Russell Daniel Lawrence
Form 5
January 27, 2005

FORM 5

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

ANNUAL 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

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).
Form 3 Holdings Reported
Form 4 Transactions Reported

1. Name and Address of Reporting Person *
Russell Daniel Lawrence

(Last) (First) (Middle)

1919 PENNSYLVANIA AVENUE, NW,Â 3RD FLOOR

(Street)

WASHINGTON,Â DCÂ 20006

(City) (State) (Zip)

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

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2004

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Managing Director

6. Individual or Joint/Group Reporting

(check applicable line)

_X_ 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 at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				Amount	(A) or (D)	Price			

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

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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	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	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Pri Deriv Secu (Instr

	Derivative Security				Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)						
					(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stock Units	$ 24.62	10/01/2004	Â	J	111	Â	Â (1)	Â (2)	Common Stock	111	$ 2
Phantom Stock Units	$ 26.145	12/31/2004	Â	J	161	Â	Â (1)	Â (2)	Common Stock	161	$ 26

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Russell Daniel Lawrence 1919 PENNSYLVANIA AVENUE, NW 3RD FLOOR WASHINGTON,Â DCÂ 20006	Â	Â	Â Managing Director	Â

Signatures

By: s/Kelly A. Anderson attorney in fact For: Daniel L. Russell	01/27/2005
**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 phantom stock units were awarded under the Allied Capital Corporation Deferred Compensation Plan II and are fully vested.

(2) Upon termination, phantom stock units will be distributed over a two year period or immediately upon a change in control.

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Remarks:

PertainsÂ toÂ phantonÂ stockÂ acquiredÂ pursuantÂ toÂ aÂ dividendÂ reinvestmentÂ plan.Â Â TheÂ acquisitionÂ ofÂ the

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, *see* Instruction 6 for procedure.
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