

FARRELL MICHAEL A J
 Form 5
 February 15, 2011

FORM 5

**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).
 Form 3 Holdings Reported Form 4 Transactions Reported

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

1. Name and Address of Reporting Person *
 FARRELL MICHAEL A J

2. Issuer Name and Ticker or Trading Symbol
 ANNALY CAPITAL
 MANAGEMENT INC [NLY]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
 12/31/2010

Director 10% Owner
 Officer (give title below) Other (specify below)
 Pres., Chairman of Board & CEO

C/O: ANNALY CAPITAL
 MANAGEMENT, INC., 1211
 AVENUE OF THE AMERICAS,
 SUITE 2902

(Street)

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

6. Individual or Joint/Group Reporting

(check applicable line)

NEW YORK, NY 10036

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

(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) | (A) or (D) | Price | 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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|------------|-------|--|--|-----------------------------------|
| Common Stock | ^ | ^ | ^ | ^ | ^ | ^ | 2,230,367 | D | ^ |
| Class A Preferred Stock | ^ | ^ | ^ | ^ | ^ | ^ | 3,500 | D | ^ |
| | ^ | ^ | ^ | ^ | ^ | ^ | 3,500 ⁽¹⁾ | I | |

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| | | | | | | | | | | |
|-------------------------|---|---|---|---|---|---|----------------------|---|--|--|
| Class A Preferred Stock | | | | | | | | | | Michael Farrell C/F Taylor Carolyn Farrell |
| Class A Preferred Stock | Â | Â | Â | Â | Â | Â | 8,000 ⁽¹⁾ | I | | By daughter |
| Class A Preferred Stock | Â | Â | Â | Â | Â | Â | 8,200 ⁽¹⁾ | I | | By son |

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 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) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
| | | | | | (A) (D) | Date Exercisable Expiration Date | Title Amount or Number of Shares |
| Option to purchase Common Stock ⁽²⁾ | \$ 17.97 | Â | Â | Â | Â | 08/04/2004 08/04/2013 | Common Stock 200,000 |
| Option to purchase Common Stock ⁽²⁾ | \$ 17.39 | Â | Â | Â | Â | 04/19/2005 04/19/2014 | Common Stock 150,000 |
| Option to purchase Common Stock ⁽²⁾ | \$ 17.07 | Â | Â | Â | Â | 07/07/2006 07/07/2015 | Common Stock 150,000 |
| Option to purchase Common Stock ⁽²⁾ | \$ 15.7 | Â | Â | Â | Â | 05/17/2008 05/17/2017 | Common Stock 150,000 |

| | | | | | | | | | | |
|--|----------|---|---|---|---|---|------------|------------|--------------|---------|
| Option to purchase Common Stock ⁽²⁾ | \$ 16.46 | ^ | ^ | ^ | ^ | ^ | 05/08/2009 | 05/08/2018 | Common Stock | 200,000 |
| Option to purchase Common Stock ⁽²⁾ | \$ 15.61 | ^ | ^ | ^ | ^ | ^ | 09/19/2009 | 09/19/2018 | Common Stock | 170,000 |
| Option to purchase Common Stock ⁽²⁾ | \$ 13.25 | ^ | ^ | ^ | ^ | ^ | 04/22/2010 | 04/22/2019 | Common Stock | 400,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|------------------------------------|
| | Director | 10% Owner | Officer | Other |
| FARRELL MICHAEL A J C/O: ANNALY CAPITAL MANAGEMENT, INC. 1211 AVENUE OF THE AMERICAS, SUITE 2902 NEW YORK, NY 10036 | ^ X | ^ | ^ | ^ Pres., Chairman of Board & CEO ^ |

Signatures

/s/ Michael AJ Farrell 02/14/2011

^{**}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 reporting person disclaims beneficial ownership of these securities, and this report shall not be deemed an admission that the reporting person is the beneficial owner of such shares for purposes of Section 16 or for any other purpose.
- (2) Options previously granted.

Note: File three copies of this Form, one of which must be manually signed. If space provided 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.