

Armour Residential REIT, Inc.  
Form 424B5  
December 17, 2010

**Filed Pursuant to Rule 424(b)(5)**

**Registration No. 333-170646**

**PROSPECTUS SUPPLEMENT**

**(To Prospectus dated December 9, 2010)**

**3,850,000 Shares**

**Common Stock**

We are selling 3,850,000 shares of common stock as described in this prospectus supplement and the accompanying prospectus.

Our common stock and warrants are currently traded on the NYSE Amex, LLC, or NYSE Amex, under the symbols ARR and ARR.WS respectively. The closing price of our common stock on the NYSE Amex on December 16, 2010 was \$7.71 per share.

The underwriters have a 45-day option to purchase a maximum of 577,500 additional shares to cover over-allotments of shares, if any.

We have elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes, commencing with our taxable year ended December 31, 2009. To assist us in qualifying as a REIT, among other purposes, stockholders are generally restricted under our charter from beneficially owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock.

Our principal office is located at 3001 Ocean Drive, Suite 201, Vero Beach, Florida 32963. Our telephone number is (772) 617-4340.

**Investing in our securities involves risks. You should carefully consider the risks described under "*Risk Factors*" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q (which descriptions are incorporated by reference herein), as well as the other information contained or incorporated by reference in this prospectus supplement hereto and the accompanying prospectus before making a decision to invest in our securities.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Underwriting Discounts**

	<b>Price to Public</b>	<b>and Commissions</b>	<b>Proceeds to Us <sup>(1)</sup></b>
Per Share	\$ 7.50	\$ 0.38	\$ 7.12
Total	\$ 28,875,000	\$ 1,443,750	\$ 27,431,250

(1) Before deducting approximately \$250,000 in expenses payable by us

We are offering the shares of common stock for sale on a firm commitment basis. Ladenburg Thalmann & Co. Inc. , the representative of the underwriters in this offering, expects to deliver the shares of common stock to investors in the offering on or about December 22, 2010.

<b>Macquarie Capital</b>	<b>Ladenburg Thalmann &amp; Co. Inc.</b> <i>Lead Bookrunning Manager</i>	<b>Maxim Group LLC</b>
	<i>Co-Bookrunning Managers</i>	
<b>Boenning &amp; Scattergood Inc.</b>	<b>National Securities Corporation</b>	<b>Aegis Capital Corp.</b>

**The date of this prospectus is December 17, 2010**

**TABLE OF CONTENTS**

**PROSPECTUS SUPPLEMENT**

ABOUT THIS PROSPECTUS SUPPLEMENT	S-ii
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	S-iii
PROSPECTUS SUPPLEMENT SUMMARY	S-1
USE OF PROCEEDS	S-5
CAPITALIZATION	S-6
UNDERWRITING	S-7
LEGAL MATTERS	S-10
EXPERTS	S-10

**PROSPECTUS**

ABOUT THIS PROSPECTUS	1
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	2
ARMOUR RESIDENTIAL REIT, INC.	3
RISK FACTORS	5
USE OF PROCEEDS	5
RATIO OF EARNINGS TO FIXED CHARGES	5
DESCRIPTION OF CAPITAL STOCK	6
DESCRIPTION OF DEPOSITARY SHARES	11
DESCRIPTION OF DEBT SECURITIES	14
CERTAIN PROVISIONS OF THE MARYLAND GENERAL CORPORATION LAW AND OUR CHARTER AND BYLAWS	22
U.S. FEDERAL INCOME TAX CONSIDERATIONS	26
PLAN OF DISTRIBUTION	43
LEGAL MATTERS	47
EXPERTS	47
WHERE YOU CAN FIND MORE INFORMATION	47
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	47

**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**



## ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC or Commission, using a "shelf" registration process. This prospectus supplement contains specific information about us and the terms on which we are offering and selling shares of our common stock. To the extent that any statement made in this prospectus supplement is inconsistent with statements made in the prospectus, the statements made in the prospectus will be deemed modified or superseded by those made in this prospectus supplement. Before you purchase shares of our common stock, you should carefully read this prospectus supplement, the accompanying prospectus and the registration statement, together with the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

You should rely only on the information incorporated by reference or set forth in this prospectus supplement or the accompanying prospectus. We have not authorized anyone else to provide you with additional or different information. You should not assume that the information in this prospectus, the applicable prospectus supplement or any other offering material is accurate as of any date other than the dates on the front of those documents.

