

Ellington Financial LLC
Form DEF 14A
April 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the registrant Filed by a party other than the registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Ellington Financial LLC

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule, or Registration Statement No.:

(3) Filing Party:

(4) Date Filed.

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53 Forest Avenue

Old Greenwich, Connecticut 06870

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 20, 2014

To Our Shareholders:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders (the "Annual Meeting") of Ellington Financial LLC (the "Company," "we," "our," or "us") on May 20, 2014, at 10:00 a.m., Eastern Time, at the offices of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166 to consider and take action on the following:

1. To elect the five directors nominated and recommended by the Board of Directors, each to serve until the 2015 Annual Meeting of Shareholders or until such time as their respective successors are elected and qualified;
2. To hold an advisory vote on executive compensation;
3. To ratify the appointment of PricewaterhouseCoopers LLP to serve as our registered independent public accounting firm for the year ending December 31, 2014; and
4. To transact such other business, if any, properly brought before the meeting.

Shareholders of record at the close of business on March 21, 2014 are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement of the meeting. If you wish to attend the Annual Meeting in person, please register in advance with Investor Relations by email at info@ellingtonfinancial.com or by phone at (203) 409-3575. Attendance at the Annual Meeting will be limited to persons that register in advance and present proof of share ownership on the record date and picture identification. If you hold shares directly in your name as the shareholder of record, proof of ownership would include a copy of your account statement. If you hold shares through an intermediary, such as a broker, bank or other nominee, proof of stock ownership could include a proxy from your broker, bank or other nominee or a copy of your brokerage or bank account statement. For more information with respect to voting your shares in person or by proxy at our Annual Meeting, see "Questions and Answers" beginning on page 2 of the Proxy Statement accompanying this notice.

Whether or not you plan to attend the Annual Meeting, your vote is very important, and we encourage you to vote promptly. You may vote your shares by signing, dating and mailing the proxy card in the envelope provided. As detailed on the proxy card, you also may vote by telephone or on the Internet. If you execute a proxy but later decide to attend the Annual Meeting in person, or for any other reason desire to revoke your proxy, you may do so at any time before your proxy is voted.

By order of the Board of Directors

Daniel Margolis

General Counsel

April 7, 2014

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on May 20, 2014: This Proxy Statement, the accompanying proxy card and our Annual Report to Shareholders are available on the Internet at www.proxyvote.com. On this site, you will be able to access this Proxy Statement, the accompanying proxy card, our Annual Report to Shareholders, which includes our Annual Report on Form 10-K, and any amendments or supplements to the foregoing materials that are required to be furnished to shareholders.

ELLINGTON FINANCIAL LLC
53 FOREST AVENUE
OLD GREENWICH, CONNECTICUT 06870

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 20, 2014

This Proxy Statement is furnished in connection with the solicitation of proxies by the board of directors (the "Board of Directors" or the "Board") of Ellington Financial LLC (the "Company," "EFC," "we," "us," or "our") for use at our 2014 Annual Meeting of Shareholders (the "Annual Meeting") to be held on May 20, 2014, at 10:00 a.m., Eastern Time, at the offices of Hunton & Williams LLP, 200 Park Avenue, New York, New York 10166, and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders, and at any adjournments or postponements thereof. This Proxy Statement, the accompanying proxy card and our annual report to shareholders, which includes our Annual Report on Form 10-K with audited financial statements as of and for the year ended December 31, 2013, are first being sent to our shareholders on or about April 7, 2014.

QUESTIONS AND ANSWERS

Q. How will we solicit proxies for the Annual Meeting?

We are soliciting proxies by mailing this Proxy Statement and proxy card to our shareholders. In addition to solicitation by mail, some of our directors and officers and certain employees of Ellington Management Group, A.L.L.C., or "EMG," may make additional solicitations by telephone or in person without extra pay. We will pay the solicitation costs and will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding proxy materials to beneficial owners.

We will employ Broadridge Financial Solutions, Inc. to receive and tabulate the proxies.

Q. Who is entitled to vote?

A. All shareholders of record as of the close of business on March 21, 2014, which is the record date, are entitled to notice of and vote at the Annual Meeting.

