

FARRELL MICHAEL A J  
 Form 4  
 August 31, 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 \*  
 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. Date of Earliest Transaction (Month/Day/Year)  
 08/30/2006

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

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

(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

NEW YORK, NY 10036

(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)
				(A) or (D) Price			
Common Stock					1,918,054	D	
Class A Preferred Stock					500	D	
Class A Preferred Stock	08/30/2006		P	200 <sup>(1)</sup> A \$ 24.4	200 <sup>(1)</sup>	I	Michael Farrell, C/F Taylor Carolyn

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Class A Preferred Stock	08/31/2006	P	<u>1,800</u> <sup>(1)</sup>	A	\$ 24.8	1,800 <u>(1)</u>	I	Farrell Michael Farrell, C/F Taylor Carolyn Farrell
Class A Preferred Stock	08/31/2006	P	<u>4,900</u> <sup>(1)</sup>	A	\$ 24.8	4,900 <u>(1)</u>	I	Michael Farrell, C/F Caitlin Farrell
Class A Preferred Stock	08/31/2006	P	<u>1,100</u> <sup>(1)</sup>	A	\$ 24.81	1,100 <u>(1)</u>	I	Michael Farrell, C/F Caitlin Farrell
Class A Preferred Stock	08/31/2006	P	<u>2,200</u> <sup>(1)</sup>	A	\$ 24.81	2,200 <u>(1)</u>	I	Michael Farrell, C/F Michael Edward Farrell

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

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(9-02)

**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. De	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option to purchase Common Stock <sup>(2)</sup>	\$ 8.13					07/31/1999	07/31/2008	Common Stock	56,900

Option to purchase Common Stock <sup>(2)</sup>	\$ 8.63	11/18/2000	11/18/2009	Common Stock	48,413
Option to purchase Common Stock <sup>(2)</sup>	\$ 7.94	11/29/2001	11/29/2010	Common Stock	30,000
Option to purchase Common Stock <sup>(2)</sup>	\$ 17.97	08/04/2004	08/04/2013	Common Stock	200,000
Option to purchase Common Stock <sup>(2)</sup>	\$ 17.39	04/20/2005	04/20/2014	Common Stock	150,000
Option to purchase Common Stock <sup>(2)</sup>	\$ 17.07	07/07/2006	07/07/2015	Common Stock	150,000
Option to purchase Common Stock <sup>(2)</sup>	\$ 11.72	02/13/2007	02/13/2016	Common Stock	150,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FARRELL MICHAEL A J C/O ANNALY MORTGAGE MANAGEMENT, INC. 1211 AVENUE OF THE AMERICAS, SUITE 2902 NEW YORK, NY 10036	X		Pres., Chair & CEO	

## Signatures

/s/ Michael A.J. Farrell                      08/31/2006

<sup>\*\*</sup>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.

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