When used in this prospectus supplement or the accompanying prospectus, the terms ARMOUR, company, issuer, registrant, we, our, and us refer to ARMOUR Residential REIT, Inc., unless otherwise specified.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus contain various “forward-looking statements.” Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, would, could, should, seeks, approximately, intends, plans, projects, estimates or anticipates or the negative and phrases or similar words or phrases. All forward-looking statements may be impacted by a number of risks and uncertainties, including statements regarding the following subjects:

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our business and investment strategy;

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our anticipated results of operations;

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statements about future dividends;

.  
our ability to obtain financing arrangements;

.  
our understanding of our competition and ability to compete effectively;

.  
market, industry and economic trends; and

.  
interest rates.

The forward-looking statements in this prospectus supplement and the accompanying prospectus are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our securities, along with the following factors that could cause actual results to vary from our forward-looking statements:

(1)  
the factors referenced in this prospectus, including those set forth under the section captioned *Risk Factors* ;

(2)  
the federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the federal government;

(3)  
mortgage loan modification programs and future legislative action;

(4)  
availability, terms and deployment of capital;

(5)  
changes in economic conditions generally;

(6)  
changes in interest rates, interest rate spreads, the yield curve or prepayment rates;

(7)  
general volatility of the financial markets, including markets for mortgage securities;

(8)  
inflation or deflation;

(9)  
availability of suitable investment opportunities;

(10)  
the degree and nature of our competition, including competition for agency securities from the U.S. Treasury;

(11)  
changes in our business and investment strategy;

(12)  
our limited operating history;

(13)

our dependence on our manager and ability to find a suitable replacement if our manager were to terminate its management relationship with us;

(14)

the existence of conflicts of interest in our relationship with our manager, certain of our directors and our officers, which could result in decisions that are not in the best interest of our stockholders;

(15)

changes in personnel at our manager or the availability of qualified personnel at our manager;

(16)

limitations imposed on our business by our status as a REIT;

(17)

changes in GAAP, including interpretations thereof; and

(18)

changes in applicable laws and regulations.

We cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on forward-looking statements, which apply only as of the date of this prospectus. We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this report to reflect new information, future events or otherwise, except as required under the U.S. federal securities laws.



## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights the material information contained in this prospectus supplement. It does not contain all of the information that you should consider before investing in our common stock. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement. Except where the context suggests otherwise, references to we, us, ARMOUR or the Company are to ARMOUR Residential REIT, Inc. Except as otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriters' overallotment option.*

### Overview

We are a Maryland corporation that has elected to be a real estate investment trust, or REIT, for U.S. federal income tax purposes, commencing with our fiscal year ended December 31, 2009. We are externally managed by ARMOUR Residential Management LLC, or ARRM, an entity affiliated with our executive officers. We invest primarily in hybrid adjustable rate, adjustable rate and fixed rate residential mortgage-backed securities, or RMBS, issued or guaranteed by U.S. Government-chartered entities, which we refer to as Agency Securities. The entities issuing or guaranteeing the Agency Securities include:

·  
the Federal National Mortgage Association, commonly known as Fannie Mae;

·  
the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac; and

·  
the Government National Mortgage Administration, commonly known as Ginnie Mae.

From time to time, a portion of our portfolio may be invested in unsecured notes and bonds issued by U.S. Government-chartered entities, which we refer to as Agency Debt. Agency Debt includes:

·  
U.S. Treasuries; and

·  
money market instruments.

We seek attractive long-term investment returns by investing our equity capital and borrowed funds in our targeted asset class. We earn returns on the spread between the yield on our assets and our costs, including the interest cost of

the funds we borrow, after giving effect to our hedges.

When acquiring Agency Securities, we typically finance our acquisitions with borrowings under a series of short-term repurchase agreements at the most competitive interest rates available to us and then cost-effectively mitigate our interest rate and other risks based on our entire portfolio of assets, liabilities and derivatives and our management's view of the market. Successful implementation of this approach requires us to address and effectively mitigate interest rate risk and maintain adequate liquidity.

### **Follow-On Public Offerings**

On June 21, 2010, we completed an underwritten follow-on public offering of 5,110,000 shares of common stock at a price of \$6.75 per share. The net proceeds to us were approximately \$31.9 million, net of approximately \$2.6 million in expenses. We actively worked to deploy the proceeds from our follow-on public offering. As of June 30, 2010:

We invested all of the net proceeds from our follow-on public offering as well as monies that we borrowed under repurchase agreements to increase our investment portfolio to approximately \$477.6 million of Agency Securities.

We borrowed an aggregate of approximately \$334.7 million (an increase from year end of \$288.3 million) under our master repurchase agreements at a weighted average rate of 0.30% through an expanded group of seven investment banking firms and other lenders to achieve our targeted range of leverage ratios ..

