

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-35896

**Ellington Credit Company**

(Exact Name of Registrant as Specified in Its Charter)

Maryland

46-0687599

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

53 Forest Avenue

Old Greenwich, Connecticut 06870

(Address of Principal Executive Offices) (Zip Code)

(203) 698-1200

(Registrant's Telephone Number, Including Area Code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares of Beneficial Interest, \$0.01 par value per share	EARN	The New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes   
No

As of the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the Registrant's common shares held by non-affiliates was \$143,832,683 based on the closing price as reported by the New York Stock Exchange on that date.

Number of the Registrant's common shares outstanding as of March 28, 2025: 37,559,195

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement with respect to its 2025 Annual Meeting of Shareholders to be filed not later than April 30, 2025 are incorporated by reference into Part III hereof as noted therein.

# ELLINGTON CREDIT COMPANY

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## PART I—FINANCIAL INFORMATION

### Item 1. Business

*Except where the context suggests otherwise references in this Annual Report on Form 10-K to "we," "us," and "our" refer to Ellington Credit Company (formerly Ellington Residential Mortgage REIT) and its consolidated subsidiaries, including Ellington Residential Mortgage LP, our operating partnership subsidiary, which we refer to as our "Operating Partnership." We hold all of our assets and conduct all of our operations through our Operating Partnership. "Manager" refers to Ellington Credit Company Management LLC, our external manager, and "Ellington" refers to Ellington Management Group, L.L.C. and its affiliated investment advisory firms, including our Manager. In certain instances, references to our Manager and services to be provided to us by our Manager may also include services provided by Ellington and its other affiliates from time to time. References to "Blackstone" mean The Blackstone Group Inc. The "Blackstone Funds" means the group of funds that are managed by an affiliate of Blackstone and that, together with Ellington, constituted our original group of investors.*

### Special Note Regarding Forward-Looking Statements

When used in this Annual Report on Form 10-K, in future filings with the Securities and Exchange Commission, or the "SEC," or in press releases or other written or oral communications, statements which are not historical in nature, including those containing words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek," or similar expressions or their negative forms or references to strategy, plans or intentions, are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and, as such, may involve known and unknown risks, uncertainties and assumptions.

Forward-looking statements are based on our beliefs, assumptions, and expectations of our future operations, business strategies, performance, financial condition, liquidity and prospects, taking into account information currently available to us. These beliefs, assumptions, and expectations are subject to numerous risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations and strategies may vary materially from those expressed or implied in our forward-looking statements or from our beliefs, expectations, estimates and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. The following factors are examples of those that could cause actual results to vary from those stated or implied by our forward-looking statements: changes in interest rates and the market value of our securities or our investments; our use of and dependence on leverage; future changes with respect to the Federal National Mortgage Association, or "Fannie Mae," and Federal Home Loan Mortgage Corporation, or "Freddie Mac," and related events, including the lack of certainty as to the future roles of these entities and the U.S. Government in the mortgage market and changes to legislation and regulations affecting these entities; market volatility; our ability to pivot our investment strategy to focus on CLOs; a deterioration in the CLO market; our ability to utilize our U.S. federal and state net operating losses, or "NOLs"; our ability to convert to a closed-end fund/regulated investment company; our ability to exit investments in a timely and cost-effective manner; changes in our investment objectives and strategy; changes in the prepayment rates on the mortgage loans underlying the securities we own; changes in rates of default and/or recovery rates; our ability to borrow to finance our assets and the available terms for such borrowings; changes in government regulations affecting our business; our ability to maintain our exclusion from registration under the Investment Company Act of 1940, as amended, or the "1940 Act," and following our conversion to a closed-end fund/regulated investment company, our ability to qualify as an investment company under the 1940 Act; risks associated with investing in real estate assets, including changes in business conditions; and other changes in markets conditions and trends, such as changes to fiscal or monetary policy, heightened inflation, slower growth or recession, and currency fluctuations. These and other risks, uncertainties and factors, including the risk factors described under Item 1A of this Annual Report on Form 10-K, could cause our actual results to differ materially from those projected or implied in any forward-looking statements we make. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

### Our Company

Ellington Credit Company (formerly Ellington Residential Mortgage REIT) is a Maryland company that was formed in August 2012 through a strategic venture among affiliates of Ellington, an investment management firm and registered investment adviser with a 30-year investment history, and the Blackstone Funds. We historically specialized in acquiring, investing in, and managing residential mortgage- and real estate-related assets, and elected to be taxed as a real estate investment trust, or "REIT," under the Internal Revenue Code of 1986, as amended (the "Code").

On March 29, 2024, our Board of Trustees approved a strategic transformation, the "CLO Strategic Transformation," of our investment strategy to focus on corporate collateralized loan obligations, or "CLOs." In connection with the CLO Strategic

Transformation, we revoked our election to be taxed as a REIT for tax year 2024, rebranded as Ellington Credit Company, and began operating as a taxable C-Corp. As a taxable C-Corp, we conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. This includes holding a core portfolio of liquid Agency MBS pools in order to maintain our exemption from the 1940 Act. During this time, we also plan to take advantage of our significant existing net operating loss carryforwards to offset the majority of our U.S. federal taxable income.

On April 1, 2025, we intend to convert to a Delaware closed-end fund registered under the 1940 Act that will elect to be treated as a regulated investment company (a "RIC") under the Code (such actions, collectively, the "Conversion"). We obtained shareholder approval of certain matters related to the Conversion at a special meeting of shareholders held on January 17, 2025 (the "Special Meeting"). In conjunction with the Conversion, we intend to liquidate the vast majority of our remaining mortgage- and real estate-related assets and, upon the effectiveness of the Conversion, we intend to operate so as to qualify to be taxed as a RIC under subchapter M of the Code. After the Conversion, we would generally not be subject to corporate tax.

Our primary objective is to generate attractive current yields and risk-adjusted total returns for our shareholders by making investments that we believe compensate us appropriately for the associated risks. Following the CLO Strategic Transformation, we now seek to attain this objective by constructing and actively managing a portfolio of corporate CLOs, primarily mezzanine debt and equity tranches, which are typically collateralized by portfolios consisting primarily of below-investment-grade senior secured loans with a large number of discrete underlying borrowers across various industry sectors. CLOs are a form of asset-backed security collateralized by syndicated corporate loans which receive interest and principal cash flows from these underlying loans. Senior debt tranches are paid first, then mezzanine debt tranches, and finally, equity. Additionally, we may also invest in CLO loan accumulation facilities, which are entities that acquire corporate loans and other similar corporate credit-related assets in anticipation of ultimately collateralizing a CLO transaction, as well as other related assets.

### **Our Manager and Ellington**

We are externally managed and advised by our Manager, an affiliate of Ellington, pursuant to a management agreement. Our Manager was formed solely to serve as our manager and does not have any other clients. In addition, our Manager does not have any employees of its own and instead relies on the employees of Ellington to perform its obligations to us.

The members of our management team are Michael Vranos, founder and Chief Executive Officer of Ellington, who serves as our Co-Chief Investment Officer and as a member of our Board of Trustees; Laurence Penn, Vice Chairman and Chief Operating Officer of Ellington, who serves as our President and Chief Executive Officer and as a member of our Board of Trustees; Mark Tecotzky, Vice Chairman—Co-Head of Credit Strategies of Ellington, who serves as our Co-Chief Investment Officer; Christopher Smernoff, who serves as our Chief Financial Officer; JR Herlihy, a Managing Director of Ellington, who serves as our Chief Operating Officer; Daniel Margolis, General Counsel of Ellington, who serves as our General Counsel; Vincent Ambrico, who serves as our Controller; and Alaael-Deen Shilleh, Associate General Counsel of Ellington, who serves as our Associate General Counsel and Secretary. Each of these individuals is an officer of our Manager.

Our Manager is responsible for administering our business activities and day-to-day operations and, pursuant to a services agreement between our Manager and Ellington, relies on the resources of Ellington to support our operations. Ellington has well-established portfolio management resources for each of our targeted asset classes and an established infrastructure supporting those resources. Through our relationship with our Manager, we benefit from Ellington's highly analytical investment processes, broad-based deal flow, extensive relationships in the financial community, financial and capital structuring skills, investment surveillance capabilities, and operational expertise. Ellington's analytic approach to the RMBS investment process involves collection of substantial amounts of data regarding historical performance of RMBS collateral and RMBS market transactions. Ellington's approach to the CLO investment process is similar, with the analysis of CLO investments driven by models underpinned by substantial amounts of historical data on corporate loan and CLO performance including default, loss, recovery, and prepayment rates, as well as historical price action. Ellington analyzes this data to identify possible relationships and trends and develops financial models used to support our investment and risk management process. In addition, throughout Ellington's 30-year history of investing in RMBS and related derivatives and 12-year history of investing in corporate CLOs, it has developed strong relationships with a wide range of dealers and other market participants that provide Ellington access to a broad range of trading opportunities and market information. As a result, Ellington provides us with access to a wide variety of asset acquisition and disposition opportunities and information that assist us in making asset management decisions across our targeted asset classes, which we believe provides us with a significant competitive advantage. We also benefit from Ellington's finance, accounting, operational, legal, compliance, and administrative functions.

As of December 31, 2024, Ellington had over 160 employees and had assets under management of approximately \$13.7 billion, of which (i) approximately \$7.4 billion consisted of our company, as well as Ellington Financial Inc., a Delaware corporation that elected to be taxed as a REIT listed on the New York Stock Exchange, or the "NYSE," under the ticker "EFC,"

and various hedge funds and other alternative investment vehicles that employ financial leverage, and (ii) approximately \$6.2 billion consisted of accounts that do not employ financial leverage.

## **Our Strategy**

We intend to capitalize on current market opportunities by utilizing an opportunistic strategy that we believe will enable us to generate attractive current yields and risk-adjusted total returns for our shareholders. In particular, our strategy consists of:

- utilizing an investment model that focuses on security selection and allocates capital to assets that balance a range of corporate- and mortgage-related risks;
- acquiring and managing a portfolio of corporate CLOs, with an emphasis on CLO mezzanine debt and equity tranches, and related investments;
- actively managing an investment portfolio of Agency RMBS in order to maintain our exclusion from registration under the 1940 Act, prior to the Conversion becoming effective;
- opportunistically mitigating our interest rate, prepayment, and, to a lesser extent, credit risks, by using a variety of hedging instruments.

Our strategy is adaptable to changing market environments, subject to compliance with the tests that will enable us to maintain our exclusion from registration as an investment company under the 1940 Act until the Conversion is complete. As a result, although we intend to focus on the acquisition and management primarily of CLOs, along with Agency MBS prior to our Conversion, our acquisition and management decisions will depend on prevailing market conditions and our targeted asset classes may vary over time in response to market conditions. Our Manager is authorized to follow very broad investment guidelines and, as a result, we cannot predict our portfolio composition. We may change our strategy and policies without a vote of our shareholders. Moreover, although our independent trustees may periodically review our investment guidelines and our portfolio, they generally do not review our proposed asset acquisitions or asset management decisions.

Our investment philosophy primarily revolves around the pursuit of value across various types of CLO debt, CLO equity, MBS, and related assets. Within these sectors, we seek to make investments across a wide range of subsectors without any restriction as to ratings, structure, or position in the capital structure. Over time and through market cycles, opportunities will present themselves in varying subsectors and in varying forms. By rotating between and allocating among various strategies and adjusting the extent to which we hedge interest rate, prepayment, and credit risks, we believe that we will be able to capitalize on the disparities between these subsectors as well as on overall trends in the marketplace, and therefore provide better and more consistent returns. Disparities between targeted sectors vary from time to time and are driven by a combination of factors. For example, as various CLO debt, CLO equity, and MBS sectors fall in and out of favor, the relative yields that the market demands for those sectors may vary. In addition, our performance projections for certain sectors may differ from those of other market participants and such disparities will naturally cause us, from time to time, to gravitate towards certain sectors and away from others. Disparities between CLO debt, CLO equity, and MBS sectors and individual securities within such sectors may also be driven by differences in collateral performance, in servicer or collateral manager behavior and in the structure of particular investments (for example, in the timing of cash flows), and we may believe that other market participants are overestimating or underestimating the value of these differences. Furthermore, we believe that risk management, including opportunistic portfolio hedging and prudent financing and liquidity management, is essential for consistent generation of attractive current yields and risk-adjusted total returns.

Ellington's continued emphasis on and development of proprietary credit, MBS, interest rate, and prepayment models, as well as other proprietary research and analytics, underscores the importance it places on a disciplined and analytical approach to fixed income investing, especially in CLOs and MBS. Our Manager uses Ellington's proprietary models to identify attractive assets, value these assets, monitor and forecast the performance of these assets, and opportunistically hedge our interest rate risk and yield spread risk, hedge our prepayment risk, and hedge our credit risk. We leverage these skills and resources for purposes of attaining our objectives.

