

ANNALY CAPITAL MANAGEMENT INC
Form S-4/A
July 01, 2016

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As filed with the Securities and Exchange Commission on July 1, 2016

Registration No. 333-211140

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Amendment No. 3
to

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Annaly Capital Management, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

2834
(Primary Standard Industrial
Classification Code Number)
1211 Avenue of the Americas
New York, New York 10036
(212) 696-0100

22-3479661
(I.R.S. Employer
Identification Number)

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

R. Nicholas Singh, Esq.
Chief Legal Officer
Annaly Capital Management, Inc.
1211 Avenue of the Americas
New York, New York 10036
(212) 696-0100

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale of the securities to the public:

May 5, 2016, the date on which the preliminary prospectus and tender offer materials were filed and sent to securityholders. The offer cannot, however, be completed prior to the time this Registration Statement becomes effective. Accordingly, any actual sale or purchase of securities pursuant to the offer will occur only after this Registration Statement is effective, subject to the conditions to the transactions described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

If applicable, place an in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this document may change. The registrant may not complete the offer and issue these securities until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and the registrant is not soliciting an offer to buy these securities in any state or jurisdiction in which such offer is not permitted.

PRELIMINARY AND SUBJECT TO CHANGE, DATED JULY 1, 2016

Offer by

RIDGEBACK MERGER SUB CORPORATION,

a direct wholly owned subsidiary of

ANNALY CAPITAL MANAGEMENT, INC.

to Exchange Each Outstanding Share of Common Stock of

HATTERAS FINANCIAL CORP.

for

**\$5.55 in Cash and
0.9894 Shares of Common Stock of Annaly Capital Management, Inc.**

or

\$15.85 in Cash

or

1.5226 Shares of Common Stock of Annaly Capital Management, Inc.

(subject in each case to the election procedures and, in the case of an all-cash election or an all-stock election, to the proration procedures described in this document and related letter of election and transmittal)

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., EASTERN TIME, ON JULY 11, 2016, UNLESS EXTENDED.

Annaly Capital Management, Inc., a Maryland corporation ("Annaly") through its direct wholly owned subsidiary Ridgeback Merger Sub Corporation, a Maryland corporation (the "Offeror"), is offering (the "offer"), upon the terms and subject to the conditions set forth in this prospectus/offer to exchange and in the accompanying letter of election and transmittal, to exchange for each outstanding share of common stock, par value \$0.001 per share (the "Hatteras common stock"), of Hatteras Financial Corp., a Maryland corporation ("Hatteras"), validly tendered and not validly withdrawn in the offer:

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\$5.55 in cash; and

0.9894 shares of Annaly common stock, par value \$0.01 per share (the "Annaly common stock"), together with cash in lieu of any fractional shares of Annaly common stock.

We refer to the above as the "mixed consideration."

In lieu of receiving the mixed consideration, holders of shares of Hatteras common stock may elect to receive, for each share of Hatteras common stock that they hold, (1) \$15.85 in cash (we refer to this election as the "all-cash election" and this amount as the "all-cash consideration") or (2) 1.5226 shares of Annaly common stock, together with cash in lieu of any fractional shares of Annaly common stock (we refer to this election as the "all-stock election" and this amount as the "all-stock consideration"). The mixed consideration, the all-cash consideration and the all-stock consideration (as applicable) will be paid without interest and less any applicable withholding taxes.

Hatteras common stockholders who validly tender and do not validly withdraw their shares of Hatteras common stock in the offer but who do not make a valid election will receive the mixed consideration for their shares of Hatteras common stock. Hatteras common stockholders who make the all-cash election or the all-stock election will be subject to proration so that approximately 65.0% of the aggregate consideration in the offer will be paid in shares of Annaly common stock and approximately 35.0% of the aggregate consideration in the offer will be paid in cash. See "The Offer Elections and Proration" for a description of the proration procedure.

The purpose of the offer is for Annaly to acquire control of, and ultimately the entire equity interest in, Hatteras. The offer is the first step in Annaly's plan to acquire all of the outstanding shares of Hatteras common stock. If the offer is completed, promptly following the consummation of the offer, Annaly intends to consummate a merger of Hatteras with and into the Offeror, with the Offeror surviving the merger under the name "Hatteras Financial Corp." (which we refer to as the "merger"). The purpose of the merger is for Annaly to acquire all of the shares of Hatteras common stock that it did not acquire in the offer, as well as each issued and outstanding share of Hatteras' 7.625% Series A Cumulative Redeemable Preferred Stock, \$0.001 par value per share (the "Hatteras Series A preferred stock"). In the merger, each outstanding share of Hatteras common stock that was not acquired by Annaly or the Offeror will be converted into the mixed consideration or, at the election of the holder of such shares, the all-cash consideration or all-stock consideration, subject to proration so that approximately 65.0% of the aggregate consideration in the merger will be paid in shares of Annaly common stock and approximately 35.0% of the aggregate consideration in the merger will be paid in cash. In addition, in the merger, each outstanding share of Hatteras Series A preferred stock will be automatically converted into the right to receive one newly issued share of Annaly's 7.625% Series E Cumulative Redeemable Preferred Stock, \$0.01 par value per share, which will have rights, privileges and voting powers substantially the same as those of the Hatteras Series A preferred stock. After the merger, the Hatteras business will be held in a wholly owned subsidiary of Annaly, and the former Hatteras stockholders will no longer have any direct ownership interest in the surviving corporation.

NOTICE OF OFFER AND MERGER UNDER SECTION 3-106.1 OF THE MARYLAND GENERAL CORPORATION LAW

In accordance with Section 3-106.1(e) of the Maryland General Corporation Law (the "MGCL"), notice of the offer and the merger and the transactions contemplated thereby is hereby given by Annaly and the Offeror. The Articles of Merger, pursuant to which the Merger will become effective, will be filed with the State Department of Assessments and Taxation of Maryland not earlier than 30 days after the date of this preliminary prospectus/offer to exchange.

The Offeror's obligation to accept for exchange, and to exchange, shares of Hatteras common stock for cash and shares of Annaly common stock in the offer is subject to a number of conditions, including that at least one share more than two-thirds of the outstanding shares of Hatteras common stock have been validly tendered (and not validly withdrawn) in the offer. See "The Offer Conditions of the Offer" for a description of all of such conditions.

Annaly common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "NLY," and Hatteras common stock is listed on the NYSE under the symbol "HTS."

The merger will not entitle Hatteras stockholders to dissenters' rights or rights of objecting stockholders under the MGCL.

For a discussion of certain factors that Hatteras common stockholders should consider in connection with the offer, please read the section of this document entitled "Risk Factors" beginning on page 25.

You are encouraged to read this entire document and the related letter of election and transmittal carefully, including the annexes and information referred to or incorporated by reference in this document.

Neither Annaly nor the Offeror has authorized any person to provide any information or to make any representation in connection with the offer other than the information contained or incorporated by reference in this document, and if any person provides any information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Annaly or the Offeror.

Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

The date of this preliminary prospectus/offer to exchange is July 1, 2016.

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This document incorporates by reference important business and financial information about Annaly, Hatteras and their respective subsidiaries from documents filed with the SEC that have not been included in or delivered with this document. This information is available without charge at the SEC's website at www.sec.gov, as well as from other sources. See "Where To Obtain More Information."