We entered into hedging transactions through Eurodollar futures for a notional amount of approximately \$165.0 million, increasing our holdings to 1,990 individual futures contracts. The contracts are designed to mitigate the effects of increases in interest rates under a portion of our repurchase agreements.

On November 9, 2010, we completed an underwritten follow-on public offering of 4,600,000 shares of common stock at \$7.25 per share, including 600,000 shares of common stock issued pursuant to the full exercise of the underwriters' over-allotment option. Proceeds were approximately \$31.3 million, net of issuance costs of approximately \$2.0 million.

## **Corporate Information**

We were incorporated in the state of Maryland on February 5, 2008. On November 1, 2009, we consummated a business combination with Enterprise Acquisition Corp., a publicly traded blank check company formed for the purposes of acquiring an operating business. As a result of this transaction, which we refer to as the Business Combination, we became a publicly traded company.

Our principal offices are located at 3001 Ocean Drive, Suite 201, Vero Beach, Florida 32963. Our phone number is (772) 617-4340. Our website is [www.ARMOURREIT.com](http://www.ARMOURREIT.com). The contents of our website are not a part of this prospectus supplement or the accompanying prospectus. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus supplement or the accompanying prospectus.

S-2

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## The Offering

Common Stock Offered By Us	3,850,000 shares
Common stock to be outstanding after this Offering	15,864,054 shares

We also have outstanding redeemable warrants to purchase an aggregate of 32,500,000 shares of our common stock that are currently exercisable through November 7, 2013 at an exercise price of \$11.00 per share. These warrants likely will be exercised if the market price of the shares of our common stock equals or exceeds the warrant exercise price.

Use of Proceeds	We plan to use all of the net proceeds from this offering to acquire additional target assets, principally Agency Securities and Agency Debt, in accordance with our objectives and strategies described in this prospectus. See <i>Use of Proceeds</i> .
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Dividend Policy	<p>We intend to continue to make regular cash distributions to holders of our common stock consistent with maintaining our REIT qualification for U.S. federal income tax law purposes. To date, our distributions have been in the form of quarterly cash dividends. However, commencing in January 2011, we intend to declare and pay cash dividends to our stockholders on a monthly, rather than on a quarterly, basis.</p>
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On November 5, 2009, we declared a dividend of \$0.13 per share of common stock to stockholders of record as of October 5, 2009 and we paid the dividend in December 2009 and January 2010. On March 5, 2010, we declared a dividend of \$0.40 per share of common stock to stockholders of record as of March 15, 2010, and we paid the dividend on April 29, 2010. On May 25, 2010, we declared a dividend of \$0.40 per share of common stock to stockholders of record on June 3, 2010, which we paid on July 29, 2010. On September 14, 2010, we declared a dividend of \$0.36 per share of common stock to stockholders of record as of September 23, 2010, which we paid on October 29, 2010. On December 10, 2010, we declared a dividend of \$0.36 per share of common stock to stockholders of record as of December 20, 2010, to be paid on December 27, 2010. In addition, on December 10, 2010, we declared a monthly dividend of \$0.12 payable to stockholders

each month in the first fiscal quarter of 2011. For more information, see *Dividend Policy*.

Listing

Our common stock and warrants are currently traded on the NYSE Amex under the symbols ARR and ARR.WS, respectively.

Ownership Restrictions

To assist us in qualifying as a REIT, ownership of shares of our common stock by any person is limited, with certain exceptions, to 9.8% by value or by number of shares, whichever is more restrictive, of our outstanding shares of common stock. Our charter also provides for certain other ownership restrictions. We have granted waivers from the 9.8% charter restriction for certain equity holders where, based on representations, covenants and agreements received from such holders, we determined that such waivers would not jeopardize our status as a REIT.

Risk Factors

Investing in our securities involves risks. You should carefully consider the risks described under "*Risk Factors*" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q (which descriptions are incorporated by reference herein), as well as the other information contained or incorporated by reference in this prospectus or in any prospectus supplement hereto before making a decision to invest in our securities.

S-4

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### **USE OF PROCEEDS**

We are offering 3,850,000 shares of our common stock at a public offering price of \$7.50 per share. We estimate that the net proceeds we will receive from selling common stock in this offering will be approximately \$27,181,250 after deducting underwriting discounts and commissions payable by us and estimated offering expenses of approximately \$1,693,750.