We believe that our Manager is uniquely qualified to implement our strategy. Our strategy is consistent with Ellington's investment approach, which is based on its distinctive strengths in sourcing, analyzing, trading, and hedging for complex CLO, MBS and other mortgage- and non-mortgage-related products. Furthermore, we believe that Ellington's extensive experience in buying, selling, analyzing, and structuring fixed income securities, coupled with its broad access to market information and trading flows, provides us with a steady flow of opportunities to acquire assets with favorable trade executions.

## Our Targeted Assets

<b>Asset Class</b>	<b>Principal Assets</b>
CLOs and Related Investments	<ul style="list-style-type: none"><li>• Collateralized loan obligation debt and equity tranches, or "CLOs."</li><li>• CLO warehouse facilities, otherwise known as loan accumulation facilities ("LAFs"); and</li><li>• Corporate debt and equity.</li></ul>
Agency RMBS	<ul style="list-style-type: none"><li>• Agency RMBS collateralized by fixed rate mortgage loans, adjustable rate mortgage loans, or "ARMs," or hybrid mortgage loans, reverse mortgages, or derivatives thereof, including:<ul style="list-style-type: none"><li>• whole and partial pool mortgage pass-through certificates;</li><li>• Agency collateralized mortgage obligations, or "CMOs," including interest only securities, or "IOs," principal only securities, or "POs," inverse interest only securities, or "IIOs," and inverse floaters; and</li><li>• To-Be-Announced mortgage pass-through certificates, or "TBAs."</li></ul></li></ul>

### ***CLOs and Related Investments***

A CLO is a form of structured finance security that is generally backed by a pool of corporate loans or similar corporate credit-related assets that serve as collateral. Most CLOs are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their relative seniority and degree of risk. If the relevant collateral defaults or otherwise underperforms, payments to the more senior tranches of such securitizations take precedence over those of more junior tranches, such as mezzanine debt and equity tranches, which are the focus of our CLO investment strategy.

LAFs are generally short- to medium- term financing facilities provided by the investment bank that will ultimately serve as the arranger on a CLO transaction. Utilizing equity capital provided by the LAF investors and debt financing provided by the investment bank, LAFs acquire corporate loans and other similar corporate credit-related assets in anticipation of ultimately collateralizing a CLO transaction. This period of accumulating assets, often known as the "warehouse period," typically terminates when the CLO vehicle issues various tranches of debt and equity securities to the market, using the issuance proceeds to repay the investment bank financing.

We may also acquire corporate debt and equity assets, typically in conjunction with the liquidations of CLOs (whether CLOs in which we already hold investments, or other CLOs) as well as opportunistically on an outright basis. Corporate debt assets are financial instruments that constitute borrowings by corporations from investors. Examples of corporate debt assets include senior secured corporate loans, secured and unsecured corporate bonds, as well as other types of corporate loans. Corporate equity assets represent an ownership stake in a corporation. Examples of corporate equity assets include common equity, preferred equity, and warrants (which are derivatives that typically give holders the right, but not the obligation, to buy a company's common equity at a predetermined price before a specified expiration date).

### ***Agency RMBS***

***Residential Mortgage Pass-Through Certificates***—Residential mortgage pass-through certificates represent interests in "pools" of mortgage loans secured by residential real property where payments of both interest and principal, plus prepayments, on the underlying residential mortgage loans are made monthly to holders of the certificates, in effect "passing through" monthly payments made by the individual borrowers on the mortgage loans that underlie the securities, net of fees paid to the issuer/guarantor and servicers of the securities.

***Collateralized Mortgage Obligations***—CMOs are structured instruments representing interests in specified mortgage loan collateral. CMO securitizations consist of multiple classes, or "tranches," of securities, with each tranche having specified characteristics based on the rules described in the securitization documents governing the division of the monthly principal and interest distributions, including prepayments, from the underlying mortgage collateral among the various tranches. IOs are CMOs that only receive interest payments while POs receive only principal payments.

***TBAs***—In addition to investing in specific pools of Agency RMBS, we utilize forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are TBAs. Pursuant to these TBA transactions, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. TBAs are generally liquid and have quoted market prices and represent the most actively traded class of RMBS. TBA trading is based on the assumption that mortgage pools that are eligible to be delivered at TBA settlement are fungible and thus the specific mortgage pools to be delivered do not need to be explicitly identified at the time a trade is initiated.

We engage in TBA transactions for purposes of managing interest rate risk associated with our liabilities under repurchase agreements, which we sometimes refer to herein as "repos." We also opportunistically engage in TBA transactions because we find them attractive in their own right, from a relative value perspective or otherwise. For accounting purposes, in accordance with generally accepted accounting principles in the United States of America, or "U.S. GAAP," we classify TBA transactions as derivatives.

### **Investment Process**

Our investment process benefits from the resources and professionals of our Manager and Ellington. The process is managed by an investment and risk management committee, which includes, among others, the following three officers of our Manager: Mr. Vranos, Mr. Penn, and Mr. Tecotzky. These officers of our Manager also serve as our Co-Chief Investment Officer, President and Chief Executive Officer, and Co-Chief Investment Officer, respectively. The investment and risk management committee operates under investment guidelines and meets periodically to develop a set of preferences for the composition of our portfolio. The primary focus of the investment and risk management committee is to review and approve our investment policies and our portfolio composition and related compliance with our investment policies and guidelines. Under the management agreement between us and our Manager, our Manager has the authority to enter into transactions consistent with our investment guidelines, subject to the oversight of our Board of Trustees.

Ellington has a focused investment team for each of our targeted asset classes. Each team evaluates acquisition opportunities consistent with our investment guidelines. Our asset acquisition process includes sourcing and screening of asset acquisition opportunities, credit analysis, due diligence, structuring, financing, and hedging, each as appropriate, to seek attractive current yields and total returns commensurate with our risk tolerance. We also screen and monitor potential asset acquisitions to determine their impact on maintaining our exclusion from registration as an investment company under the 1940 Act until the Conversion occurs.

### **Valuation of Assets**

Our Manager's valuation committee directs our valuation process, which is also subject to the oversight of our independent trustees. See Note 2 of the notes to consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for a discussion of our valuation process.

### **Risk Management**

Risk management is a cornerstone of Ellington's portfolio management process. Ellington's risk management infrastructure system includes "ELLiN," a proprietary portfolio management system used by all departments at Ellington, including trading, research, risk management, finance, operations, accounting, and compliance. We benefit from Ellington's comprehensive risk management infrastructure and ongoing assessment of both portfolio and operational risks. In addition, we utilize derivatives and other hedging instruments to opportunistically manage our credit, interest rate and yield spread risk.

#### ***Credit Risk Hedging***

We opportunistically enter into short credit positions using derivative instruments to protect against adverse credit events and/or spread widening risk with respect to our CLOs, or other assets, subject to maintaining our exemption from the 1940 Act prior to the Conversion. The derivative instruments that we use for credit hedging purposes may include contracts referencing the secured or unsecured debt or equity of certain corporations, as well as contracts referencing indices comprised of corporate debt and equity. We may also utilize tranches or option contracts on corporate credit or equity indices, as well as contracts referencing various MBS indices and other derivative instruments.

The composition and relative mix of our hedging instruments may vary from period to period given the amount of our liabilities outstanding or anticipated to be entered into, the overall market environment and our view as to which instruments best enable us to execute our hedging goals.

#### ***Interest Rate Hedging***

We opportunistically manage our interest rate risk by using various hedging strategies to mitigate such risks, subject to maintaining our exemption from the 1940 Act prior to the Conversion. The majority of our interest rate risk is associated with our Agency RMBS; CLOs are primarily backed by floating-rate loans and, as such, tend to have limited interest rate risk. The interest rate hedging instruments that we use and may use in the future include, without limitation:

- interest rate swaps (including floating-to-fixed, fixed-to-floating, or more complex swaps such as floating-to-inverse floating, callable or non-callable);
- TBAs;
- CMOs;
- U.S. Treasury securities;

- futures and forward contracts; and
- other derivatives on interest rates, including swaptions and other options on any of the foregoing.

Because fluctuations in short-term interest rates may expose us to fluctuations in the spread between the interest we earn on our investments and the interest we pay on our borrowings, we may seek to manage such exposure by entering into short positions in interest rate swaps. An interest rate swap is an agreement to exchange interest rate cash flows, calculated on a notional principal amount, at specified payment dates during the life of the agreement. Typically, one party pays a fixed interest rate and receives a floating interest rate and the other party pays a floating interest rate and receives a fixed interest rate. Each party's payment obligation is computed using a different interest rate. In an interest rate swap, the notional principal is generally not exchanged.

We also utilize TBAs for interest rate hedging purposes. Pursuant to a TBA transaction, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date.

### **Our Financing Strategies and Use of Leverage**

We finance our assets with what we believe to be a prudent amount of leverage, which will vary from time to time based upon the particular characteristics of our portfolio, availability of financing and market conditions. As of December 31, 2024, all of our debt financings consisted of repos. In a repo, we sell an asset to a counterparty at a discounted value, or the "Loan Amount," and simultaneously agree to repurchase the same asset from such counterparty at a future date at a price equal to the Loan Amount plus an interest factor. Despite being legally structured as sales and subsequent repurchases, repos are accounted for as collateralized borrowings. During the term of a repo, we generally receive the income and other payments distributed with respect to the underlying assets, and pay interest to the counterparty. While the proceeds of our repos are often used to purchase the asset subject to the transaction, our financing arrangements do not restrict our ability to use proceeds from these arrangements to support our other liquidity needs. Our repo arrangements are typically documented under the standard form master repurchase agreement of the Securities Industry and Financial Markets Association, with the ability for both parties to request margin (i.e., to demand that the other party post additional collateral or repay a portion of the funds advanced) should the value of the underlying assets and posted collateral change. As the value of our collateral fluctuates, we and our repo counterparties are required to post additional margin collateral to each other from time to time as part of the normal course of our business. Our repo financing counterparties generally have the right, to varying degrees, to determine the value of the underlying collateral for margining purposes, subject to the terms and conditions of our agreement with the counterparty, including in certain cases our right to dispute the counterparty's valuation determination. As of December 31, 2024, we had approximately \$563.0 million outstanding under repos with 14 counterparties, and given that we had approximately \$193.7 million of shareholders' equity as of December 31, 2024, our debt-to-equity ratio was 2.9 to 1. Our debt-to-equity ratio does not account for liabilities other than debt financings.

We may utilize other types of borrowings in the future, including term facilities or other more complex financing structures. We also may raise capital by issuing debt, preferred or common shares, or depositary shares.

Our use of leverage, especially in order to increase the amount of assets supported by our capital base, may have the effect of increasing losses when these assets underperform. Our investment policies require no minimum or maximum leverage, and our Manager's investment and risk management committee has the discretion, without the need for further approval by our Board of Trustees, to change both our overall leverage and the leverage used for individual asset classes. Because our strategy is flexible, dynamic, and opportunistic, our overall leverage will vary over time. As a result, we do not have a targeted debt-to-equity ratio. Following the Conversion, we will be required to operate our business, including the way we finance our assets, to be in compliance with the rules and regulations of the 1940 Act.

### **Management Agreement**

Upon our inception in September 2012, we entered into a management agreement with our Manager pursuant to which our Manager provides for the day-to-day management of our operations. The management agreement, as amended, requires our Manager to manage our business affairs in conformity with policies and investment guidelines that are approved and monitored by our Board of Trustees.

In connection with the CLO Strategic Transformation, on June 25, 2024, our Board of Trustees unanimously approved the Sixth Amended and Restated Management Agreement (the "Management Agreement") where, in addition to carrying over the removal of certain provisions related to the maintenance of our REIT status (which had been made in a prior amendment to the management agreement), our Board of Trustees determined to more closely align the management fee arrangement between us and our Manager with the advisory fee structures of CLO-focused registered closed-end funds in light of the pending Conversion. The Management Agreement became effective on July 1, 2024, and replaced the previous management agreement.

Under the Management Agreement, our Manager remains subject to the direction and oversight of our Board of Trustees. Our Manager also remains responsible for, among other things:

- the selection, purchase, and sale of our portfolio investments;
- our financing and risk management activities;
- providing us with advisory services; and
- providing us with a management team, inclusive of a dedicated or partially dedicated Chief Financial Officer and appropriate support personnel as necessary.

Our Manager is also responsible for our day-to-day operations and performs (or causes to be performed) such services and activities relating to the management, operation, and administration of our assets and liabilities, and business as may be appropriate. We believe that the base management fees and performance fees that we pay to our Manager, which are outlined below, are aligned with the advisory fee structures of CLO-focused registered closed-end funds.

At the Special Meeting, shareholders approved certain proposals related to the Conversion, including a new investment advisory agreement between us and our Manager (the "Investment Advisory Agreement") that would become effective upon the completion of the Conversion. Under the terms of the Investment Advisory Agreement, the Manager will receive a base management fee and a performance fee that are structurally identical to the fees specified by the current Management Agreement.

### ***Base Management Fees, Performance Fees, and Reimbursement of Expenses***

#### ***Base Management Fees***

Under the Management Agreement, we pay our Manager a quarterly fee equal to 1.50% per annum of our Net Asset Value, which is equal to our total assets minus our total liabilities (the "Base Management Fee"), calculated and payable quarterly in arrears.

