

ALLIED CAPITAL CORP  
Form 8-K  
February 07, 2007

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

February 1, 2007

Allied Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland

0-22832

52-1081052

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

1919 Pennsylvania Avenue, N.W.,  
Washington, District of Columbia

20006

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

202 721-6100

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On February 1, 2007, the Compensation Committee of the Board of Directors of Allied Capital Corporation (the "Corporation") approved 2006 cash bonuses and 2007 individual performance awards (IPAs) and 2007 individual performance bonuses (IPBs) for certain officers of the Corporation. The Board of Directors ratified the approval of the Compensation Committee on February 1, 2007.

The Compensation Committee utilized a third-party compensation advisory firm to assess the competitiveness of the current and proposed compensation levels of the named executive officers of the Corporation. As part of this process, the Compensation Committee analyzed the compensation of the named executive officers in light of information regarding the compensation practices of similar publicly traded companies and private equity firms and published survey data, among other factors.

In total, 2006 cash bonuses have been determined to be approximately \$38 million, of which \$27.6 million had been accrued for the nine months ended September 30, 2006. This compares to 2005 total cash bonuses of \$27 million. The 2006 bonus payments for William L. Walton, Chairman and Chief Executive Officer, Joan M. Sweeney, Chief Operating Officer, Penni F. Roll, Chief Financial Officer, John D. Shulman and Michael J. Grisius, Managing Directors, are \$2,750,000, \$1,500,000, \$850,000, \$3,000,000, and \$1,500,000, respectively.

The total of 2007 IPAs and IPBs are estimated to be \$18.7 million. The 2007 IPAs for Mr. Walton, Ms. Sweeney, Ms. Roll, Mr. Shulman and Mr. Grisius are \$1,475,000, \$750,000, \$350,000, \$500,000, and \$400,000, respectively. The 2007 IPBs for Mr. Walton, Ms. Sweeney, Ms. Roll, Mr. Shulman and Mr. Grisius are \$1,475,000, \$750,000, \$350,000, \$500,000, and \$400,000, respectively.

The IPAs are not paid to employees on a current basis. Instead, IPAs are deposited in a trust in approximately equal cash installments, on a quarterly basis, and the cash is used to purchase shares of the Corporation's common stock in the market on the New York Stock Exchange. In conjunction with the IPAs, the Corporation established a non-qualified deferred compensation plan, The 2005 Allied Capital Corporation Non-Qualified Deferred Compensation Plan II (DCP II), which is administered through a trust by a third-party trustee. The DCP II was filed as Exhibit 10.2 to the Corporation's Form 8-K filed with the Securities and Exchange Commission on December 21, 2005.

More detailed information about the Company's compensation practices will be provided in the 2007 Proxy Statement. Please refer to our periodic filings for a more detailed discussion of the IPAs and IPBs.

**Item 9.01 Financial Statements and Exhibits.**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Allied Capital Corporation

*February 7, 2007*

By: *Penni F. Roll*

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*Name: Penni F. Roll*  
*Title: Chief Financial Officer*