We plan to use all the net proceeds from this offering above to acquire additional target assets in accordance with our objectives and strategies described in this prospectus. Our focus will be on purchasing Agency Securities and Agency Debt and other assets, subject to our investment guidelines and REIT qualification requirements. ARRM will make determinations as to the percentage of our assets that will be invested in each of our target assets. Its decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. Until appropriate assets can be identified, ARRM may invest the net proceeds from this offering in interest-bearing short-term investments, including funds that are consistent with our qualification as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from our target assets. Prior to the time we have fully used the net proceeds of this offering to acquire our target assets, we may fund our quarterly cash distributions out of such net proceeds.

**CAPITALIZATION**

The following table sets forth (1) our actual capitalization at September 30, 2010, (2) our capitalization on a pro forma basis to reflect the effect of the sale of 4,600,000 shares of our common stock in an underwritten public offering on November 4, 2010 at a public offering price of \$7.25 per share, after deducting the underwriting discount and estimated offering expenses paid by us, and (3) our pro forma capitalization as adjusted to reflect the effect of the sale of our common stock in this offering at a public offering price of \$7.50 per share, after deducting the underwriting discount and estimated offering expenses payable by us. You should read this table together with our consolidated financial statements and the accompanying notes, and *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Use of Proceeds* included elsewhere in the accompanying prospectus.

	<b>At September 30, 2010</b>		
	<b>Actual</b>	<b>Pro Forma</b>	<b>Pro Forma As Adjusted</b>
Cash	\$ 11,964,520	\$ 43,297,020	\$ 70,478,270
Stockholders' equity			
Common stock, \$0.001 par value; 250,000,000 shares authorized; 7,414,054 shares outstanding; 12,014,054 shares outstanding, on a pro forma basis to effect the sale of 4,600,000 shares on November 4, 2010; 15,864,054 shares outstanding, as adjusted for the sale of the 3,850,000 shares in this offering	7,414	12,014	15,864
Additional paid-in capital	54,702,873	86,030,773	113,208,173
Accumulated deficit	(6,562,624)	(6,562,624)	(6,562,624)
Accumulated other comprehensive income	5,887,887	5,887,887	5,887,887
Total capitalization	\$ 54,035,550	\$ 85,368,050	\$ 112,549,300



## UNDERWRITING

In accordance with the terms and conditions contained in the underwriting agreement, we have agreed to sell to each of the underwriters named below, and each of the underwriters, for which Ladenburg Thalmann & Co. Inc. is acting as the representative, has, severally, and not jointly, agreed to purchase from us on a firm commitment basis the shares offered in this offering set forth opposite their respective names below:

<b>Underwriters</b>	<b>Number of Shares</b>
Ladenburg Thalmann & Co. Inc.	1,950,000
Maxim Group LLC	840,000
Aegis Capital Corp.	400,000
Macquarie Capital (USA) Inc.	385,000
National Securities Corporation	240,000
Boenning and Scattergood Inc.	35,000
<b>Total</b>	<b>3,850,000</b>

A copy of the underwriting agreement has been filed as an exhibit to the registration statement of which this prospectus forms a part.

We have been advised by the representative of the underwriters that the underwriters propose to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus. Any shares sold by the underwriters to securities dealers will be sold at the public offering price less a selling concession not in excess of \$0.225 per share.

The underwriting agreement provides that the underwriters' obligations to purchase the shares are subject to conditions contained in the underwriting agreement. The underwriters are obligated to purchase and pay for all of the shares offered by this prospectus other than those covered by the over-allotment option, if any of these securities are purchased.

### Underwriting Discount

The following table summarizes the underwriting discount to be paid to the underwriters by us.

	<b>Total, Without Over-Allotment</b>	<b>Total, With Over-Allotment</b>
Underwriting discount to be paid to the underwriters by us for the shares (5% of gross proceeds)	\$ 1,443,750.00	\$ 1,660,312.50

We paid Ladenburg Thalmann & Co. Inc. an aggregate of \$234,419 in deferred underwriting discounts and commissions in connection with our merger with Enterprise. Such deferred underwriting discounts and commissions were previously included in the underwriting compensation paid to the underwriters in Enterprise's initial public offering.

We are not under any contractual obligation to engage any of the underwriters to provide investment banking, lending, asset management and financial advisory services to us in the future. If any of the underwriters provide such services to us after this offering, we may pay such underwriter fair and reasonable fees that would be determined at that time in an arm's length negotiation. However, we will not enter into any agreement with any of the underwriters, nor will we pay any fees for such services to any of the underwriters, prior to the date which is 90 days after the date of this offering, unless the Financial Industry Regulatory Authority determines that such payment would not be deemed underwriters' compensation in connection with the offering. We also paid to Ladenburg Thalmann & Co. Inc. an aggregate of \$1,727,124 in fees in connection with our follow-on public offering of 5,110,000 shares of common stock at a price of \$6.75 per share, which offering was completed on June 21, 2010, and an aggregate of \$1,667,500 in fees in connection with our follow-on offering of 4,600,000 shares of common stock at a price of \$7.25 per share, which offering was completed on November 9, 2010.

