

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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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**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 \*  
 SPARROW SUZANNE V

(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)

Executive Vice President

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 Indirect Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|--|
|                                 |                                      |  | Code                           | V Amount (A) or (D) Price   |   |  |  |
| Common Stock                    | 07/18/2007                           |  | A                              | 19,250 A \$ 31.75   | 100,234   | D  |  |
| Common Stock                    |                                      |  |                                |   | 29,583  | I  | by 401K                                    |

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

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SEC 1474 (9-02)

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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) | 8. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| Non-Qualified Stock Option (right to buy)  | \$ 16.813  | 07/18/2007                           |  | D                              | 17,012  | (1) 05/26/2010   | Common Stock  | 17,012                        |
| Non-Qualified Stock Option (right to buy)  | \$ 21.375  | 07/18/2007                           |  | D                              | 33,208  | (3) 01/08/2008   | Common Stock  | 33,208                        |
| Non-Qualified Stock Option (right to buy)  | \$ 21.52   | 07/18/2007                           |  | D                              | 47,134  | (4) 12/13/2012   | Common Stock  | 47,134                        |
| Non-Qualified Stock Option (right to buy)  | \$ 21.59   | 07/18/2007                           |  | D                              | 13,938  | (5) 09/20/2011   | Common Stock  | 13,938                        |

## Reporting Owners

| Reporting Owner Name / Address   | Relationships |           |                          |       |
|--|---------------|-----------|--------------------------|-------|
|  | Director      | 10% Owner | Officer                  | Other |
| SPARROW SUZANNE V<br>1919 PENNSYLVANIA AVENUE, NW<br>3RD FLOOR<br>WASHINGTON, DC 20006 |               |           | Executive Vice President |       |

## Signatures

s/ Suzanne V. Sparrow 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) The canceled options, granted on May 26, 2000, provided for vesting in three annual installments commencing one year from date of grant.

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- 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.
- (2) The canceled options, granted on January 8, 1998, provided for vesting in six equal annual installments commencing on grant date.
  - (4) The canceled options, granted on December 13, 2002, provided for vesting in three equal installments commencing on June 30, 2003.
  - (5) The canceled options, granted on September 20, 2001, provided for vesting in three equal annual installments commencing one year from grant date.

### **Remarks:**

401(k) Plan holdings adjusted for routine 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.

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