

Lauer Thomas Charles
Form 3
January 25, 2006

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF 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 * | | 2. Date of Event Requiring Statement | 3. Issuer Name and Ticker or Trading Symbol | |
| Lauer Thomas Charles | | (Month/Day/Year) | ALLIED CAPITAL CORP [ALD] | |
| (Last) | (First) | (Middle) | 4. Relationship of Reporting Person(s) to Issuer | 5. If Amendment, Date Original Filed(Month/Day/Year) |
| | | | | |
| 1919 PENNSYLVANIA AVENUE, NW, 3RD FLOOR | | | (Check all applicable) | |
| (Street) | | | ___ Director | ___ 10% Owner |
| | | | <input checked="" type="checkbox"/> Officer | ___ Other |
| WASHINGTON, DC 20006 | | | (give title below) | (specify below) |
| (City) | (State) | (Zip) | Managing Director | |
| | | | | 6. Individual or Joint/Group Filing(Check Applicable Line) |
| | | | | <input checked="" type="checkbox"/> Form filed by One Reporting Person |
| | | | | ___ Form filed by More than One Reporting Person |

Table I - Non-Derivative Securities Beneficially Owned

| 1. Title of Security (Instr. 4) | 2. Amount of Securities Beneficially Owned (Instr. 4) | 3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5) | 4. Nature of Indirect Beneficial Ownership (Instr. 5) |
|---------------------------------|---|--|---|
| Common Stock | 3,921 | D | ^ |
| Common Stock | 639 | I | by 401K |
| Common Stock | 500 | I | by IRA |

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

SEC 1473 (7-02)

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

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

| 1. Title of Derivative Security (Instr. 4) | 2. Date Exercisable and Expiration Date (Month/Day/Year) | 3. Title and Amount of Securities Underlying | 4. Conversion | 5. Ownership | 6. Nature of Indirect Beneficial |
|--|--|--|---------------|--------------|----------------------------------|
|--|--|--|---------------|--------------|----------------------------------|

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| | Date Exercisable | Expiration Date | Derivative Security (Instr. 4) Title | Amount or Number of Shares | or Exercise Price of Derivative Security | Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 5) | Ownership (Instr. 5) |
|---|------------------|-----------------|---|----------------------------|--|--|----------------------|
| Incentive Stock Option (right to buy) | Â (1) | 05/24/2014 | Common Stock | 11,763 | \$ 25.5 | D | Â |
| Incentive Stock Option (right to buy) | Â (2) | 08/03/2015 | Common Stock | 3,635 | \$ 27.51 | D | Â |
| Non-Qualified Stock Option (right to buy) | Â (1) | 05/24/2014 | Common Stock | 134,316 | \$ 25.5 | D | Â |
| Non-Qualified Stock Option (right to buy) | Â (2) | 08/03/2015 | Common Stock | 121,365 | \$ 27.51 | D | Â |
| Phantom Stock Units | Â (3) | Â (4) | Common Stock | 2,266 | \$ (5) | D | Â |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Lauer Thomas Charles 1919 PENNSYLVANIA AVENUE, NW 3RD FLOOR WASHINGTON, DC 20006 | Â | Â | Â Managing Director | Â |

Signatures

s/ Thomas C Lauer
Date: 01/24/2006

**Signature of Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 5(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 May 24, 2004, option grant vests in 4 equal installments on 6/30/04, 6/30/05, 6/30/06 and 6/30/07
- (2) The August 3, 2005 option grant vests in three installments on 6/30/06, 6/30/07 and 6/30/08.
- (3) The phantom stock units were awarded under the Allied Capital Corporation Deferred Compensation Plan II and are fully vested.
- (4) Upon termination, phantom stock units will be distributed over a two year period or immediately upon a change in control.
- (5) Phantom Stock Units acquired have a 1 for 1 conversion.

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.