

Edgar Filing: MFA FINANCIAL, INC. - Form SC 13G/A

MFA FINANCIAL, INC.
Form SC 13G/A
February 16, 2010

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 2)*

MFA FINANCIAL, INC.

(Name of Issuer)

Common Stock, par value \$0.01

(Title of Class of Securities)

55272X102

(CUSIP Number)

December 31, 2009

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[] Rule 13d-1(b)

[X] Rule 13d-1(c)

[] Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Continued on following pages
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SCHEDULE 13G

CUSIP No.: 55272X102

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Edgar Filing: MFA FINANCIAL, INC. - Form SC 13G/A

.....
1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

SAB CAPITAL PARTNERS, L.P.

.....
2. Check the Appropriate Box if a Member of a Group

(a)

(b)

.....
3. SEC Use Only

.....
4. Citizenship or Place of Organization

Delaware

Number of	5. Sole Voting Power	- 0 -
Shares
Beneficially	6. Shared Voting Power	1,403,094
Owned by Each
Reporting	7. Sole Dispositive Power	- 0 -
Person With
	8. Shared Dispositive Power	1,403,094

.....
9. Aggregate Amount Beneficially Owned by Each Reporting Person

1,403,094

.....
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

.....
11. Percent of Class Represented by Amount in Row (9)

0.50% based on 280,371,277 shares outstanding.

.....
12. Type of Reporting Person:

PN

SCHEDULE 13G

CUSIP No.: 55272X102

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.....
1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

SAB CAPITAL PARTNERS II, L.P.

.....
2. Check the Appropriate Box if a Member of a Group

(a)

(b)

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.....
 3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

Number of Shares	5. Sole Voting Power	- 0 -
------------------	----------------------	-------

Beneficially Owned by Each Reporting Person With	6. Shared Voting Power	38,105
--	------------------------	--------

	7. Sole Dispositive Power	- 0 -
--	---------------------------	-------

	8. Shared Dispositive Power	38,105
--	-----------------------------	--------

.....
 9. Aggregate Amount Beneficially Owned by Each Reporting Person

38,105

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

[]

11. Percent of Class Represented by Amount in Row (9)

0.01% based on 280,371,277 shares outstanding.

12. Type of Reporting Person:

PN

SCHEDULE 13G

CUSIP No.: 55272X102

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.....
 1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

SAB OVERSEAS MASTER FUND, L.P.

2. Check the Appropriate Box if a Member of a Group

(a) [X]

(b) []

3. SEC Use Only

4. Citizenship or Place of Organization

Cayman Islands

Number of Shares	5. Sole Voting Power	- 0 -
------------------	----------------------	-------

Beneficially Owned by Each Reporting Person With	6. Shared Voting Power	499,216
--	------------------------	---------

	7. Sole Dispositive Power	- 0 -
--	---------------------------	-------

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11. Percent of Class Represented by Amount in Row (9)

0.69% based on 280,371,277 shares outstanding.

12. Type of Reporting Person:

OO

SCHEDULE 13G

CUSIP No.: 55272X102

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1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

SAB CAPITAL MANAGEMENT, L.P.

2. Check the Appropriate Box if a Member of a Group

(a)

(b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

Number of	5. Sole Voting Power	- 0 -
Shares	6. Shared Voting Power	1,940,415
Beneficially	7. Sole Dispositive Power	- 0 -
Owned by Each	8. Shared Dispositive Power	1,940,415
Reporting		
Person With		

9. Aggregate Amount Beneficially Owned by Each Reporting Person

1,940,415

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

0.69% based on 280,371,277 shares outstanding.

12. Type of Reporting Person:

PN

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1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

SAB CAPITAL MANAGEMENT, L.L.C.

2. Check the Appropriate Box if a Member of a Group

(a)

(b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

Number of	5. Sole Voting Power	- 0 -
Shares	6. Shared Voting Power	1,940,415
Beneficially	7. Sole Dispositive Power	- 0 -
Owned by Each	8. Shared Dispositive Power	1,940,415
Reporting		
Person With		

9. Aggregate Amount Beneficially Owned by Each Reporting Person

1,940,415

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

0.69% based on 280,371,277 shares outstanding.

12. Type of Reporting Person:

OO

SCHEDULE 13G

CUSIP No.: 55272X102

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1. Names of Reporting Persons.