You can obtain the documents incorporated by reference in this document by requesting them in writing or by telephone at the following address and telephone number:

Annaly Capital Management, Inc.

1211 Avenue of the Americas
New York, New York 10036
Attention: Investor Relations
1-888-8ANNALY
<http://www.annaly.com/investors>

In addition, if you have questions about the offer or the merger, or if you need to obtain copies of this document, the letter of election and transmittal or other documents incorporated by reference in this document, you may contact the information agent for this offer listed below. You will not be charged for any of the documents you request.

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor
New York, New York 10022
Stockholders may call toll free: (888) 750-5834
Banks and Brokers may call collect: (212) 750-5833

If you would like to request documents, please do so by July 1, 2016, in order to receive them before the expiration of the offer.

Information included in this document relating to Hatteras, including but not limited to the descriptions of Hatteras and its business and the information under the headings "Selected Historical Consolidated Financial Data of Hatteras," "The Offer Background of the Offer and the Merger," "The Offer Hatteras' Reasons for the Offer and the Merger; Recommendation of the Hatteras Board of Directors," "The Offer Opinion of Hatteras' Financial Advisor," "The Offer Prospective Financial Information of Hatteras" and "The Offer Interests of Certain Persons in the Offer and the Merger" appears in the Solicitation/Recommendation Statement on Schedule 14D-9 dated May 5, 2016 and filed by Hatteras with the SEC (the "Schedule 14D-9"). The Schedule 14D-9 was mailed to holders shares of Hatteras common stock on or about May 5, 2016.

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QUESTIONS AND ANSWERS ABOUT THE OFFER AND THE MERGER

Below are some of the questions that you as a Hatteras stockholder may have regarding the offer and the merger and answers to those questions. You are urged to carefully read the remainder of this document and the related letter of election and transmittal and the other documents to which we have referred because the information contained in this section and in the section entitled "Summary" is not complete. Additional important information is contained in the remainder of this document and the related letter of election and transmittal. See "Where To Obtain More Information." As used in this document, unless otherwise indicated or the context requires, "Annaly," "we" or "us" refers to Annaly Capital Management, Inc. and its consolidated subsidiaries; the "Offeror" refers to Ridgeback Merger Sub Corporation, a wholly owned subsidiary of Annaly; and "Hatteras" refers to Hatteras Financial Corp. and its consolidated subsidiaries. The "acceptance time" for purposes of this document and the merger agreement is the time that Annaly will accept for payment, subject to the terms and conditions of the merger agreement, all shares of Hatteras common stock, par value \$0.001 per share (the "Hatteras common stock") that are validly tendered and not validly withdrawn in the offer.

Who is offering to buy my shares of Hatteras common stock and why I am receiving this document?

Annaly Capital Management, Inc. and the Offeror are making this offer to exchange cash and shares of Annaly common stock, par value \$0.01 per share (the "Annaly common stock") for shares of Hatteras common stock pursuant to the Agreement and Plan of Merger, which is referred to as the "merger agreement", entered into by Annaly, the Offeror and Hatteras on April 10, 2016. You are receiving this document because you own shares of Hatteras common stock.

Annaly is a leading mortgage real estate investment trust ("REIT") listed on the New York Stock Exchange ("NYSE") and externally managed by Annaly Management Company LLC. Since its founding in 1997, Annaly has strived to generate net income for distribution to its stockholders and preserve capital through the prudent selection and management of its investments, and since its inception has paid \$14 billion in dividends to stockholders. Annaly uses its capital coupled with borrowed funds to invest in real estate related investments earning the spread between the yield on its assets and the cost of its borrowings and hedges.

What are the classes and amounts of Hatteras securities that Annaly is seeking to acquire in the offer?

Annaly is seeking to acquire all of the issued and outstanding shares of Hatteras common stock in the offer.

What will I receive for my shares of Hatteras common stock in the offer?

Annaly and the Offeror are offering (the "offer") to exchange for each outstanding share of Hatteras common stock validly tendered and not validly withdrawn in the offer:

\$5.55 in cash; and

0.9894 shares of Annaly common stock, par value \$0.01 per share, together with cash in lieu of any fractional shares of Annaly common stock.

We refer to the above as the "mixed consideration."

In lieu of receiving the mixed consideration, holders of shares of Hatteras common stock may elect to receive, for each share of Hatteras common stock that they hold, (1) \$15.85 in cash (we refer to this election as the "all-cash election" and this amount as the "all-cash consideration") or (2) 1.5226 shares of Annaly common stock, together with cash in lieu of any fractional shares of Annaly common stock (we refer to this election as the "all-stock election" and this amount as the "all-stock consideration").

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The mixed consideration, the all-cash consideration and the all-stock consideration (as applicable) will be paid without interest and less any applicable withholding taxes.

Hatteras common stockholders who validly tender and do not validly withdraw their shares of Hatteras common stock in the offer but who do not make a valid election will receive the mixed consideration for their shares of Hatteras common stock. Hatteras common stockholders who make the all-cash election or the all-stock election will be subject to proration so that approximately 65.0% of the aggregate consideration in the offer will be paid in shares of Annaly common stock and approximately 35.0% of the aggregate consideration in the offer will be paid in cash. See "The Offer Elections and Proration" for a description of the proration procedure.

Hatteras common stockholders should consider the potential effects of proration and should obtain current market quotations for shares of Hatteras common stock and shares of Annaly common stock before deciding whether to tender pursuant to the offer and before electing the form of consideration they wish to receive. The market value of the stock portion of the common transaction consideration will change as the market value of Annaly common stock fluctuates during the offer period and thereafter. Please see "Risk Factors Risk Factors Relating to the Offer and the Merger."

What will happen to my shares of Hatteras preferred stock?

If you own shares of Hatteras' 7.625% Series A Cumulative Redeemable Preferred Stock, \$0.001 par value per share (the "Hatteras Series A preferred stock"), you do not need to do anything in connection with the offer, as the offer is not applicable to the Hatteras Series A preferred stock. If the offer is completed, in connection with the completion of the merger, each outstanding share of Hatteras Series A preferred stock will be automatically converted into the right to receive one share of Annaly's 7.625% Series E Cumulative Redeemable Preferred Stock, \$0.01 par value per share (the "Annaly Series E preferred stock").

Will I have to pay any fee or commission to exchange my shares of Hatteras common stock?

If you are the record owner of your shares of Hatteras common stock and you tender these shares in the offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your shares of Hatteras common stock through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your shares of Hatteras common stock on your behalf, your broker or such other nominee may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

Why is Annaly making this offer and what is the purpose of the merger?

The purpose of the offer is for Annaly to acquire control of, and ultimately own the entire equity interest in, Hatteras. The offer is the first step in Annaly's plan to acquire all of the outstanding shares of Hatteras common stock. Annaly intends to consummate the merger promptly following the completion of the offer. The purpose of the merger is for Annaly to acquire all of the shares of Hatteras common stock that it did not acquire in the offer, as well as each outstanding share of the Hatteras Series A preferred stock. After the merger, the Hatteras business will be held in a wholly owned subsidiary of Annaly, and the former Hatteras stockholders will no longer have any direct ownership interest in this entity.

What does the Hatteras board of directors recommend?

