ALLIED CAPITAL CORP
Form 497
February 25, 2002

*PROSPECTUS SUPPLEMENT*
*(To Prospectus dated December 19, 2001)*

Filed Pursuant to Rule 497 Registration
Statement No. 333-67336

# 784,555 Shares
# COMMON STOCK

*All of the 784,555 shares of the common stock, par value $.0001 per share, of Allied Capital Corporation are being issued and sold by us to an institutional investor at negotiated purchase prices for total offering proceeds to the Company of $20 million.*

*These negotiated purchase prices, per share, are equal to the Volume Weighted Average Price on the New York Stock Exchange, as reported by Bloomberg L.P. using the AQR function for the shares (the Average Trading Price ), less a discount of 3% (the Purchase Price ), for each of the fourteen trading days during the period from February 4, 2002 to February 22, 2002 (the Investment Period ).*

*The total number of shares offered hereby equals the aggregate number of shares resulting from:*

*(i) the allocation of the purchaser s proposed aggregate investment of $20 million on a pro rata basis over the Investment Period; and*

*(ii) the purchase, on each day during the Investment Period on which the Average Trading Price exceeds $22.00 (the Threshold Price ) or on which the Average Trading Price is below the Threshold Price and the purchaser chooses to purchase shares at the Threshold Price, of the maximum number of whole shares at the Purchase Price.*

*This results in the purchase of a total of 784,555 shares at an average purchase price per share of $25.49.*

*Our common stock is traded on the New York Stock Exchange under the symbol ALD. On February 22, 2002, the last reported sales price for the common stock was $27.00.*

*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.*

*Please read this prospectus supplement, and the accompanying prospectus, 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 December 19, 2001 (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, 1-888-253-0512. We have filed the SAI with the U.S. Securities and Exchange Commission and have incorporated it by reference into the prospectus. The SAI s table of contents appears on page B-1 of the 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.*

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

***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 supplement or the prospectus. Any representation to the contrary is a criminal offense.***

February 22, 2002

**We have not authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus supplement or the prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the prospectus as if we had authorized it. This prospectus supplement and the prospectus 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 supplement and the prospectus is accurate as of the dates on their covers.**

## TABLE OF CONTENTS

**Information contained or incorporated by reference in this prospectus supplement, and the prospectus, may contain forward-looking statements which can be identified by the use of forward-looking terminology such as may, will, expect, intend, anticipate, estimate, or continue or the negative thereof or other variations thereon or comparable terminology. The matters described in Risk Factors in the prospectus and certain other factors noted throughout this prospectus supplement and the prospectus, and in any exhibits to the registration statement of which this prospectus supplement and the prospectus are a part, constitute cautionary statements identifying important factors with respect to any such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those in such forward-looking statements. In this prospectus supplement and the prospectus, unless otherwise indicated, the Company , we , us or our refer to Allied Capital Corporation and its subsidiaries.**

## FEES AND EXPENSES

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

| | |
|---|---|
| **Shareholder Transaction Expenses** | |
| Privately negotiated transaction (as a percentage of offering price)(1) | 3.0% |
| Dividend reinvestment plan fees(2) | None |
| **Annual Expenses (as a percentage of consolidated net assets attributable to common shares)**(3) | |
| Operating expenses(4) | 3.4% |
| Interest payments on borrowed funds(5) | 5.1% |
| Total annual expenses(6) | 8.5% |

(1) The discount with respect to the shares sold by the Company in this offering is the only sales load paid in connection with this offering.
(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 in the prospectus.
(3) Consolidated net assets attributable to common shares equals net assets (*i.e.,* total assets less total liabilities and preferred stock) at September 30, 2001.
(4) Operating expenses represent the estimated operating expenses of the Company for the year ending 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 represent estimated interest payments for the year ending December 31, 2001. The Company had outstanding borrowings of $924.5 million at September 30, 2001. This percentage for the year ended December 31, 2000 was 5.6%. See Risk Factors in the prospectus.
(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 to 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 money. If the Total annual expenses percentage were calculated instead as a percentage of consolidated total assets, Total annual expenses for the Company would be 4.9% 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.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment, assuming a 5% annual return | $113 | $280 | $447 | $868 |

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 that we issue at or above net asset value or 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 in the accompanying prospectus.

