



**Merganser Capital
Management, Inc.**

Firm Brochure
(Part 2A of Form ADV)

**MERGANSER CAPITAL MANAGEMENT, INC.
99 HIGH STREET
BOSTON, MA 02110
617-494-1000
617-528-4816
WWW.MERGANSER.COM
JCA@MERGANSER.COM**

This brochure provides information about the qualifications and business practices of Merganser Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at: 617-494-1000, or by e-mail at jca@merganser.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Merganser Capital Management, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

March 11, 2010

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 11, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous brochure (dated November 15, 2010) did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 617-494-1000 or by e-mail at: jca@merganser.com.

Table of Contents

Material Changes	i
Advisory Business	1
Fees and Compensation.....	2
Performance-Based Fees	4
Types of Clients.....	4
Methods of Analysis, Investment Strategies and Risk of Loss	4
Disciplinary Information	9
Other Financial Industry Activities and Affiliations	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	9
Brokerage Practices	10
Review of Accounts	12
Client Referrals and Other Compensation	12
Custody	13
Investment Discretion	14
Voting Client Securities.....	14
Financial Information	14
Brochure Supplement (Part 2B of Form ADV)	15

Advisory Business

Firm Description

Merganser Capital Management, Inc., (“Merganser”) was founded in 1985. Merganser focuses on serving the fixed income investment needs of institutional clients. Merganser serves a diverse group of clients in a variety of disciplines nationwide including Pension, Public, Operating, Taft-Hartley and Endowment Funds as well as Defined Contribution Plans. Merganser also serves investment groups in a sub-advisory capacity.

Principal Owners

Merganser is a wholly owned subsidiary of Annaly Capital Management, Inc. (“Annaly”).

Annaly is located at:

1211 Avenue of the Americas, Suite 2902
New York, NY 10036

Types of Advisory Services

Merganser provides its clients with discretionary account management services, which include management of accounts for which the firm has the authority to direct investments without obtaining the consent of the client. From time to time, Merganser may provide account management services where client consent is required prior to effecting transactions in securities for such client's account. Merganser assists clients in determining risk and return objectives and, in relation to the client's existing holdings, defining the asset configurations most likely to achieve these objectives, including identification of appropriate market sectors for investment.

As of December 31, 2010, Merganser managed approximately \$6,163 million in assets for approximately 70 clients. All assets are managed on a discretionary basis.

Investment Management Agreement (“IMA”)

Most clients choose Merganser to manage fixed income assets. The investment guidelines and fee for a client are documented in an IMA. An IMA is provided to the client in writing and signed by both parties prior to the start of the relationship.

Tailored Relationships

The investment guidelines for each client are documented in each client's IMA. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time. Typically, the IMA states that 30 days notice will be provided by notifying Merganser in writing and paying the fee for the time spent on the investment advisory services through the date of termination. If the client made an advance payment, Merganser will refund any unearned portion of the advance payment.

Merganser may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, Merganser will refund any unearned portion of the advance payment.

Fees and Compensation

Description

Merganser charges fees for its discretionary account management services at rates agreed upon by the Merganser and its clients based upon a percentage of assets under management. For our major products, the Merganser's general fee schedule is as follows:

Short Term Bond - 25 basis points
Intermediate Term Bond - 30 basis points
Core Bond - 35 basis points

The minimum annual fees for our major products are as follows:

Short Term Bond - \$50,000
Intermediate Term Bond - \$60,000
Core Bond - \$70,000

Merganser, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Current client relationships may exist where the fees are higher or lower than the fee schedule above.

For accounts with assets greater than \$100 million as well as customized services that do not fall within the product categories above, fees are negotiable. Under certain circumstances, Merganser may accept performance fees.

Although the IMA is an ongoing agreement and constant adjustments are required, the length of service to the client is at either party's discretion. The client or the investment manager may terminate an IMA by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed.