#### ***Performance Fees***

In addition to the Base Management Fee, pursuant to the Management Agreement, we will pay our Manager a performance fee (the "Performance Fee"), calculated and payable quarterly in arrears based upon our Pre-Performance Fee Net Investment Income, with respect to each fiscal quarter. "Pre-Performance Fee Net Investment Income" for any fiscal quarter means, interest income (including accretions of discounts, amortization of premiums, and payment-in-kind income), dividend income, and any other income (including any fee income) earned or accrued by us during such fiscal quarter, minus our operating expenses for such quarter (which, for this purpose, will not include any litigation-related expenses, any extraordinary expenses, or Performance Fee). Pre-Performance Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. For purposes of computing Pre-Performance Fee Net Investment Income, the calculation methodology will look through total return swaps as if we owned the referenced assets directly. As a result, Pre-Performance Fee Net Investment Income includes net interest (whether positive or negative) associated with a total return swap, which is the difference between (a) the interest income and transaction fees related to the reference assets and (b) all interest and other expenses paid by us to the total return swap counterparty. In the case of an interest rate swap, Pre-Performance Fee Net Investment Income includes the net payments and net accruals of periodic payments. The Performance Fee is subject to a hurdle rate of 2.00% per quarter, or 8.00% per annum (the "Hurdle Rate"), and is subject to a "catch-up" feature. Specifically:

- If our Pre-Performance Fee Net Investment Income for a fiscal quarter does not exceed the result obtained by multiplying our Net Asset Value attributable to our common equity at the end of the immediately preceding fiscal quarter by the Hurdle Rate (the "Hurdle Amount") for such quarter, then no Performance Fee is payable to our Manager with respect to such quarter;
- If our Pre-Performance Fee Net Investment Income for a fiscal quarter exceeds the Hurdle Amount for such quarter but is less than or equal to 121.21% of the Hurdle Amount, then 100% of the portion of our Pre-Performance Fee Net Investment Income that exceeds the Hurdle Amount (the "Catch-Up") is payable to our Manager as the Performance Fee with respect to such quarter. Therefore, once our Pre-Performance Fee Net Investment Income for such quarter exactly reaches 121.21% of the Hurdle Amount, our Manager will have accrued a Performance Fee with respect to such quarter that is exactly equal to 17.5% of the Pre-Performance Fee Net Investment Income (because 21.21% of the Hurdle Amount (which is the Pre-Performance Fee Net Investment Income captured by our Manager during the Catch-Up phase) is equal to 17.5% of 121.21% of the Hurdle Amount (which is the entire Pre-Performance Fee Net Investment Income at the end of the Catch-Up phase)); and
- If our Pre-Performance Fee Net Investment Income for a fiscal quarter exceeds 121.21% of the Hurdle Amount for such quarter, then 17.5% of the our Pre-Performance Fee Net Investment Income is payable to our Manager as the Performance Fee with respect to such quarter.

With respect to the Performance Fee, there will be no accumulation of the Hurdle Amount from quarter to quarter, no claw back of amounts previously paid if the Pre-Performance Fee Net Investment Income in any subsequent quarter is below the Hurdle Amount for such subsequent quarter, and no delay or adjustment of payment if the Pre-Performance Fee Net Investment Income in any prior quarter was below the Hurdle Amount for such prior quarter.

Our Manager has agreed to waive all of the Performance Fees payable under the Management Agreement for all periods through March 31, 2025.

### ***Reimbursement of Expenses***

We do not maintain an office or employ personnel. We rely on the facilities and resources of our Manager to conduct our operations. We pay all of our direct operating expenses, except those specifically required to be borne by our Manager under the Management Agreement. Our Manager is responsible for all costs incident to the performance of its duties under the Management Agreement, including compensation of Ellington's employees and other related expenses, other than our allocable portion of the costs incurred by our Manager for certain dedicated or partially dedicated employees, including a Chief Financial Officer, one or more controllers, an in-house legal counsel, an investor relations professional, and certain other personnel performing duties for us, based on the portion of their working time and efforts spent on our matters and subject to approval of the reimbursed amounts by the Compensation Committee of our Board of Trustees. In addition, other than as expressly described in the Management Agreement, we are not required to pay any portion of rent, telephone, utilities, office furniture, equipment, machinery, and other office, internal and overhead expenses of our Manager and its affiliates.

### ***Term and Termination***

The Management Agreement has an initial term expiring on June 25, 2025, unless terminated earlier in accordance with its terms and, thereafter, will continue to renew automatically each year for an additional one-year period, unless we or our Manager exercise our respective termination rights.

Either we or our Manager may elect not to renew the Management Agreement upon expiration of any renewal term by providing written notice of non-renewal at least 180 days, but not more than 270 days, before expiration. In the event we elect not to renew the term, we will be required to pay our Manager a termination fee equal to 5% of our Net Asset Value, as defined in the Management Agreement, as of the end of the month preceding the date of the notice of termination or non-renewal of the Management Agreement. No termination fee will be due to the Manager if the Manager decides not to renew the Management Agreement. Further, no termination fee shall be payable pursuant to the Management Agreement once the Investment Advisory Agreement becomes effective. In addition, the termination provisions of the Investment Advisory Agreement do not require us to pay our Manager a termination fee in the event that we terminate the Investment Advisory Agreement.

We have the right to terminate the Management Agreement for cause, as defined in the Management Agreement, at any time during the term upon 30 days' prior written notice, without payment of any termination fee.

Our Board of Trustees reviews our Manager's performance annually and, as a result of such review, upon the affirmative vote of at least two-thirds of the members of our Board of Trustees or of the holders of a majority of our outstanding common shares, we may terminate the Management Agreement based either upon unsatisfactory performance by our Manager that is materially detrimental to us or upon a determination by our independent trustees that the management fees payable to our Manager are not fair, subject to the right of our Manager to prevent such a fee-based termination by agreeing to a reduction of the management fees payable to our Manager. Upon any termination of the Management Agreement based on unsatisfactory performance or unfair management fees, we are required to pay our Manager the termination fee described above.

Our Manager may terminate the Management Agreement upon 60 days written notice if we default in the performance of any material term of the Management Agreement and the default continues for a period of 30 days after written notice to us, whereupon we would be required to pay our Manager the termination fee described above.

Our Manager may generally only assign the Management Agreement with the written approval of a majority of our independent trustees. However, our Manager may assign to one or more of its affiliates the performance of any of its responsibilities under the Management Agreement without the approval of our independent trustees so long as our Manager remains liable for any such affiliate's performance and such assignment does not require our approval under the Investment Advisers Act of 1940, as amended, or the "Advisers Act."

### **Conflicts of Interest; Equitable Allocation of Opportunities**

Ellington manages various other clients that have strategies that are similar to, or overlap with, our strategy, including Ellington Financial Inc. As of December 31, 2024, these other funds, accounts, and vehicles, represented approximately \$12.7 billion of assets under management (excluding our assets but including \$6.2 billion of accounts that do not employ financial

leverage). Ellington makes available to our Manager all opportunities to acquire assets that it determines, in its reasonable and good faith judgment, based on our objectives, policies and strategies, and other relevant factors, are appropriate for us in accordance with Ellington's written investment allocation policy, subject to the exception that we might not participate in each such opportunity, but will equitably participate with Ellington's other accounts in all such opportunities on an overall basis. Ellington's investment and risk management committee and its compliance committee (headed by its Chief Compliance Officer) are responsible for monitoring the administration of, and facilitating compliance with, Ellington's investment allocation procedures and policies.

Because CLOs, Agency pass-through certificates, Agency and non-Agency CMOs, and certain other asset classes in which we invest are typically available only in specified quantities and are also targeted assets for certain other Ellington accounts, Ellington often is not able to buy as much of any given asset or group of assets as would be required to satisfy the needs of all of Ellington's accounts. In these cases, Ellington's investment allocation procedures and policies typically allocate such assets to multiple accounts in proportion to their needs and available capital. Ellington may at times allocate opportunities on a preferential basis to accounts that are in a "start-up" or "ramp-up" phase, including us. The policies permit departure from such proportional allocation under certain other circumstances, including, for example, when such allocation would result in an inefficiently small amount of the security or assets being purchased for an account. In that case, the policies allow for a protocol of allocating assets so that, on an overall basis, each account is treated equitably. In addition, as part of these policies, we may be excluded from specified allocations of assets for tax, regulatory, risk management, or similar reasons.

Other policies of Ellington that our Manager applies to the management of our company include controls for:

- *Cross Transactions*—defined as transactions between us or one of our subsidiaries, on the one hand, and an account (other than us or one of our subsidiaries) managed by Ellington or our Manager, on the other hand. It is Ellington's policy to engage in a cross transaction only when the transaction is in the best interests of, and is consistent with the objectives and policies of, both accounts involved in the transaction. Pursuant to the terms of the Management Agreement, Ellington or our Manager may enter into cross transactions where it acts both on our behalf and on behalf of the other party to the transaction; provided, however, that our Manager will not enter into any cross transactions on our behalf unless the cross transaction involves a "level one" asset for U.S. GAAP accounting purposes which is being crossed at market prices, or the cross transaction has received approval of a majority of our independent trustees. Although we believe such restrictions on our Manager's ability to engage in cross transactions on our behalf mitigate many risks, cross transactions, even at market prices, may potentially create a conflict of interest between our Manager's and our officers' duties to and interests in us and their duties to and interests in the other party. Subject to our Board of Trustees authorizing such action and upon written notice to our Manager, we may at any time revoke our consent to our Manager's executing cross transactions. Additionally, unless approved in advance by a majority of our independent trustees or pursuant to and in accordance with a policy that has been approved by a majority of our independent trustees, all cross transactions must be effected at the then-prevailing market prices. Pursuant to our Manager's current policies and procedures, assets for which there are no readily observable market prices may be purchased or sold in cross transactions (i) at prices based upon third-party bids received through auction, (ii) at the average of the highest bid and lowest offer quoted by third-party dealers, or (iii) according to another pricing methodology approved by our Manager's Chief Compliance Officer.
- *Principal Transactions*—defined as transactions between Ellington or our Manager (or any related party of Ellington or our Manager, which includes employees of Ellington and our Manager and their families), on the one hand, and us or one of our subsidiaries, on the other hand. Certain cross transactions may also be considered principal transactions whenever our Manager or Ellington (or any related party of Ellington or our Manager, which includes employees of Ellington and our Manager and their families) have a substantial ownership interest in one of the transacting parties. Our Manager is only authorized to execute principal transactions with the prior approval of a majority of our independent trustees and in accordance with applicable law. Such prior approval includes approval of the pricing methodology to be used, including with respect to assets for which there are no readily observable market prices.
- *Investment in Other Ellington Accounts*—pursuant to the Management Agreement, if we invest in any other investment fund or other investment for which Ellington or one of its affiliates receives management, origination, or structuring fees, then, unless agreed otherwise by a majority of our independent trustees, the management fees payable by us to our Manager will be reduced by (or our Manager will otherwise rebate to us) an amount equal to the applicable portion (as described in the Management Agreement) of any such management, origination, or structuring fees. We have not made any such investments to date.
- *Split Price Executions*—pursuant to the Management Agreement, our Manager is authorized to combine purchase or sale orders on our behalf together with orders for other accounts managed by Ellington, our Manager or their affiliates and allocate the securities or other assets so purchased or sold, on an average price basis or other fair and consistent basis, among such accounts.

Our Manager is authorized to follow very broad investment guidelines. Our independent trustees will periodically review our investment guidelines and our portfolio. However, our independent trustees generally will not review our proposed asset acquisitions, dispositions, or other management decisions. In addition, in conducting periodic reviews, our independent trustees will rely primarily on information provided to them by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our independent trustees. Our Manager has great latitude within our broad investment guidelines to determine the types of assets it may decide are proper for purchase by us. The Management Agreement with our Manager does not restrict the ability of its officers and employees from engaging in other business ventures of any nature, whether or not such ventures are competitive with our business. We may acquire assets from entities affiliated with our Manager, even where the assets were originated by such entities. Affiliates of our Manager may also provide services to entities in which we have invested.

Our executive officers and the officers and employees of our Manager are also officers and employees of Ellington, and we compete with other Ellington accounts for access to these individuals. We have not adopted a policy that expressly prohibits our trustees, officers, security holders, or affiliates from having a direct or indirect pecuniary interest in any asset to be acquired or disposed of by us or any of our subsidiaries or in any transaction to which we or any of our subsidiaries is a party or has an interest, nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. However, our code of business conduct and ethics contains a conflicts of interest policy that prohibits our trustees, officers, and employees, as well as employees of our Manager who provide services to us, from engaging in any transaction that involves an actual or apparent conflict of interest with us, absent approval by the Board of Trustees or except as expressly set forth above or as provided in the Management Agreement between us and our Manager. In addition, nothing in the Management Agreement binds or restricts our Manager or any of its affiliates, officers, or employees from buying, selling, or trading any securities or commodities for their own accounts or for the accounts of others for whom our Manager or any of its affiliates, officers, or employees may be acting.