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

## RECENT DEVELOPMENTS

### Operating Results

For the year ended December 31, 2001, the Company reported net income of $200.7 million, or $2.16 per share, an 11% increase on a per share basis as compared to earnings of $143.1 million, or $1.94 per share, for 2000. For the three months ended December 31, 2001, the Company reported net income of $42.9 million, or $0.43 per share, as compared to net income of $42.3 million, or $0.52 per share, for the three months ended December 31, 2000. Net income varies substantially from quarter to quarter due to the varied timing of events that result in net realized and unrealized gains or losses. As a result, quarterly comparisons of net income may not be meaningful.

Net operating income before net realized and unrealized gains or losses was $179.1 million, or $1.92 per share for 2001, a 25% increase on a per share basis as compared to net operating income of $112.7 million, or $1.53 per share, for 2000. For the fourth quarter of 2001, net operating income before net realized and unrealized gains or losses totaled $53.0 million, or $0.53 per share, a 26% increase on a per share basis as compared to fourth quarter 2000 net operating income of $34.7 million, or $0.42 per share.

Net realized and unrealized gains totaled $21.3 million, or $0.23 per share, for 2001 as compared to $30.4 million, or $0.41 per share, for 2000. For the year ended December 31, 2001, the Company recognized realized gains of $10.1 million and realized losses of $9.4 million.

During 2001, the Company invested a total of $680.3 million. After total repayments of $74.5 million, asset sales of $130.0 million and valuation changes during the year, total assets increased to $2.46 billion at December 31, 2001, a 33% increase over total assets of $1.85 billion at December 31, 2000. Shareholders equity increased 31% to $1.35 billion at December 31, 2001 from $1.03 billion at December 31, 2000. Net asset value per share at December 31, 2001 was $13.57, a 12% increase over the net asset value per share of $12.11 at December 31, 2000.

For the year ended December 31, 2001, the Company s total return to shareholders was 35%, including reinvestment of dividends and share price appreciation during the year. The annual return on average assets was 9% and the annual return on average equity was 17% for the year ended December 31, 2001.

For 2001, private finance investments totaled $287.7 million and commercial real estate investments totaled $392.6 million. For the fourth quarter of 2001, total new loans and investments were $170.7 million. At December 31, 2001, the overall weighted average yield on the Company s portfolio was 14.3%, as compared to 14.1% at December 31, 2000.

### Private Finance

The private finance portfolio totaled $1.60 billion at December 31, 2001. The debt portion of this portfolio, which totaled $1.11 billion at December 31, 2001, had a weighted average yield of 14.8%, as compared to 14.6% at December 31, 2000. During the fourth quarter of 2001, the Company invested a total of $60.9 million in its core private finance business. Significant new private finance investments during the fourth quarter of 2001 included:

$15.0 million in subordinated debt to support the acquisition of HSCA by MedAssets HSCA, a healthcare outsourcing company;

$13.0 million in subordinated debt and equity capital in a recapitalization of Elmhurst Consulting LLC, an implementation-focused supply chain consulting firm;

$11.0 million of subordinated debt with warrants to recapitalize Advantage Mayer, Inc., one of the country s leading regional food brokers; and

$5.1 million in preferred stock to fund the growth of Foresite Towers LLC, a developer of communications towers.

**CMBS Investing**

During the year ended December 31, 2001, the Company s commercial real estate finance group invested $390.4 million in non-investment grade commercial mortgage-backed securities (CMBS) in nine separate transactions. For the year ended December 31, 2001, the Company sold a total of $124.5 million of CMBS. During the fourth quarter of 2001, the Company invested $109.6 million in CMBS in three separate transactions.