I.R.S. Identification Nos. of above persons (entities only).

SCOTT A. BOMMER

2. Check the Appropriate Box if a Member of a Group

(a)

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(b) []

3. SEC Use Only

4. Citizenship or Place of Organization

United States of America

Number of Shares Beneficially Owned by Each Reporting Person With	5. Sole Voting Power	- 0 -
	6. Shared Voting Power	1,940,415
	7. Sole Dispositive Power	- 0 -
	8. Shared Dispositive Power	1,940,415

9. Aggregate Amount Beneficially Owned by Each Reporting Person

1,940,415

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

[]

11. Percent of Class Represented by Amount in Row (9)

0.69% based on 280,371,277 shares outstanding.

12. Type of Reporting Person:

IN

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Item 1(a). Name of Issuer:

MFA Financial, Inc. (the "Issuer").

Item 1(b). Address of Issuer's Principal Executive Offices:

350 Park Avenue, 21st Floor, New York, NY 10022

Item 2(a). Name of Person Filing:

This Statement is filed on behalf of each of the following persons (collectively, the "Reporting Persons"):

i) SAB Capital Partners, L.P. ("SAB");

ii) SAB Capital Partners II, L.P. ("SAB II", and together with SAB, the "Domestic Partnerships");

iii) SAB Overseas Master Fund, L.P. (the "Master Fund");

iv) SAB Capital Advisors, L.L.C. (the "General Partner");

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- v) SAB Capital Management, L.P. (the "Investment Manager");
- vi) SAB Capital Management, L.L.C. (the "IMGP"); and
- vii) Scott A. Bommer ("Mr. Bommer").

This Statement relates to Shares (as defined herein) held for the accounts of each of SAB, SAB II, and the Master Fund. The General Partner serves as the general partner of each of the Domestic Partnerships and the Master Fund. The Investment Manager serves as the investment manager of each of the Domestic Partnerships and the Master Fund. The IMGP serves as the general partner of the Investment Manager. Mr. Bommer serves as the managing member of each of the General Partner and the IMGP.

Any disclosures herein with respect to persons other than the Reporting Persons are made on information and belief after making inquiry to the appropriate party.

Item 2(b). Address of Principal Business Office or, if None, Residence:

The address of the principal business office of each of the Reporting Persons is 767 Fifth Avenue, 21st Floor, New York, New York 10153.

Item 2(c). Citizenship:

- i) SAB is a Delaware limited partnership;
- ii) SAB II is a Delaware limited partnership;

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iii) The Master Fund is a Cayman Islands exempted limited partnership;

- iv) The General Partner is a Delaware limited liability company;
- v) The Investment Manager is a Delaware limited partnership;
- vi) The IMGP is a Delaware limited liability company; and
- vii) Mr. Bommer is a citizen of the United States of America.

Item 2(d). Title of Class of Securities:

Common Stock, par value \$0.01 (the "Shares")

Item 2(e). CUSIP Number:

55272X102

Item 3. If This Statement is Filed Pursuant to ss.ss.240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

This Item 3 is not applicable.

Item 4. Ownership:

Item 4(a). Amount Beneficially Owned

As of December 31, 2009:

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(a) SAB may be deemed to be the beneficial owner of 1,403,094 Shares held for its account;

(b) SAB II may be deemed to be the beneficial owner of 38,105 Shares held for its account;

(c) The Master Fund may be deemed to be the beneficial owner of 499,216 Shares held for its account; and

(d) Each of the General Partner, Investment Manager, the IMGPA and Mr. Bommer may be deemed to be the beneficial owner of 1,940,415 Shares held for the accounts of each of SAB, SAB II, and the Master Fund. This amount includes: A) 1,403,094 Shares held for the account of SAB; B) 38,105 Shares held for the account of SAB II; and C) 499,216 Shares held for the account of the Master Fund.

Item 4(b). Percent of Class:

(a) As of December 31, 2009, the number of Shares SAB may be deemed to be the beneficial owner of constitutes approximately 0.50% of the 280,371,277 total number of Shares outstanding. (Based upon information provided by the Issuer in its most recently filed quarterly report on Form 10-Q there were approximately 280,371,277 Shares outstanding as of November 2, 2009).

