per common share	0.51	0.51	0.50	0.49	0.46	0.46	0.45	0.45
Net asset value per common share(1)	13.57	13.42	12.79	12.26	12.11	11.56	10.96	10.44

- (1) We determine net asset value per common share as of the last day of the quarter. The net asset values shown are based on outstanding shares at the end of each period, excluding common shares held in the Company's deferred compensation trust.

**WHERE YOU CAN FIND**

**ADDITIONAL INFORMATION**

We have filed with the Commission a registration statement on Form N-2 together with all amendments and related exhibits under the Securities Act of 1933, as amended (the Securities Act ). The registration statement contains additional information about us and the registered securities being offered by this prospectus. You may inspect the registration statement and the exhibits without charge at the Securities and Exchange Commission at 450 Fifth Street, NW, Washington, DC 20549. You may obtain copies from the Commission at prescribed rates.

We file annual, quarterly and current reports, proxy statements and other information with the Commission. You can inspect, without charge, at the public reference facilities of the Commission at 450 Fifth Street, NW, Washington, DC 20549. The Commission also maintains a web site at <http://www.sec.gov> that contains reports, proxy statements and other information regarding public companies, including the Company. You can also obtain copies of these materials from the public reference section of the Commission at 450 Fifth Street, NW, Washington, DC 20549, at prescribed rates. Please call the Commission at 1-800-SEC-0330 for further information on the public referen