At December 31, 2001, the Company s portfolio of CMBS, all of which was acquired directly from the original issuers, totaled $582.6 million, or 24% of total assets, and had a weighted average yield to maturity of 14.8%. Because the Company has acquired its CMBS investments at an approximate discount of 50% from the face amount of the bonds, the unamortized discount on the CMBS portfolio at December 31, 2001 totaled $611.9 million.

From time to time, the Company will purchase lower yielding BB bonds in anticipation of future opportunities to sell such bonds at a premium. In February 2002, the Company completed the sale of $122.6 million of BB+, BB and BB- bonds that were purchased during 2001, 2000 and 1999.

**Liquidity and Capital Resources**

During 2001, the Company raised $286.9 million of new equity in eight separate placements. In addition, the Company obtained additional unsecured long-term debt of $150 million. The Company also expanded its committed unsecured revolving credit facility to $497.5 million, of which $352.8 million was available at December 31, 2001.

At December 31, 2001, the Company had a weighted average cost of debt of 7.0%. At December 31, 2001, the Company had regulatory asset coverage of 245% and the ratio of debt to equity was 0.75 to 1. The Company is required to maintain regulatory asset coverage of at least 200%.

**Portfolio Quality and Valuation**

The Company employs a grading system to monitor the quality of its portfolio. Grade 1 is for those investments from which a capital gain is expected. Grade 2 is for investments performing in accordance with plan. Grade 3 is for investments that require closer monitoring; however, no loss of interest or principal is expected. Grade 4 is for investments for which some loss of contractually due interest is expected, but no loss of principal is expected. Grade 5 is for investments for which full loss of interest and some loss of principal is expected, and the loan is marked down to net realizable value.

At December 31, 2001, the portfolio of Grade 1 investments totaled $603.3 million, or 26% of the total portfolio at value; Grade 2 investments totaled $1.55 billion, or 67% of the total portfolio; Grade 3 investments totaled $79.5 million, or 3% of the total portfolio; Grade 4 investments totaled $44.5 million, or 2% of the total portfolio; and Grade 5 investments totaled $48.5 million, or 2% of the total portfolio. Included in Grade 4 and 5 investments are assets totaling $6.6 million that are secured by commercial real estate.

For the total investment portfolio, loans greater than 90 days past due were $39.1 million at value at December 31, 2001, or 2% of the total portfolio. Included in this category are loans valued at

$14.1 million that are secured by commercial real estate. At December 31, 2001, greater than 30-day delinquencies in the underlying collateral pool related to the CMBS portfolio were 0.45%.

**Quarterly Dividend**

The Company increased its regular quarterly dividend to $0.53 per share for the first quarter of 2002. The dividend is payable on March 28, 2002 to shareholders of record on March 15, 2002.

For 2001, the Company paid total dividends of $2.01 per share, a 10.4% increase over total dividends of $1.82 per share in 2000. The Company s dividend is paid from taxable income. The Board determines the dividend, based on annual estimates of taxable income, which differs from book income due to both timing and absolute differences in income and expense recognition. Changes in unrealized appreciation and depreciation have no impact on the Company s taxable income.

## SUMMARY FINANCIAL INFORMATION

| *(In thousands, except per share amounts)* | At December 31, 2001 | At December 31, 2000 |
|---|---|---|
| ASSETS | | |
| Portfolio at Value: | | |
| Private finance | $1,595,072 | $1,282,467 |
| Commercial real estate finance | 734,518 | 505,534 |
| Total Portfolio at Value | 2,329,590 | 1,788,001 |
| Cash and cash equivalents | 889 | 2,449 |
| Other assets | 130,234 | 63,367 |
| Total Assets | $2,460,713 | $1,853,817 |
| LIABILITIES and SHAREHOLDERS EQUITY | | |
| Liabilities: | | |
| Debt | $1,020,806 | $786,648 |
| Other liabilities | 80,784 | 30,477 |
| | 1,101,590 | 817,125 |
| Preferred stock | 7,000 | 7,000 |
| Common shareholders equity | 1,352,123 | 1,029,692 |

