ALLIED CAPITAL CORP

Form 4

September 19, 2007

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

OMB Number:

3235-0287

Expires:

January 31, 2005

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

Symbol

Estimated average burden hours per

response...

OMB APPROVAL

Form 4 or Form 5 obligations may continue. See Instruction

Check this box

if no longer

subject to

Section 16.

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

1(b).

(Print or Type Responses)

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

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to

Issuer

ALLIED CAPITAL CORP [ALD]

(Check all applicable)

(Last)

(First) (Middle) 3. Date of Earliest Transaction

(Month/Day/Year)

09/17/2007

Director 10% Owner

1919 PENNSYLVANIA AVENUE,

NW, 3RD FLOOR

X_ Officer (give title Other (specify below)

6. Individual or Joint/Group Filing(Check

below)

Managing Director

(Street)

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

Applicable Line)

X Form filed by One Reporting Person

Form filed by More than One Reporting Person

WASHINGTON, DC 20006

(Zip)

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

Owned

1. Title of Security (Instr. 3)

(City)

2. Transaction Date 2A. Deemed (Month/Day/Year)

(State)

Execution Date, if

3. 4. Securities TransactionAcquired (A) or Code Disposed of (D)

5. Amount of Securities Beneficially

6. Ownership 7. Nature of Form: Direct Indirect (D) or Indirect Beneficial

Ownership (I) (Instr. 4) (Instr. 4)

(Month/Day/Year)

(Instr. 8)

(Instr. 3, 4 and 5)

Following Reported Transaction(s)

(A) (Instr. 3 and 4) Code V Amount (D) Price

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

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.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned

(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Conversion Security or Exercise

3. Transaction Date 3A. Deemed (Month/Day/Year)

Execution Date, if any

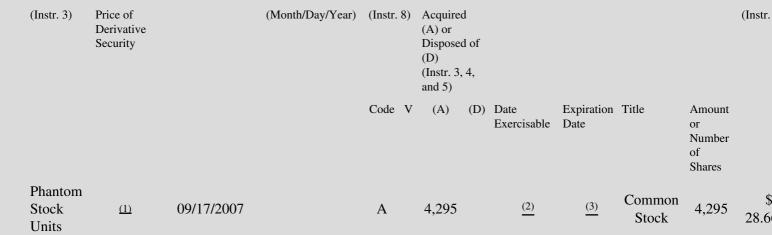
5. Number Transaction of Derivative Expiration Date Code Securities

6. Date Exercisable and (Month/Day/Year)

7. Title and Amount of 8. Price **Underlying Securities** Deriva (Instr. 3 and 4) Securi

1

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Reporting Owners

Reporting Owner Name / Address

Director 10% Owner Officer Other

SHULMAN JOHN D

1919 PENNSYLVANIA AVENUE, NW Managing 3RD FLOOR Director WASHINGTON, DC 20006

Signatures

By: s/ Kelly A. Anderson attorney in fact For: John D.
Shulman

09/19/2007

**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) Phantom Stock Units acquired have a 1 for 1 conversion.
- (2) The phantom stock units were awarded under the Allied Capital Corporation Deferred Compensation Plan II and are fully vested.
- (3) Upon termination, phantom stock units will be distributed over a two year period or immediately upon a change in control.
- (4) Securities adjusted for Non-Reportable Transactions.

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.

Reporting Owners 2