ALLIED CAPITAL CORP

Form 4 July 19, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB Number:

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subject to Section 16. Form 4 or Form 5 obligations

may continue.

See Instruction

if no longer

Check this box

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * 5. Relationship of Reporting Person(s) to 2. Issuer Name and Ticker or Trading Russell Daniel Lawrence Issuer Symbol ALLIED CAPITAL CORP [ALD] (Check all applicable) (First) (Middle) (Last) 3. Date of Earliest Transaction (Month/Day/Year) Director 10% Owner X_ Officer (give title Other (specify 1919 PENNSYLVANIA AVENUE, 07/18/2007 below) below) NW. 3RD FLOOR Managing Director (Street) 4. If Amendment, Date Original 6. Individual or Joint/Group Filing(Check Filed(Month/Day/Year) Applicable Line) _X_ Form filed by One Reporting Person Form filed by More than One Reporting WASHINGTON, DC 20006 Person (City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned 1. Title of 2. Transaction Date 2A. Deemed 3. 4. Securities Acquired 5. Amount of 7. Nature of Security (Month/Day/Year) Execution Date, if Transaction(A) or Disposed of (D) Securities Ownership Indirect (Instr. 3) Code (Instr. 3, 4 and 5) Beneficially Form: Direct Beneficial (Month/Day/Year) Owned Ownership (Instr. 8) (D) or Following Indirect (I) (Instr. 4) Reported (Instr. 4) (A) Transaction(s) or (Instr. 3 and 4) Amount (D) Price Common 07/18/2007 A 38,274 39,334 D 31.75 Stock

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transactio Code (Instr. 8)	5. Number of orDerivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amou Underlying Secur (Instr. 3 and 4)	
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Am Nui Sha
Non-Qualified Stock Option (right to buy)	\$ 19	07/18/2007		D	25,000	<u>(1)</u>	08/24/2008	Common Stock	25
Non-Qualified Stock Option (right to buy)	\$ 21.52	07/18/2007		D	105,307	(3)	12/13/2012	Common Stock	10
Non-Qualified Stock Option (right to buy)	\$ 21.59	07/18/2007		D	101,808	<u>(4)</u>	09/20/2011	Common Stock	10

Reporting Owners

Reporting Owner Name / Address	Relationships					
	Director	10% Owner	Officer	Other		
Russell Daniel Lawrence						
1919 PENNSYLVANIA AVENUE, NW			Managing			
3RD FLOOR			Director			
WASHINGTON, DC 20006						

Signatures

s/ Daniel L.
Russell

**Signature of Reporting Person

O7/19/2007

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The canceled options, granted on August 24, 1998, provided for vesting in six equal annual installments commencing on grant date.
- On July 18, 2007, the issuer canceled, pursuant to the issuer's tender offer, options previously granted to the reporting person. In exchange for the options, the reporting person received an option cancellation payment ("OCP") which was paid one-half in cash and one-half in unregistered shares of the issuer's common stock. The value of the OCP was equal to the difference between the weighted average market price of \$31.75, less the exercise price of the option, multiplied by the number options canceled.
- (3) The canceled options, granted on December 13, 2002, provided for vesting in three equal installments commencing on June 30, 2003.
- (4) The canceled options, granted on September 20, 2001, provided for vesting in three equal annual installments commencing one year from grant date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Reporting Owners 2

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