### **Over-Allotment Option**

We have granted to the underwriters an option, exercisable not later than 45 days after the date of this prospectus, to purchase up to 577,500 shares at the public offering price, less the underwriting discount, set forth on the cover page of this prospectus. The representative may exercise the option solely to cover over-allotments, if any, made in connection with this offering. If any additional shares are purchased pursuant to the over-allotment option, the underwriters will offer these additional shares on the same terms as those on which the other shares are being offered hereby.

## **Lock-Ups**

We have agreed that we will not (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase our common stock, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of our common stock, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in our common stock within the meaning of Section 16 of the Exchange Act or (v) file with the SEC a registration statement under the Securities Act relating to our common stock, or publicly disclose the intention to take any such action, without, in each case, the prior written consent of Ladenburg Thalmann & Co. Inc. for a period of 60 days after the date of this prospectus. However, we may, during this 60-day lock-up period, (a) grant common stock-based awards to our directors under our 2009 Stock Incentive Plan, (b) issue shares of our common stock upon the exercise of currently outstanding redeemable warrants to purchase an aggregate of 32,500,000 shares of our common stock, and (c) file any amendments to the registration statement on Form S-3, initially filed on November 17, 2010, of which this prospectus supplement forms a part.

Each of our directors and executive officers have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Ladenburg Thalmann & Co. Inc. for a period of 60 days after the date of this prospectus. Ladenburg Thalmann & Co. Inc. has waived the "lock-up" requirements with respect to 140,000 shares of common stock held by Staton Bell Blank Check LLC, an affiliate of our directors Daniel C. Staton and Marc H. Bell, and has granted a written consent to Mr. Staton and Mr. Bell to sell or transfer those shares through December 31, 2010. However, each of our directors and executive officers may transfer or dispose of our shares during this 60-day lock-up period, provided, that (i) such transfer shall not involve a disposition for value, (ii) the transferee agrees to be bound in writing by the restrictions set forth in this paragraph for the remainder of the 60-day lock-up period prior to such transfer, and (iii) no filing by the transferor or transferee under the Exchange Act is required or voluntarily made in connection with such transfer (other than a filing on a Form 5 made after the expiration of the 60-day lock-up period).

## **Stabilization, Short Positions and Penalty Bids**

The underwriters may engage in over-allotment, syndicate covering transactions, stabilizing transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of our common stock:

Over-allotment involves sales by the underwriters of shares and/or warrants in excess of the number of shares and warrants the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares and/or warrants over-allotted by an underwriter is not greater than the number of shares and/or warrants that it may purchase in the over-allotment option. In a naked short position, the number of shares and/or warrants involved is greater than the number of shares and/or warrants in the over-allotment option. An underwriter may close out any short position by exercising its over-allotment option, in whole or in part, or purchasing shares and/or warrants in the open market.

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Syndicate covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of securities needed to close out the short position, the representative will consider, among other things, the price of the securities available for purchase in the open market as compared to the price at which it may purchase the securities through the over-allotment option. If the underwriters sell more securities than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying securities in the open market. A naked short position is more likely to be created if the representative is concerned that there could be downward pressure on the price of the securities in the open market after pricing that could adversely affect investors who purchase in the offering.

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Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum.

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Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the securities originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These syndicate covering transactions, stabilizing transactions and penalty bids may have the effect of raising or maintaining the market prices of our securities or preventing or retarding a decline in the market prices of our securities. As a result, the price of our common stock and warrants may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE Amex, in the over-the-counter market or on any trading market and, if commenced, may be discontinued at any time.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of our securities. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transactions, once commenced, will not be discontinued without notice.

### **Indemnification**

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make with respect to any of these liabilities.

This prospectus supplement and the accompanying prospectus in electronic format may be made available on websites maintained by the underwriter as selling group member, and the underwriter or selling group member may distribute prospectus supplements electronically.

## LEGAL MATTERS

Certain legal matters will be passed upon for us by Akerman Senterfitt, Miami, Florida. In addition, the description of U.S. federal income tax consequences contained in the section of the accompanying prospectus to this prospectus supplement entitled *U.S. Federal Income Tax Considerations* is based on the opinion of Akerman Senterfitt, Miami, Florida. Certain legal matters relating to this offering will be passed upon for the underwriters by Graubard Miller, New York, New York.