Merganser may sponsor pooled vehicles as an alternative method of managing client's assets. These pooled vehicles are intended to provide an affordable means of investment for clients with assets insufficient to justify separate account management, or for those desiring the additional diversification offered by the larger pool of investments. Merganser charges fees for its account management services for pooled vehicles that it sponsors at an annual rate of 0.25% on assets under management for the Merganser Short-Term Bond Fund LLC, 0.30% for the Merganser Intermediate-Term Bond Fund LLC, and 0.35% for the Merganser Core Bond Fund LLC. Fees include custody and an annual audit by a third party. These fees are payable monthly in arrears. Pooled participants may incur additional fees if they require non-scheduled withdrawals.

Fee Billing

Investment management fees are billed quarterly, typically in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually wired to Merganser. The client must consent in advance to direct debiting of their investment account.

Other Fees

Clients' custodians' may charge transaction fees on purchases or sales of certain securities. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. Fees charged by the custodian are not included in the investment management fee.

Past Due Accounts and Termination of Agreement

Merganser reserves the right to stop work on any account that is more than 30 days overdue. In addition, Merganser reserves the right to terminate any relationship where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Merganser judgment, to providing proper investment management services. Any unearned portion of fees collected in advance will be refunded within 30 days.

Performance-Based Fees

Sharing of Capital Gains

In limited situations, Merganser and its client may agree on a fee that is based on a share of the capital gains or capital appreciation of managed securities.

Merganser only uses a performance-based fee structure when there is no potential conflict of interest.

As of December 31, 2010, Merganser had one account where a performance-based fee is in place.

Types of Clients

Description

Merganser focuses on serving the fixed income investment needs of institutional and high net worth individual clients. Merganser serves a diverse group of clients in a variety of disciplines nationwide including Pension, Public, Operating, Healthcare, Education, Insurance, Trusts, Taft-Hartley and Endowment Funds as well as Defined Contribution Plans. Merganser also serves investment groups in a sub-advisory capacity.

Client relationships vary in scope and length of service.

Account Minimums

The minimum separate account size is \$20,000,000 of assets under management. Depending on the strategy the minimum annual fees are as follows:

Short Term Bond - \$50,000

Intermediate Term Bond - \$60,000

Core Bond - \$70,000

Merganser has the discretion to waive the account minimum. In addition, accounts of less than \$20,000,000 have the option to enter one of Merganser's pooled fund vehicles (listed above) in order to avoid a minimum fee.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

The Merganser investment process is designed in such a way that allows the investment team to be flexible and responsive to changes in the markets. All purchases are made with a willingness to hold securities to maturity based on

intrinsic value. A decision to sell would begin with a recommendation from the sector team. A discussion among team members would take place with the goal of reaching consensus.

Making yield curve bets versus the benchmark is not a significant part of the Merganser strategy. Based upon the firm's market outlook, the duration of a client's portfolio is typically within +/-10% of the duration of the benchmark.

The Merganser sector specialists monitor holdings on a daily basis and will consider a sale under any of the following circumstances:

Change in credit opinion

- ☐ Merger/acquisition
- ☐ Operating results/financial condition
- ☐ Future management business expectations
- ☐ Change in senior management
- ☐ Change in business strategy
- ☐ Change in funding ability
- ☐ Change in collateral performance
- ☐ Change in credit quality ratings by NRSRO's

Change in market valuation

- ☐ Shift in market supply/demand balance
- ☐ Trading rich versus similar available investment opportunities
- ☐ Trading rich versus different maturity opportunities in same credit
- ☐ Declining in price for no known reason - (difficult subjective call)
- ☐ Change in capital markets
- ☐ Unexplained significant behavior of common stock
- ☐ Credit difficulties in similar companies
- ☐ Credit difficulties in industry
- ☐ Unrelated credit difficulties, need to short

Based on the work of the sector team, Merganser's product teams, which comprise our portfolio managers, construct each client's portfolio from the bottom up. A typical portfolio has approximately 75 to 125 securities. Before negotiating the purchase of the security, Merganser first does a portfolio 'needs assessment'. Merganser reviews each portfolio's exposure to the market sector and the specific security in question. Merganser determines whether the duration impact of adding the security would be acceptable within the context of the firm's overall portfolio strategy and the accounts' investment guidelines. Rather than employ a trading oriented strategy, all purchases are made with a willingness to hold securities to maturity based on intrinsic value. Final portfolio characteristics are guided by each client's objectives and benchmarks.