The Hatteras board of directors, acting upon the recommendation of a special committee of the Hatteras board of directors comprised of three independent directors (the "Hatteras special committee"), has unanimously resolved to recommend that the Hatteras stockholders accept the offer

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and tender their shares of Hatteras common stock to Annaly in the offer. The Hatteras board of directors, upon the unanimous recommendation of the Hatteras special committee, also unanimously determined that the terms of the merger agreement and the transactions, including the offer, the merger and the issuance of shares of Annaly common stock in connection therewith, are fair to, and in the best interests of, Hatteras and its stockholders, and declared the offer, the merger and the other transactions contemplated by the merger agreement advisable.

See "The Offer Hatteras' Reasons for the Offer and the Merger; Recommendation of the Hatteras Board of Directors" for more information. A description of the reasons for this recommendation is also set forth in Hatteras' Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") that is being mailed to you together with this document.

What are the most significant conditions of the offer?

The offer is conditioned upon, among other things, the following:

Minimum Tender Condition Hatteras common stockholders having validly tendered and not validly withdrawn in accordance with the terms of the offer and prior to the expiration of the offer a number of shares of Hatteras common stock that, together with any shares of Hatteras common stock then owned by Annaly and the Offeror, represents at least one share more than two-thirds of the then-outstanding shares of Hatteras common stock at any expiration of the offer (the "minimum tender condition");

Effectiveness of Form S-4 The registration statement on Form S-4, of which this document is a part, having become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and must not be the subject of any stop order or proceeding seeking a stop order, at any expiration of the offer;

No Hatteras Material Adverse Effect There not having occurred any change, effect, development, circumstance, condition, state of facts, event or occurrence after the date of the merger agreement that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Hatteras (with such term as defined in the merger agreement and described under "Merger Agreement Material Adverse Effect");

No Annaly Material Adverse Effect There not having occurred any change, effect, development, circumstance, condition, state of facts, event or occurrence after the date of the merger agreement that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Annaly (with such term as defined in the merger agreement and described under "Merger Agreement Material Adverse Effect");

Accuracy of Hatteras' Representations and Warranties The representations and warranties of Hatteras contained in the merger agreement being true and correct as of the expiration of the offer, subject to specified materiality standards;

Hatteras' Compliance with Covenants Hatteras must have, in all material respects, performed or complied with its obligations, agreements and covenants required to be performed or complied with by it under the merger agreement at or prior to the expiration of the offer;

Accuracy of Annaly's and the Offeror's Representations and Warranties The representations and warranties of Annaly and the Offeror contained in the merger agreement being true and correct as of the expiration of the offer, subject to specified materiality standards;

Annaly's and the Offeror's Compliance with Covenants each of Annaly and the Offeror must have, in all material respects, performed or complied with their agreements and covenants required to be performed or complied with by it under the merger agreement at or prior to the expiration of the offer;

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Listing of Annaly Common Stock and Annaly Preferred Stock The shares of Annaly common stock to be issued in the offer and the merger and the shares of Annaly Series E preferred stock to be issued in the merger having been approved for listing on the NYSE, subject to official notice of issuance;

No Legal Prohibition No law, order or injunction restraining or enjoining or otherwise prohibiting the consummation of the offer or the merger must have been enacted, issued, promulgated or granted by a governmental entity of competent jurisdiction;

Management Agreement Termination The management agreement between Hatteras and Atlantic Capital Advisors LLC (the "Hatteras external manager"), dated as of February 23, 2012 (the "management agreement"), must have been terminated in accordance with the terms of the amendment to the management agreement entered into as of April 10, 2016;

Regulatory Approvals The required approvals of certain governmental authorities and the Federal National Mortgage Association ("Fannie Mae") and the Government National Mortgage Association ("Ginnie Mae") must have been obtained at or prior to the expiration of the offer and the Federal Home Loan Mortgage Corporation ("Freddie Mac") has not notified Annaly and Hatteras of any objection to the change of control that would occur as a result of the completion of the offer;

Transaction Tax Opinions The receipt of a written opinion by each of Annaly and Hatteras from its legal counsel, dated as of the date of the expiration of the offer, to the effect that the offer and the merger, taken together, will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

REIT Tax Opinions The receipt of a written opinion by each of Annaly and Hatteras from the other party's tax counsel, dated as of the date of the expiration of the offer, to the effect that at all times since the year of inception of the applicable company and through the date of the expiration of the offer, such company has been organized and operated in conformity with the requirements for qualification as a REIT under the Code and, and with respect to Annaly, that the proposed method of operation of Annaly will enable Annaly to continue to meet the requirements for qualification as a REIT under the Code.

The offer is subject to certain other conditions set forth below in the section entitled "The Offer Conditions of the Offer." The conditions to the offer are for the sole benefit of Annaly and the Offeror and may be asserted by Annaly or the Offeror regardless of the circumstances giving rise to any such condition (other than as a result of any action or inaction by Annaly or the Offeror that is completely within the control of Annaly or the Offeror), and may be waived by Annaly or the Offeror, by express and specific action to that effect, in whole or in part at any time and from time to time, in each case. However, certain specified conditions (including all the conditions noted above other than the conditions related to a material adverse effect on Hatteras, accuracy of Hatteras' representations, Hatteras' compliance with covenants, receipt by Annaly of the transaction and REIT tax opinions noted above, the termination of the management agreement and regulatory approvals) may only be waived by Annaly or the Offeror with the express written consent of Hatteras. Pursuant to the merger agreement, Hatteras has the right to require that Annaly and the Offeror waive the conditions set forth in the fourth, seventh, eighth, thirteenth and fourteenth bullets above (no material adverse effect on Annaly, accuracy of Annaly's and the Offeror's representations and warranties, Annaly's and the Offeror's compliance with covenants, Hatteras' receipt of the transaction tax opinion and Hatteras' receipt of the REIT tax opinion). There is no financing condition to the offer.

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How long will it take to complete the offer and the merger?

The offer and the merger are expected to be completed before the end of the third quarter of 2016, subject to the satisfaction or waiver of the conditions described in the sections entitled "The Offer Conditions of the Offer" and "Merger Agreement Conditions to the Merger."

How long do I have to decide whether to tender my shares of Hatteras common stock in the offer?

The offer is scheduled to expire at 5:00 p.m., Eastern Time, on July 11, 2016, unless further extended or terminated. Any extension, delay, termination, waiver or amendment of the offer will be followed as promptly as practicable by public announcement thereof to be made no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled expiration date. During any such extension, all of the shares of Hatteras common stock previously tendered and not validly withdrawn will remain subject to the offer, subject to the rights of a tendering stockholder to withdraw such stockholder's shares. "Expiration date" means 5:00 p.m., Eastern Time, on July 11, 2016, unless and until the Offeror has extended the period during which the offer is open, subject to the terms and conditions of the merger agreement, in which event the term "expiration date" means the latest time and date at which the offer, as so extended by the Offeror, will expire.

Subject to the provisions of the merger agreement and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"), and unless Hatteras consents otherwise or the merger agreement is otherwise terminated, the Offeror must (1) extend the offer for one or more successive periods of up to 10 business days each in order to further seek to satisfy the conditions to the offer in the event that any of the offer conditions (other than the minimum tender condition) have not been satisfied or validly waived as of any then scheduled expiration of the offer, (2) extend the offer for up to two successive periods of up to 10 business days if each of the offer conditions (other than the minimum tender condition) has been satisfied or validly waived and the minimum tender condition has not been satisfied as of the scheduled expiration of the offer, and Hatteras requests that the Offeror so extend the offer, and (3) extend the offer for the minimum period required by any rule, regulation, interpretation or position of the SEC or its staff or NYSE that is applicable to the offer or the merger or to the extent necessary to resolve any comments of the SEC or its staff applicable to the offer, the merger, the Schedule TO or the related offer documents. However, the Offeror is not required to extend the offer beyond January 10, 2017 (which is the "outside date").

