

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
The applicable Internal Revenue Code sections include Sections 302, 354, 356, 358, 368, 1001 and 1221 and the Treasury regulations promulgated thereunder.

Multiple horizontal lines for providing details for question 17.

18 Can any resulting loss be recognized? ▶ Please see Attachment.

Multiple horizontal lines for providing details for question 18.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶
The transaction occurred during the calendar year ending December 31, 2016.

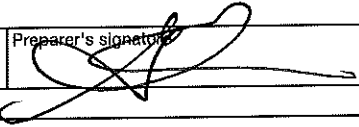
Multiple horizontal lines for providing details for question 19.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ _____ Date ▶ _____

Print your name ▶ _____ Title ▶ _____

Paid Preparer Use Only	Print/Type preparer's name <i>Glenn A. Votek</i>	Preparer's signature 	Date <i>8/26/16</i>	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

Attachment to FORM 9937

Hatteras Financial Corporation

(by successor: Annaly Capital Management, Inc.)

EIN – 26-1141886

This document, Form 9937 and the information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the "Code"). The information contained herein does not constitute tax advice and does not purport to be a complete description of the consequences that may apply to particular categories of shareholders. Shareholders should consult their own tax advisor regarding the particular consequences of the Merger (as defined below) as it applies to them, including the applicability and effect of all U.S. federal, state, and local and foreign tax laws. In addition, Shareholders should read the final prospectus filed on July 8, 2016 with the Securities and Exchange Commission ("SEC") in connection with the Merger and the discussion under the heading "Material U.S. Federal Income Tax Considerations."

Part II, Question 14 - Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

Pursuant to the merger agreement, dated as of April 10, 2016 (the "Merger Agreement"), among Annaly Capital Management, Inc. (NYSE:NLY) ("Annaly"), Hatteras Financial Corporation (NYSE:HTS) ("Hatteras") and Ridgeback Merger Sub Corporation, a wholly owned subsidiary of Annaly ("Merger Sub"), Annaly commenced a tender offer (the "Offer") to acquire the outstanding shares of Hatteras common stock for the consideration described below. The Offer expired on July 11, 2016 at 5:00 PM Eastern Time. On July 12, 2016, pursuant to the Merger Agreement, Hatteras merged with and into Merger Sub, with Merger Sub continuing as the surviving corporation (the "Merger" and, together with the Offer, the "Transaction").

Pursuant to the terms of the Merger Agreement, each share of Hatteras common stock not already owned by Annaly or its subsidiaries was converted into the right, at the election of the shareholder, to receive:

- (a) \$5.55 in cash and 0.9894 shares of Annaly common stock;
- (b) \$15.85 in cash (the "Cash Consideration Option"); or
- (c) 1.5226 shares of Annaly common stock (the "Stock Consideration Option").

Hatteras shareholders electing the Stock Consideration Option were subject to proration under the terms of the Merger Agreement and ultimately received a mixture of cash and stock consideration.

No fractional shares of Annaly common stock were issued to shareholders pursuant to the Transaction. Instead, each shareholder who otherwise would have been entitled to receive a fractional share of Annaly common stock received an amount of cash equal to such fractional share of Annaly common stock multiplied by the Parent Trading Price (as defined in the Merger Agreement).

Part II, Question 15 - Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

It was intended for the Transaction to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. In general, and as described in more detail in the final prospectus filed with the SEC, the U.S. federal income tax

consequences to shareholders who received shares of Annaly common stock and/or cash in exchange for Hatteras common stock pursuant to the Transaction generally are as follows:

Shareholders Who Received Solely Cash

A shareholder who received solely cash in exchange for Hatteras common stock generally will recognize gain or loss in an amount equal to the difference between the amount of cash received and such shareholder's tax basis in the Hatteras common stock surrendered.

Shareholders Who Received a Combination of Shares of Annaly Common Stock and Cash

A shareholder who received a combination of Annaly common stock and cash (other than cash in lieu of a fractional share of Annaly common stock) in exchange for Hatteras common stock generally will recognize gain (but not loss) in an amount equal to the lesser of (1) the sum of the amount of cash (other than cash received in lieu of a fractional share of Annaly common stock) and the fair market value of the Annaly common stock received, minus the adjusted tax basis of the Hatteras common stock surrendered in exchange therefor, and (2) the amount of cash received by the shareholder.

Pursuant to Section 358 of the Code, each shareholder that received Annaly common stock in the Transaction will need to allocate its tax basis in the Hatteras common stock immediately before the Transaction to the shares of Annaly common stock received in the Transaction. The aggregate tax basis of Annaly common stock received by each shareholder (including any fractional shares deemed received and exchanged for cash) will equal the aggregate tax basis of such shareholder's Hatteras common stock surrendered, (a) decreased by the amount of cash received by such shareholder in the Transaction (excluding cash received in lieu of a fractional share of Annaly common stock) and (b) increased by the amount of gain (including any gain treated as a dividend), if any, recognized by the shareholder on the receipt of such other consideration (excluding gain recognized as a result of received cash in lieu of a fractional share of Annaly common stock).

Cash in Lieu of a Fractional Share

A shareholder that received cash in lieu of a fractional share of Annaly common stock generally will be treated as having received such fractional share in the Transaction and then as having received cash in exchange for such fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the tax basis allocated to such fractional share of Annaly common stock. Such gain or loss generally will be long-term capital gain or loss if, as of the date of the Merger, the holding period for such shares was greater than one year.

Gain/Loss Characterization and Separate Blocks of Shares

Any gain or loss recognized by a shareholder will be long-term capital gain or loss if, as of the date of the Merger, the shareholder's holding period for the Hatteras common stock surrendered was greater than one year.

If a U.S. holder of Hatteras common stock acquired different blocks of shares at different times or at different prices, any gain or loss will be determined separately with respect to each block of Hatteras common stock, and such U.S. holder's basis and holding period in its Annaly common stock received in the offer and/or the Merger may be determined with reference to each identifiable block of Hatteras common stock.

Part II, Question 16 - Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

See Question 15 above for a general description of the U.S. federal income tax consequences of the Transaction to a shareholder, including the determination of such shareholder's basis in any Annaly common stock received in the Transaction. A reasonable estimate of the fair market value of one share of Annaly common stock at the effective time of the Merger would be \$10.795 per share, which is the average of the high and low trading prices of Annaly common stock on July 12, 2016. However, fair market value is generally a facts and circumstances determination and other reasonable methods may apply for determining fair market value. Shareholders are urged to consult their own tax advisor regarding the calculation of gain in the Transaction.

Part II, Question 18 - Can any resulting loss be recognized?

Shareholders receiving (1) solely stock consideration or (2) stock and cash consideration will not recognize any loss, except with respect to cash received in lieu of a fractional share of Annaly common stock. Shareholders receiving solely cash consideration will recognize any loss with respect to the cash received in exchange for their shares of Hatteras common stock.

A shareholder that received cash in lieu of a fractional share of Annaly common stock generally will be treated as having received such fractional share in the Transaction and then as having received the cash in exchange for such fractional share. Any loss recognized will be based on the difference between the amount of cash received in lieu of the fractional share and the tax basis allocated to such fractional share of Annaly common stock.

Shareholders should see Question 15 above and consult their own tax advisor regarding the particular consequences as it applies to them.