The Merganser research process has two broad facets: bottom-up and top-down.

The bottom-up process focuses heavily on issuer and issue analysis. For structured products, the issuer analysis includes a review and assessment of loan underwriting and documentation procedures, servicing capability, back-up servicer capability, reputation in the industry, parent support (if any), financial strength and performance of prior deals in the market. The issue-level analysis is highly quantitative, and includes a review of the nature and amount of credit enhancement, a thorough review of the cash-flow waterfall and collateral performance triggers, a review of historical collateral performance versus previous issues from the same issuer and other peer-group issuers and extensive stress-testing under a wide range of potential economic and interest rate conditions and loss scenarios. This initial review is supported by a rigorous, proprietary surveillance process to identify upgrade/downgrade candidates, identify trends in the underlying collateral and focus relative value discussions between sectors.

For corporate bonds, Merganser focuses on fundamental credit, relative and absolute value (spread levels) and issue specific analysis for all of the firm's holdings. The fundamental credit analysis is based on a thorough review of a company's business, management, legal structure and equity holders. Merganser then conducts a detailed analysis of the company's historical financial performance, which is evaluated against the financial performance of peer companies. Merganser focuses on projected free cash-flow generation, interest coverage, leverage, collateral coverage and enterprise valuation. The relative and absolute value analysis is based on a series of tools and techniques aimed at uncovering value along the maturity spectrum and capital structure of a particular issuer. Lastly, issue specific analysis allows us to determine the appropriate spread over treasuries or like issuers that we require to assume the risk of the issuer's debt.

The top-down facet of Merganser's investment process involves ongoing asset allocation discussions. These discussions are iterative and include input from the entire investment team. Merganser reviews relative value opportunities, valuation metrics and technical market factors in all sectors - corporates, governments, asset backed and mortgages.

Investment Strategies

Merganser believes that in an inefficient over the counter market, the firm's active fixed income management process should provide consistent excess returns for its clients. As fundamental investors, Merganser is dedicated to understanding intricate fixed income vehicles. The firm is committed to providing superior returns through identification of securities and sectors that have compelling risk/reward characteristics.

- Time-tested investment process is based on relative value.
- Security selection and sector allocation is our focus.
- Value is added through diligent research, execution and risk management.

Merganser employs a disciplined value-oriented approach, aiming to be fully invested at all times in the most attractive sectors. Portfolio optimization techniques are employed to produce high risk-adjusted returns.

Merganser's primary strategies are as follows:

Strategy	Target Duration	Benchmark
Short Term Bond	1.25 to 2 years	Merrill Lynch 1-3 Year Treasury Index
Intermediate Bond	2 to 4 years	Barclays Intermediate Government/Credit Index
Core Bond	Greater than 4 years	Barclays Aggregate Index
ABS	Client specific	Barclay's Asset Backed Securities Index

Duration measures the percentage change in price for a 1 percentage point or 100 basis point change in interest rates. The longer the duration, the more sensitive the strategy is to interest rate changes.

Merganser provides customized portfolio management tailored to the unique guidelines of institutional clients. Examples include an all Asset-Backed Securities portfolio for a corporate client's stable value plan and a very high quality short term portfolio for a health care client's operating fund.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Given Merganser's fixed income focus, the firm's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds rise, causing their market values to decline.
- **Market Risk:** The price of a security or bond may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Credit Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Extension & Prepayment Risk:** During periods of rising interest rates, the average life of certain types of securities is extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. During periods of declining interest rates, the issuer of a security exercises its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. To the extent an account invests significantly in asset-backed and mortgage-related securities, its exposure to prepayment and extension risks may be greater than other investments in fixed income securities.
- **Counterparty Risk:** The institutions, including brokerage firms and banks, with which the firm (directly or indirectly) does business, or to which securities have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities to trade security positions.
- **Regulatory Risk:** Recently there has been increased governmental, as well as self regulatory, scrutiny of the securities industry in general. It is impossible to predict what, if any, changes in regulations will result from these developments, but any regulations which restrict the ability of the manager to employ, or broker and other counterparties to

extend, credit in their trading (as well as other regulatory changes which result) could have a material adverse impact on the profit potential.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Merganser does not participate in other financial industry activities.