Any decision to extend the offer will be made public by an announcement regarding such extension as described under the section entitled "The Offer Extension, Termination and Amendment."

How do I tender my shares of Hatteras common stock?

To tender your shares of Hatteras common stock represented by physical certificates in the offer, you must deliver the certificates representing such shares, together with a completed letter of election and transmittal and any other documents required by the letter of election and transmittal, to Computershare Trust Company, N.A. ("Computershare"), the depositary and exchange agent for the offer, not later than the expiration date. The letter of election and transmittal is enclosed with this document.

To tender your shares of Hatteras common stock in electronic book entry form, you must deliver an agent's message in connection with a book-entry transfer, and any other required documents, to the exchange agent at its address set forth elsewhere in this document and follow the other procedures for book-entry tender set forth herein, not later than the expiration date.

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If your shares of Hatteras common stock are held in "street name" (*i.e.*, through a broker, dealer, commercial bank, trust company or other nominee), these shares can be tendered by your nominee by book-entry transfer through The Depository Trust Company.

We are not providing for guaranteed delivery procedures and therefore you must allow sufficient time for the necessary tender procedures to be completed during normal business hours of The Depository Trust Company prior to the expiration date. Tenders received by the exchange agent after the expiration date will be disregarded and of no effect. In all cases, you will receive your consideration for your tendered shares of Hatteras common stock only after timely receipt by the exchange agent of certificates for such shares (or of a confirmation of a book-entry transfer of such shares) and a properly completed and duly executed letter of election and transmittal and any other required documents.

For a complete discussion on the procedures for tendering your shares of Hatteras common stock, see "The Offer Procedure for Tendering."

Until what time can I withdraw tendered shares of Hatteras common stock?

You may withdraw your previously tendered shares of Hatteras common stock at any time until the offer has expired and, if the Offeror has not accepted your shares of Hatteras common stock for payment by July 5, 2016, you may withdraw them at any time on or after that date until the Offeror accepts shares for payment. Once the Offeror accepts your tendered shares of Hatteras common stock for payment upon expiration of the offer, however, you will no longer be able to withdraw them. For a complete discussion of the procedures for withdrawing your shares of Hatteras common stock, see "The Offer Withdrawal Rights."

How do I withdraw previously tendered shares of Hatteras common stock?

To withdraw previously tendered shares of Hatteras common stock, you must deliver a written notice of withdrawal with the required information to the exchange agent at any time that you have the right to withdraw shares. If you tendered shares of Hatteras common stock by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct such broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your shares of Hatteras common stock and such broker, dealer, commercial bank, trust company or other nominee must effectively withdraw such shares at any time that you have the right to withdraw shares. For a discussion on the procedures for withdrawing your shares of Hatteras common stock, including the applicable deadlines for effecting withdrawals, see "The Offer Withdrawal Rights."

When and how can I expect to receive the offer consideration in exchange for my tendered shares of Hatteras common stock?

The Offeror will exchange all validly tendered and not validly withdrawn shares of Hatteras common stock promptly after the expiration date of the offer, subject to the terms thereof and the satisfaction or waiver of the conditions to the offer, as set forth in "The Offer Conditions of the Offer." The Offeror will deliver the consideration for your validly tendered and not validly withdrawn shares through the exchange agent, that will act as your agent for the purpose of receiving the common transaction consideration from the Offeror and transmitting such consideration to you. In all cases, you will receive the consideration for your tendered shares of Hatteras common stock only after timely receipt by the exchange agent of certificates representing such shares of Hatteras common stock (or a confirmation of a book-entry transfer of such shares as described in the section entitled "The Offer Procedure for Tendering") and a properly completed and duly executed letter of election and transmittal and any other required documents for such shares.

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Why does the cover page to this document state that this offer is preliminary and subject to change, and that the registration statement filed with the SEC is not yet effective? Does this mean that the offer has not commenced?

No. Completion of this document and effectiveness of the registration statement are not necessary to commence this offer. The offer was commenced on May 5, 2016, the date of the initial filing of the registration statement on Form S-4 of which this document is a part. The Offeror cannot, however, accept for exchange any shares of Hatteras common stock tendered in the offer or exchange any shares until the registration statement is declared effective by the SEC and the other conditions to the offer have been satisfied or waived.

What happens if I do not tender my shares of Hatteras common stock?

If, after consummation of the offer, Annaly and the Offeror own one share more than two-thirds of the outstanding shares of Hatteras common stock, Annaly and the Offeror intend to promptly complete the merger. Upon consummation of the merger, each issued and outstanding share of Hatteras common stock that has not been tendered and accepted for exchange in the offer will be converted in the merger into the right to receive, at the election of the holder, the all-cash consideration, the all-stock consideration or the mixed consideration, but the all-cash consideration and all-stock consideration will be subject to proration so that approximately 65.0% of the aggregate consideration in the merger will be paid in shares of Annaly common stock and approximately 35.0% of the aggregate consideration in the merger will be paid in cash. A letter of election and transmittal will be sent to you following the merger to make these elections. The election deadline to make these elections will be 5:00 p.m. Eastern Time, on the 20th calendar day following the date on which such forms of election and transmittal are mailed. If you do not make a valid election, you will be treated as if you had made an election to receive the mixed consideration.

If the offer is completed, will Hatteras continue as a public company?

No. Annaly is required, on the terms and subject to the satisfaction or waiver of the conditions set forth in the merger agreement, to consummate the merger promptly following the purchase of shares of Hatteras common stock in the offer. If the merger takes place, Hatteras will no longer be publicly traded. If, for some reason, the merger does not take place, and Annaly (through the Offeror) purchases all of the shares of Hatteras common stock validly tendered and not validly withdrawn, there may be so few remaining stockholders and publicly held shares that Hatteras common stock will no longer be eligible to be traded through the NYSE or other securities exchanges, there may not be an active public trading market for Hatteras common stock, and Hatteras may no longer be required to make filings with the SEC or otherwise comply with the SEC rules relating to publicly held companies.

Will the offer be followed by a merger if all of the shares of Hatteras common stock are not tendered in the offer?

Yes, unless the conditions to the merger are not satisfied or waived. If the Offeror accepts for payment all of the shares of Hatteras common stock validly tendered and not validly withdrawn pursuant to the offer, and the other conditions to the merger are satisfied or waived, the merger will take place promptly after the consummation of the offer. If the merger takes place, Annaly will own 100% of the equity of Hatteras, and all of the remaining holders of Hatteras common stock, other than Annaly and the Offeror, will have the right to receive the mixed consideration, the all-cash consideration or the all-stock consideration, in each case without interest and less any applicable withholding taxes, with the form of such consideration to be subject to further election and proration as described in this document (such consideration, the "common transaction consideration").