## **Competition**

In acquiring our assets, we compete with closed-end funds, mortgage REITs, specialty finance companies, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies, and other entities. Many of our competitors are significantly larger than us, have greater access to capital and other resources, and may have other advantages over us. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us, such as funding from the government. Additionally, many of our competitors are not required to maintain an exclusion from the 1940 Act. Our competitors may include other investment vehicles managed by Ellington or its affiliates, including Ellington Financial Inc. In addition to existing competitors, other companies may be organized for similar purposes in the future, including companies focused on purchasing mortgage assets. A proliferation of such companies may increase the competition for equity capital and thereby adversely affect the market price of our common shares. An increase in the competition for sources of funding could adversely affect the availability and cost of financing, and thereby adversely affect the market price of our common shares. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets, or pay higher prices, than we can.

In the face of this competition, we believe that our access to our Manager's and Ellington's professionals and their industry expertise may provide us with a competitive advantage, including helping us to identify appropriate assets for acquisition and the appropriate prices to pay for such assets, and thereby to compete more effectively for attractive asset acquisition opportunities. However, we may not be able to achieve our business goals or expectations as a result of the competitive risks that we face.

## **Operating and Regulatory Structure**

### ***Tax Requirements***

We revoked our election to be treated as REIT, effective as of January 1, 2024. Beginning January 1, 2024, we are subject to tax as a C-corporation at regular corporate rates on our taxable income. We plan to use our existing net operating loss carryforwards to offset the majority of our U.S. federal taxable income for all periods until the completion of the Conversion. The revocation of our REIT election was not a taxable event for our shareholders.

### ***1940 Act Exclusion***

Both we and our Operating Partnership are organized as holding companies and conduct our businesses primarily through wholly-owned subsidiaries of our Operating Partnership in a manner such that neither we nor our subsidiaries are subject to registration under the 1940 Act. Under Section 3(a)(1) of the 1940 Act, a company is deemed to be an "investment company" if:

- it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities (Section 3(a)(1)(A)); or

- it is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities and does own or proposes to acquire "investment securities" having a value exceeding 40% of the value of its total assets (excluding U.S. government securities and cash) on an unconsolidated basis, or "the 40% Test" (Section 3(a)(1)(C)). "Investment securities" excludes U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company for private funds under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We believe that we and our Operating Partnership will not be considered investment companies under Section 3(a)(1)(A) of the 1940 Act because we and our Operating Partnership do not engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting, or trading in securities. Rather, through wholly-owned or majority-owned subsidiaries, we and our Operating Partnership are primarily engaged in the non-investment company businesses of these subsidiaries. In addition, we conduct our operations so that both we and our Operating Partnership satisfy the 40% Test.

Our Operating Partnership's direct and indirect subsidiaries, through which we operate our business, rely upon certain exclusions from the definition of investment company under the 1940 Act including, in the case of our Operating Partnership's wholly-owned subsidiary, EARN Mortgage LLC, Section 3(c)(5)(C) of the 1940 Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires an entity to invest at least 55% of its assets in "mortgages and other liens on and interests in real estate," which we refer to as "qualifying real estate interests," and at least 80% of its assets in qualifying real estate interests plus "real estate-related assets." In satisfying the 55% requirement, the entity may treat agency securities issued with respect to an underlying pool of mortgage loans in which it holds all of the certificates issued by the pool as qualifying real estate interests. The CMOs will be treated as qualifying real estate interests for purposes of the 55% requirement.

We also have formed certain other wholly-owned or majority-owned subsidiaries that invest in CMOs and, subject to our investment guidelines, other real estate-related assets. These subsidiaries will rely upon the exclusion from the definition of investment company under the 1940 Act pursuant to Section 3(c)(1) or 3(c)(7) of the 1940 Act. Investments in subsidiaries that rely on the exclusions from the definition of investment company under 3(c)(1) or 3(c)(7) of the 1940 Act are considered investment securities for the purposes of the 40% Test. Therefore, our Operating Partnership's investments in its 3(c)(7) subsidiaries and its other investment securities cannot exceed 40% of the value of our Operating Partnership's total assets (excluding U.S. government securities and cash) on an unconsolidated basis.

We monitor our compliance with the 40% Test and the holdings of our subsidiaries to ensure that each of our subsidiaries is in compliance with an applicable exemption or exclusion from registration as an investment company under the 1940 Act.

On August 31, 2011, the SEC published a concept release entitled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage Related Instruments" (1940 Act Rel. No. 29778). This release notes that the SEC is reviewing the 3(c)(5)(C) exclusion relied upon by companies similar to us that invest in mortgage loans and mortgage-backed securities. There can be no assurance that the laws and regulations governing the 1940 Act status of companies similar to ours, or the guidance from the Division of Investment Management of the SEC regarding the treatment of assets as qualifying real estate assets or real estate-related assets, will not change in a manner that adversely affects our operations as a result of this review. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our exclusion from the need to register under the 1940 Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we monitor the assets of EARN Mortgage LLC regularly, there can be no assurance that EARN Mortgage LLC will be able to maintain this exclusion from registration. In that case, our investment in EARN Mortgage LLC would be classified as an investment security, and we might not be able to maintain our overall exclusion from registering as an investment company under the 1940 Act.

The loss of our exclusion from registration pursuant to the 1940 Act prior to completion of the Conversion could require us to restructure our operations, sell certain of our assets to pay down leverage, or abstain from the purchase of certain assets, which could have an adverse effect on our financial condition and results of operations. See "Risk Factors—Risks Related to Our Organization and Structure—Maintenance of our exclusion from registration as an investment company under the 1940 Act imposes significant limitations on our operations." If we were required to register as an investment company under the 1940 Act, we would be subject to the restrictions imposed by the 1940 Act, which would require us to make material changes to our strategy.

On April 1, 2025, we intend to complete the Conversion and thereby convert to a Delaware closed-end fund registered under the 1940 Act.

### ***Investment Advisers Act of 1940***

Both Ellington and our Manager are registered as investment advisers under the Advisers Act and are subject to the regulatory oversight of the Division of Investment Management of the SEC.

### **Human Capital Resources**

We currently do not have any employees. All of our executive officers, and our partially dedicated personnel, which include our Chief Financial Officer, Chief Operating Officer, controller, accounting staff, in-house legal counsel, and internal audit staff, are employees of Ellington or one or more of its affiliates. See "—Management Agreement" above.

### **Additional Information**

A copy of this Annual Report on Form 10-K, as well as our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our internet website at [www.ellingtoncredit.com](http://www.ellingtoncredit.com). All of these reports are made available on our internet website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our Corporate Governance Guidelines and Code of Business Conduct and Ethics and the charters of the Audit, Compensation and Nominating and Corporate Governance Committees of our Board of Trustees are also available at [www.ellingtoncredit.com](http://www.ellingtoncredit.com) and are available in print to any shareholder upon request in writing to Ellington Credit Company, c/o Investor Relations, 53 Forest Avenue, Old Greenwich, CT 06870. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filing we make with the SEC. In addition, all of our reports filed with or furnished to the SEC can be obtained at the SEC's website at [www.sec.gov](http://www.sec.gov).

## Item 1A. Risk Factors

### Summary of Risk Factors

#### Risks Related to our CLO Investments and CLO Investment Activities

- Our investments in CLO securities, particularly in mezzanine debt and equity tranches, are highly subordinated and exposed to first loss in the capital structure. These tranches are subject to the risk of total or partial write-downs in the event that underlying collateral defaults increase or deal performance deteriorates. CLO equity tranches may experience complete loss of value if coverage tests are breached or excess interest is materially reduced.
- CLOs are backed by pools of corporate loans, which are typically below investment grade and may be unsecured or second-lien in nature. Borrowers of these loans are often highly leveraged and more sensitive to rising interest rates, inflation, or recessionary conditions. Defaults, covenant breaches, or restructurings among these borrowers could significantly impair CLO cash flows and valuations, especially in mezzanine and equity tranches.
- The CLOs in which we invest may include exposure to middle-market loans, which are generally issued by smaller, less capitalized companies with limited financial flexibility and access to capital markets. These borrowers may be particularly vulnerable to economic downturns or industry-specific stress, and loans to these companies tend to be less liquid and more volatile than broadly syndicated loans.
- Many of the loans held in CLO portfolios are covenant-lite, meaning they lack traditional maintenance covenants. This limits the ability of CLO managers and lenders to intervene early when a borrower's credit quality deteriorates, increasing the risk of sudden or severe losses.
- CLO equity and mezzanine debt tranches rely on the generation of excess spread, which may be adversely affected by mismatches in interest rate terms between underlying floating rate assets and liabilities, the presence of interest rate floors, or fixed-rate collateral. Rising rates may also reduce the cushion between CLO tranche coupons and asset yields, compressing returns and impairing equity cash flows.
- We are dependent on the collateral managers of the CLOs in which we invest. These managers are unaffiliated with us and may have interests that diverge from ours. CLO documentation often limits our ability to influence or remove a manager, even in cases of underperformance. CLO managers may be incentivized to maximize management fees rather than equity returns, and their investment decisions, including loan selection, trading activity, and reinvestment, may adversely affect deal performance.
- CLOs are highly structured and complex vehicles. Each transaction is governed by a series of tests, including overcollateralization and interest coverage thresholds, which, if breached, can redirect cash flows away from the mezzanine and equity tranches to pay more senior classes. CLOs with excess exposure to CCC-rated assets or defaulted loans are at greater risk of breaching these tests, potentially resulting in extended periods of cash flow diversion and impaired valuations.
- We generally do not have direct access to the underlying loan obligors, and our rights as CLO debt or equity investors are limited by the governing indentures. In the event of borrower default or CLO liquidation, recoveries may be minimal or nonexistent, particularly for junior tranches. Bankruptcy courts may also disallow or recharacterize CLO claims, further limiting recoveries.
- CLO securities are subject to limited liquidity and infrequent trading. Market disruptions or reduced investor demand may impair our ability to sell positions at expected prices, or at all. Valuations for CLO securities can be volatile and may diverge from underlying fundamentals, especially during periods of broader credit market stress.
- We may also invest in CLO warehouse facilities, which involve leveraging our capital during the accumulation phase prior to a CLO's issuance. If a CLO is not successfully priced and closed, or if market conditions deteriorate during the warehousing period, we may be forced to absorb losses on accumulated assets or experience significant mark-to-market volatility.
- Many of the CLOs in which we invest are domiciled outside of the U.S. or include non-U.S. borrowers, creating potential legal, regulatory, currency, and tax exposure. These CLOs may also be subject to withholding requirements or limitations on enforcement of creditor rights in certain jurisdictions.

#### Risks Related to our Agency RMBS Investments and Agency RMBS Investment Activities

- Regulatory changes affecting Fannie Mae, Freddie Mac, and Ginnie Mae could materially impact mortgage market liquidity and valuations. Any changes in their government backing, capital requirements, or underwriting guidelines could disrupt the market for Agency RMBS and impact the pricing of our mortgage-related assets.
- Prepayment behavior can meaningfully affect the yield and performance of Agency RMBS. Volatility in interest rates, housing turnover, borrower refinancing, and servicing practices can all impact prepayment speeds, potentially resulting in the accelerated amortization of premiums or reduced interest income.
- Interest rate mismatches between our fixed-rate assets and variable-rate borrowings, as well as rising interest rates, can compress or even eliminate our net interest margin, reduce asset values, and materially adversely impact our business, financial condition, and ability to pay dividends.
- Government actions, including Federal Reserve policy shifts and mortgage loan modification programs, as well as future legislative or regulatory changes, may negatively affect the performance and value of our assets, potentially resulting in lower returns and reduced cash available for dividends.

#### General Risks Related to our Investments and Investment Activities

- Due diligence conducted by our Manager may be limited or may fail to uncover all material risks or weaknesses in potential investments, which could result in losses and materially adversely impact our business, financial condition, and ability to pay dividends.
- We rely heavily on models and third-party data to evaluate and manage investments. These models incorporate assumptions that may prove to be incorrect, particularly during periods of volatility or when market conditions deviate from historical norms.
- Asset valuations are inherently subjective for many of our holdings and may differ materially from observable market prices. Differences in methodology among dealers, pricing services, and internal estimates can result in inconsistent valuations, which directly impact our reported financial results and fee calculations.

#### **Risks Related to our Financing, Hedging and Derivative Activities**

- We use leverage to enhance returns, but this approach increases the magnitude of potential losses during adverse market conditions. Rising interest rates or liquidity constraints could limit our ability to obtain financing on favorable terms, forcing us to sell assets at inopportune times or reduce our investment activity.
- Our access to financing depends on the creditworthiness of our collateral and the willingness of lenders to provide credit. Disruptions in capital markets or changes in repo financing terms could restrict our ability to fund investments, subject us to margin calls, or force deleveraging at unfavorable prices.
- Hedging strategies, including interest rate swaps and other derivatives, may not fully protect us from market fluctuations. These instruments carry counterparty risk, and regulatory changes could impact their availability, cost, or effectiveness, potentially increasing our exposure to interest rate and credit risk.