Q. What is the quorum for the Annual Meeting?

The presence at the Annual Meeting, in person or by proxy, of a majority of the votes entitled to be cast by the holders of all outstanding common shares representing limited liability company interests, no par value, of the Company ("Common Shares") will constitute a quorum for the transaction of business. No business may be conducted at the meeting if a quorum is not present. As of the record date, 25,441,750 Common Shares were issued and outstanding. If less than a majority of our outstanding Common Shares entitled to vote are represented, in person or by proxy, at the Annual Meeting, the chairman of the meeting may adjourn or postpone the Annual Meeting to another date, time or place, not later than 120 days after the original record date of March 21, 2014. If a Common Share is deemed present at the Annual Meeting for any matter, it will be deemed present for all other matters. Pursuant to Delaware law, abstentions are treated as present for quorum purposes.

Q. How many votes do I have?

A. You are entitled to one vote for each whole Common Share you held as of the record date. Our shareholders do not have the right to cumulate their votes for directors.

Q. How do I vote?

A. If you are a shareholder of record, meaning that your Common Shares are registered in your name, you have four voting options. You may vote:

By Mail—signed proxy card must be received by May 19, 2014

If you received your proxy materials by mail, you may vote by mail by marking the enclosed proxy card, dating and signing it, and returning it in the postage-paid envelope provided.

Authorizing your proxy by mail will not limit your right to attend the Annual Meeting and vote your Common Shares in person. Your proxy (either one or both of the individuals named in your proxy card) will vote your Common Shares per your instructions.

By Internet—until 11:59 p.m. Eastern Time on May 19, 2014

If you are a shareholder of record, you may follow the instructions and web address noted on your proxy card to transmit your voting instructions up until 11:59 p.m. Eastern Time on May 19, 2014.

By Telephone—until 11:59 p.m. Eastern Time on May 19, 2014

If you are a shareholder of record, you may use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on May 19, 2014.

In Person—only at the Annual Meeting on May 20, 2014

If you are a shareholder of record or you hold your shares through an intermediary, you may vote in person at the Annual Meeting as indicated below. If you wish to attend the Annual Meeting in person, please register in advance with Investor Relations by e-mail at info@ellingtonfinancial.com or by phone at (203) 409-3575. Attendance at the Annual Meeting will be limited to persons that register in advance and present proof of share ownership on the record date and picture identification. If you hold Common Shares directly in your name as the shareholder of record, proof of ownership would include a copy of your account statement. If you hold Common Shares through an intermediary, such as a broker, bank or other nominee, proof of share ownership would include a proxy from your broker, bank or other nominee or a copy of your brokerage or bank account statement. Additionally, if you intend to vote your Common Shares at the meeting and hold your Common Shares through an intermediary, you must request a "legal proxy" from your broker, bank or other nominee and bring this legal proxy to the meeting.

Directions to the Annual Meeting are available by calling (203) 409-3575.

Q. How do I vote my Common Shares that are held by my broker?

If you hold your Common Shares in "street name" through an account with a broker or bank, you may instruct your A. broker or bank to vote your Common Shares or revoke your voting instructions by following the instructions that the broker provides to you. Most brokers allow you to authorize your proxy by mail and on the Internet.

Banks and brokers have the authority under New York Stock Exchange, or "NYSE," rules to vote shares for which their customers do not provide voting instructions on routine matters. The proposal to ratify the appointment of our registered independent public accounting firm for 2014 is considered a routine matter under NYSE rules. This means that banks and brokers may vote in their discretion on this matter on behalf of customers who have not furnished voting instructions at least ten days before the date of the Annual Meeting. Unlike the proposal to ratify the appointment of our independent registered public accounting firm, the election of directors and the advisory vote on executive compensation are non-routine matters for which brokers do not have discretionary voting power and for which specific instructions from their customers are required. As a result, banks and brokers are not allowed to vote any shares held by you in "street name" on these matters on your behalf unless you provide the bank or broker with specific voting instructions. Failure to provide the bank or broker that holds your shares with specific voting instructions on these two non-routine matters will result in a "broker non-vote."

Beneficial owners of Common Shares held through the account of a bank or broker are advised that, if they do not timely provide instructions to their broker, their Common Shares will not be voted in connection with the election of directors or the advisory vote on executive compensation.

Q. What am I voting on?

A. You will be voting on:

Proposal 1: The election of the five directors nominated and recommended by the Board of Directors, each to serve until the 2015 Annual Meeting of Shareholders or until such time as their respective successors are elected and qualified;

Proposal 2: An advisory (non-binding) "say on pay" vote to approve executive compensation; and

Proposal 3: A proposal to ratify the appointment of our registered independent public accounting firm for 2014. No cumulative voting rights are authorized, and dissenter's rights are not applicable to these matters.