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Because the merger will be governed by Section 3-106.1 of the Maryland General Corporation Law (the "MGCL"), no stockholder vote will be required to consummate the merger in the event that the offer is consummated. Annaly is required, on the terms and subject to the satisfaction or waiver of the conditions set forth in the merger agreement, to consummate the merger promptly following the consummation of the offer. As such, Annaly does not expect there to be a significant period of time between the consummation of the offer and the consummation of the merger.

Does Annaly have the financial resources to complete the offer and the merger?

Yes. The common transaction consideration will consist of Annaly common stock and cash. The offer and the merger are not conditioned upon any financing arrangements or contingencies.

What are the U.S. federal income tax consequences of receiving shares of Annaly common stock and/or cash in exchange for my shares of Hatteras common stock in the offer and/or the merger?

The offer and the merger, taken together, are intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. If the offer and the merger, taken together, qualify as a "reorganization" within the meaning of Section 368(a) of the Code, the U.S. federal income tax consequences to Hatteras stockholders who are U.S. persons and receive shares of Annaly common stock and/or cash in exchange for their shares pursuant to the offer and/or the merger generally will be as follows:

if a Hatteras stockholder receives solely shares of Annaly common stock in exchange for such stockholder's shares, such stockholder generally will not recognize any gain or loss, except with respect to cash received in lieu of any fractional shares of Annaly common stock;

if a Hatteras stockholder receives solely cash in exchange for such stockholder's shares, such stockholder generally will recognize gain or loss equal to the difference between the amount of cash received and the stockholder's tax basis in its Hatteras common stock; and

if a Hatteras stockholder receives a combination of Annaly common stock and cash in exchange for such stockholder's shares, such stockholder generally will recognize gain (but not loss) in an amount equal to the lesser of (1) the sum of the cash and the fair market value of the Annaly common stock received, minus the stockholder's tax basis in its Hatteras common stock surrendered, and (2) the amount of cash received.

Non-U.S. holders (as described under "Material U.S. Federal Income Tax Consequences") of Hatteras common stock that receive the common transaction consideration pursuant to the offer and/or the merger may be subject to U.S. withholding tax with respect to cash received.

Each Hatteras stockholder should read the discussion under "Material U.S. Federal Income Tax Consequences" and should consult its own tax advisor for a full understanding of the tax consequences of the offer and the merger to such stockholder.

Will I have the right to have my shares of Hatteras common stock appraised?

No. Appraisal rights, rights of objecting stockholders or dissenters' rights are not available in connection with the offer or the merger. See "The Offer Purpose of the Offer and the Merger; Dissenters' Rights."

Who should I call if I have questions about the offer?

You may call Innisfree M&A Incorporated, the information agent, toll free at (888) 750-5834.

Where can I find more information about Annaly and Hatteras?

You can find more information about Annaly and Hatteras from various sources described in the section entitled "Where To Obtain More Information."

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SUMMARY

This section summarizes certain information presented in greater detail elsewhere in this document. However, this summary does not contain all of the information that may be important to Hatteras stockholders. You are urged to carefully read the remainder of this document and the related letter of election and transmittal and the other documents to which we have referred because the information in this section and in the "Questions and Answers About the Offer and the Merger" section is not complete. See "Where To Obtain More Information."

The Offer (Page 32)

Annaly and the Offeror are offering, upon the terms and subject to the conditions set forth in this prospectus/offer to exchange and in the accompanying letter of election and transmittal, to exchange for each outstanding share of Hatteras common stock validly tendered and not validly withdrawn in the offer:

\$5.55 in cash; and

0.9894 shares of Annaly common stock, together with cash in lieu of any fractional shares of Annaly common stock.

We refer to the above as the "mixed consideration."

In lieu of receiving the mixed consideration, holders of shares of Hatteras common stock may elect to receive, for each share of Hatteras common stock that they hold, either (1) \$15.85 in cash (we refer to this election as the "all-cash election" and this amount as the "all-cash consideration") or (2) 1.5226 shares of Annaly common stock, together with cash in lieu of any fractional shares of Annaly common stock (we refer to this election as the "all-stock election" and this amount as the "all-stock consideration"). The mixed consideration, the all-cash consideration and the all-stock consideration (as applicable) will be paid without interest and less any applicable withholding taxes.

Hatteras common stockholders who tender their shares of Hatteras common stock in the offer but who do not make a valid election will receive the mixed consideration for their shares of Hatteras common stock. Hatteras common stockholders who make the all-cash election or the all-stock election will be subject to proration so that approximately 65.0% of the aggregate consideration in the offer will be paid in shares of Annaly common stock and approximately 35.0% of the aggregate consideration in the offer will be paid in cash. See "The Offer Elections and Proration" for a description of the proration procedure.

Hatteras common stockholders will not receive any fractional shares of Annaly common stock in the offer or the merger. No fractional shares of Annaly common stock will be issuable in the offer or the merger and each Hatteras stockholder who otherwise would be entitled to receive a fraction of a share of Annaly common stock pursuant to the offer or the merger will be paid an amount in cash (without interest) equal to such fractional part of a share of Annaly common stock multiplied by the volume weighted average closing sale price per share of Annaly common stock as reported on the NYSE for the 10 consecutive trading days ending on and including the trading day prior to the time Annaly accepts for payment shares of Hatteras common stock validly tendered and not validly withdrawn pursuant to the offer. See "The Merger Agreement Fractional Shares."

Purpose of the Offer; The Merger; The Merger Consideration (Pages 73 and 86)

The purpose of the offer is for Annaly to acquire control of, and ultimately the entire equity interest in, Hatteras. The offer is the first step in Annaly's plan to acquire all of the outstanding shares of Hatteras common stock. Annaly intends to consummate the merger promptly after the consummation of the offer. The purpose of the merger is for Annaly to acquire all the issued and

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outstanding shares of Hatteras common stock that it did not acquire in the offer, as well as each issued and outstanding share of Hatteras Series A preferred stock.

In the merger, each outstanding share of Hatteras common stock that was not acquired by Annaly or the Offeror will be converted into the mixed consideration or, at the election of the holder of such shares, the all-cash consideration or all-stock consideration, subject to proration so that approximately 65.0% of the aggregate consideration in the merger will be paid in shares of Annaly common stock and approximately 35.0% of the aggregate consideration in the merger will be paid in cash. Following the merger, a letter of election and transmittal will be mailed to such non-tendering stockholders to make these elections. The election deadline to make these elections will be 5:00 p.m. Eastern Time on the 20th calendar day following the date on which the forms of election and transmittal are mailed. If you do not make an election, you will be treated as if you had made an election to receive the mixed consideration.

In addition, in the merger, each outstanding share of Hatteras Series A preferred stock will be automatically converted into the right to receive one newly issued share of Annaly Series E preferred stock, which will have rights, privileges and voting powers substantially the same as those of the Hatteras Series A preferred stock.

After the merger, the Hatteras business will be held by the Offeror, and the former Hatteras common stockholders will no longer have any direct ownership interest in such entity.

Annaly expects to consummate the merger promptly after the consummation of the offer in accordance with Section 3-106.1 of the MGCL, and no stockholder vote to approve the offer or the merger, adopt the merger agreement or approve any other action by the Hatteras stockholders will be required in connection with the merger. See "The Offer Purpose of the Offer and the Merger; Dissenters' Rights."