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(b) As of December 31, 2009, the number of Shares SAB II may be deemed to be the beneficial owner of constitutes approximately 0.01% of the 280,371,277 total number of Shares outstanding. (Based upon information provided by the Issuer in its most recently filed quarterly report on Form 10-Q there were approximately 280,371,277 Shares outstanding as of November 2, 2009).

(c) As of December 31, 2009, the number of Shares the Master Fund may be deemed to be the beneficial owner of constitutes approximately 0.18% of the 280,371,277 total number of Shares outstanding. (Based upon information provided by the Issuer in its most recently filed quarterly report on Form 10-Q there were approximately 280,371,277 Shares outstanding as of November 2, 2009).

(d) As of December 31, 2009, the number of Shares the General Partner, the Investment Manager, the IMGPA and Mr. Bommer may be deemed to be the beneficial owner of constitutes approximately 0.69% of the 280,371,277 total number of Shares outstanding. (Based upon information provided by the Issuer in its most recently filed quarterly report on Form 10-Q there were approximately 280,371,277 Shares outstanding as of November 2, 2009).

Item 4(c). Number of Shares of which such person has:

SAB:

(i) Sole power to vote or direct the vote:	0
(ii) Shared power to vote or direct the vote:	1,403,094
(iii) Sole power to dispose or direct the disposition of:	0
(iv) Shared power to dispose or direct the disposition of:	1,403,094

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SAB II:

(i) Sole power to vote or direct the vote:	0
(ii) Shared power to vote or direct the vote:	38,105
(iii) Sole power to dispose or direct the disposition of:	0
(iv) Shared power to dispose or direct the disposition of:	38,105

The Master Fund:

(i) Sole power to vote or direct the vote:	0
(ii) Shared power to vote or direct the vote:	499,216
(iii) Sole power to dispose or direct the disposition of:	0
(iv) Shared power to dispose or direct the disposition of:	499,216

The General Partner, Investment Manager, the IMGP and Mr. Bommer:

(i) Sole power to vote or direct the vote:	0
(ii) Shared power to vote or direct the vote:	1,940,415
(iii) Sole power to dispose or direct the disposition of:	0
(iv) Shared power to dispose or direct the disposition of:	1,940,415

Item 5. Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following /X/.

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Item 6. Ownership of More than Five Percent on Behalf of Another Person:

This Item 6 is not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company:

This Item 7 is not applicable.

Item 8. Identification and Classification of Members of the Group:

See disclosure in Item 2 hereof.

Item 9. Notice of Dissolution of Group:

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This Item 9 is not applicable.

Item 10. Certification:

By signing below each of the Reporting Persons certifies that, to the best of their knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 16, 2010

/s/ Brian Jackelow

Brian Jackelow, attorney-in-fact for Scott A. Bommer, individually and (a) as managing member of SAB Capital Advisors, L.L.C., for itself and as the general partner of (i) SAB Capital Partners, L.P.; and (ii) SAB Capital Partners II, L.P.; and (iii) SAB Overseas Master Fund, L.P.; and (b) as managing member of SAB Capital Management, L.L.C., for itself and as the general partner of SAB Capital Management, L.P.

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EXHIBIT 1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENT, that I, Scott A. Bommer, hereby make, constitute and appoint each of Michael Casey, Brian Jackelow and Alessandro De Giorgis, acting individually, as my agent and attorney-in-fact for the purpose of executing in my name, (a) in my personal capacity or (b) in my capacity as managing member of or in other capacities with SAB Capital Advisors, L.L.C., a Delaware limited liability company, and each of its affiliates or entities advised or controlled by me or SAB Capital Advisors, L.L.C., all documents, certificates, instruments, statements, filings and agreements ("documents") to be filed with or delivered to any foreign or domestic governmental or regulatory body or required or requested by any other person or entity pursuant to any legal or regulatory requirement relating to the acquisition, ownership, management or disposition of securities, futures contracts or other investments, and any other documents relating or ancillary thereto, including, without limitation, all documents relating to filings with the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as

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amended (the "Act"), and the rules and regulations promulgated thereunder, including, without limitation: (1) all documents relating to the beneficial ownership of securities required to be filed with the SEC pursuant to Section 13(d) or Section 16(a) of the Act, including, without limitation: (a) any acquisition statements on Schedule 13D or Schedule 13G and any amendments thereto, (b) any joint filing agreements pursuant to Rule 13d-1(k), and (c) any initial statements of, or statements of changes in, beneficial ownership of securities on Form 3, Form 4 or Form 5 and (2) any information statements on Form 13F required to be filed with the SEC pursuant to Section 13(f) of the Act.