| | | |
|---|---|---|
| Total Liabilities and Shareholders Equity | $2,460,713 | $1,853,817 |
| Net asset value per common share | $13.57 | $12.11 |
| Common shares outstanding at end of year | 99,607 | 85,057 |

| *(In thousands, except per share amounts)* | **3 Months Ended December 31** | | **12 Months Ended December 31** | |
|---|---|---|---|---|
| | **2001** | **2000** | **2001** | **2000** |
| | *(unaudited)* | | | |
| Interest and Related Portfolio Income: | | | | |
| Interest and dividend income | $66,742 | $52,539 | $240,464 | $182,307 |
| Premiums from loan dispositions | 434 | 5,386 | 2,504 | 16,138 |
| Fees and other income | 15,490 | 3,810 | 46,142 | 13,144 |
| Total Interest and Related Portfolio Income | 82,666 | 61,735 | 289,110 | 211,589 |
| Expenses: | | | | |
| Interest | 17,130 | 15,767 | 65,104 | 57,412 |
| Employee | 7,387 | 6,519 | 29,656 | 26,025 |
| Administrative | 5,133 | 4,724 | 15,299 | 15,435 |

| | | | | |
|---|---|---|---|---|
| Total Operating Expenses | 29,650 | 27,010 | 110,059 | 98,872 |
| Net Operating Income Before Net Realized and Unrealized Gains (Losses) | 53,016 | 34,725 | 179,051 | 112,717 |
| Net Realized and Unrealized Gains (Losses): | | | | |
| Net realized gains (losses) | (7,678) | (7,572) | 661 | 15,523 |
| Net unrealized gains (losses) | (2,860) | 15,128 | 20,603 | 14,861 |
| Total Net Realized and Unrealized Gains (Losses) | (10,538) | 7,556 | 21,264 | 30,384 |
| Net Income Before Income Taxes | 42,478 | 42,281 | 200,315 | 143,101 |
| Income tax benefit | 412 | | 412 | |
| Net Increase in Net Assets Resulting From Operations | $42,890 | $42,281 | $200,727 | $143,101 |

| | | | | |
|---|---|---|---|---|
| Diluted net operating income per share | $0.53 | $0.42 | $1.92 | $1.53 |
| Diluted earnings per share | $0.43 | $0.52 | $2.16 | $1.94 |
| Weighted average shares outstanding diluted | 100,052 | 81,612 | 93,003 | 73,472 |

Certain reclassifications have been made to the 2000 balances to conform to the 2001 financial statement presentation.

## USE OF PROCEEDS

The net proceeds from the sale of the shares, after deducting estimated expenses of this offering, are approximately $19.95 million. We intend to use the net proceeds from selling shares to finance our Company s growth and for general corporate purposes, which may include investment in private growth companies, purchase of commercial mortgage-backed securities and acquisitions. We may also repay a portion of our revolving line of credit.

We raise new equity from time to time using a shelf registration statement. We raise new equity when we have a clear use of proceeds for attractive investment opportunities. Historically, this process has enabled us to raise equity on an accretive basis for existing shareholders.

## PLAN OF DISTRIBUTION

All of the 784,555 shares of common stock, par value $0.0001 per share, that we are offering by this prospectus supplement and the accompanying prospectus are being issued and sold to an institutional investor at negotiated purchase prices for total offering proceeds to the Company of $20 million.