Treatment of Hatteras Restricted Stock Awards (Page 91)

At the effective time of the merger, each Hatteras restricted stock award, other than restricted stock awards held by Hatteras executives Michael R. Hough, Benjamin M. Hough, Kenneth A. Steele and Frederick J. Boos, II, will automatically be cancelled, with the holder of such restricted stock award becoming entitled to receive (a) the mixed consideration in respect of each Hatteras share subject to the restricted stock award immediately prior to the effective time, and (b) a cash payment in lieu of any fractional share of Annaly common stock that such holder would otherwise be entitled to receive, in each case, less applicable tax withholdings. At the effective time of the merger, each restricted stock award held by Hatteras executives Michael R. Hough, Benjamin M. Hough, Kenneth A. Steele and Frederick J. Boos, II, will be assumed and converted automatically into an Annaly restricted stock award in accordance with the terms of the merger agreement.

The Companies (Page 31)

Annaly

Annaly Capital Management, Inc.
1211 Avenue of the Americas
New York, New York 10036

Annaly is a leading mortgage REIT listed on the NYSE and externally managed by Annaly Management Company LLC. Since its founding in 1997, Annaly has strived to generate net income for distribution to its stockholders and preserve capital through the prudent selection and management of its investments, and since its inception has paid \$14 billion in dividends to stockholders. Annaly uses its capital coupled with borrowed funds to invest in real estate related investments earning the spread between the yield on its assets and the cost of its borrowings.

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Annaly common stock trades under the ticker symbol "NLY" on the NYSE.

Offeror

Ridgeback Merger Sub Corporation
c/o Annaly Capital Management, Inc.
1211 Avenue of the Americas
New York, New York 10036

The Offeror, a Maryland corporation, is a wholly owned subsidiary of Annaly. The Offeror is newly formed and was organized for the purpose of making the offer and consummating the merger. The Offeror has engaged in no business activities to date, and it has no material assets or liabilities of any kind, other than those incidental to its formation and those incurred in connection with the offer and the merger.

Hatteras

Hatteras Financial Corp.
751 W. Fourth St., Suite 400
Winston-Salem, North Carolina 27101

Hatteras is an externally managed mortgage REIT that invests primarily in single-family residential mortgage real estate assets, such as mortgage-backed securities, mortgage servicing rights, residential mortgage loans and other financial assets. The majority of Hatteras' investments have been mortgage-backed securities issued by a U.S. government agency, such as Ginnie Mae, or by a U.S. government-sponsored enterprise, such as Fannie Mae or Freddie Mac. Hatteras was incorporated in Maryland in September 2007. Hatteras' common stock trades under the ticker symbol "HTS" on the NYSE.

Annaly's Reasons for the Offer and the Merger (Page 42)

The purpose of the offer is for Annaly to acquire control of, and ultimately the entire equity interest in, Hatteras. Annaly and the Offeror are making the offer and Annaly plans to complete the merger because it believes that the acquisition of Hatteras by Annaly will expand and diversify Annaly's investment portfolio, supporting the continued growth of Annaly's businesses.

Expiration of the Offer (Page 67)

The offer is scheduled to expire at 5:00 p.m., Eastern Time, on July 11, 2016, unless further extended or terminated. "Expiration date" means 5:00 p.m., Eastern Time, on July 11, 2016, unless and until the Offeror has extended or terminated the period during which the offer is open, subject to the terms and conditions of the merger agreement, in which event the term "expiration date" means the latest time and date at which the offer, as so extended by the Offeror, will expire.

Extension, Termination and Amendment (Page 67)

Subject to the provisions of the merger agreement and the applicable rules and regulations of the SEC, and unless Hatteras consents otherwise or the merger agreement is otherwise terminated, the Offeror must (1) extend the offer for one or more successive periods of up to 10 business days each in order to further seek to satisfy the conditions to the offer in the event that any of the offer conditions (other than the minimum tender condition) have not been satisfied or validly waived as of any then scheduled expiration of the offer, (2) extend the offer for up to two successive periods of up to 10 business days if each of the offer conditions (other than the minimum tender condition) has been satisfied or validly waived and the minimum tender condition has not been satisfied as of the scheduled expiration of the offer, and Hatteras requests that the Offeror so extend the offer, and (3) extend the

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offer for the minimum period required by any rule, regulation, interpretation or position of the SEC or its staff or NYSE which is applicable to the offer or the merger or to the extent necessary to resolve any comments of the SEC or its staff applicable to the offer, the merger, the Schedule TO or the related offer documents. However, the Offeror is not required to extend the offer beyond the outside date.

The Offeror will effect any extension, termination, amendment or delay by giving oral or written notice to the exchange agent and by making a public announcement as promptly as practicable thereafter as described under "The Offer Extension, Termination and Amendment."

In the case of an extension, any such announcement will be issued no later than 9:00 a.m., Eastern Time, on the next business day following the previously scheduled expiration date. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), which require that any material change in the information published, sent or given to stockholders in connection with the offer be promptly disseminated to stockholders in a manner reasonably designed to inform them of such change) and without limiting the manner in which the Offeror may choose to make any public announcement, the Offeror assumes no obligation to publish, advertise or otherwise communicate any such public announcement of this type other than by issuing a press release. During any extension, shares of Hatteras common stock previously tendered and not validly withdrawn will remain subject to the offer, subject to the right of each Hatteras stockholder to withdraw previously tendered shares of Hatteras common stock.

The merger agreement provides that the merger agreement may be terminated if the offer has not been consummated on or before 11:59 p.m., Eastern Time, on January 10, 2017, and the Offeror may not extend the offer beyond such date without the prior written consent of Hatteras.

No subsequent offering period will be available following the expiration of the offer.

Conditions of the Offer (Page 75)

The offer is subject to certain conditions, including:

that Hatteras stockholders have validly tendered and not validly withdrawn in accordance with the terms of the offer and prior to the expiration of the offer a number of shares of Hatteras common stock that, together with any shares of Hatteras common stock then owned by Annaly and the Offeror, represents at least one share more than two-thirds of the then-outstanding shares of Hatteras common stock at any expiration of the offer;

the effectiveness of the registration statement on Form S-4 of which document is a part;

no material adverse effect on Hatteras and its subsidiaries (as defined in the merger agreement and described under "The Merger Agreement Material Adverse Effect") having occurred;

no material adverse effect on Annaly and its subsidiaries (as defined in the merger agreement and described under "The Merger Agreement Material Adverse Effect") having occurred;

the truth and accuracy of Hatteras' representations and warranties made in the merger agreement, subject to specified materiality standards;

Hatteras being in material compliance with their covenants under the merger agreement;

the truth and accuracy of Annaly's representations and warranties made in the merger agreement, subject to specified materiality standards;

Annaly and the Offeror being in material compliance with their covenants under the merger agreement;

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the listing on the NYSE of the shares of Annaly common stock to be issued in the offer and the merger and the shares of Annaly Series E preferred stock to be issued in the merger;

lack of legal prohibitions;

the termination of the Hatteras management agreement;

receipt of required approvals of certain governmental authorities and Fannie Mae, Freddie Mac and Ginnie Mae;

the receipt of opinions by each of Annaly and Hatteras from their respective legal counsel regarding the tax treatment of the offer and the merger; and

the receipt of opinions by each of Annaly and Hatteras from their respective legal counsel regarding each of Annaly's and Hatteras' qualification as a REIT.