#### **Other Business Risks**

- We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies at any time without shareholder approval, which could impact our business model and future distributions.
- We operate in a competitive market for our targeted assets. Competition for attractive investment opportunities may limit our ability to deploy capital efficiently or generate expected returns.
- We rely heavily on Ellington's and third-party service providers' information systems, and any cyber-attacks, system failures, or breaches, including those involving AI-generated outputs, could disrupt operations, compromise sensitive data, and materially adversely affect our business, financial condition, and ability to pay dividends.
- A lack of liquidity in our assets, including certain corporate debt, equity investments, and CLOs, could make it difficult to sell holdings, accurately value our portfolio, or secure financing, which may negatively impact our financial condition and ability to pay dividends.

#### **Risks Related to our Relationship with our Manager and Ellington**

- We are dependent on Ellington and its personnel for investment management. The loss of key personnel or termination of our management agreement could materially impact operations and financial performance.
- There are potential conflicts of interest inherent in our structure. Our Manager earns fees based on our net assets and performance, which may incentivize greater leverage, increased risk-taking, or asset selection decisions that prioritize near-term income. Our Manager and Ellington may also allocate investment opportunities among multiple clients, and we may not be allocated our desired share of certain assets.
- Our Manager and Ellington manage multiple investment accounts, which may create conflicts of interest in allocating investment opportunities and resources.

#### **Risks Related to our Common Shares**

- Our ability to pay dividends depends on our earnings, liquidity, and access to financing. Market conditions, regulatory changes, or investment losses could impair our ability to maintain our current dividend level, or to pay dividends at all.
- The assets we acquire may be highly speculative and aggressive and may be subject to a variety of risks, including credit risk, prepayment risk, interest rate risk, and market risk. As a result, an investment in our common shares may not be suitable for investors with lower risk tolerance.

#### **Risks Related to our Organization and Structure**

- We rely on exemptions from the 1940 Act. If we were required to register as an investment company, we would be subject to significant regulatory limitations that could require changes to our structure, leverage, and operations.
- Our organizational documents and Maryland law contain provisions that may discourage or prevent takeover attempts or changes in control. These include limits on removal of trustees, authorized blank-check preferred shares, and restrictions under the Rights Agreement designed to protect tax attributes.

#### **Risks Related to our Intention to Convert to a Registered Closed-End Fund / RIC**

- We intend to convert to a registered closed-end investment company and elect to be taxed as a regulated investment company. This conversion is subject to various conditions, including shareholder and regulatory approvals, and may not be completed as planned. Delays or failure to complete the conversion could affect our strategy, tax position, and investor expectations.

#### **U.S. Federal Income Tax Risks**

- We revoked our REIT status effective January 1, 2024, and now operate as a C corporation. If we failed to qualify as a REIT in prior years, we could be subject to additional tax liabilities. We have elected to mark certain securities to market under Section 475(f), which may accelerate taxable income or generate phantom income not matched by cash flows.
- We have significant net operating loss carryforwards, but our ability to use them may be limited by changes in ownership under Section 382 of the Code or by the taxable income we generate in future years. Our CLO investments may also create tax liabilities through U.S. trade or business exposure or foreign withholding.

#### **General Risk Factors**

- We may be adversely affected by legal, regulatory, tax, and policy changes, including those related to global trade, systemic financial risk, climate change, or financial markets. We may also face legal proceedings, regulatory inquiries, or other contingent liabilities.
- We rely on Ellington's technology infrastructure and third-party vendors. Cybersecurity threats, system outages, and data breaches could disrupt operations, expose us to liability, or damage our reputation. The increasing use of AI and other emerging technologies also introduces new operational and regulatory risks that are difficult to fully anticipate.

The above list is not exhaustive, and we face additional challenges and risks. Please carefully consider all of the information in this Report, including the matters set forth below in this Item 1A.

*If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. In connection with the forward-looking statements that appear in our periodic reports on Form 10-Q and Form 10-K, our Current Reports on Form 8-K, our press releases and our other written and oral communications, you should also carefully review the cautionary statements referred to in such reports and other communications referred to under "Special Note Regarding Forward-Looking Statements."*

## **Risks Related to our CLO Investments and CLO Investment Activities**

### ***We invest in corporate CLOs, which exposes us to certain risks associated with corporate loans.***

Investments in corporate CLO securities involve certain risks. Corporate CLOs are securitizations that are typically backed by a pool of corporate loans or similar corporate credit-related assets that serve as collateral. The assets underlying our CLO investments generally consist of lower-rated first-lien corporate loans, although certain CLO structures may also allow for limited exposure to other asset classes including unsecured loans, second-lien loans, or corporate bonds. To the extent that the assets underlying our CLO investments are rated for creditworthiness by any nationally recognized statistical ratings organizations, they generally carry lower credit ratings and certain assets may not be rated by any nationally recognized statistical ratings organization. As a result, the assets underlying our CLO investments are considered to bear significant credit risks. Corporate issuers of lower-rated debt securities may be highly leveraged and may not have access to more traditional methods of financing. During economic downturns or sustained periods of rising interest rates, issuers of lower-rated debt securities may be likely to experience financial stress, especially if such issuers are highly leveraged, and in such periods the market for lower-rated debt securities could be severely disrupted, adversely affecting the value of such securities.

The risk of loss for lower-rated debt securities is also magnified to the extent that such securities are unsecured or subordinated to more senior creditors. Lower-rated debt securities generally have limited liquidity and limited secondary market support. These risks are further exacerbated in the case of second-lien loans, as they are subordinated to first-lien loans and have weaker recovery prospects in the event of borrower distress or default. Further, ratings downgrades on our CLO debt investments may result in our investments being viewed as riskier than they were previously thought to be. This perception of increased riskiness resulting from a downgrade can result in adverse impacts to the market value and liquidity of our CLO debt investments, as well as reduce the availability or increase the cost of financing our CLO debt investments.

The CLOs in which we invest, may acquire loans to smaller companies, or "middle market" loans, which may carry more inherent risks than loans to larger, publicly traded entities. Compared to larger companies, these middle-market companies tend to have more limited access to capital, weaker financial positions, narrower product lines, and tend to be more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. As a result, the securities issued by CLOs that hold significant investments in middle-market loans are generally considered riskier than securities issued by CLOs that primarily invest in broadly syndicated loans.

The corporate loans that underlie our CLO investments may become nonperforming or impaired for a variety of reasons. Nonperforming or impaired loans may require substantial workout negotiations or restructurings that may result in significant delays in repayment, a significant reduction in the interest rate, and/or a significant write-down of the principal of the loan. A wide range of factors could adversely affect the ability of an underlying corporate borrower to make interest or other payments on its loan. The corporate issuers of the loans or securities underlying our CLO investments may be highly leveraged and may be subject to an increased risk of default depending on certain micro- or macro-economic conditions, such as economic recessions, heightened interest rates and/or inflation, tariffs, and other conditions. The risk of economic recession and declining creditworthiness of corporate borrowers would be amplified by rising corporate default rates, tightening credit conditions, and potential credit downgrades in leveraged loan markets. Accordingly, the subordinated and lower-rated (or unrated) CLO securities in which we invest may experience significant price and performance volatility relative to more senior or higher-rated CLO securities, and they are subject to greater risk of loss than more senior or higher-rated CLO securities which, if realized, could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

Such defaults and losses, especially those in excess of the market's or our expectations, would have a negative impact on the value of our CLO investments, and reduce the cash flows that we receive from our CLO investments, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

In addition, if a CLO in which we invest experiences an event of default as a result of the CLO's failure to make a payment when due, the erosion of the CLO's underlying collateral, or other reasons, the CLO would be subject to the possibility of liquidation. In such cases, the risks are heightened that the collateral underlying the CLO may not be able to be readily

liquidated, or that when liquidated, the resulting proceeds would be insufficient to redeem in full the CLO mezzanine debt and equity tranches that are the focus of our investment strategy. CLO equity tranches often suffer a loss of all of their value in these circumstances, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. Furthermore, following an event of default by a CLO, the holders of CLO mezzanine debt and equity tranches typically have limited rights regarding decisions made with respect to the underlying collateral, with the result that such decisions might favor the more senior tranches of the CLO. In the event of a bankruptcy or insolvency of an issuer of a loan or of an underlying asset held by a CLO in which we invest, a court or other governmental entity may determine that the related claims held by such CLO are not valid, or are subject to significant modification. In addition, any payments previously received by such CLO could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year under U.S. Federal bankruptcy law or even longer under state laws) before insolvency.

Further, "covenant-lite" loans may comprise a significant portion of the underlying collateral of the CLOs in which we invest. Generally, covenant-lite loans provide the obligor with more freedom to take actions that could negatively impact their lenders because the obligor's covenants are incurrence-based and not maintenance-based, which means that they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower's financial condition. At times, covenant-lite loans have represented a significant majority of the syndicated corporate loan market. To the extent that the corporate CLO securities in which we invest hold covenant-lite loans, we may have a greater risk of loss on such investments as compared to investments in CLOs holding loans with more robust covenants.

The CLOs in which we invest may also acquire interests in corporate loans indirectly, by way of participations. In a participation, the underlying debt obligation remains with the institution that has sold the participation, which typically results in a contractual relationship only with such selling institution, and not with the corporate obligor directly. As a result, the holder of a participation assumes the credit risk of both the obligor and the selling institution, and may only have limited rights to influence any decisions made by the selling institution in connection with the underlying debt obligation.

***Our CLO investments are subject to risks related to the financial leverage employed by the underlying corporate borrowers.***

The corporate borrowers of the underlying assets in a CLO are typically highly leveraged, and there may be few or no restrictions on the amount of indebtedness such borrowers can incur. Substantial indebtedness adds additional risk with respect to a borrower and could (i) limit its ability to borrow money or otherwise access funds for its working capital, capital expenditures, debt service requirements, strategic initiatives or other purposes; (ii) require it to dedicate a substantial portion of its cash flow from operations to the repayment of its indebtedness, thereby reducing funds available to it for other purposes; (iii) make it more highly leveraged than some of its competitors, which may place it at a competitive disadvantage; and/or (iv) subject it to restrictive financial and operating covenants, which may preclude it from executing on favorable business activities or from financing future operations or other capital needs. In some cases, proceeds of indebtedness incurred by a borrower could be paid as a dividend to its equity holders rather than retained by the borrowers for its working capital or to pursue favorable opportunities. Highly leveraged companies are often more sensitive to declines in revenues, increases in expenses, and adverse business, political, or financial developments or economic factors such as a significant rise in interest rates, a severe downturn in the economy, or deterioration in the condition of such companies or their industries. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

If an underlying borrower is unable to generate sufficient cash flow to meet principal and/or interest payments on its indebtedness, it may be forced to take other actions to satisfy its obligations under its indebtedness. These alternative actions may include reducing or delaying capital expenditures, selling assets, seeking additional capital, or restructuring or refinancing indebtedness. Any of these actions could significantly reduce the value of the related underlying asset held by the CLO, and thus the CLO security we hold. Furthermore, if the borrower is unable to meet its scheduled debt service obligations even after taking these actions, the borrower may be forced into liquidation, dissolution or insolvency, and the value of the related underlying asset held by the CLO, and thus the CLO security we hold, could decline significantly or even be rendered worthless.

***The CLOs in which we invest may be subject to risks associated with syndicated loans.***

Under the documentation for syndicated loans, a financial institution or other entity typically is designated as the administrative agent and/or collateral agent. This agent is granted a lien on any collateral on behalf of the other lenders and distributes payments on the indebtedness as they are received. The agent is the party responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions of a majority or two-thirds in commitments and/or principal amount of the associated indebtedness. In most cases for our syndicated loan investments, we do not expect to hold a sufficient amount of the indebtedness to be able to compel any actions by the agent. Consequently, we would only be able to direct such actions if instructions from us were made in conjunction with other holders of associated

indebtedness that together with us compose the requisite percentage of the related indebtedness then entitled to take action. Conversely, if holders of the required amount of the associated indebtedness other than us desire to take certain actions, such actions may be taken even if we did not support such actions. Furthermore, if a syndicated loan is subordinated to one or more senior loans made to the applicable obligor, our ability to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. Whenever we are unable to direct such actions, the parties taking such actions may not have interests that are aligned with us, and the actions taken may not be in our best interests. Furthermore, in recent years, “priming” transactions in the distressed debt sector have become more common. These “priming” arrangements are transactions where a group of debtholders can move collateral away from existing lenders so that it can serve as the primary source of secured assets for new money and/or restructuring existing debt. If we were to hold distressed debt that became “primed” by another group of lenders, we could lose all or a significant part of such investment.

If an investment is a syndicated revolving loan or delayed drawdown loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract, result in a lawsuit by the obligor against the lenders and adversely affect the value of our investment.

There is a risk that a loan agent may become bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to realize upon the collateral securing the associated indebtedness and/or direct the agent to take actions against the related obligor or the collateral securing the associated indebtedness and actions to realize on proceeds of payments made by obligors that are in the possession or control of any other financial institution. In addition, we may be unable to remove the agent in circumstances in which removal would be in our best interests. Moreover, agented loans typically allow for the agent to resign with certain advance notice, and we may not find a replacement agent on a timely basis, or at all, in order to protect our investment.