These negotiated purchase prices, per share, are equal to the Volume Weighted Average Price on the New York Stock Exchange, as reported by Bloomberg L.P. using the AQR function for the shares (the Average Trading Price ), less a discount of 3.0% (the Purchase Price ), for each of the fourteen trading days during the period from February 4, 2002 to February 22, 2002 (the Investment Period ). The total number of shares offered hereby equals the aggregate number of shares resulting from:

(i) the allocation of the purchaser s proposed aggregate investment of $20 million on a pro rata basis over the Investment Period, and

(ii) the purchase, on each day during the Investment Period on which the Average Trading Price exceeds $22.00 (the Threshold Price ) or on which the Average Trading Price is below the Threshold Price and the purchaser chooses to purchase shares at the Threshold Price, of the maximum number of whole shares at the Purchase Price. This results in the purchase of a total of 784,555 shares at an average purchase price per share of $25.49.

The net offering proceeds to us, after deduction of estimated offering expenses of approximately $50,000, will be approximately $19.95 million.

# PROSPECTUS

## $300,000,000

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

---

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 December 19, 2001 (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
1-888-253-0512

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 82 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 December 19, 2001, the last reported sales price on the New York Stock Exchange for the common stock was $25.24.

*We may offer, from time to time, up to $300,000,000 of our common stock, par value $0.0001 per share, 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 Securities of the Company.**

---

**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.**

---

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

---

December 19, 2001

**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.**

## TABLE OF CONTENTS

## 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 14)*

We are a business development company and provide private investment capital to private and undervalued public companies in a variety of different industries throughout the United States. We have been investing in growing businesses for over 40 years and have financed thousands of companies nationwide. Our investment activity is focused in two areas:

- private finance, and
- commercial real estate finance, primarily the purchase of commercial mortgage-backed securities ( CMBS ).

Our investment portfolio includes:

- long-term unsecured loans with equity features,
- equity investments in middle-market companies, which may or may not constitute a controlling equity interest,
- 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 function 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 its 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 80)*

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 14)*

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 private and undervalued public companies, purchase of CMBS, repayment of indebtedness, acquisitions and other general corporate purposes.

**DISTRIBUTIONS** *(Page 15)*

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 74)*

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.

**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 77)*

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) | 3.4% |
| Interest payments on borrowed funds(5) | 5.1% |
| Total annual expenses(6) | 8.5% |

(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 September 30, 2001.

(4) Operating expenses represent the estimated operating expenses of the Company for the year ending 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 estimated interest payments of the Company for the year ending December 31, 2001. The Company had outstanding borrowings of $924.5 million at September 30, 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 4.9% 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.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment, assuming a 5.0% annual return | $85 | $254 | $425 | $852 |

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.**

## SELECTED CONSOLIDATED FINANCIAL DATA

You should read the consolidated financial information below with the Consolidated Financial Statements and Notes thereto included in this prospectus. Financial information for the years ended December 31, 2000, 1999, 1998, 1997 and 1996 has been derived from audited financial statements. On December 31, 1997, the Company consummated a merger of five predecessor companies. The selected financial data and all other information in this prospectus, unless otherwise indicated, reflects the operations of the Company with all periods restated as if the predecessor companies had merged as of the beginning of the earliest period presented. 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 nine months ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. **See Management s Discussion and Analysis of Financial Condition and Results of Operations on page 16 for more information.**

| (In thousands, except per share data) | Nine Months Ended September 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2000 | 2000 | 1999 | 1998 | 1997(7) | 1996(7) |
| | (Unaudited) | | | | | | |
| **Operating Data:** | | | | | | | |

&nbt" face=Arial,sans-serif> Franklin
Advisers,
Inc.:
11,993,435

Fiduciary Trust Company
International: 160,900

(iv) Shared power to dispose or to direct the disposition of

0

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities,

check the following [ ]. Not Applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person

The clients of the Investment Management Subsidiaries, including investment companies registered under the Investment Company Act of 1940 and other managed accounts, have the right to receive or power to direct the receipt of dividends from, and the proceeds from the sale of, the securities reported herein.

Franklin Small Cap Growth Fund, a series of Franklin Strategic Series, an investment company registered under the Investment Company Act of 1940, has an

interest in 9,496,100 shares, or 8.1%, of the class of securities reported herein.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security

Being Reported on By the Parent Holding Company

See Attached Exhibit C

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

Item 10. Certification

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

This report shall not be construed as an admission by the persons filing the report that they are the beneficial owner of any securities covered by this report.