Q. What vote is required to approve the proposals assuming that a quorum is present at the Annual Meeting?

A.

Proposal

Vote Requirement

Proposal 1: Election of Directors

A plurality of the votes cast for the election of each director nominee. The five nominees who receive the most votes will be elected.

Proposal 2: An Advisory (Non-Binding) "Say on Pay" Vote to Approve Executive Compensation

The affirmative vote of a majority of Common Shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. Voting for Proposal 2 is being conducted on an advisory basis and, therefore, the voting results will not be binding on the Company, the Board of Directors or the Compensation Committee.

Proposal 3: Ratification of Appointment of Our Registered Independent Public Accounting Firm for 2014

The affirmative vote of a majority of Common Shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter.

Q. How are abstentions and broker non-votes treated?

A. As discussed above, a "broker non-vote" occurs when a bank, broker, or other holder of record holding Common Shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Abstentions and broker non-votes will be treated as follows:

Proposal

Treatment of Abstentions and Broker Non-Votes

Proposal 1: Election of Directors

Abstentions and Common Shares not represented at the meeting will have no effect on the election of directors. Brokers are not entitled to vote on director elections and thus broker non-votes are not treated as votes cast and will have no effect on the election of directors.

Proposal 2: An Advisory (Non-Binding) "Say on Pay" Vote to Approve Executive Compensation

Abstentions will have the same effect as a vote against this proposal, whereas broker non-votes and Common Shares not otherwise represented at the meeting will have no effect on the outcome of this proposal.

Proposal 3: Ratification of Appointment of Our Registered Independent Public Accounting Firm for 2014

Abstentions will have the same effect as a vote against this proposal, whereas Common Shares not represented at the meeting will not be counted for purposes of determining whether such matter has been approved. Because this is considered a routine matter under NYSE rules, broker non-votes will not arise in connection with, and thus will have no effect on, this proposal.

Q. Will there be any other items of business on the agenda?

A. The Board of Directors does not know of any other matters that may be brought before the Annual Meeting nor does it foresee or have reason to believe that proxy holders will have to vote for substitute or alternate nominees for election to the Board of Directors. In the event that any other matter should come before the Annual Meeting or any nominee is not available for election, the persons named in the enclosed proxy will have discretionary authority to vote all proxies with respect to such matters in accordance with their

discretion.

Q. What happens if I submit my proxy without providing voting instructions on one or more proposals?

A. Proxies properly submitted will be voted at the Annual Meeting in accordance with your directions. If the properly submitted proxy does not provide voting instructions on a proposal, the proxy will be voted, except in the case of a broker non-vote, to elect (FOR) each of the director nominees listed in "Proposal 1—Election of Directors," in favor of (FOR) "Proposal 2—An Advisory (Non-Binding) 'Say on Pay' Vote to Approve Executive Compensation" and in favor of (FOR) "Proposal 3—Ratification of the Appointment of Registered Independent Public Accounting Firm for 2014."

Q. Will anyone contact me regarding this vote?

A. No arrangements or contracts have been made with any solicitors as of the date of this Proxy Statement, although we reserve the right to engage solicitors if we deem them necessary. Solicitations may be made by mail, telephone, facsimile, e-mail, or personal interviews.

Q. Who will pay for this proxy solicitation?

A. We will pay the entire expense of preparing, printing, and mailing the proxy materials and any additional materials furnished to shareholders. Proxies may be solicited by our directors and officers and certain employees of EMG personally or by telephone without additional compensation for such activities. We also will request persons, firms, and corporations holding Common Shares in their names or in the names of their nominees, which are beneficially owned by others, to send appropriate solicitation materials to such beneficial owners. We will reimburse such holders for their reasonable expenses.

Q. May shareholders ask questions at the Annual Meeting?

A. Yes. There will be time allotted at the end of the meeting when our representatives will answer questions from the floor.

Q. What does it mean if I receive more than one proxy card?

A. It probably means your Common Shares are registered differently and are in more than one account. Sign and return all proxy cards, or vote by the methods provided by your broker to ensure that all your Common Shares are voted.

Q. Can I change my vote after I have voted?

A. Yes. A shareholder may revoke a proxy at any time prior to its exercise by filing with our Secretary a duly executed revocation of proxy, by properly submitting by mail a proxy to our Secretary bearing a later date or by appearing at the meeting and voting in person. Attendance at the meeting will not by itself constitute revocation of a proxy.