## EXPERTS

The consolidated financial statements of ARMOUR Residential REIT, Inc. and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2009 and 2008 and for the period from July 9, 2007 (inception) through December 31, 2007 have been audited by EisnerAmper LLP (formerly Eisner LLP), independent registered public accounting firm, as stated in their report, which report is included in this registration statement and prospectus in reliance upon the report of EisnerAmper LLP, given upon their authority as experts in accounting and auditing.

**PROSPECTUS**

**ARMOUR Residential REIT, Inc.**

**\$500,000,000**

**Common Stock**

**Preferred Stock**

**Warrants**

**Debt Securities**

**Depository Shares**

We may offer, issue and sell, from time to time, up to an aggregate of \$500,000,000 of shares of our common stock, preferred stock, warrants, depository shares and debt securities, which may consist of debentures, notes, or other types of debt, in one or more offerings. We will provide specific terms of each issuance of these securities in supplements to this prospectus. We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. You should read this prospectus and any supplement carefully before you decide to invest. This prospectus may not be used to consummate sales of these securities unless it is accompanied by a prospectus supplement.

Our common stock and warrants are listed on the NYSE Amex under the symbols **ARR** and **ARR.WS**, respectively.

We have elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes, commencing with our taxable year ended December 31, 2009. To assist us in qualifying as a REIT, among other purposes, stockholders are generally restricted under our charter from beneficially owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock.

Our principal office is located at 3001 Ocean Drive, Suite 201, Vero Beach, Florida 32963. Our telephone number is (772) 617-4340.

**Investing in our securities involves risks. You should carefully consider the information referred to under the heading *Risk Factors* beginning on page 6 of this prospectus before you invest.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is December 9, 2010**

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## TABLE OF CONTENTS

ABOUT THIS PROSPECTUS	1
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	2
ARMOUR RESIDENTIAL REIT, INC.	3
RISK FACTORS	5
USE OF PROCEEDS	5
RATIO OF EARNINGS TO FIXED CHARGES	5
DESCRIPTION OF CAPITAL STOCK	6
DESCRIPTION OF DEPOSITARY SHARES	11
DESCRIPTION OF DEBT SECURITIES	14
CERTAIN PROVISIONS OF THE MARYLAND GENERAL CORPORATION LAW AND OUR CHARTER AND BYLAWS	22
U.S. FEDERAL INCOME TAX CONSIDERATIONS	26
PLAN OF DISTRIBUTION	43
LEGAL MATTERS	47
EXPERTS	47
WHERE YOU CAN FIND MORE INFORMATION	47
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	47

**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC or Commission, using a shelf registration process. Under this shelf registration process, we may sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we offer to sell securities, we will provide a supplement to this prospectus that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. It is important for you to consider the information contained in this prospectus and any prospectus supplement together with additional information described under the headings *Where You Can Find More Information* and *"Incorporation of Certain Documents by Reference."*

You should rely only on the information incorporated by reference or set forth in this prospectus or the applicable prospectus supplement. We have not authorized anyone else to provide you with additional or different information.

You should not assume that the information in this prospectus, the applicable prospectus supplement or any other offering material is accurate as of any date other than the dates on the front of those documents.

When used in this prospectus, the terms **ARMOUR**, **company**, **issuer**, **registrant**, **we**, **our**, and **us** refer to **Armour Residential REIT, Inc.**, unless otherwise specified.

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains various “forward-looking statements.” Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, would, could, should, seeks, approves, intends, plans, projects, estimates or anticipates or the negative of these words and phrases or similar words or phrases. All forward-looking statements may be impacted by a number of risks and uncertainties, including statements regarding the following subjects:

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our business and investment strategy;

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our anticipated results of operations;

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statements about future dividends;

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our ability to obtain financing arrangements;

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our understanding of our competition and ability to compete effectively;

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market, industry and economic trends; and

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interest rates.