Subject to applicable SEC rules and regulations, the Offeror also reserves the right, in its sole discretion, at any time or from time to time to waive any condition identified as subject to waiver in "The Offer Conditions of the Offer" by giving oral or written notice of such waiver to the exchange agent. However, certain specified conditions (including all conditions noted in the immediately preceding list other than third, fifth, sixth, eleventh and twelfth conditions listed above and other than the receipt by Annaly of the opinions noted above) may only be waived by Annaly or the Offeror with the express written consent of Hatteras. Pursuant to the merger agreement, Hatteras has the right to require that Annaly and the Offeror waive the fourth, seventh and eighth conditions listed above and the conditions related to receipt by Hatteras of the opinions listed above.

Withdrawal Rights (Page 69)

Tendered shares of Hatteras common stock may be withdrawn at any time prior to the expiration date. Additionally, if the Offeror has not agreed to accept the shares for exchange on or prior to July 5, 2016, Hatteras common stockholders may thereafter withdraw their shares from tender at any time after such date until the Offeror accepts the shares for exchange. Once the Offeror accepts shares for exchange pursuant to the offer, all tenders not previously withdrawn become irrevocable.

Procedure for Tendering (Page 70)

To validly tender shares of Hatteras common stock pursuant to the offer, Hatteras common stockholders must:

deliver a properly completed and duly executed letter of election and transmittal, along with any required signature guarantees and any other required documents, and certificates for tendered shares of Hatteras common stock to the exchange agent at its address set forth elsewhere in this document, all of which must be received by the exchange agent prior to the expiration date; or

deliver an agent's message in connection with a book-entry transfer, and any other required documents, to the exchange agent at its address set forth elsewhere in this document, and shares must be tendered pursuant to the procedures for book entry tender set forth herein (and a confirmation of receipt of that tender received), and in each case be received by the exchange agent prior to the expiration date.

Hatteras common stockholders who hold shares of Hatteras common stock in "street name" through a bank, broker or other nominee holder, and desire to tender their shares of Hatteras common stock pursuant to the offer, should instruct the nominee holder to do so prior to the expiration date.

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Exchange of Shares; Delivery of Cash and Annaly Shares (Page 68)

Upon the terms and subject to the satisfaction or waiver of the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any extension or amendment), promptly following the expiration date, the Offeror will accept for exchange, and will exchange, all shares of Hatteras common stock validly tendered and not validly withdrawn prior to the expiration date.

Elections and Proration (Page 64)

Hatteras common stockholders may elect to receive the mixed consideration, the all-cash consideration or the all-stock consideration in exchange for each share of Hatteras common stock validly tendered and not validly withdrawn pursuant to the offer, subject in each case, to the election procedures and, in the case of elections of the all-cash consideration or the all-stock consideration, to the proration procedures described in this document and the related letter of election and transmittal, by indicating their elections in the applicable section of the letter of election and transmittal. If a Hatteras common stockholder decides to change its election after tendering its shares of Hatteras common stock, it must first validly withdraw the tendered shares of Hatteras common stock and then re-tender the shares prior to the expiration date, with a new letter of election and transmittal that indicates the revised election. Hatteras common stockholders who tender their shares of Hatteras common stock in the offer but who do not make a valid election will receive the mixed consideration for their shares of Hatteras common stock.

Certain Legal Matters; Regulatory Approvals (Page 78)

Annaly and Hatteras conduct operations in a number of jurisdictions where regulatory filings or approvals may be required or advisable in connection with the completion of the offer and the merger. In particular, Annaly's acquisition of Hatteras' mortgage conduit and mortgage servicing platforms as a result of the offer and merger will require approval from Fannie Mae and Ginnie Mae, as well as approximately 12 state licensing regulators. As of July 1, 2016, Annaly and Hatteras have received regulatory approvals from Fannie Mae, Ginnie Mae and all of the state licensing regulators. As a result, all regulatory approvals required to complete the offer and the merger have been obtained. In addition, Annaly and Hatteras have provided notice to Freddie Mac, and Freddie Mac must not object to the change of control that would occur as a result of the completion of the offer.

Annaly has been advised that the offer and the merger are exempt from the pre-notification and waiting period requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"). Therefore, we are not attempting to comply with those requirements. The fact that a transaction is exempt from the requirements of the HSR Act does not preclude the Department of Justice or the Federal Trade Commission from seeking to prevent the transaction on the ground that it violates the United States antitrust laws. However, we have no reason to believe that the offer or the merger will be viewed as violating the antitrust laws.

Interests of Certain Persons in the Offer and the Merger (Page 80)

In considering the recommendation of the Hatteras board of directors that you accept the offer and tender your shares of Hatteras common stock to the Offeror pursuant to the offer, you should be aware that the Hatteras directors and executive officers may have interests that are different from, or in addition to, the interests of Hatteras stockholders generally, including, among others, interests in the Hatteras external manager that will receive a termination fee of \$45,411,000 upon the occurrence of the acceptance time, the treatment of outstanding restricted stock awards held by certain directors and executive officers pursuant to the merger agreement, and the consulting agreements that certain

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directors and executive officers have entered into with Annaly, effective as of the closing of the transactions contemplated by the merger agreement.

Management Agreement Termination (Page 82)

In connection with the execution of the merger agreement, Hatteras and the Hatteras external manager entered into an amendment to the Hatteras management agreement, to which Annaly is a third-party beneficiary, which provides that as of and subject to the acceptance time, the Hatteras management agreement will terminate, and that Hatteras will pay the Hatteras external manager a termination fee of \$45,411,000 prior to, and conditioned on, such termination. The amendment provides that in addition to the termination fee, Hatteras will pay the Hatteras external manager for management fees that accrue up to the acceptance time, including for the prorated portion of the month in which the acceptance time occurs. Hatteras will reimburse the Hatteras external manager for expenses it incurs prior to the acceptance time in the ordinary course of business and consistent with past practice to the extent reimbursable pursuant to the Hatteras management agreement. Such expense reimbursement has an aggregate cap of \$1.2 million for each calendar quarter beginning April 1, 2016.

The amendment to the Hatteras management agreement also provides that the Hatteras external manager may not take any action, directly or indirectly, that is inconsistent with, or that if taken by Hatteras would be in breach of, Hatteras' non-solicitation obligations under the merger agreement. However, to the extent that Hatteras is permitted to, and in fact does, engage in discussions or negotiations regarding an acquisition proposal in accordance with the merger agreement, the Hatteras external manager may assist Hatteras in such discussions or negotiations. The Hatteras external manager further agreed that, other than those actions that Hatteras is permitted to take under the merger agreement or as required by applicable law, it will not intentionally take any action that would reasonably be expected to cause any of the conditions to the offer or the merger to fail to be satisfied.

Source and Amount of Funds (Page 83)

The offer and the merger are not conditioned upon any financing arrangements or contingencies.

Annaly estimates the aggregate amount of cash consideration required to purchase the outstanding shares of Hatteras common stock and consummate the merger will be approximately \$521 million, plus related fees and expenses. Annaly anticipates that the funds needed to complete the transactions will be derived from available cash on hand. Neither Annaly nor the Offeror have any specific alternative financing arrangements or alternative financing plans in connection with the Offer or the Merger. See "The Offer Source and Amount of Funds."