***Our investments in corporate CLOs involve certain structural risks.***

Most CLOs are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their relative seniority and degree of risk. If the relevant collateral defaults or otherwise underperforms, payments to the more senior tranches of such securitizations take precedence over those of more junior tranches, such as mezzanine debt and equity tranches, which are the focus of our corporate CLO investment strategy. CLOs present risks similar to those of other types of credit investments, including credit, interest rate and prepayment risks. See “—We invest in corporate CLOs, which exposes us to certain risks associated with corporate loans.”

Even though we expect that most of our CLO mezzanine debt investments will have floating rate coupons, these and other of our CLO investments are still exposed to interest rate risk. There can be significant mismatches between the timing and frequency of coupon resets on the floating rate CLO debt tranches and the underlying floating rate corporate loans, and furthermore some of the underlying corporate loans may bear fixed coupon rates. When interest rates are low but increasing, variations between interest rate floors on the CLO debt tranches and the underlying corporate loans can reduce the amount of excess interest available for payment to the CLO debt and equity tranches. This reduction in excess interest could adversely impact our CLO equity cashflows and valuations, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

CLOs have at times experienced negative credit events in their constituent loans, credit rating downgrades of constituent loans and issued debt tranches, and failures of certain deal metrics. The failure by a CLO in which we invest to satisfy certain tests, including with respect to adequate collateralization and/or interest coverage, would generally lead to a reduction in the payments made to holders of its mezzanine debt and equity tranches.

***Our investments in the primary corporate CLO market involve certain additional risks.***

Between the pricing date and the closing date of a corporate CLO, the collateral manager generally purchases additional assets for the CLO. During this period, the price and availability of these assets may be adversely affected by a number of market factors, including price volatility and availability of investments suitable for the CLO, which could hamper the ability of the collateral manager to acquire a portfolio of assets that will satisfy specified concentration limitations and allow the CLO to reach the target initial principal amount of collateral prior to the effective date. An inability or delay in reaching the target initial principal amount of collateral may adversely affect the timing and amount of payments received by the holders of CLO mezzanine debt securities and equity securities and could result in early redemptions which could cause significant principal losses on the CLO mezzanine debt and equity securities, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***We and our investments are subject to prepayment and reinvestment risk.***

As part of the ordinary management of its portfolio, a CLO will typically generate cash flow from asset repayments and sales that is reinvested into substitute assets, subject to compliance with its investment tests and certain other conditions. If the

CLO collateral manager causes the CLO to purchase substitute assets at a lower yield than those initially acquired, the excess interest-related cash flow available for distribution to the CLO equity tranches would decline. In addition, prepayment rates of the assets underlying a CLO are driven by a number of factors, including changing interest rates and other factors that are beyond our control. Furthermore, in most CLO transactions, CLO debt investors are subject to the risk that the holders of a majority of the equity tranche can direct a call or refinancing of a CLO, causing such CLO's outstanding CLO debt securities to be repaid at par earlier than expected. This and other factors can cause considerable uncertainty in the average lives of the CLO tranches in which we invest.

***Our portfolio of corporate CLO investments may lack diversification, which may subject us to a risk of significant loss if one or more of these corporate CLOs experience a high level of defaults on collateral.***

Because we do not have fixed guidelines for diversification, we do not have any limitations on the ability to invest in any one CLO, and our investments may be concentrated in relatively few CLOs, CLOs that have similar risk profiles (including by being concentrated in a limited number of industries), CLOs where there is an overlap of underlying corporate issuers or CLOs that are managed by the same collateral manager. The overlap of underlying corporate issuers is often more prevalent across CLOs of the same year of origination, as well as across CLOs managed by the same asset manager or collateral manager.

To the extent that our CLO investments are more concentrated, we are susceptible to a greater risk of loss if one or more of the CLOs in which we are invested performs poorly, or in the event a CLO collateral manager were to fail, experience the loss of key employees or sell its business. To the extent we invest in CLOs that have a high level of overlap of underlying corporate obligors, there is a greater likelihood of experiencing multiple defaults in our CLO portfolio. In general, to the extent that our CLO portfolio is less diversified, we may have a greater likelihood of experiencing large overall losses, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***Failure by a CLO to satisfy certain tests, including as a result of loan defaults and/or negative loan ratings migration, may place pressure on the performance of our investments in such CLO.***

The failure by a CLO in which we invest to satisfy certain tests, including with respect to adequate collateralization and/or interest coverage, would generally lead to a reduction in the payments made to holders of its mezzanine debt and equity tranches. In a typical corporate CLO, nonperforming assets, or performing assets rated "CCC+" or lower (or their equivalent) in excess of applicable limits, typically do not receive full par credit for purposes of calculation of the CLO's overcollateralization tests. As a result, if an asset were to default, or an asset's credit rating were to decrease to a lower credit rating level, also known as "negative rating migration," it could cause a CLO to move out of compliance with some or all of its overcollateralization tests. CLOs are also generally subject to interest coverage tests, under each of which the interest income generated by the underlying assets is compared to the interest owed to a given CLO tranche and all tranches more senior to it. To the extent that any overcollateralization tests or interest coverage tests are breached, cash flows could be diverted away from the CLO mezzanine debt and equity tranches in favor of the more senior CLO debt tranches until and unless such breaches are cured, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***CLO investments involve complex documentation, and complex accounting considerations.***

CLOs are often governed by a complex series of legal documents and contracts. As a result, the risk of dispute over the interpretation or enforceability of the documentation may be higher relative to other types of investments. Further, the complex structure of a particular security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

The accounting calculations related to our CLO investments are complex in numerous ways. For instance, under GAAP, we calculate our interest income—which is a component of the calculation used to determine the performance fee payable to our Manager—based on effective yield calculations. These calculations involve significant judgment in projecting expected cash flows. If an investment underperforms expectations, we may accrue more interest income than we ultimately realize on such investment, and pay our Manager a higher performance fee than we otherwise would have if different projections had been used.

The risks associated with the accounting complexities include inaccurate financial reporting, such as incorrect accruals, reserves and estimates, or the misapplication of accounting standards. These issues could lead to the miscalculation of fees, potentially in favor of our Manager, and could necessitate a financial restatement. Financial restatements are often costly and time-consuming, and they may lead to regulatory scrutiny, legal proceedings, or shareholder litigation. In addition, a restatement could result in a loss of investor confidence, which would negatively impact our reputation in the marketplace and impair our ability to raise capital on favorable terms in the future. A financial restatement could also trigger a significant decline

in the price of our common shares, eroding shareholder value and potentially exacerbating financial and reputational damage. These events could materially adversely affect our business, financial condition and results of operations, as well as our ability to pay dividends to our shareholders.

***We are dependent on the collateral managers of the corporate CLOs in which we invest.***

We invest in CLO securities issued by CLOs that are managed by collateral managers unaffiliated with us, and we are dependent on the skill and expertise of such managers. While the actions of the CLO collateral managers may significantly affect the return on our investments, we typically do not have any direct contractual relationship with these collateral managers.

While we also rely on these collateral managers to act in the best interests of the CLOs in which we invest, there can be no assurance that such collateral managers will do so. Moreover, such collateral managers are subject to fiduciary duties owed to other classes of notes besides those in which we invest, and they may have other incentives to manage the CLO portfolios in a manner that disadvantages the particular classes of notes in which we are invested. Furthermore, since the CLO issuer often provides an indemnity to its collateral manager, the CLO tranches we hold may ultimately bear the burden of any legal claims brought against the collateral manager.

We may only have limited information regarding the underlying assets held by the CLOs in which we invest, and collateral managers may not identify or report issues relating to the underlying assets on a timely basis (or at all) to enable us to take appropriate measures to manage our risks. Furthermore, much of the information furnished to us as an investor in a corporate CLO is neither audited nor reviewed, nor is an opinion expressed, by an independent public accountant.

Collateral managers are subject to removal or replacement by other holders of CLO securities without our consent and may also voluntarily resign as collateral manager or assign their role as collateral manager to another entity. The removal, replacement, resignation, or assignment of any particular CLO collateral manager's role could adversely affect the returns on the CLO securities in which we invest, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***Our CLO investments often have limited liquidity.***

We expect to focus our CLO investment activity in mezzanine debt and equity tranches, which have less liquidity than many other securities, including as a result of lower or no trading volume, transfer restrictions, and their bespoke nature. This illiquidity results in price volatility and can make it more difficult to value or sell these securities if the need arises, which could require us to realize a greater loss if we are ever required to liquidate such assets, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***The CLOs in which we invest incur significant operating expenses.***

The CLOs in which we invest incur significant operating fees and expenses, including but not limited to collateral management fees, administrative expenses, and other operating expenses, which are all indirectly borne by CLO investors. CLO collateral management base fees, which typically range from 0.30% to 0.50% of a CLO's total assets, are charged on the CLO's total assets and are usually paid from residual cash flows after interest payments to senior debt tranches. Additional CLO operating expenses, estimated at 0.30% to 0.70%, may also apply, although these are not routinely reported in a standardized manner. Furthermore, CLO collateral managers may also earn incentive fees tied to equity cash flows once the equity tranche achieves a cash-on-cash return of capital and a specified "hurdle" rate. All of these fees and expenses are borne first by the CLO equity tranche due to its subordinated position. Given that the CLO equity tranche represents only a fraction of the value of the entire CLO, these fees and expenses are greatly magnified when expressed as a percentage of the value of the CLO equity tranche. Both types of CLO tranches we invest in (equity tranches and mezzanine debt tranches) bear these expenses, with the equity tranche—being the most subordinated—usually shouldering these costs. To the extent that the CLO equity tranche has suffered or will suffer a total principal loss, mezzanine debt tranches will then effectively bear these fees and expenses.

In addition to the collateral management fees, administrative expenses, and other operating expenses accrued in a CLO, we will also remain obligated to pay the Base Management Fee and the Performance Fee to our Manager. Therefore, each shareholder bears his or her share of the Base Management Fee and the Performance Fee of our Manager as well as indirectly bearing the ratable share of the collateral management fees, administrative expenses, and other operating expenses of a CLO.

***We and our corporate CLO investments are subject to risks associated with non-U.S. investing, including in some cases foreign currency risk.***

While we invest primarily in CLOs that hold underlying U.S. assets, we may also invest in corporate CLOs that hold non-U.S. assets, and we expect that many of the CLO issuers in which we invest will be domiciled outside the United States. Investing directly or indirectly in non-U.S. issuers may expose us to additional risks, including political and social instability, expropriation, imposition of foreign taxes, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack

of uniform accounting and auditing standards, currency fluctuations and greater price volatility. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor's rights in foreign jurisdictions.

A portion of our CLO investments (and the income and gains received by us in respect of such investments) may be denominated in currencies other than the U.S. dollar. Accordingly, changes in foreign currency exchange rates may materially adversely affect the value of these investments.

***CLOs in which we invest could become subject to U.S. federal income tax or withholding requirements.***

The CLO issuers in which we invest will generally operate pursuant to investment guidelines intended to ensure that the CLO is not treated for U.S. federal income tax purposes as engaged in a U.S. trade or business. If a CLO issuer fails to comply with the investment guidelines, or if the Internal Revenue Service otherwise successfully asserts that the CLO should be treated as engaged in a U.S. trade or business, such CLO could be subject to U.S. federal income tax, which could reduce the amount available to distribute to mezzanine debt and equity holders in such CLO, including us.

The U.S. Foreign Account Tax Compliance Act provisions of the Code impose a withholding tax of 30% on certain U.S. source periodic payments, including interest and dividends, to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its U.S. account holders and its U.S. owners. Most CLOs in which we invest will be treated as non-U.S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, certain payments received by such CLO may be subject to the 30% withholding tax, which could reduce the amount available to distribute to equity and mezzanine debt holders in such CLO, including us.

***We are subject to risks associated with loan accumulation facilities.***

We may invest capital in CLO warehouse facilities, otherwise known as loan accumulation facilities, or "LAFs." LAFs are generally short- to medium- term financing facilities provided by the investment bank that will ultimately serve as the arranger on a CLO transaction. Utilizing equity capital provided by the LAF investors and debt financing provided by the investment bank, LAFs acquire corporate loans and other similar corporate credit-related assets in anticipation of ultimately collateralizing a CLO transaction. This period of accumulating assets, often known as the "warehouse period," typically terminates when the CLO vehicle issues various tranches of debt and equity securities to the market, using the issuance proceeds to repay the investment bank financing. Investments in LAFs have risks similar to those applicable to investments in CLOs, and the risk of losses is magnified as a result of the leveraged and first-loss nature of these facilities. Further, in the event that the corporate credit assets accumulated by a LAF are not eligible for purchase by the planned CLO, or in the event that the planned CLO is not issued, the LAF investors may be responsible for either holding or disposing of said assets, exposing us to credit and/or mark-to-market risk. This scenario may become more likely in times of economic distress or when the loans comprising the collateral pool of such warehouse, even if still performing, may have declined materially in market value, and we may suffer a loss upon the disposition of these assets. The occurrence of any of the foregoing or similar events could affect our investments in LAFs and, consequently, could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***We may invest in corporate loans directly.***

In addition to gaining exposure to corporate loans through investments in CLO securities, we may also invest in corporate loans directly. In some cases, these loan investments may result from asset sales or in-kind distributions from CLOs in which we have invested, but in other cases we may acquire such loans directly in the open market. To the extent we invest in corporate loans directly, we will be exposed to all of the risks associated with corporate loans that CLOs are exposed to, as described above. See "—We invest in corporate CLOs, which exposes us to certain risks associated with corporate loans."; "—Our CLO investments are subject to risks related to the financial leverage employed by the underlying corporate borrowers." and "—The CLOs in which we invest may be subject to risks associated with syndicated loans."

