

ANNALY CAPITAL MANAGEMENT INC

Form S-4/A

May 31, 2018

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As filed with the Securities and Exchange Commission on May 31, 2018

Registration No. 333-224968

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

Amendment No. 1
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

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

New York, New York 10036

(212) 696-0100

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

Anthony Green, 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 16, 2018, 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.

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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, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 MAY 31, 2018

Offer by

MOUNTAIN MERGER SUB CORPORATION,

a direct wholly owned subsidiary of

ANNALY CAPITAL MANAGEMENT, INC.

to Exchange Each Outstanding Share of Common Stock of

MTGE INVESTMENT CORP.

for

\$9.82 in Cash and

0.9519 Shares of Common Stock of Annaly Capital Management, Inc.

or

\$19.65 in Cash

or

1.9037 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 JUNE 18, 2018, UNLESS EXTENDED.

Annaly Capital Management, Inc., a Maryland corporation (Annaly), through its direct wholly owned subsidiary Mountain 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 \$0.01 per share (the MTGE common

stock), of MTGE Investment Corp., a Maryland corporation (MTGE), validly tendered and not validly withdrawn in the offer:

\$9.82 in cash; and

0.9519 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 MTGE common stock may elect to receive, for each share of MTGE common stock that they hold, (1) \$19.65 in cash (we refer to this election as the all-cash election and this amount as the all-cash consideration) or (2) 1.9037 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.

MTGE common stockholders who validly tender and do not validly withdraw their shares of MTGE common stock in the offer but who do not make a valid election will receive the mixed consideration for their shares of MTGE common stock. MTGE common stockholders who make the all-cash election or the all-stock election will be subject to proration so that approximately 50.0% of the aggregate consideration in the offer will

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be paid in shares of Annaly common stock and approximately 50.0% 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 common equity interest in, MTGE. The offer is the first step in Annaly's plan to acquire all of the issued and outstanding shares of MTGE common stock. If the offer is completed, promptly following the consummation of the offer, Annaly intends to consummate a merger of MTGE with and into the Offeror, with the Offeror surviving the merger (which we refer to as the merger). The purpose of the merger is for Annaly to acquire all of the issued and outstanding shares of MTGE common stock that it did not acquire in the offer. In the merger, each issued and outstanding share of MTGE 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 50.0% of the aggregate consideration in the merger will be paid in shares of Annaly common stock and approximately 50.0% of the aggregate consideration in the merger will be paid in cash. In addition, in the merger, each issued and outstanding share of MTGE's 8.125% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share (the MTGE Series A preferred stock) will be automatically converted into the right of the holders thereof to receive one newly issued share of Annaly's 8.125% Series H Cumulative Redeemable Preferred Stock, \$0.01 par value per share, which will have rights, preferences, privileges and voting powers substantially the same as those of the MTGE Series A preferred stock. After the merger, the MTGE business will be held in a wholly owned subsidiary of Annaly, and the former MTGE 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 MTGE common stock for cash and shares of Annaly common stock in the offer is subject to a number of conditions, including that at least a majority of the outstanding shares of MTGE 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 MTGE common stock is listed on the Nasdaq Stock Market (Nasdaq) under the symbol MTGE.

The merger will not entitle MTGE stockholders to dissenters' rights or rights of objecting stockholders under the MGCL and MTGE's charter.

For a discussion of certain factors that MTGE common stockholders should consider in connection with the offer, please read the section of this document entitled Risk Factors beginning on page 23.

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 May 31, 2018.

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This document incorporates by reference important business and financial information about Annaly, MTGE 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.

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor

New York, New York 10005

Bankers & Brokers Call: (212) 269-5550

All Others Call Toll-Free: (800) 669-5550

If you would like to request documents, please do so by June 11, 2018, in order to receive them before the expiration of the offer.

Information included in this document relating to MTGE, including but not limited to the descriptions of MTGE and its business and the information under the headings [Selected Historical Consolidated Financial Data of MTGE](#), [The Offer Background of the Offer and the Merger](#), [The Offer MTGE's Reasons for the Offer and the Merger](#); [Recommendation of the MTGE Board of Directors](#), [The Offer Opinion of the MTGE Special Committee's Financial Advisor](#), [The Offer MTGE Unaudited Prospective Financial Information](#) 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 16, 2018 and filed by MTGE with the SEC (the [Schedule 14D-9](#)). The Schedule 14D-9 was mailed to holders of shares of MTGE common stock on or about May 16, 2018.