All past acts of these attorneys-in-fact in furtherance of the foregoing are hereby ratified and confirmed.

This Power of Attorney shall remain in effect until revoked, in writing, by the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, this 9th day of August 2006.

/s/ Scott A. Bommer

Scott A. Bommer

ber 30, 2006, and the changes in its net assets available for benefits (modified cash basis) for the year then ended, on the basis of accounting as described in Note 2.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of September 30, 2006 is presented for purposes of additional analysis and is not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 27, 2007

To the Board of Trustees

Beacon Sales Acquisition, Inc.

401(k) Profit Sharing Plan

Peabody, Massachusetts

Independent Auditors Report

We were engaged to audit the statement of net assets available for benefits (modified cash basis) of Beacon Sales Acquisition, Inc. 401(k) Profit Sharing Plan as of September 30, 2005 as listed in the accompanying Table of Contents. This statement of net assets available for benefits is the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Capital Bank and Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the statement of net assets available for benefits. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of September 30, 2005, that the information provided to the Plan administrator by the trustee is complete and accurate.

As described in Note 2, this statement of net assets available for benefits was prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying statement of net assets available for benefits (modified cash basis) taken as a whole. The form and content of the information included in the statement of net assets available for benefits (modified cash basis), other than that derived from the information certified by the trustee, has been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

/s/ Feeley & Driscoll, P.C.

Boston, Massachusetts

April 28, 2006

BEACON SALES ACQUISITION, INC. 401(K) PROFIT SHARING PLAN

Statements of Net Assets Available for Benefits (Modified Cash Basis)

September 30, 2006 and 2005

	2006	2005
Assets:		
Mutual funds	\$ 44,770,721	\$ 37,370,947
Common/collective trusts	7,409,577	6,509,834
Participant loans	1,786,020	1,537,610
Employer securities	554,526	
Net assets available for benefits	\$ 54,520,844	\$ 45,418,391

See accompanying notes.

BEACON SALES ACQUISITION, INC. 401(K) PROFIT SHARING PLAN

Statement of Changes in Net Assets Available for Benefits (Modified Cash Basis)

Year ended September 30, 2006

Additions:	
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of mutual funds	\$ 3,151,898
Interest and dividends	1,679,498
	4,831,396
Contributions:	
Employer	3,373,372
Participants	3,594,358
Rollovers	509,763
	7,477,493
Total additions	12,308,889
Deductions:	
Deductions from net assets attributed to:	
Benefits paid to participants	3,186,951
Transfers to affiliated plan	2,629
Loan fees paid by loan recipients	16,856
Total deductions	3,206,436
Net increase	9,102,453
Net assets available for benefits:	
Beginning of year	45,418,391
End of year	\$ 54,520,844

See accompanying notes.

BEACON SALES ACQUISITION, INC. 401(K) PROFIT SHARING PLAN

Notes to Financial Statements (Modified Cash Basis)

September 30, 2006

Note 1 - Description of Plan

The following description of Beacon Sales Acquisition, Inc. 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan Document, including the Adoption Agreement, for more complete information. The Plan Sponsor is Beacon Sales Acquisition, Inc. (the Company).

General - The Plan is a defined contribution plan covering all non-union employees of the Company who have completed ninety (90) days of service with the Company and are age twenty-one (21) or older. All employees covered by a collective bargaining agreement are excluded from participation. All employees who are non-resident aliens are excluded from participation as well. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

As of September 1, 2005, the assets of JGA Beacon, Inc. 401(k) Profit Sharing Plan (the JGA Plan) were transferred into the Plan. All participants in the JGA Plan became participants in the Beacon Sales Acquisition, Inc. 401(k) Profit Sharing Plan.