Dissenters' Rights (Page 73)

No appraisal rights, rights of objecting stockholders or dissenters' rights are available in connection with the offer or the merger. See "The Offer Purpose of the Offer and the Merger; Dissenters' Rights."

Comparative Market Price and Dividend Matters (Page 108)

Annaly common stock is listed on the NYSE under the symbol "NLY" and Hatteras common stock is listed on the NYSE under the symbol "HTS." On April 8, 2016, the trading day prior to public announcement of the merger agreement, the closing price per share of Hatteras common stock on the NYSE was \$14.26, and the closing price per share of Annaly common stock on the NYSE was \$10.41. On May 4, 2016, the most recent trading date prior to the mailing of this document, the closing price per share of Hatteras common stock on the NYSE was \$15.95, and the closing price per share of Annaly common stock on the NYSE was \$10.45.

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The market value of the stock portion of the common transaction consideration will change as the market value of Annaly common stock fluctuates during the offer period and thereafter. Hatteras common stockholders should obtain current market quotations for Hatteras common stock and Annaly common stock before deciding whether to tender their shares of Hatteras common stock in the offer and before electing the form of common transaction consideration they wish to receive. See "Comparative Market Price and Dividend Matters."

Ownership of Annaly Common Stock After the Offer and the Merger (Page 73)

Annaly estimates that former Hatteras common stockholders would own, in the aggregate, approximately 9.21% of the shares of Annaly common stock outstanding after the merger. For a detailed discussion of the assumptions on which this estimate is based, see "The Offer Ownership of Annaly Common Stock After the Offer and the Merger."

Comparison of Stockholders' Rights (Page 169)

The rights of Annaly common stockholders are different in some respects from the rights of Hatteras common stockholders. Therefore, Hatteras common stockholders who become Annaly common stockholders as a result of the offer and/or the merger will have different rights once they become Annaly common stockholders. The differences are described in more detail under "Comparison of Stockholders' Rights."

Material U.S. Federal Income Tax Consequences (Page 121)

The offer and the merger, taken together, are intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. If the offer and the merger, taken together, qualify as a "reorganization" within the meaning of Section 368(a) of the Code, the U.S. federal income tax consequences to Hatteras stockholders who receive shares of Annaly common stock and/or cash in exchange for their shares pursuant to the offer and/or the merger generally will be as follows:

if a Hatteras stockholder receives solely shares of Annaly common stock in exchange for such stockholder's shares, such stockholder generally will not recognize any gain or loss, except with respect to cash received in lieu of a fractional share of Annaly common stock;

if a Hatteras stockholder receives solely cash in exchange for such stockholder's shares, such stockholder generally will recognize gain or loss equal to the difference between the amount of cash received and the stockholder's tax basis in its shares; and

if a Hatteras stockholder receives a combination of Annaly common stock and cash in exchange for such stockholder's shares, such stockholder generally will recognize gain (but not loss) in an amount equal to the lesser of (1) the sum of the cash and the fair market value of the Annaly common stock received, minus the stockholder's tax basis in its shares surrendered, and (2) the amount of cash received.

Non-U.S. holders (as described under "Material U.S. Federal Income Tax Consequences") of Hatteras common stock that receive the common transaction consideration pursuant to the offer and/or the merger may be subject to U.S. withholding tax with respect to cash received.

Each Hatteras stockholder should read the discussion under "Material U.S. Federal Income Tax Consequences" and should consult its own tax advisor for a full understanding of the tax consequences of the offer and the merger to such stockholder.

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Accounting Treatment (Page 83)

In accordance with accounting principles generally accepted in the United States ("GAAP"), Annaly will account for the acquisition of shares through the offer and the merger under the acquisition method of accounting for business combinations.

Questions about the Offer and the Merger

Questions or requests for assistance or additional copies of this document may be directed to the information agent at the telephone number and addresses set forth below. Stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the offer.

The information agent for the offer is:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor
New York, NY 10022

Stockholders may call toll free: (888) 750-5834
Banks and Brokers may call collect: (212) 750-5833

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The following table sets forth summary consolidated financial data for Annaly as of and for each of the five years ended December 31, 2015, 2014, 2013, 2012 and 2011 and as of and for each of the three months ended March 31, 2016 and 2015. All references to "fiscal years," unless otherwise noted, refer to the twelve-month fiscal year.

The summary consolidated financial data as of December 31, 2015 and 2014, and for the years ended December 31, 2015, 2014 and 2013, were derived from Annaly's audited consolidated financial statements included in its Annual Report on Form 10-K for the period ended December 31, 2015, previously filed with the SEC on February 26, 2016 and incorporated by reference into this document. The summary consolidated financial data as of December 31, 2013, 2012 and 2011, and for the years ended December 31, 2012 and 2011, were derived from Annaly's audited consolidated financial statements not included or incorporated by reference into this document. The summary consolidated financial data as of and for the three months ended March 31, 2016 was derived from Annaly's unaudited consolidated financial statements included in its Quarterly Report on Form 10-Q for the period ended March 31, 2016, previously filed with the SEC on May 5, 2016 and incorporated by reference into this document. The summary consolidated financial data as of and for the three months ended March 31, 2015 was derived from Annaly's unaudited consolidated financial statements included in its Quarterly Report on Form 10-Q for the period ended March 31, 2015, previously filed with the SEC on May 8, 2015 and which is not included or incorporated by reference into this document.

Such financial data should be read together with, and is qualified in its entirety by reference to, Annaly's historical consolidated financial statements and the accompanying notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are set forth in the above-referenced Annual Report on Form 10-K.

	For the Quarters Ended March 31,		For the Years Ended December 31,				
	2016	2015	2015	2014	2013	2012	2011
(dollars in thousands, except per share data)							
Statement of Operations Data:							
Interest income	\$ 388,143	\$ 519,114	\$ 2,170,697	\$ 2,632,398	\$ 2,918,127	\$ 3,259,145	\$ 3,579,618
Interest expense	147,447	129,420	471,596	512,659	624,714	667,172	480,326
Net interest income	240,696	389,694	1,699,101	2,119,739	2,293,413	2,591,973	3,099,292
Realized and unrealized gains (losses)	(1,055,553)	(828,999)	(1,021,351)	(2,791,399)	1,598,445	(695,601)	(2,575,915)
Other income (loss)	(6,115)	13,758	(13,717)	44,044	78,134	110,999	116,339
General and administrative expenses	47,945	50,938	200,240	209,338	232,081	235,559	237,344
Income (loss) before income taxes and income from equity method investment in affiliate	(868,917)	(476,485)	463,793	(836,954)	3,737,911	1,771,812	402,372
Income (loss) from equity method investment in affiliate							1,140
Income taxes	(837)	14	(1,954)	5,325	8,213	35,912	59,051
Net income (loss)	(868,080)	(476,499)	465,747	(842,279)	3,729,698	1,735,900	344,461
Net income (loss) attributable to noncontrolling interest	(162)	(90)	(809)	(196)			
Net income (loss) attributable to Annaly	(867,918)	(476,409)	466,556	(842,083)	3,729,698	1,735,900	344,461
Dividends on preferred stock	17,992	17,992	71,968	71,968	71,968	39,530	16,854
Net income (loss) available (related) to common stockholders	\$ (885,910)	\$ (494,401)	\$ 394,588	\$ (914,051)	\$ 3,657,730	\$ 1,696,370	\$ 327,607