***If a CLO in which we invest is treated as engaged in a U.S. trade or business for U.S. federal income tax purposes, such CLO could be subject to U.S. federal income tax on a net basis, which could affect our operating results and cash flows.***

It is generally expected that the CLOs in which we invest will operate pursuant to investment guidelines intended to avoid such CLOs being treated as engaged in a U.S. trade or business for U.S. federal income tax purposes. If a CLO fails to comply with its investment guidelines, or if the IRS successfully asserts that the CLO should be treated as engaged in a U.S. trade or business for U.S. federal income tax purposes, such CLO could be subject to U.S. federal income tax on a net basis, which could reduce the amount available to distribute to junior debt and equity holders in such CLO, including us.

***If a CLO in which we invest fails to comply with certain U.S. tax reporting requirements, such CLO may be subject to withholding requirements that could materially and adversely affect its operating results and cash flows.***

The U.S. Foreign Account Tax Compliance Act provisions of the Code (commonly referred to as "FATCA") impose a withholding tax of 30% on certain U.S. source periodic payments, including interest and dividends, to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its U.S. account holders and its U.S. owners. Most CLOs in which we invest will be treated as non-U.S. financial entities for this purpose and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, certain payments to such CLO may be subject to the 30% withholding tax, which could reduce the amount available to distribute to equity and junior debt holders in such CLO, and therefore materially and adversely affect the market value and/or fair value of the CLO's securities and our operating results and cash flows.

### **Risks Related to our Agency RMBS Investments and Agency RMBS Investment Activities**

***The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae, Freddie Mac, and Ginnie Mae and the U.S. Government, could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.***

The payments we receive on our Agency RMBS depend upon a steady stream of payments on the underlying mortgages and such payments are guaranteed by Fannie Mae, Freddie Mac, or the Government National Mortgage Association, within the U.S. Department of Housing and Urban Development, or "Ginnie Mae." Fannie Mae and Freddie Mac are government-sponsored enterprises, or "GSEs," but their guarantees are not backed by the full faith and credit of the United States. Ginnie Mae, which guarantees MBS backed by federally insured or guaranteed loans primarily consisting of loans insured by the Federal Housing Administration, or "FHA," or guaranteed by the Department of Veterans Affairs, or "VA," is part of the U.S. Department of Housing and Urban Development and its guarantees are backed by the full faith and credit of the United States. Finally, cash flows from any MSR investments we may make depend on the performance of the underlying loans.

In September 2008, in response to the deteriorating financial condition of Fannie Mae and Freddie Mac, the U.S. Government placed Fannie Mae and Freddie Mac into the conservatorship of the Federal Housing Finance Agency, or "FHFA," their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and Economic Recovery Act of 2008. Under this conservatorship, Fannie Mae and Freddie Mac are required to reduce the amount of mortgage loans they own or for which they provide guarantees on Agency RMBS. In addition to the FHFA becoming the conservator of Fannie Mae and Freddie Mac, the U.S. Treasury entered into Preferred Stock Purchase Agreements ("PSPAs") with the FHFA and have taken various actions intended to provide Fannie Mae and Freddie Mac with additional liquidity in an effort to ensure their financial stability. In January 2025, the FHFA and the U.S. Treasury under the prior administration announced an agreement with each of Fannie Mae and Freddie Mac to modify the PSPAs to help ensure that the eventual release of Fannie Mae and Freddie Mac from conservatorship will be orderly and reflect certain existing practices. In addition, under a separate side letter from FHFA to the U.S. Treasury, FHFA will solicit public input, before releasing either Fannie Mae or Freddie Mac from conservatorship, regarding the potential impacts on the housing market and Fannie Mae and Freddie Mac.

Since Fannie Mae and Freddie Mac were placed in federal conservatorship, the guarantee payment structure of Fannie Mae and Freddie Mac has been discussed and re-examined by regulators and administrations.

Recent statements made by members of the current administration could introduce significant uncertainty to the housing finance system. These and any future initiatives, which could include efforts to privatize Fannie Mae and Freddie Mac and end their federal conservatorship, could reduce or eliminate the availability of government guarantees, increase mortgage rates, and lower the value of Agency RMBS. Additionally, proposed leadership changes at the FHFA and shifts in regulatory priorities may further impact the guarantees provided by Fannie Mae, Freddie Mac, and Ginnie Mae, increasing market volatility and credit risk. These developments could materially adversely affect our investments, financing capabilities, and overall financial condition.

Fannie Mae, Freddie Mac, and Ginnie Mae could each be dissolved, and the U.S. Government could determine to stop providing liquidity support of any kind to the mortgage market. If Fannie Mae, Freddie Mac, or Ginnie Mae were eliminated, or their structures were to change radically, or if the U.S. Government significantly reduced its support for any or all of them, the value of our currently held Agency RMBS could drop significantly, and we may be unable or significantly limited in our ability to acquire Agency RMBS, which, in turn, could materially adversely affect our ability to maintain our exclusion from the 1940 Act.

Moreover, any changes to the nature of the guarantees provided by, or laws affecting, Fannie Mae, Freddie Mac, and Ginnie Mae could materially adversely affect the credit quality of the guarantees, could increase the risk of loss on purchases of Agency RMBS issued by these GSEs (or MSR with underlying loans guaranteed by these GSEs) and could have broad adverse market implications for the Agency RMBS they currently guarantee. Any action that affects the credit quality of the guarantees provided by Fannie Mae, Freddie Mac, and Ginnie Mae could materially adversely affect the value of our Agency RMBS. In addition, any market uncertainty that arises from such proposed changes could have a similar impact on us and our Agency RMBS.

In addition, we rely on our Agency RMBS as collateral for our financings under the repos that we enter into. Any decline in their value, or perceived market uncertainty about their value, would make it more difficult for us to obtain financing on our Agency RMBS on acceptable terms or at all, or to maintain compliance with the terms of any financing transactions.

***Prepayment rates can change, adversely affecting the performance of our assets.***

The frequency at which prepayments (including both voluntary prepayments by borrowers and liquidations due to defaults and foreclosures) occur on mortgage loans underlying RMBS or MSRs is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Generally, borrowers tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans. When borrowers prepay their mortgage loans at rates that are faster or slower than expected, it results in prepayments that are faster or slower than expected on the related RMBS or MSRs. These faster or slower than expected payments may adversely affect our profitability.

We may purchase securities or loans that have a higher interest rate than the then-prevailing market interest rate. In exchange for this higher interest rate, we may pay a premium to par value to acquire the security or loan. In accordance with U.S. GAAP, we amortize this premium as an expense over the expected term of the security or loan based on our prepayment assumptions. If a security or loan is prepaid in whole or in part at a faster than expected rate, however, we must expense all or a part of the remaining unamortized portion of the premium that was paid at the time of the purchase, which will adversely affect our profitability.

We also may purchase securities or loans that have a lower interest rate than the then-prevailing market interest rate. In exchange for this lower interest rate, we may pay a discount to par value to acquire the security or loan. We accrete this discount as income over the expected term of the security or loan based on our prepayment assumptions. If a security or loan is prepaid at a slower than expected rate, however, we must accrete the remaining portion of the discount at a slower than expected rate. This will extend the expected life of our investment portfolio and result in a lower than expected yield on securities and loans purchased at a discount to par.

Prepayment rates generally increase when interest rates fall and decrease when interest rates rise. Since many RMBS, especially fixed rate RMBS, will be discount securities when interest rates are high, and will be premium securities when interest rates are low, these RMBS may be adversely affected by changes in prepayments in any interest rate environment. Prepayment rates are also affected by factors not directly tied to interest rates or home values, and these factors are difficult to predict. Prepayments can also occur when borrowers sell their properties, or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the underlying property and/or from the proceeds of a mortgage insurance policy or other guarantee. Fannie Mae and Freddie Mac will generally, among other conditions, purchase mortgages that are 120 days or more delinquent from the Agency RMBS pools that they have issued when the cost of guaranteed payments to security holders, including advances of interest at the security coupon rate, exceeds the cost of holding the non-performing loans in their portfolios. Consequently, prepayment rates also may be affected by conditions in the housing and financial markets, which may result in increased delinquencies on mortgage loans. Prepayment rates can also be affected by actions of the GSEs and their cost of capital, general economic conditions, and the relative interest rates on fixed and adjustable rate loans. Additionally, changes in the GSEs' decisions as to when to repurchase delinquent loans can materially impact prepayment rates on Agency RMBS.

The adverse effects of prepayments may impact us in various ways. First, particular investments may experience outright losses, as in the case of IOs and IIOs in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to any hedges that our Manager may have constructed for these assets, resulting in a loss to us. In particular, prepayments (at par) may limit the potential upside of many RMBS to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss. Furthermore, to the extent that faster prepayment rates are due to lower interest rates, the principal payments received from prepayments will tend to be reinvested in lower-yielding assets, which may reduce our income in the long run.

Prepayments also significantly affect the value of MSRs because an MSR entitles the holder to receive a monthly servicing fee equal to a percentage of the unpaid principal balance of the mortgage loans, as well as other cashflows, for so long

as the underlying loans are outstanding. To the extent the underlying mortgage loan principal balances are prepaid or expected to be prepaid at a faster rate, the expected future cash flows from servicing would be lower and the value of the related MSR would decline. Actual prepayment rates differing from anticipated prepayment rates could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***Interest rate mismatches between our assets and our borrowings may reduce our income during periods of changing interest rates, and increases in interest rates could adversely affect the value of our assets.***

Some of our assets are fixed rate securities (such as Agency RMBS) or have a fixed rate component. This means that the interest we earn on these assets will not vary over time based upon changes in a short-term interest rate index. We generally fund our targeted assets with borrowings whose interest rates reset frequently, and as a result we have an interest rate mismatch between certain of our assets and liabilities, which could cause our net interest margin (the spread between the average yield on our assets and our average borrowing costs) to compress, or even become negative. While our interest rate hedges are intended to mitigate a portion of this mismatch, the use of interest rate hedges also introduces the risk of other interest rate mismatches and exposures, as will the use of other financing techniques. Additionally, to the extent cash flows from Agency RMBS we hold are reinvested in new Agency RMBS, the spread between the yields of the new Agency RMBS and available borrowing rates may also compress or become negative. If our net interest margin compresses or becomes negative, our business, cash flow, financial condition, results of operations, and ability to pay dividends to our shareholders could be materially affected. In fact, in 2022, 2023 and 2024, which saw periods of rising interest rates, we experienced compressed and in some cases negative net interest margin on many of our assets.

Fixed income assets, including many Agency RMBS, typically decline in value if interest rates increase. If long-term rates were to increase significantly, such as we saw during 2022 and parts of 2023 and 2024, not only would the market value of these assets be expected to decline, but these assets could lengthen in duration because borrowers would be less likely to prepay their mortgages.

Interest rates can change quickly and are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. Moreover, concerns over the United States' debt ceiling and budget-deficit have increased the possibility of downgrades by rating agencies to the U.S. government's credit rating, which could cause interest rates and borrowing costs to rise substantially. Interest rate movements are highly uncertain and notoriously difficult to predict. From February 28, 2022 to October 31, 2023, the lower bound of the Federal Reserve's Federal Funds Target Rate rose from 0.00% to 5.25%, while the yield on the ten-year U.S. Treasury rose from 1.83% to 4.93%.

While we opportunistically hedge our exposure to changes in interest rates, we cannot provide any assurance that our hedges will be successful, or that we will be able to enter into or maintain such hedges. As a result, interest rate fluctuations can cause significant losses, reductions in income, and can limit the cash available to pay dividends to our shareholders.

***Certain actions by the Federal Reserve could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.***

Actions by the Federal Reserve (and similar actions by other central banks), including tightening or easing of monetary policy, increases or decreases in short-term interest rates, balance sheet liquidations or runoff, or other actions, or the perception that the Federal Reserve or other central banks are failing to take actions deemed necessary or advisable by the market, could cause elevated market volatility and adversely impact the value and performance of our assets and our ability to borrow money at attractive terms or at all, or otherwise access capital to fund our operations. See also "—Increases in interest rates could adversely affect the value of our assets and cause our interest expense to increase, and increase the risk of default on our assets, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to shareholders" for the impact of higher interest rates on our business.