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QUESTIONS AND ANSWERS ABOUT THE OFFER AND THE MERGER

Below are some of the questions that you as a MTGE stockholder may have regarding the offer and the merger and answers to those questions. You are encouraged to carefully read the remainder of this document and the related letter of election and transmittal, including the annexes and information referred to or incorporated by reference in this document, 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., a Maryland corporation, and its consolidated subsidiaries; the Offeror refers to Mountain Merger Sub Corporation, a Maryland corporation and wholly owned subsidiary of Annaly; and MTGE refers to MTGE Investment Corp., a Maryland corporation, 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 MTGE common stock, par value \$0.01 per share (the MTGE common stock), that are validly tendered and not validly withdrawn in the offer.

Who is offering to buy my shares of MTGE 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 MTGE common stock pursuant to the Agreement and Plan of Merger, dated as of May 2, 2018, entered into by Annaly, the Offeror and MTGE, which is referred to as the merger agreement. You are receiving this document because you own shares of MTGE common stock.

Annaly is a leading diversified capital manager that invests in and finances residential and commercial assets. Annaly's principal business objective is to generate net income for distribution to its shareholders and to preserve capital through prudent selection of investments and continuous management of its portfolio. Annaly has elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes. Annaly is externally managed by Annaly Management Company LLC.

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

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

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

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

\$9.82 in cash; and

0.9519 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 MTGE common stock may elect to receive, for each share of MTGE common stock that they hold, (1) \$19.65 in cash (we refer to this election as the all-cash election and this amount as the all-cash consideration) or (2) 1.9037 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 (such consideration, the common transaction consideration).

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MTGE common stockholders who validly tender and do not validly withdraw their shares of MTGE common stock in the offer but who do not make a valid election will receive the mixed consideration for their shares of MTGE common stock. MTGE common stockholders who make the all-cash election or the all-stock election will be subject to proration so that approximately 50.0% of the aggregate consideration in the offer will be paid in shares of Annaly common stock and approximately 50.0% 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.

MTGE common stockholders should consider the potential effects of proration and should obtain current market quotations for shares of MTGE 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 MTGE preferred stock?

If you own shares of MTGE's 8.125% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the [MTGE Series A preferred stock](#)), you do not need to do anything in connection with the offer, as the offer is not applicable to the MTGE Series A preferred stock. If the offer is completed, in connection with the completion of the merger, each issued and outstanding share of MTGE Series A preferred stock will be automatically converted into the right to receive one share of Annaly's 8.125% Series H Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the [Annaly Series H preferred stock](#)) on substantially the same terms.

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

If you are the record owner of your shares of MTGE 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 MTGE 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 MTGE 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 common equity interest in, MTGE. The offer is the first step in Annaly's plan to acquire all of the outstanding shares of MTGE 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 issued and outstanding shares of MTGE common stock that it did not acquire in the offer. After the merger, the MTGE business will be held in a wholly owned subsidiary of Annaly, and the former MTGE stockholders will no longer have any direct ownership interest in this entity.

What does the MTGE board of directors recommend?

The MTGE board of directors, acting upon the unanimous recommendation of a special committee of the MTGE board of directors comprised of three independent directors (the [MTGE special committee](#)), has resolved to recommend that the MTGE stockholders accept the offer and tender their shares of MTGE common stock to Annaly in the offer. The MTGE board of directors, upon the unanimous recommendation of the MTGE special committee, also 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 in the best interests of MTGE and its stockholders, and declared the offer, the merger and the other transactions contemplated by the merger agreement advisable.

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See The Offer MTGE s Reasons for the Offer and the Merger; Recommendation of the MTGE Board of Directors for more information. A description of the reasons for this recommendation is also set forth in MTGE s 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:

1. ***Minimum Tender Condition*** MTGE 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 MTGE common stock that, together with any shares of MTGE common stock then owned by Annaly and the Offeror, represents at least a majority of the then-outstanding shares of MTGE common stock at any expiration of the offer (the minimum tender condition);
2. ***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;
3. ***No MTGE Material Adverse Effect*** There not having occurred and continuing prior to the expiration of the offer 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 MTGE and its subsidiaries (with such term as defined in the merger agreement and described under Merger Agreement Material Adverse Effect);
4. ***No Annaly Material Adverse Effect*** There not having occurred and continuing prior to the expiration of the offer 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 and its subsidiaries (with such term as defined in the merger agreement and described under Merger Agreement Material Adverse Effect);
5. ***Accuracy of MTGE s Representations and Warranties*** The representations and warranties of MTGE contained in the merger agreement being true and correct as of the expiration of the offer, subject to specified materiality standards;
6. ***MTGE s Compliance with Covenants*** MTGE 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;
- 7.