Q. Can I find additional information on the Company's website?

A. Yes. Our Internet website is located at www.ellingtonfinancial.com. Although the information contained on our website is not part of this Proxy Statement, you can view additional information on the website, such as our corporate governance guidelines, our code of business conduct and ethics, charters of the committees of our Board and reports that we file with the Securities and Exchange Commission, or "SEC."

We are providing this Proxy Statement for the purpose of soliciting your proxy. The Board of Directors of Ellington Financial LLC requests that you submit your proxy to allow the representation and voting of your Common Shares at our Annual Meeting.

PROPOSAL 1: ELECTION OF DIRECTORS

Identifying and Evaluating Nominees for Director

Our Board is pleased to present five nominees for election to the Board at our Annual Meeting, all of whom currently serve as directors on our Board and three of whom are considered independent in accordance with the requirements of the NYSE and our Corporate Governance Guidelines. Each director elected will serve until our next annual meeting or until such time as his respective successor is elected and qualified. If any nominee is unable to stand for election for any reason, the persons appointed to vote your proxy may vote at our Annual Meeting for another candidate proposed by the Board, or the Board may choose to reduce the size of the Board. For additional information about how we identify and evaluate nominees for director, see "Corporate Governance—Information Regarding Our Board and Its Committees—Nominating and Corporate Governance Committee."

Information Regarding the Nominees

To assist you in assessing our Board's nominees, we have set forth below biographical descriptions and certain other information with respect to each nominee for election as a director at the Annual Meeting, including the experience, qualifications, attributes or skills of each nominee that led us to conclude that such person should serve as a director. Our Board recommends a vote "FOR" all of the nominees listed below for election as directors (Proposal 1 on the proxy card).

Name and Position
With Our Company

Age Background Summary

Thomas F. Robards Chairman of the Board	67	Mr. Robards has served as a member of our Board since August 2007 and as our Chairman since October 2009. Mr. Robards has been a principal in Robards & Co, LLC, a private investment and advisory company, since July 2005. He currently serves as a Trustee and is Audit Committee Chair for the HSBC Investor Funds, a mutual fund complex. He currently serves as Chairman of the Board of Trustees of Ellington Residential Mortgage REIT, a position he has held since May 2013. He is a Director and is Audit Committee Chair of Overseas Shipholding Group, Inc., and until December of 2006 was a Director and on the Audit Committee of Financial Federal Corporation, both NYSE-listed companies. From 2003 to 2004, he was the Senior Vice President and Chief Financial Officer of the American Museum of Natural History in New York, New York. He was the Chief Financial Officer for Datek Online Holding Corporation from 2000 until its acquisition by Ameritrade in 2002. Prior to that, Mr. Robards was employed at Republic New York Corporation for 24 years, including as Chief Financial Officer and Executive Vice President, and from 1997 to 1999 served on its board of directors. During his tenure his responsibilities at Republic included leading its Asset/Liability and Finance Committees as well as managing Republic National Bank treasury and investment portfolio activities. Mr. Robards earned his B.A. from Brown University and an M.B.A. from Harvard Business School.
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Our Board believes that Mr. Robards' expertise in finance and accounting, including knowledge of financial institutions, public accounting, internal controls, audit committee performance and governance matters, and experience amassed from past and current service on the audit committees of NYSE-listed companies, give him the qualifications and skills to serve as a director of our Company.

Michael W. Vranos 52
Co-Chief Investment
Officer & Director

Mr. Vranos has been our Co-Chief Investment Officer since June 2009 and a member of our Board of Directors since our inception in 2007. From our inception in 2007 until October 2009, Mr. Vranos served as our Chairman and is also the Chief Executive Officer and President of Ellington Financial Management LLC, our external manager (hereinafter referred to as our "Manager"). Mr. Vranos also serves as Co-Chief Investment Officer and as a member of the Board of Trustees of Ellington Residential Mortgage REIT. Mr. Vranos is also the founder and Chief Executive Officer of EMG, which he founded in

December of 1994 to capitalize on distressed conditions in the MBS derivatives market. Until December 1994, he was the Senior Managing Director of Kidder Peabody, in charge of RMBS trading. Mr. Vranos graduated magna cum laude, Phi Beta Kappa with a B.A. in Mathematics from Harvard University.