Exhibits.

Exhibit A Joint Filing Agreement

Exhibit B Limited Powers of Attorney for Section 13 Reporting Obligations

Exhibit C Item 7 Identification and Classification of Subsidiaries

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the

information set forth in this statement is true, complete and correct.

Dated: October 08, 2015

Franklin Resources, Inc.

Charles B. Johnson

Rupert H. Johnson, Jr.

Franklin Advisers, Inc.

By: /s/MARIA GRAY

Maria Gray

Vice President and Secretary of Franklin Resources, Inc.

Attorney in Fact for Charles B. Johnson pursuant to Power of Attorney attached to this Schedule 13G

Attorney in Fact for Rupert H. Johnson, Jr. pursuant to Power of Attorney

attached to this Schedule 13G

Secretary of Franklin Advisers, Inc.

Franklin Strategic Series on behalf of

Franklin Small Cap Growth Fund

By: /s/LORI A. WEBER

Lori A. Weber

Vice President and Assistant Secretary

CUSIP NO. 518415104 13G
Page 11 of 14

EXHIBIT A

JOINT FILING AGREEMENT

In accordance with Rule 13d 1(k) under the Securities Exchange Act of 1934, as amended,

the undersigned hereby agree to the joint filing with each other of the attached

statement on Schedule 13G and to all amendments to such statement and that such statement

and all amendments to such statement are made on behalf of each of them.

IN WITNESS WHEREOF, the undersigned have executed this agreement on October 8, 2015.

Franklin Resources, Inc.

Charles B. Johnson

Rupert H. Johnson, Jr.

Franklin Advisers, Inc.

By: /s/MARIA GRAY

Maria Gray

Vice President and Secretary of Franklin Resources, Inc.

Attorney in Fact for Charles B. Johnson pursuant to Power of Attorney attached to

this Schedule 13G

Attorney in Fact for Rupert H. Johnson, Jr. pursuant to Power of Attorney

attached to this Schedule 13G

Secretary of Franklin Advisers, Inc.

Franklin Strategic Series on behalf of

Franklin Small Cap Growth Fund

By: /s/LORI A. WEBER

Lori A. Weber

Vice President and Assistant Secretary

CUSIP NO. 518415104 13G
Page 12 of 14

EXHIBIT B

LIMITED POWER OF ATTORNEY

FOR

SECTION 13 REPORTING OBLIGATIONS

Know all by these presents, that the undersigned hereby makes, constitutes and

appoints each of Robert Rosselot and Maria Gray, each acting individually, as the

undersigned's true and lawful attorney in fact, with full power and authority as

hereinafter described on behalf of and in the name, place and stead of the undersigned

to:

(1) prepare, execute, acknowledge, deliver and file Schedules 13D and 13G (including

any amendments thereto or any related documentation) with the United States Securities

and Exchange Commission, any national securities exchanges and Franklin Resources, Inc., a Delaware corporation (the “Reporting Entity”), as considered necessary or advisable

under Section 13 of the Securities Exchange Act of 1934 and the rules and regulations

promulgated thereunder, as amended from time to time (the “Exchange Act”); and

(2) perform any and all other acts which in the discretion of such attorney in fact

are necessary or desirable for and on behalf of the undersigned in connection with the

foregoing.

The undersigned acknowledges that:

(1) this Limited Power of Attorney authorizes, but does not require, each such

attorney in fact to act in their discretion on information provided to such

attorney in fact without independent verification of such information;

(2) any documents prepared and/or executed by either such attorney in fact on behalf of

the undersigned pursuant to this Limited Power of Attorney will be in such form and will

contain such information and disclosure as such attorney in fact, in his or her

discretion, deems necessary or desirable;

(3) neither the Reporting Entity nor either of such attorneys in fact assumes (i) any

liability for the undersigned’s responsibility to comply with the requirements of the

Exchange Act or (ii) any liability of the undersigned for any failure to comply with such

requirements; and

(4) this Limited Power of Attorney does not relieve the undersigned from responsibility

for compliance with the undersigned’s obligations under the Exchange Act, including

without limitation the reporting requirements under Section 13 of the Exchange Act.