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;

8. ***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;
9. ***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 H preferred stock to be issued in the merger having been approved for listing on the NYSE, subject to official notice of issuance;
10. ***No Legal Prohibition*** No law, order or injunction (whether temporary, preliminary or permanent) 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;

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11. **Regulatory Approvals** The approvals of the U.S. Department of Housing and Urban Development (HUD), the HUD lenders/servicers of certain loans financed by HUD and the Federal National Mortgage Association (Fannie Mae), if required, must have been obtained at or prior to the expiration of the offer;
12. **Transaction Tax Opinions** The receipt of a written opinion by each of Annaly and MTGE from its legal counsel, dated as of the expiration date, 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
13. **REIT Tax Opinions** The receipt of a written opinion by each of Annaly and MTGE from the other party's tax counsel, dated as of the expiration date, to the effect that at all times since a specified date and, with respect to Annaly, through the expiration date or, with respect to MTGE, through and including the taxable year that ends on the effective time of the merger, such company has been organized and operated in conformity with the requirements for qualification as a REIT under the Code 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. However, certain specified conditions (including all the conditions noted above other than the conditions related to a material adverse effect on MTGE, accuracy of MTGE's representations, MTGE's compliance with covenants and receipt by Annaly of the transaction and REIT tax opinions noted above) may only be waived by Annaly or the Offeror with the express written consent of MTGE. Pursuant to the merger agreement, MTGE has the right to require that Annaly and the Offeror waive the conditions set forth in the fourth, seventh, eighth, twelfth and thirteenth paragraphs 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, MTGE's receipt of the transaction tax opinion and MTGE's receipt of the REIT tax opinion). There is no financing condition to the offer.

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

The offer and the merger are expected to be completed during the third quarter of 2018, 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 MTGE common stock in the offer?

The offer is scheduled to expire at 5:00 p.m., Eastern Time, on June 18, 2018, 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 MTGE 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 June 18, 2018, 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 MTGE consents otherwise or the merger agreement is otherwise

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terminated, the Offeror must (1) extend the offer for one or more successive periods of up to 10 business days each (or for such longer period as may be agreed by MTGE) 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 10 business days each (or such longer or shorter period as may be agreed by MTGE) 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 MTGE 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 or Nasdaq 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 February 2, 2019 (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 MTGE common stock?

To tender your shares of MTGE 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 depository 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 MTGE 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.

If your shares of MTGE 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 MTGE 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 MTGE common stock, see The Offer Procedure for Tendering.

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

You may withdraw your previously tendered shares of MTGE common stock at any time until the offer has expired and, if the Offeror has not accepted your shares of MTGE common stock for payment by July 15, 2018, 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 MTGE 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 MTGE common stock, see The Offer Withdrawal Rights.

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

To withdraw previously tendered shares of MTGE 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 MTGE 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 MTGE 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 MTGE 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 MTGE common stock?

The Offeror will exchange all validly tendered and not validly withdrawn shares of MTGE common stock promptly after the expiration date, 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 MTGE common stock only after timely receipt by the exchange agent of certificates representing such shares of MTGE 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.

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 16, 2018, 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 MTGE 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 MTGE common stock?

If, after consummation of the offer, Annaly and the Offeror own a majority of the outstanding shares of MTGE common stock, Annaly and the Offeror intend to promptly complete the merger. Upon consummation of the merger, each issued and outstanding share of MTGE 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 50.0% of the aggregate consideration in the merger will be paid in shares of Annaly common stock and approximately 50.0% 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 MTGE 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 MTGE common

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stock in the offer. Upon the effective time of the merger, MTGE 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 MTGE common stock validly tendered and not validly withdrawn, there may be so few remaining stockholders and publicly held shares that MTGE common stock will no longer be eligible to be traded through Nasdaq or other securities exchanges, there may not be an active public trading market for MTGE common stock, and MTGE 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 MTGE 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 MTGE 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 MTGE, and all of the remaining holders of MTGE 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 proration as described in this document (such consideration, the common transaction consideration).

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 MTGE 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 U.S. holders (as defined herein) of MTGE common stock 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 MTGE stockholder receives solely shares of Annaly common stock in exchange for its shares of MTGE common stock, 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 MTGE stockholder receives solely cash in exchange for its shares of MTGE common stock, 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 MTGE common stock surrendered; and

if a MTGE stockholder receives a combination of Annaly common stock and cash in exchange for its shares of MTGE common stock, 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, less the stockholder's tax basis in its MTGE common stock surrendered, and (2) the amount of cash received.

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Non-U.S. holders (as defined herein) who receive a combination of Annaly common stock and cash in exchange for shares of MTGE common stock pursuant to the offer and/or the merger may be subject to U.S. withholding tax with respect to the cash consideration.

Each MTGE stockholder should read the discussion under Material U.S. Federal Income Tax Consequences and should consult its own tax advisor regarding the U.S. federal, state, local and non-U.S. tax consequences of the offer and the merger to such stockholder in light of its particular circumstances.

Will I have the right to have my shares of MTGE 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 D.F. King & Co., Inc., the information agent, at (800) 669-5550 (toll free for stockholders) or (212) 269-5550 (banks and brokers).

Where can I find more information about Annaly and MTGE?

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