The forward-looking statements in this prospectus are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our securities, along with the following factors that could cause actual results to vary from our forward-looking statements:

(1)

the factors referenced in this prospectus, including those set forth under the section captioned "*Risk Factors*";

(2)

the federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the federal government;

(3)

mortgage loan modification programs and future legislative action;

(4)

availability, terms and deployment of capital;

(5)

changes in economic conditions generally;

(6)

changes in interest rates, interest rate spreads, the yield curve or prepayment rates;

(7)

general volatility of the financial markets, including markets for mortgage securities;

(8)

inflation or deflation;

(9)

availability of suitable investment opportunities;

(10)

the degree and nature of our competition, including competition for agency securities from the U.S. Treasury;

(11)

changes in our business and investment strategy;

(12)

our limited operating history;

(13)

our dependence on our manager and ability to find a suitable replacement if our manager were to terminate its management relationship with us;

(14)

the existence of conflicts of interest in our relationship with our manager, certain of our directors and our officers, which could result in decisions that are not in the best interest of our stockholders;

(15)

changes in personnel at our manager or the availability of qualified personnel at our manager;

(16)

limitations imposed on our business by our status as a REIT;

(17)

changes in GAAP, including interpretations thereof; and

(18)

changes in applicable laws and regulations.

We cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on forward-looking statements, which apply only as of the date of this prospectus. We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this report to reflect new information, future events or otherwise, except as required under the U.S. federal securities laws.

## ARMOUR RESIDENTIAL REIT, INC.

### Overview

We are a Maryland corporation that has elected to be a real estate investment trust, or REIT, for U.S. federal income tax purposes, commencing with our fiscal year ended December 31, 2009. We are externally managed by ARMOUR Residential Management LLC, or ARRM, an entity affiliated with our executive officers. We invest primarily in hybrid adjustable rate, adjustable rate and fixed rate residential mortgage-backed securities, or RMBS, issued or guaranteed by U.S. Government-chartered entities, which we refer to as Agency Securities. The entities issuing or guaranteeing the Agency Securities include:

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the Federal National Mortgage Association, commonly known as Fannie Mae;

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the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac; and

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the Government National Mortgage Administration, commonly known as Ginnie Mae.

From time to time, a portion of our portfolio may be invested in unsecured notes and bonds issued by U.S. Government-chartered entities, which we refer to as Agency Debt. Agency Debt includes:

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U.S. Treasuries; and

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money market instruments.

We seek attractive long-term investment returns by investing our equity capital and borrowed funds in our targeted asset class. We earn returns on the spread between the yield on our assets and our costs, including the interest cost of the funds we borrow, after giving effect to our interest rate mitigation strategies, which include investment and derivatives.

When acquiring Agency Securities, we typically finance our acquisitions with borrowings under a series of short-term repurchase agreements at the most competitive interest rates available to us and then cost-effectively mitigate our interest rate and other risks based on our entire portfolio of assets, liabilities and derivatives and our management's view of the market. Successful implementation of this approach requires us to address and effectively mitigate interest rate risk and maintain adequate liquidity.

### Our Manager

We are externally managed by ARRM, a Delaware limited liability company, pursuant to a management agreement between us and ARRM. As an externally-managed company, we depend on the diligence, experience and skill of ARRM for the selection, acquisition, structuring, interest rate risk mitigation and monitoring of our Agency Securities, Agency Debt and associated borrowings. We do not have any employees whom we compensate directly with salaries or other compensation. ARRM currently has six full-time employees.

The management agreement requires ARRM to manage our business affairs in conformity with certain restrictions contained therein, including any material operating policies adopted by us. ARRM's role as manager is subject to the direction and oversight of our board of directors. ARRM is responsible for:

.  
advising us with respect to, arranging for, and managing the acquisition, financing, management and disposition of, our investments;

.  
evaluating the duration and prepayment risk of our investments and arranging borrowing and interest rate risk mitigation strategies; and

.  
coordinating our capital raising activities.

In conducting these activities, ARRM also advises us on the formulation of, and implements, our operating strategies and policies, arranges for our acquisition of assets, monitors the performance of our assets, arranges for various types of financing and interest rate risk mitigation strategies, and provides administrative and managerial services in connection with our day-to-day operations, as may be required from time to time for our management and our assets (other than assets solely being managed by any other manager).

## **Operating and Regulatory Structure**

### **REIT Qualification**

We have elected to qualify and be taxed as a REIT under the Internal Revenue Code, or the Code. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our manner of operations and corporate structure and stockholder ownership enables us to meet on a continuing basis the requirements for taxation as a REIT for federal income tax purposes. As a REIT, we are generally not subject to federal income tax on the REIT taxable income that we distribute to our stockholders currently. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to federal income tax at regular corporate rates. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to some federal, state and local taxes on our income.

### **1940 Act Exemption**

We conduct our business so as not to become regulated as an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act. If we were to fall within the definition of an investment company, we would be unable to conduct our business as described in this prospectus.