Our Board believes that Mr. Vranos' operational experience as Co-Chief Investment Officer of our Company, trading and market expertise and, in particular, his extensive experience in the mortgage securities business, give him the qualifications and skills to serve as a director of our Company.

Name and Position With Our Company	Age	Background Summary
Laurence Penn Chief Executive Officer, President & Director	52	<p>Mr. Penn has been our Chief Executive Officer and President and has served as a member of our Board of Directors since our inception in 2007. Mr. Penn is also a Vice Chairman of EMG, where he helps oversee many functions of the firm. Mr. Penn is also the Executive Vice President of our Manager and serves on our Manager's investment and risk management committee. Mr. Penn also serves as Chief Executive Officer, President and a member of the Board of Trustees of Ellington Residential Mortgage REIT. In EMG's earlier years, Mr. Penn was the senior portfolio manager primarily responsible for investments in Agency RMBS. Prior to joining EMG in 1995 shortly after its inception, Mr. Penn was at Lehman Brothers where he was a Managing Director and co-head of CMO origination and trading. Mr. Penn began his career at Lehman Brothers in 1984, after receiving a Master of Advanced Study in Mathematics from Cambridge University, where he studied as both a National Science Foundation and Winston Churchill Fellow. Mr. Penn graduated summa cum laude, Phi Beta Kappa with a B.A. in Mathematics from Harvard University in 1983. He was one of five winners nationwide in the 1980 Putnam collegiate mathematics problem solving competition, and represented the United States in the 21st International Mathematics Olympiad held in London, England.</p> <p>Our Board believes that Mr. Penn's operational experience as President and Chief Executive Officer of our Company, risk management and trading expertise and, in particular, his extensive experience in the mortgage securities business, give him the qualifications and skills to serve as a director of our Company.</p>
Ronald I. Simon, Ph.D. Director	75	<p>Dr. Simon has served as a member of our Board since August 2007. Dr. Simon has served as a member of the Board of Trustees of Ellington Residential Mortgage REIT since May 2013. Dr. Simon is a private investor and financial consultant to businesses. From March 2003 through February 2006, when it was acquired by Wachovia Corp., Dr. Simon was a Director of WFS Financial, Inc., a publicly-traded financial services company specializing in automobile finance. He was a director of Collateral Therapeutics from 1998 until its acquisition by Schering A.G. in 2002. From January 2006 to January 2009, he was a director of Cardium Therapeutics, a company formed to acquire and carry on the research and development of gene therapy to treat heart disease, which was originally developed by Collateral Therapeutics and then continued by Schering. From 1995 through 2002, Dr. Simon was a director of SoftNet Systems, Inc., and since 2002, has been a director of its successor company, American Independence Corp., a holding company engaged principally in the health insurance and reinsurance business. Dr. Simon is currently the Chairman of the Audit Committee of American Independence Corp. He was a director of BDI Investment Corporation, a closely held regulated investment company, from February 2003 until its liquidation in early 2005, and served as Chief Financial Officer for Wingcast, LLC, a developer of automotive telematics from 2001 to 2002. During 2001, Dr. Simon served as Acting Chairman, Chief Executive Officer and Chief Financial Officer for SoftNet Systems, Inc. He also served as Executive Vice President and Chief Financial Officer of Western Water Company from 1997 to 2000, and a director of Western Water Company from 1999 through 2001. Dr. Simon earned a B.A. from Harvard University, an M.A. from Columbia University, and a Ph.D. from Columbia University Graduate School of Business.</p>

Our Board believes that Dr. Simon's expertise in finance and his extensive service in senior officer positions and directorships of public companies in a variety of industries give him the qualifications and skills to serve as a director of our Company.

