ALLIED CAPITAL CORP

Form 4

September 19, 2006

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB

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may continue.

Check this box

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

See Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * **GRISIUS MICHAEL J**

2. Issuer Name and Ticker or Trading Symbol

5. Relationship of Reporting Person(s) to

Issuer

ALLIED CAPITAL CORP [ALD]

(Check all applicable)

(Last)

(City)

Security

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

Director X_ Officer (give title

10% Owner Other (specify

1919 PENNSYLVANIA AVENUE,

NW, 3RD FLOOR

09/18/2006

(Month/Day/Year)

below) below)

Managing Director

(Street)

4. If Amendment, Date Original

6. Individual or Joint/Group Filing(Check Applicable Line)

Filed(Month/Day/Year)

X Form filed by One Reporting Person Form filed by More than One Reporting

Person

WASHINGTON, DC 20006

1. Title of 2. Transaction Date 2A. Deemed

(State)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned 3. 4. Securities

5. Amount of Securities

Beneficially

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

(Instr. 3)

(Month/Day/Year)

(Zip)

Execution Date, if

Code Disposed of (D) (Instr. 3, 4 and 5) (Month/Day/Year) (Instr. 8)

Owned Following Reported Transaction(s) (I) Ownership (Instr. 4) (Instr. 4)

(A) Code V Amount (D) Price

TransactionAcquired (A) or

(Instr. 3 and 4)

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.

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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 Conversion Security or Exercise

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

any

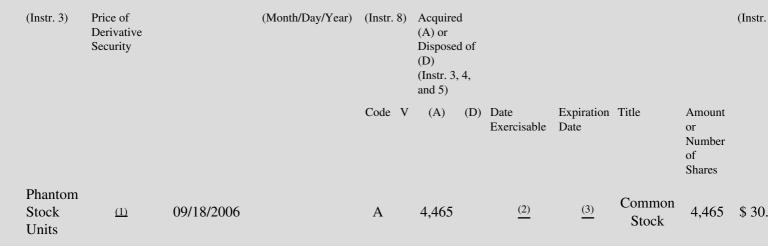
5. Number 4. Transaction of Derivative Expiration Date Code Securities

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

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

Securi

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Reporting Owners

Reporting Owner Name / Address

Director 10% Owner Officer Other

GRISIUS MICHAEL J 1919 PENNSYLVANIA AVENUE, NW 3RD FLOOR WASHINGTON, DC 20006

Managing Director

Signatures

s/ Michael J.

Grisius 09/19/2006

**Signature of Date

Reporting Person

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.

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