

ANDERSON KELLY A
Form 4
June 16, 2006

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 *
ANDERSON KELLY A

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
1919 PENNSYLVANIA AVENUE,
NW, 3RD FLOOR

3. Date of Earliest Transaction
(Month/Day/Year)
06/15/2006

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

EVP & Treasurer

(Street)

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

WASHINGTON, DC 20006

(City) (State) (Zip)

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 | 06/15/2006 | | M | | 3,153 | A | \$ 21.59 |
| Common Stock | 06/15/2006 | | M | | 4,646 | A | \$ 21.52 |
| Common Stock | | | | | 6,270 | I | by 401K |

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

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number.

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 Securities (Instr. 3 and 4) | 8. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| Incentive Stock Option (right to buy) | \$ 21.52 | 06/15/2006 | | M | 4,646 | ⁽¹⁾ 12/13/2012 | Common Stock | 4,646 |
| Incentive Stock Option (right to buy) | \$ 21.59 | 06/15/2006 | | M | 3,153 | ⁽²⁾ 09/20/2011 | Common Stock | 3,153 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|--------------------|-------|
| | Director | 10% Owner | Officer | Other |
| ANDERSON KELLY A 1919 PENNSYLVANIA AVENUE, NW 3RD FLOOR WASHINGTON, DC 20006 | | | EVP & Treasurer | |

Signatures

By: Suzanne V. Sparrow attorney in fact For: Kelly A. Anderson 06/16/2006

 **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 December 13, 2002 grant vested over a three-year period, commencing on June 30, 2003.
- (2) The September 20, 2001 grant vested in three annual installments commencing one year from date of grant.

Remarks:

401(k) Plan holdings adjusted for routine re-allocations within Allied Capital Unitized Stock Fund

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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