

ALLIED CAPITAL CORP
 Form 4
 July 19, 2007

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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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

(Print or Type Responses)

1. Name and Address of Reporting Person *
LEAHY JOHN I

 (Last) (First) (Middle)

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

5. Relationship of Reporting Person(s) to Issuer

 (Check all applicable)

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

 (Street)

3. Date of Earliest Transaction
 (Month/Day/Year)
07/18/2007

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

WASHINGTON, DC 20006

 (City) (State) (Zip)

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

6. Individual or Joint/Group Filing(Check Applicable Line)
 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 Ownership (Instr. 4)
				Code V Amount (A) or (D) Price			
Common Stock	07/18/2007		A	5,319 A \$ 31.75	25,137	D	

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

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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 of Underlying Security (Instr. 3 and 4)	8. Amount or Number of Shares
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	
Non-Qualified Stock Option (right to buy)	\$ 17.5	07/18/2007		D	2,500	05/09/2000	05/09/2010	Common Stock	2,500
Non-Qualified Stock Option (right to buy)	\$ 21.62	07/18/2007		D	5,000	05/13/2003	05/13/2013	Common Stock	5,000
Non-Qualified Stock Option (right to buy)	\$ 22.063	07/18/2007		D	10,000	09/08/1999	09/08/2009	Common Stock	10,000
Non-Qualified Stock Option (right to buy)	\$ 22.78	07/18/2007		D	5,000	05/08/2001	05/08/2011	Common Stock	5,000
Non-Qualified Stock Option (right to buy)	\$ 24.44	07/18/2007		D	5,000	05/12/2004	05/12/2014	Common Stock	5,000
Non-Qualified Stock Option (right to buy)	\$ 25.97	07/18/2007		D	5,000	05/07/2002	05/07/2012	Common Stock	5,000
Non-Qualified Stock Option (right to buy)	\$ 26.8	07/18/2007		D	5,000	05/17/2005	05/17/2015	Common Stock	5,000
Non-Qualified Stock Option (right to buy)	\$ 29.58	07/18/2007		D	5,000	05/15/2007	05/15/2014	Common Stock	5,000
Non-Qualified Stock Option (right to buy)	\$ 30	07/18/2007		D	5,000	05/16/2006	05/16/2013	Common Stock	5,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LEAHY JOHN I 1919 PENNSYLVANIA AVENUE, NW			X	

3RD FLOOR
WASHINGTON, DC 20006

Signatures

s/ John I Leahy

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) 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.

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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