Name and Position
With Our Company

Age Background Summary

Edward Resendez
Director

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Mr. Resendez has served as a member of our Board since August 2007. Since November 2013 Mr. Resendez has served as Vice Chairman, President and Chief Operating Officer of Cherrywood Commercial Mortgage Lending, LLC ("Cherrywood"). Cherrywood is a Small-Balance Commercial Mortgage origination, securitization and finance company. From 2007 to September 2009, Mr. Resendez was Senior Vice President-Chief Lending Officer of Kinecta Federal Credit Union and President of Kinecta Alternative Financial Solutions, Inc. From 2002 to 2007, Mr. Resendez was Chief Executive Officer, Board Member and Co-Founder of ResMAE Financial Corporation and its wholly-owned subsidiary ResMAE Mortgage Corporation, or "ResMAE." In February 2007, ResMAE filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court, District of Delaware. From 1995 through 2000, Mr. Resendez was the President of Long Beach Mortgage Company. During that timeframe he was also appointed as President and a Management Member of the board of directors for both Long Beach Financial Corporation, when that company went public in 1997 (formerly NASDAQ symbol: LBFC), and its wholly-owned operating subsidiary, Long Beach Mortgage Company, a subprime mortgage company, or, collectively with Long Beach Financial Corporation, "Long Beach." Long Beach was an originator, purchaser, seller and servicer of subprime mortgages. From 1987 to 1995, Mr. Resendez held various management positions at Long Beach, including Executive Vice President—Loan Administration, First Vice President—Risk Management, Vice President—REO Loan Servicing, and Vice President—Retail Origination. Prior to joining Long Beach in 1987, Mr. Resendez held several managerial positions with Transamerica Financial Services from 1977 to 1987. Mr. Resendez earned a B.B.A. from Loyola Marymount University in Los Angeles in 1978, and is a licensed real estate broker in California.

Our Board believes that Mr. Resendez's extensive operational experience in and knowledge of the mortgage lending business give him the qualifications and skills to serve as a director of our Company.

**PROPOSAL 2: AN ADVISORY (NON-BINDING) "SAY ON PAY" VOTE
TO APPROVE EXECUTIVE COMPENSATION**

Section 14A of the Securities Exchange Act of 1934 (the "Exchange Act") added by the Dodd-Frank Wall Street Reform and Consumer Protection Act provides our shareholders with an advisory "say on pay" vote to approve our executive compensation. Although the "say on pay" vote is advisory and is not binding on our Board, the Board values shareholders' opinions and the Compensation Committee will take into consideration the outcome of the vote when making future executive compensation decisions.

As an externally managed company, we do not pay or provide benefits, nor do we reimburse the cost of any compensation or benefits paid by our Manager or EMG or their respective affiliates, to our executive officers, with the exception that, under the terms of the management agreement between us and our Manager, we are required to reimburse our Manager for the costs of the wages, salaries, and benefits incurred by our Manager or EMG with respect to our partially dedicated Chief Financial Officer, subject to the approval of the amount of such reimbursement by our Compensation Committee. In addition, we have the discretion to pay annual cash bonuses and make incentive equity awards to our partially dedicated Chief Financial Officer in amounts that are determined by our Compensation Committee.

This advisory "say on pay" vote gives our shareholders the opportunity to express their views on the compensation we pay to our named executive officers, which in this case is solely our partially dedicated Chief Financial Officer, as disclosed in this Proxy Statement. The Board believes that the current compensation of our partially dedicated Chief Financial Officer provides fair compensation designed to retain and motivate her and properly aligns her interests with those of our shareholders. See the "Compensation Discussion and Analysis" section of this Proxy Statement for more information on these elements of our executive compensation program.

For these reasons, the Board recommends that our shareholders vote in favor of the following resolution:

"Resolved, that our shareholders approve, on an advisory basis, the compensation we pay to our Company's named executive officers, which in this case is solely our partially dedicated Chief Financial Officer, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and narrative discussion."

The Board recommends a vote "FOR" approval of this resolution (Proposal 2 on the proxy card).

PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF OUR REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM FOR 2013

The Audit Committee has appointed PricewaterhouseCoopers LLP ("PwC") as our registered independent public accounting firm to audit the financial statements of our Company and its subsidiaries for the year ending December 31, 2014. Although shareholder approval is not required, we desire to obtain from our shareholders an indication of their approval or disapproval of the Audit Committee's action in appointing PwC as the independent registered public accounting firm of our Company. Although we seek ratification of the appointment of PwC as our independent registered public accounting firm, the ratification of the appointment of PwC does not preclude the Audit Committee from subsequently determining to change independent registered public accounting firms if it determines such action to be in the best interests of our Company and shareholders. If our shareholders do not ratify and approve this appointment, the appointment will be reconsidered by the Audit Committee and our Board of Directors.

PwC has advised the Audit Committee that they are an independent accounting firm with respect to our Company and its subsidiaries within the meaning of standards established by the American Institute of Certified Public Accountants (the "AICPA"), the Public Company Accounting Oversight Board (the "PCAOB"), the Independence Standards Board and federal securities laws. Representatives of PwC will be present at the Annual Meeting and will have an opportunity to make a statement if they choose and will be available to respond to appropriate shareholder questions.