Affiliations

Merganser is a wholly-owned subsidiary of Annaly (NYSE:NLY), a publicly traded real estate investment trust (REIT).

FIDAC is a wholly-owned subsidiary of Annaly. Formed in 1994, FIDAC is a SEC registered investment advisor specializing in managing residential and commercial loans and securities, other assets, CDO liquidations and other financial services.

RCap Securities, Inc. (RCap) (member: FINRA) is a wholly-owned subsidiary of Annaly. RCap is a self-clearing broker dealer.

Merganser does not trade with any of its affiliates.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The employees of Merganser have committed to a Code of Ethics includes three main sections: Conflicts of Interest, Insider Trading and Employee Securities Reporting.

Employees must file transaction reports if they have a direct or indirect beneficial interest in securities. This interest is presumed to include immediate family members sharing the same household, including spouse, child, stepchild, grandchild, parent, stepparent, grandparent, siblings and in-laws. It also includes serving as a trustee or in any other fiduciary capacity, when the employee has trading authority over another person's account, and

when the employee is a beneficiary of a trust and has input on security transactions. All reports are reviewed by the Chief Compliance Officer. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

Merganser and its employees may not buy or sell securities that are also held by clients. Exceptions to this policy are securities issued by the United States Treasury or other Agencies. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the *Merganser Compliance Manual*.

Personal Trading

The Chief Compliance Officer of Merganser is Jeffrey Addis. He reviews all employee trades each quarter. It is not necessary to report positions in: shares of open-end mutual funds where Merganser is not an advisor or sub-advisor, bank certificates of deposit, and securities of the United States Government and its agencies. His trades are reviewed by the company President. The personal trading reviews ensure that employees' personal trading does not affect the markets, or conflict with Merganser's fiduciary duty to its clients.

Brokerage Practices

Selecting Brokerage Firms

Selecting qualified brokers is critical to meeting an adviser's fiduciary obligations to its clients. Merganser oversees the selection of brokers, and maintains a list of approved brokers it does business with. Selection of a broker is based on its financial soundness and its ability to service the firm's clients. The criteria used include, but may not be limited to, the following:

- The financial condition of the broker
- Its trading capabilities
- Its operations
- Research and support it provides
- Its disciplinary history

Merganser monitors the relationships with the brokers to ensure that they maintain the capacity to continue serving the firm's clients.

Merganser does not receive fees or commissions from any of these arrangements.

Best Execution

Merganser has a fiduciary obligation when executing transactions for a client to seek the most favorable terms available given the circumstances

surrounding the transaction. Merganser will usually accept the best price when executing a trade for a client, but may also consider the full range and quality of a broker's services, along with its financial condition. Merganser maintains relationships with a broad broker network. Merganser will not use client brokerage to pay for client referrals or to achieve any other financial benefit (even at the expense of obtaining lower transaction fees).

Soft Dollars

Merganser will not have any "soft dollar" arrangements, receive payments for order flow, receive any goods or services for using a broker, have any financial interest in market makers, have any affiliated brokers, or act as a principal in trades. Brokers may send research to Merganser on a voluntary basis. There is no obligation for Merganser to reciprocate by directing trades to these brokers.

Directed Brokerage

Merganser will not enter into a client directed brokerage arrangement unless specifically directed to do so in writing by a client, nor will Merganser execute any client directed brokerage transactions unless instructed to do so in writing by a client. When requested to enter into a client directed brokerage arrangement, Merganser will advise clients in writing that by directing brokerage to a specific broker/dealer, Merganser may not be able to obtain the best execution on behalf of the client. Merganser will not be the beneficiary of any directed brokerage.

Order Aggregation

Each of Merganser's portfolios is unique with regard to the securities that it holds and in most cases the investment guidelines by which it is managed. When the firm purchases securities, frequently it is looking for a particular type of security to meet the needs of a specific client's portfolio. In other instances, Merganser may purchase a security that represents a good value for several portfolios and allocate it among them.