### **Restrictions on Ownership of our Common Stock**

To assist us in complying with the REIT limitations on the concentration of ownership imposed by the Code, among other purposes, our charter prohibits, with certain exceptions, any stockholder from beneficially or constructively owning, applying certain attribution rules under the Code (including deemed ownership of shares underlying warrants or options to purchase stock), more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock. Our board of directors may, in its sole discretion, waive the 9.8% ownership limit in certain circumstances. Currently, there are holders of our capital stock and/or warrants whose ownership exceeds the thresholds set forth in our charter. We have granted waivers from the 9.8% charter restriction for holders where, based on representations, covenants and agreements received from such holders, we determined that such waivers would not jeopardize our status as a REIT.

### **Dividend Policy**

In order to maintain our qualification as a REIT for U.S. federal income tax purposes, we are required to distribute at least 90% of our annual REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. Accordingly, we pay cash dividends of all or substantially all of our taxable income to holders of our common stock out of assets legally available for such purposes. We are not restricted from using the proceeds of equity or debt offerings to pay dividends, but we do not intend to do so. The timing and amount of any dividends we pay to holders of our common stock will be at the discretion of our board of directors and will depend upon various factors, including our earnings and financial condition, maintenance of REIT status, applicable provisions of the Maryland General Corporation Law, or MGCL, and such other factors as our board of directors deems relevant.

### **Corporate Information**

We were incorporated in the state of Maryland on February 5, 2008. On November 1, 2009, we consummated a business combination with Enterprise Acquisition Corp., a publicly traded blank check company formed for the



purposes of acquiring an operating business. As a result of this transaction, which we refer to as the Business Combination, we became a publicly traded company.

Our principal offices are located at 3001 Ocean Drive, Suite 201, Vero Beach, Florida 32963. Our phone number is (772) 617- 4340. Our website is [www.ARMOURREIT.com](http://www.ARMOURREIT.com). The contents of our website are not a part of this prospectus. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus.

## RISK FACTORS

Investing in our securities involves risks. You should carefully consider the risks described under “*Risk Factors*” in our most recent Annual Report on Form 10–K and any subsequent Quarterly Reports on Form 10–Q (which descriptions are incorporated by reference herein), as well as the other information contained or incorporated by reference in this prospectus or in any prospectus supplement hereto before making a decision to invest in our securities. See *Where You Can Find More Information* and “*Incorporation of Certain Documents by Reference*” below.

## USE OF PROCEEDS

Unless otherwise indicated in an accompanying prospectus supplement, we intend to use all the net proceeds from the sale of the securities offered by this prospectus and the related accompanying prospectus supplement to acquire additional target assets in accordance with our objectives and strategies described in our most recent Annual Report on Form 10-K and other filings with the SEC. Our focus will be on purchasing Agency Securities and Agency Debt and other assets, subject to our investment guidelines and REIT qualification requirements. ARRM will make determinations as to the percentage of our assets that will be invested in each of our target assets. Its decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. Until appropriate assets can be identified, ARRM may invest the net proceeds from this offering in interest-bearing short- term investments, including funds that are consistent with our qualification as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from our target assets. Prior to the time we have fully used the net proceeds of this offering to acquire our target assets, we may fund our quarterly cash distributions out of such net proceeds.

## RATIO OF EARNINGS TO FIXED CHARGES

(dollars in thousands)	Year Ended December 31					
	Nine Months					
	Ended					
	September 30,					
	2010	2009	2008	2007	2006	2005
Net income (loss) attributable to common stockholders	\$ (853)	\$ (2,350)	\$ 487	\$ 867	\$ -	\$ -
Additional fixed charge						
(interest expense)	\$ 680	\$ 14	\$ -	\$ -	\$ -	\$ -
Earnings adjusted	\$ (173)	\$ (2,336)	\$ 487	\$ 867	\$ -	\$ -
Ratio of earnings to fixed charges	(0.25)	NM <sup>(1)</sup>	NM <sup>(1)</sup>	NM <sup>(1)</sup>	NM <sup>(1)</sup>	NM <sup>(1)</sup>

<sup>(1)</sup> Enterprise Acquisition Corp., the accounting acquirer in the merger with ARMOUR completed on November 6, 2009, was formed on July 9, 2007 as a development stage company with no operations. Prior to November 6, 2009, the ratio of earnings to fixed charges is not a meaningful measure.

## **DESCRIPTION OF CAPITAL STOCK**

*The following is a summary of the rights and preferences of our capital stock. While we believe that the following description covers the material terms of our capital stock, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire prospectus, our charter and bylaws and the other documents we refer to for a more complete understanding of our capital stock. Copies of our charter and byl*