PwC's 2013 and 2012 Fees

PwC's fees for professional services rendered in or provided for 2013 and 2012, as applicable, were:

	2013	2012
Audit Fees	\$ 1,083,400	\$ 899,515
Audit-related Fees	3,000	0
Tax Fees	0	245,566
All Other Fees	1,970	9,986
Total Fees	\$ 1,088,370	\$ 1,155,067

Audit Fees. Audit fees consist of fees billed by PwC related to the audit of our consolidated financial statements, the issuance of comfort letters and SEC consents and certain agreed upon procedures and other attestation reports including fees for such services provided in connection with our public offering. Audit fees are those billed or expected to be billed for audit services related to each fiscal year.

Audit-related Fees. Audit-related fees consist of fees billed or expected to be billed by PwC for other audit and attest services, financial accounting, reporting and compliance matters and risk and control reviews. Fees for audit-related services are for those services rendered during each fiscal year.

Tax Fees. Tax fees consist of fees billed or expected to be billed by PwC for tax compliance, advisory and planning services rendered during the fiscal year.

All Other Fees. All other fees mostly consist of costs associated with certain on-line subscription services.

Audit Committee Pre-Approval Policies and Procedures

On at least an annual basis, the Audit Committee pre-approves a list of services and sets pre-approval fee levels that may be provided by PwC without obtaining engagement specific pre-approval from the Audit Committee. The pre-approved list of services consists of audit services, audit-related services, tax services and all other services. All requests or applications for PwC audit, audit-related services, tax services or all other services must be submitted to our Chief Financial Officer to determine if the services are included within the pre-approved list of services that have received Audit Committee pre-approval. Any type of service that is not included on the pre-approved list of services must be specifically approved by the Audit Committee or its designee. Any proposed service that is included on the list of pre-approved services but will cause the pre-approved fee level to be exceeded will also require specific pre-approval by the Audit Committee or its designee. The Audit Committee has chosen the Audit Committee Chairman as its designee.

All of the fees paid to PwC in 2013 were pre-approved by the Audit Committee, and there were no services for which the de minimis exception permitted in certain circumstances under SEC rules was utilized.

Our Board recommends a vote "FOR" ratification of the appointment of PwC as our registered independent public accounting firm for 2014 (Proposal 3 on the proxy card).

CORPORATE GOVERNANCE

The Board of Directors

Our business is managed through the oversight and direction of our Board of Directors, which has established investment guidelines for our Manager, Ellington Financial Management LLC, or "EFM," to follow in its day-to-day management of our business. EFM is an affiliate of EMG, a private investment management firm and registered investment advisor that specializes in fixed income strategies, and is responsible for administering our business activities and day-to-day operations. Our Board is currently comprised of five directors. The directors are informed about our business at meetings of our Board and its committees and through supplemental reports and communications. Our independent directors meet regularly in executive sessions without the presence of our corporate officers.

Our Board has established three standing committees that are comprised solely of independent directors, the principal functions of which are briefly described below. Matters put to a vote at any one of our three committees must be approved by a majority of the directors on the committee who are present at a meeting at which there is a quorum or by unanimous written consent of the directors on that committee.

Director Independence

Our Board has determined that three of our five current directors and nominees are independent directors as defined by the requirements of the NYSE and our Corporate Governance Guidelines. Our Board has adopted, through its approval of our Corporate Governance Guidelines, the categorical standards prescribed by the NYSE to assist the Board in evaluating the independence of each of our directors and nominees. The categorical standards describe various types of relationships that could potentially exist between a board member and our Company and sets thresholds at which such relationships would be deemed to be material. Provided that no relationship or transaction exists that would disqualify a director under the categorical standards and our Board determines, after taking into account all facts and circumstances, that no other material relationship between our Company and the director exists of a type not specifically mentioned in the categorical standards, our Board will deem such person to be independent. A director shall not be independent if he or she satisfies any one or more of the following criteria:

A director who is, or who has been within the last three years, an employee of our Company or any of its affiliates, 1. or whose immediate family member is, or has been within the last three years, an executive officer of our Company or any of its affiliates.

A director who has received or who has an immediate family member, serving as an executive officer, who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation 2. from our Company (excluding director and committee fees, and pension/other forms of deferred compensation for prior service that is not contingent in any way on continued service).

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