Contributions - Each year, participants may contribute up to one hundred percent (100%) of their pre-tax annual compensation as defined in the Plan, subject to Internal Revenue Code (IRC) limitations (\$15,000 for 2006). Individuals who are age fifty (50) or older and who contribute the maximum federal limit are eligible to make an additional contribution called a catch-up contribution . The allowed maximum catch-up contribution for 2006 was \$5,000. Participants may also contribute amounts representing rollover distributions from other qualified plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers thirteen (13) mutual funds, one (1) common/collective trust fund, and the stock of the Company as investment options. All Company contributions are determined at the discretion of the Company s board of directors. For the years ended September 30, 2006 and 2005, the Company made matching contributions equal to the lesser of fifty percent (50%) of the participant s elective contribution or three percent (3%) of the participant s pre-tax eligible compensation. Additional amounts associated with profit sharing were contributed in those years and may be contributed in the future at the discretion of the Company s board of directors. These discretionary profit-sharing contributions totaled \$2,309,087 during the year ended September 30, 2006. Contributions are subject to certain IRC limitations.

Participant Accounts - Each participant s account is credited with the participant s contributions and allocations of a) the Company s contribution, b) Plan earnings, and c) Plan expenses. Allocations are based upon participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account. Forfeitures under the plan may be used to reduce the Company s contributions.

Vesting - Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company s contributed portion of their accounts, plus the earnings thereon, is based on years of service. A participant is one hundred percent (100%) vested in both the discretionary and matching contributions after six (6) years of credited service (minimum 1,000 hours per Plan year). The following represents the vesting schedules for both the discretionary profit-sharing and discretionary matching Company contributions:

5

BEACON SALES ACQUISITION, INC. 401(K) PROFIT SHARING PLAN

Notes to Financial Statements (Modified Cash Basis) - Continued

September 30, 2006

Note 1 - Description of Plan - Continued

Years of Service	Vested Percentage	
Less than two (2) years	0	%
Two (2) years	20	%
Three (3) years	40	%
Four (4) years	60	%
Five (5) years	80	%
Six (6) years	100	%

Participant Loans - Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or fifty percent (50%) of their vested account balance. For the year ended September 30, 2006, the interest rates charged on participant loans ranged from 4.25% to 11.5%. Principal and interest amounts are paid weekly through payroll deductions. Participants are charged a fee when taking out a loan. For the year ended September 30, 2006, there were fees of \$16,856 charged to loan recipients.

Payment of Benefits - On termination of service for any reason, a participant may receive a lump-sum amount equal to the participant's vested interest in his or her account.

Forfeitures - Forfeitures of the non-vested portion of participant accounts may be used to reduce future Company discretionary and matching contributions. Total forfeitures of \$259,247 were used to offset the Company contributions in the year ended September 30, 2006. At September 30, 2006 and 2005, the balance in the forfeitures account totaled \$90,034 and \$164,423, respectively.

Plan Administrator/Record Keeper - American Funds Distribution, Inc. is the Plan Administrator and is responsible for the content and issuance of the Plan's reports. FAS Core is the Record Keeper and Smith Barney is agent of record for the Plan.

Trustees - Capital Bank and Trust Co. is the Plan Trustee. Certain executives of the Company are responsible for the allocation of fiduciary responsibilities and the delegation of administrative duties, including the maintaining of the Plan's records.

BEACON SALES ACQUISITION, INC. 401(K) PROFIT SHARING PLAN

Notes to Financial Statements (Modified Cash Basis) - Continued

September 30, 2006

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The Plan follows the modified cash basis of accounting, which is the cash basis of accounting except for investments, which are adjusted to fair value.

Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments - Investments in mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at the fiscal year-end date. The fair value of participation units owned by the Plan in the common collective trust fund is based on the redemption value of the fund on the last business day of the Plan year. Employer securities are valued at quoted market prices. Purchase and sales of securities are recorded on a trade-date basis.

Participant Loans - Participant loans are valued at cost, which approximates fair value.

Administrative Expenses - Expenses incurred in the administration of the Plan are paid directly by the Company, except those relating to recordkeeping fees on participant loans, which are allocated to the respective individual participants' accounts.

Note 3 - Investments

All investment information disclosed in the accompanying financial statements, including investments held at September 30, 2005, was obtained or derived from information supplied to the Plan Administrator and certified as complete and accurate by the Plan Trustee.