The undersigned hereby gives and grants each of the foregoing attorneys in fact full

power and authority to do and perform all and every act and thing whatsoever requisite,

necessary or appropriate to be done in and about the foregoing matters as fully to all

intents and purposes as the undersigned might or could do if present, hereby ratifying

all that each such attorney in fact of, for and on behalf of the undersigned, shall

lawfully do or cause to be done by virtue of this Limited Power of Attorney.

This Limited Power of Attorney shall remain in full force and effect until revoked by

the undersigned in a signed writing delivered to each such attorney in fact.

IN WITNESS WHEREOF, the undersigned has caused this Limited Power of Attorney to be

executed as of this 30th day of April , 2007

/s/Charles B. Johnson

Signature

Charles B. Johnson

Print Name

---

LIMITED POWER OF ATTORNEY

FOR

SECTION 13 REPORTING OBLIGATIONS

Know all by these presents, that the undersigned hereby makes, constitutes and

appoints each of Robert Rosselot and Maria Gray, each acting individually, as the

undersigned's true and lawful attorney in fact, with full power and authority as

hereinafter described on behalf of and in the name, place and stead of the undersigned

to:

(1) prepare, execute, acknowledge, deliver and file Schedules 13D and 13G (including

any amendments thereto or any related documentation) with the United States Securities

and Exchange Commission, any national securities exchanges and Franklin Resources, Inc.,

a Delaware corporation (the "Reporting Entity"), as considered necessary or advisable under Section 13 of the Securities Exchange Act of 1934 and the rules and regulations

promulgated thereunder, as amended from time to time (the “Exchange Act”); and

(2) perform any and all other acts which in the discretion of such attorney in fact

are necessary or desirable for and on behalf of the undersigned in connection with the

foregoing.

The undersigned acknowledges that:

(1) this Limited Power of Attorney authorizes, but does not require, each such

attorney in fact to act in their discretion on information provided to such

attorney in fact without independent verification of such information;

(2) any documents prepared and/or executed by either such attorney in fact on behalf of

the undersigned pursuant to this Limited Power of Attorney will be in such form and will

contain such information and disclosure as such attorney in fact, in his or her

discretion, deems necessary or desirable;

(3) neither the Reporting Entity nor either of such attorneys in fact assumes (i) any

liability for the undersigned’s responsibility to comply with the requirements of the

Exchange Act or (ii) any liability of the undersigned for any failure to comply with such requirements; and

(4) this Limited Power of Attorney does not relieve the undersigned from responsibility for compliance with the undersigned's obligations under the Exchange Act, including without limitation the reporting requirements under Section 13 of the Exchange Act.

The undersigned hereby gives and grants each of the foregoing attorneys in fact full power and authority to do and perform all and every act and thing whatsoever requisite, necessary or appropriate to be done in and about the foregoing matters as fully to all intents and purposes as the undersigned might or could do if present, hereby ratifying all that each such attorney in fact of, for and on behalf of the undersigned, shall lawfully do or cause to be done by virtue of this Limited Power of Attorney.

This Limited Power of Attorney shall remain in full force and effect until revoked by the undersigned in a signed writing delivered to each such attorney in fact.

IN WITNESS WHEREOF, the undersigned has caused this Limited Power of Attorney to be executed as of this 25th day of April , 2007

/s/ Rupert H. Johnson, Jr.

Signature

Rupert H. Johnson, Jr.

Print Name

CUSIP NO. 518415104 13G
Page 14 of 14

EXHIBIT C

Franklin Advisers, Inc. Item 3
Classification: 3(e)

Fiduciary Trust Company International Item 3
Classification: 3(b)