

ALLIED CAPITAL CORP  
 Form 4  
 July 19, 2007

**FORM 4**

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

OMB APPROVAL

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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 \*  
**HEBERT LAWRENCE L**

(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  
 Officer (give title below)  Other (specify below)

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)
				(A) or (D)	Price		
Common Stock	07/18/2007		A	V	5,571	A	
					\$ 31.75		
Common Stock					9,000	I	by Trust

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)

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)			
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Non-Qualified Stock Option (right to buy)	\$ 17.5	07/18/2007		D		5,000		05/09/2000	05/09/2010	Common Stock	5,000
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

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HEBERT LAWRENCE L 1919 PENNSYLVANIA AVENUE, NW 3RD FLOOR WASHINGTON, DC 20006	X			

## Signatures

s/ Lawrence I  
Hebert

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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.