Investment decisions for each client will be made independently from those of other clients. Should the same investment decision be made for more than one client, Merganser may aggregate securities to be purchased or sold so as to obtain best execution. The execution of trades in proprietary portfolios (Merganser's pooled funds are not considered proprietary) that are not aggregated with trades for other clients will be executed after non-proprietary portfolio trades. Merganser will allocate trades so as to shape each portfolio to meet the client's objectives. When allocating trades, Merganser will not favor portfolios based either on the fees they pay or whether they are proprietary.

If there is an inadequate quantity of the security to allocate it to all eligible accounts (lot size for each allocation will be at a level that in the firm's

judgment facilitates trading and minimizes costs), Merganser will make the allocation by taking into account how the addition of the security will affect the overall portfolio construction.

Review of Accounts

Periodic Reviews

Portfolios are reviewed by the portfolio manager or designee on a regular basis to insure investments are still appropriate. The following tools and methods and reports are utilized (but not limited to):

- Daily portfolio characteristic reports
- Daily cash availability forecast
- Daily compliance reports
- Weekly account review meetings
- Weekly investment strategy meetings
- Client meetings and conference calls
- Monthly client reports

Review Triggers

Other conditions that may trigger a review are changes in regulations, new investment information, changes in economy, current events, and clients' specific situations.

Regular Reports

Unless otherwise agreed, Merganser will send each separate account client on a monthly basis an investment report showing the asset positions at the end of the period, transactions during the period, and the investment performance for the period. Clients may also request different reports than normally provided, and Merganser will attempt to meet client-reporting needs where practical.

Clients should make arrangements for their custodian to also provide them with a list of transactions and assets priced at the end of the period. Merganser does not choose the custodian for its clients.

Pooled Fund clients receive a monthly report showing their fund transactions and holdings, the characteristics of the underlying portfolio and the fund performance. An audited financial statement is sent to them annually.

Client Referrals and Other Compensation

Referrals

Merganser may from time to time enter into agreements to compensate non-employees for referrals. These agreements are governed by, and require that

the solicitor meet the disclosure and other requirements of the Rule 206(4)-3 under the Investment Advisors Act, as well as comply with other applicable laws and regulations including state security laws. Merganser does not feel that there are conflicts of interest with existing relationship(s).

Other Compensation

Merganser may compensate certain of its employees for bringing new business to the firm and retaining existing business. This compensation is generally a specified percentage of the revenues received by the firm for the account.

Custody

Account Statements

The Investment Advisers Act imposes requirements on investment advisers that have access to clients' assets under their management. These requirements include the establishment of policies and procedures designed to prevent the misappropriation of assets. The rule requires assets to be held at a qualified custodian, and investment advisers to have a reasonable belief that the custodian provides at least quarterly statements to the client.

Merganser does not select the custodian for separate account clients, nor does Merganser make arrangements for the custodian to furnish the client with statements containing a list of assets and account activity. Clients are urged to compare their account statements with those received from the custodian.

Merganser is deemed to be the custodian for its pooled fund vehicles. Annually, an independent public accounting firm audits the pooled investment vehicles and audited financial statements are distributed to pooled fund participants within 120 of the fiscal year end (December 31st). Assets for the pooled fund vehicles are held at a qualified custodian (BNY Mellon Asset Servicing). Merganser sends monthly statements to the participants utilizing BNY Mellon data accounting data. Fund participants are urged to compare these reports with statements supplied directly from BNY Mellon. Participants may contact BNY Mellon Asset Servicing if they would like to receive statements directly from the custodian.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Merganser.

Investment Discretion

Discretionary Authority for Trading

Merganser accepts discretionary authority to manage securities accounts on behalf of clients. Merganser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, Merganser must comply with clients' investment guidelines which are stated in each client's IMA.

The client selects the custodian to be used and the fees paid to the custodian. Merganser does not receive any portion of the fees paid by the client to the custodian.

Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may promptly implement the investment policy that they have approved in writing.

Voting Client Securities

Proxy Votes

As a fixed income adviser, Merganser does not normally receive proxies to vote for its clients' accounts. In some instances, the IMA reserves responsibility for voting proxies to the client. In the rare instance that a proxy is received that requires a vote by Merganser, the following procedures will be followed:

For all Money Market Mutual Fund proxies, Merganser will vote to approve all auditor, director and legal counsel requests. For all non Money Market Mutual Fund proxies, Merganser will determine its recommendation for voting the proxy. Unless Merganser has been directed by the client to vote all proxies without consulting them, Merganser will advise the client of the recommendation and the client will make the final decision on how to vote.

