

ALLIED CAPITAL CORP

Form 4

July 19, 2007

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

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

OMB APPROVAL

OMB
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(Print or Type Responses)

1. Name and Address of Reporting Person *
SHULMAN JOHN D

(Last) (First) (Middle)

**1919 PENNSYLVANIA AVENUE,
NW, 3RD FLOOR**

(Street)

WASHINGTON, DC 20006

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
ALLIED CAPITAL CORP [ALD]

3. Date of Earliest Transaction
(Month/Day/Year)

07/18/2007

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
____X____ Officer (give title ____ Other (specify
below) below)

Managing Director

6. Individual or Joint/Group Filing(Check
Applicable Line)
____X____ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	07/18/2007		A	101,660	A \$ 31.75	106,459	D

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

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information contained in this form are not
required to respond unless the form
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SEC 1474
(9-02)

**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. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Security (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount Number of Shares
Non-Qualified Stock Option (right to buy)	\$ 21.52	07/18/2007		D	284,974	<u>(1)</u>	12/13/2012	Common Stock	284,974
Non-Qualified Stock Option (right to buy)	\$ 21.59	07/18/2007		D	22,053	<u>(3)</u>	09/20/2011	Common Stock	22,053
Non-Qualified Stock Option (right to buy)	\$ 21.875	07/18/2007		D	286,287	<u>(4)</u>	04/05/2011	Common Stock	286,287
Non-Qualified Stock Option (right to buy)	\$ 27.51	07/18/2007		D	50,000	<u>(5)</u>	08/03/2015	Common Stock	50,000
Non-Qualified Stock Option (right to buy)	\$ 28.98	07/18/2007		D	100,000	<u>(6)</u>	03/11/2014	Common Stock	100,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHULMAN JOHN D 1919 PENNSYLVANIA AVENUE, NW 3RD FLOOR WASHINGTON, DC 20006			Managing Director	

Signatures

s/ John D.
Shulman 07/19/2007

**Signature of
Reporting Person Date

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 December 13, 2002, provided for vesting in three equal installments commencing on June 30, 2003.
- (2) 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

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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 September 20, 2001, provided for vesting in three equal annual installments commencing one year from grant date.
- (4) The canceled options, granted on April 5, 2001, provided for vesting in three equal annual installments commencing one year from grant date.
- (5) The canceled options, granted on August 3, 2005, provided for vesting in three equal installments on June 30, 2006, June 30, 2007 and June 30, 2008.
- (6) The canceled options, granted on March 11, 004, provided for vesting in four equal installments on June 30, 2004, June 30, 2005, June 30, 2006 and June 30, 2007

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

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