Investments that represent 5% or more of the fair value of the Plan's net assets at September 30:

	2006	2005
American Funds Growth Fund of America	\$ 11,514,494	\$ 9,615,472
American Funds Income Fund of America	9,442,865	7,818,314
INVESCO Stable Value Fund	7,409,577	6,509,834
American Funds Fundamental Investors	6,021,574	5,097,754
American Funds EuroPacific Growth Fund	4,585,550	3,287,338
Columbia Acorn USA Fund	3,825,994	3,971,925
Smith Barney Aggressive Growth Fund		3,393,903
Legg Mason Partners Aggressive Growth Fund	3,791,176	

BEACON SALES ACQUISITION, INC. 401(K) PROFIT SHARING PLAN

Notes to Financial Statements (Modified Cash Basis) - Continued

September 30, 2006

Note 3 - Investments - Continued

During the year ended September 30, 2006, the Plan's investments in mutual funds (including investments purchased and sold, as well as held during the year) appreciated in fair value by \$3,151,898.

Note 4 - Related Party Transactions

The Company pays certain administrative expenses of the Plan. Also, the Plan uses the Company's personnel and facilities for its accounting and other activities at no cost to the Plan. During the year ended September 30, 2006, the Company paid \$51,628 for Plan expenses.

Note 5 - Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become fully vested in their accounts.

Note 6 - Tax Status

The underlying non-standardized prototype plan has received an opinion letter from the Internal Revenue Service (IRS) dated May 28, 2002 stating that the form of the Plan is qualified under Section 401 of the IRC, and therefore, the related trust is tax exempt. In accordance with Revenue Procedure 2006-6 and Announcement 2001-77, the Plan Sponsor has determined that it is eligible to and has chosen to rely on the current IRS prototype plan opinion letter. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan Sponsor has indicated that it will take the necessary steps, if any, to bring the Plan's operations into compliance with the IRC.

Note 7 - Risks and Uncertainties

The Plan and its participants invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Note 8 - Subsequent Event

Effective October 1, 2006, participants of the 401(k) plan of an additional subsidiary of the Company, Shelter Distribution, Inc. (the Shelter Plan), became participants of the Plan. Shortly thereafter, total Shelter Plan assets of approximately \$7.8 million were transferred into the Plan.

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SUPPLEMENTAL INFORMATION

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BEACON SALES ACQUISITION, INC. 401(K) PROFIT SHARING PLAN

PLAN: 001

EIN: 36-4173366

Internal Revenue Service Form 5500, Schedule H, Part IV, Line 4(i) -
Schedule of Assets (Held at End of Year)

September 30, 2006

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment	(e) Current value
*	American Funds Growth Fund of America	358,038 Shares	\$ 11,514,494
*	American Funds Income Fund of America	475,711 Shares	9,442,865
	INVESCO Stable Value Fund	7,409,577 Units	7,409,577
*	American Funds Fundamental Investors	154,360 Shares	6,021,574
*	American Funds EuroPacific Growth Fund	99,491 Shares	4,585,550
	Columbia Acorn USA Fund	140,455 Shares	3,825,994
	Legg Mason Partners Aggressive Growth Fund	34,084 Shares	3,791,176
*	American Funds New Perspective Fund	71,591 Shares	2,272,295
*	American Funds Bond Fund of America	131,250 Shares	1,741,690
	Davis Opportunity Fund	39,264 Shares	1,046,392
	Beacon Roofing Supply Inc. Employer Stock	27,397 Shares	554,526
*	American Funds American Balanced Fund	23,792 Shares	444,441
*	American Funds Capital Income Builder	1,083 Shares	63,180
	Oppenheimer Small & Mi-Cap Value Fund	306 Shares	10,761
	Royce Micro-Cap Fund	592 Shares	10,309
*	Participant Loans	Interest rates ranging from 4.25% to 11.50%	1,786,020
			\$ 54,520,844

* Party-in-interest as defined by ERISA.

Note: Cost information has not been included because all investments are participant-directed.

BEACON SALES ACQUISITION, INC. 401(k) PROFIT SHARING PLAN

EXHIBIT INDEX

Exhibit

No.

23 Consent of Ernst & Young LLP

SIGNATURE

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**BEACON SALES ACQUISITION, INC.
401(k) PROFIT SHARING PLAN**

Date: March 27, 2007

/s/ David R. Grace

By: David R. Grace
Senior Vice President and
Chief Financial Officer

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