Financial Information

Financial Condition

Merganser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

Merganser requires that its investment professionals have a bachelor's degree and further coursework demonstrating knowledge of the securities industry. Examples of acceptable coursework include: an MBA or CFA.

Professional Certifications

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
 - Successful completion of all three exam levels of the CFA Program.
 - Have 48 months of acceptable professional work experience in the investment decision-making process.
 - Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
 - Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.
-

Douglas A. Kelly, CFA – President & Co-Chief Investment Officer

- Born 1952

Educational Background:

- Babson College, Bachelor of Science, 1974
- Massachusetts Institute of Technology, Master's Degree (1979)

Business Experience:

- Merganser (Since 1986)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

As President, Mr. Kelly reports to Ronald Kazel, Chairman. Mr. Kelly provides Mr. Kazel with firm updates on a regular basis.

SUPERVISOR'S contact information:

212-696-0100 rkazel@annaly.com

Andrew M. Smock, CFA – Executive Vice President & Co-Chief Investment Officer

- Born 1976:

Educational Background:

- Northwestern University, Bachelor of Science (1999)
- Massachusetts Institute of Technology, Master's Degree (2004)

Business Experience:

- Merganser (Since 2003)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Mr. Smock is supervised by Douglas Kelly, President. Mr. Kelly reviews Mr. Smock's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

617-494-1000 dak@merganser.com

Jennifer K. Wynn, CFA – Senior Vice President & Portfolio Manager

- Born 1961

Educational Background:

- Princeton University, Bachelor of Science (1983)
- University of Chicago Business School, Master's Degree (1987)
- Massachusetts Institute of Technology, Master's Degree (1994)

Business Experience:

- Merganser (Since 2000)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Ms. Wynn is supervised by co-chief investment officers Douglas Kelly and Andrew Smock. Mr. Kelly or Mr. Smock reviews Ms. Wynn's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

617-494-1000 dak@merganser.com or ams@merganser.com

Peter S. Kaplan, CFA - Senior Vice President & Portfolio Manager

- 1957

Educational Background:

- University of Massachusetts, Bachelor of Science (1979)
- Babson College, Master's Degree (1982)

Business Experience:

- Merganser (Since 1986)

Disciplinary Information: None**Other Business Activities:** None**Additional Compensation:** None**Supervision:**

Mr. Kaplan is supervised by co-chief investment officers Douglas Kelly and Andrew Smock. Mr. Kelly or Mr. Smock reviews Mr. Kaplan's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

617-494-1000 dak@merganser.com or ams@merganser.com

Derek P. Moran, CFA – Vice President & Research Analyst

- Born 1967

Educational Background:

- Cape Town University, Bachelor of Science (1990)
- Cape Town University, Master's Degree (1993)

Business Experience:

- Merganser (Since 2007)
- Wellington Capital Management (2001 to 2007)
 - Fixed Income Client Lead (2004 to 2007)
 - Senior Systems Analyst (2001 to 2004)

Disciplinary Information: None**Other Business Activities:** None**Additional Compensation:** None**Supervision:**

Mr. Moran is supervised by co-chief investment officers Douglas Kelly and Andrew Smock. Mr. Kelly or Mr. Smock reviews Mr. Moran's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

617-494-1000 dak@merganser.com or ams@merganser.com

Adam M. Ware, CFA – Vice President & Research Analyst

- Born 1971

Educational Background:

- University of Connecticut, Bachelor of Science (1993)
- Cornell University, Master's Degree (2005)

Business Experience:

- Merganser (Since 2007)
- Loomis, Sayles & Company (2005 to 2007)
 - Associate (2005 to 2007)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Mr. Ware is supervised by co-chief investment officers Douglas Kelly and Andrew Smock. Mr. Kelly or Mr. Smock reviews Mr. Ware's work through frequent office interactions as well as remote interactions.

SUPERVISOR'S contact information:

617-494-1000 dak@merganser.com or ams@merganser.com