***Mortgage loan modification programs and future legislative action may adversely affect the value of, and the returns on, our targeted assets.***

The U.S. Government, through the U.S. Treasury, FHA, and the Federal Deposit Insurance Corporation, or "FDIC," has at various points in time, including in response to the COVID-19 pandemic, and may again in the future, implement programs designed to provide homeowners with assistance in avoiding mortgage loan foreclosures. The programs may involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans or the rate of interest payable on the loans, or to extend the payment terms of the loans.

Loan modification and refinance programs may adversely affect the performance of Agency RMBS. For example, it is likely that loan modifications would result in increased prepayments on some Agency RMBS. See "—Prepayment rates can

change, adversely affecting the performance of our assets," for information relating to the impact of prepayments on our business.

The U.S. Congress and various state and local legislatures may pass mortgage-related legislation that would affect our business, including legislation that would permit limited assignee liability for certain violations in the mortgage loan origination process, legislation that would allow judicial modification of loan principal in the event of personal bankruptcy, or legislation relating to the handling of escrow accounts. We cannot predict whether or in what form Congress or the various state and local legislatures may enact legislation affecting our business or whether any such legislation will require us to change our practices or make changes in our portfolio in the future. These changes, if required, could materially adversely affect our business, results of operations and financial condition, and our ability to pay dividends to our shareholders, particularly if we make such changes in response to new or amended laws, regulations or ordinances in any state where we acquire a significant portion of our mortgage loans, or if such changes result in us being held responsible for any violations in the mortgage loan origination process.

The existing loan modification programs, together with future legislative or regulatory actions, including possible amendments to the bankruptcy laws, which result in the modification of outstanding residential mortgage loans and/or changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae, Freddie Mac, or Ginnie Mae, may adversely affect the value of, and the returns on, our assets, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***Difficult conditions in the mortgage and residential real estate markets as well as general market concerns may adversely affect the value of the assets in which we invest.***

Our business is materially affected by conditions in the residential mortgage market, the residential real estate market, the financial markets, and the economy, including inflation, interest rates, energy costs, unemployment, geopolitical issues, tariffs, concerns over the creditworthiness of governments worldwide and the stability of the global banking system. In particular, the residential mortgage market in the U.S. has experienced a variety of difficulties and challenging economic conditions in the past, including defaults, credit losses, and liquidity concerns. Certain commercial banks, investment banks, insurance companies, loan origination companies and mortgage-related investment vehicles incurred extensive losses from exposure to the residential mortgage market as a result of these difficulties and conditions. These factors have impacted, and may in the future impact, investor perception of the risks associated with Agency RMBS, other real estate-related securities and various other asset classes in which we may invest. As a result, values for Agency RMBS, and various other asset classes in which we may invest have experienced, and may in the future experience, significant volatility. Any deterioration of the mortgage market and investor perception of the risks associated with Agency RMBS, and various other assets that we acquire could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

#### **General Risks Related to our Investments and Investment Activities**

***To the extent that due diligence is conducted on potential assets, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets, which could lead to losses.***

Our Manager may decide to conduct (either directly or using third parties) certain due diligence on an investment before committing to the investment. There can be no assurance that our Manager will conduct any specific level of due diligence, or that, among other things, our Manager's due diligence processes will uncover all relevant facts or that any purchase will be successful, which could result in losses on these assets, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***We rely on analytical models and other data to analyze potential asset acquisition and disposition opportunities and to manage our portfolio. Such models and other data may be incorrect, misleading or incomplete, which could cause us to purchase assets that do not meet our expectations or to make asset management decisions that are not in line with our strategy.***

We rely on our Manager and our Manager relies on the analytical models used by Ellington (both proprietary and third-party models) and information and data supplied by third parties. These models and data may be used to value assets or potential asset acquisitions and dispositions and also in connection with our asset management activities. If Ellington's models (including the data utilized by the models) and/or third party models or data prove to be incorrect, misleading, or incomplete, any decisions made in reliance thereon could expose us to potential risks. Our Manager's reliance on the models and data used by Ellington may induce it to purchase certain assets at prices that are too high, to sell certain other assets at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging activities that are based on faulty models and data may prove to be unsuccessful.

Some of the risks of relying on analytical models and third-party data include the following:

- collateral cash flows and/or liability structures may be incorrectly modeled in all or only certain scenarios, or may be modeled based on simplifying assumptions that lead to errors;
- information about assets or the underlying collateral may be incorrect, incomplete, or misleading;
- asset, collateral, MBS, or CLO historical performance (such as historical prepayments, defaults, cash flows, etc.) may be incorrectly reported, or subject to interpretation (e.g., different MBS issuers may report delinquency and default statistics based on different definitions of what constitutes a delinquent or defaulted loan); and
- asset, collateral, MBS, or CLO information may be outdated, in which case the models may contain incorrect assumptions as to what has occurred since the date information was last updated.

Some models, such as prepayment models or default models, may be predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses. In addition, the predictive models used by our Manager may differ substantially from those models used by other market participants, with the result that valuations based on these predictive models may be substantially higher or lower for certain assets than actual market prices. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data, and, in the case of predicting performance in scenarios with little or no historical precedent (such as extreme broad-based declines in home prices, deep economic recessions or depressions), such models must employ greater degrees of extrapolation and are therefore more speculative and of more limited reliability.

All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well-founded valuation model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics or whose values are particularly sensitive to various factors. If our market data inputs are incorrect or our model prices differ substantially from market prices, our business, financial condition and results of operations, and our ability to pay dividends to our shareholders could be materially adversely affected.

***Valuations of many of our assets are inherently uncertain, may be based on estimates, may fluctuate over short periods of time, and may differ from the values that would have been used if a ready market for these assets existed.***

The values of many of the assets in our portfolio are not readily determinable with precision. We value the vast majority of our assets monthly at fair value, as determined in good faith by our Manager, subject to the oversight of our Manager's valuation committee. The determination of fair value and, consequently, the amount of unrealized gains and losses in our portfolio, are to a certain degree subjective. Because such valuations are inherently uncertain, may fluctuate over short periods of time, especially during periods of elevated market volatility, and may be based on estimates, our Manager's determinations of fair value may differ from the values that would have been used if a ready market for these assets existed or from the prices at which trades occur. Furthermore, we may not obtain third party valuations for all of our assets. Changes in the fair value of our assets directly impact our net income and book value through recording unrealized appreciation or depreciation of our investments and derivative instruments, and so our Manager's determination of fair value has a material impact on our net income.

While in many cases our Manager's determination of the fair value of our assets is based on valuations provided by third-party dealers and pricing services, our Manager can and does value assets based upon its judgment and such valuations may differ from those provided by third-party dealers and pricing services. Valuations of certain assets are often difficult to obtain or are unreliable, and certain of our credit, IO and/or CLO investments may trade infrequently and are illiquid. In general, dealers and pricing services heavily disclaim their valuations. Additionally, dealers and pricing services may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental, or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of an asset, valuations of the same asset can vary substantially from one dealer or pricing service to another. Higher valuations of our assets have the effect of increasing the amount of management fees we pay to our Manager. Therefore, conflicts of interest exist because our Manager is involved in the determination of the fair value of our assets.

Market-based inputs are generally the preferred source of values for purposes of measuring the fair value of our assets under U.S. GAAP. However, the markets for our investments have experienced, and could in the future experience, extreme volatility, reduced transaction volume and liquidity, and disruption as a result of certain events, such as the COVID-19 pandemic, the regional banking crisis in 2023, ongoing geopolitical tensions, tariffs, and uncertainty in the monetary policy of the Federal Reserve (and other central banks), which has made, and could in the future make, it more difficult for our Manager, and for third-party dealers and pricing services that we use, to rely on market-based inputs in connection with the valuation of

our assets under U.S. GAAP. Furthermore, in determining the fair value of our assets, our Manager uses proprietary models that require the use of a significant amount of judgment and the application of various assumptions including, but not limited to, assumptions concerning future prepayment rates, interest rates, default rates and loss severities. These assumptions may be impacted by the unpredictability of interest rate movements, driven by inflation dynamics and shifting guidance from the Federal Reserve (and other central banks) and these assumptions might be especially difficult to project accurately during periods of economic disruption. The fair value of certain of our investments may fluctuate over short periods of time, and our Manager's determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Investors purchasing our securities based on an overstated book value per share may pay a higher price than the value of our investments warrants. Conversely, investors selling shares during a period in which our book value per share understates the value of our investments may receive a lower price for their shares than the value of our investments warrants.

Our business, financial condition and results of operations, and our ability to pay dividends to our shareholders could be materially adversely affected if our Manager's fair value determinations of these assets were materially different from the values that would exist if a ready market existed for these assets.

***Increases in interest rates could adversely affect the value of our assets and cause our interest expense to increase, and increase the risk of default on our assets, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to shareholders.***

Our operating results will depend in large part on the difference between the income from our assets, net of credit losses, and financing costs. We anticipate that, in many cases, the income from our assets will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, to the extent not offset by our interest rate hedges, may significantly influence our financial results.

#### **Risks Related to our Financing, Hedging, and Derivative Activities**

***We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our shareholders, as well as increase losses when economic conditions are unfavorable.***

We use leverage to finance our investment activities and to enhance our financial returns. Currently, all of our leverage is in the form of short-term repos for our RMBS and CLO assets. Other forms of leverage we may use in the future include credit facilities, including term loans and revolving credit facilities.

Through the use of leverage, we may acquire positions with market exposure significantly greater than the amount of capital committed to the transaction. For example, by entering into repos with advance rates of 95%, or haircut levels of 5%, we could theoretically leverage capital allocated to Agency RMBS by an asset-to-equity ratio of as much as 20 to 1. A haircut is the percentage discount that a repo lender applies to the market value of an asset serving as collateral for a repo borrowing, for the purpose of determining whether such repo borrowing is adequately collateralized.

Although we may from time to time enter into certain contracts that may limit our leverage, such as certain financing arrangements with lenders, our governing documents do not specifically limit the amount of leverage that we may use. Leverage can enhance our potential returns but can also exacerbate losses. Even if an asset increases in value, if the asset fails to earn a return that equals or exceeds our cost of borrowing, the leverage will diminish our returns.

Leverage also increases the risk of our being forced to precipitously liquidate our assets. See "—Our access to financing sources may not be available on favorable terms, may be limited or completely shut off, and our lenders and derivative counterparties may require us to post additional collateral. These circumstances may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders."

***Our rights under repo agreements are subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders.***

In the event of our insolvency or bankruptcy, certain repurchase agreements may qualify for special treatment under the U.S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to foreclose on and/or liquidate the collateral pledged under such agreements without delay. In the event of the insolvency or bankruptcy of a lender during the term of a repo agreement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as an unsecured claim. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a repo agreement or to be compensated for any damages resulting from the lenders' insolvency

may be further limited by those statutes. These claims would be subject to significant delay and costs to us and, if and when received, may be substantially less than the damages we actually incur.

***Our access to financing sources may not be available on favorable terms, or may be limited or completely shut off, and our lenders and derivative counterparties may require us to post additional collateral. These circumstances may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.***

Our ability to fund our operations, meet financial obligations, and finance targeted asset acquisitions may be impacted by an inability to secure and maintain our financing through repurchase agreements or other types of borrowings we may enter into from time to time in the future with our counterparties. Because repurchase agreements are generally short-term transactions, lenders may respond to adverse market conditions in a manner that makes it more difficult for us to renew or replace on a continuous basis our maturing short-term borrowings and have, and may continue to, impose more onerous conditions when rolling such repurchase agreements.

Our lenders are primarily large global financial institutions, with exposures both to global financial markets and to more localized conditions. In addition to borrowing from large banks, we borrow from smaller non-bank financial institutions. Whether because of a global or local financial crisis or other circumstances, such as if one or more of our lenders experiences severe financial difficulties, they or other lenders could become unwilling or unable to provide us with financing, could increase the haircut required for such financing, or could increase the costs of that financing.

Moreover, we are currently party to short-term borrowings (in the form of repurchase agreements) and there can be no assurance that we will be able to replace these borrowings, or "roll" them, as they mature on a continuous basis and it may be more difficult for us to obtain debt financing on favorable terms, or at all. If we are not able to renew our existing repurchase agreements or other types of borrowings we may enter into from time to time or arrange for new financing on terms acceptable to us, or if we default on our financial covenants, are otherwise unable to access funds under our financing arrangements, or if we are required to post more collateral or face larger haircuts, we may have to dispose of assets at significantly depressed prices and at inopportune times, which could cause significant losses, and may also force us to curtail our asset acquisition activities. Similarly, if we were to move a financing from one counterparty to another that was subject to a larger haircut we would have to repay more cash to the original counterparty than we would be able to borrow from the new counterparty. Any such forced dispositions could materially adversely affect our ability to maintain our exclusion from registration as an investment company under the 1940 Act.

In addition, if there is a contraction in the overall availability of financing for our assets, including if the regulatory capital requirements imposed on our lenders change or our shareholders' equity decreases to levels that make us a less attractive financing counterparty, our lenders may significantly increase the cost of the financing that they provide to us, increase the amounts of collateral they require as a condition to providing us with financing, or even cease providing us with financing. Our lenders also have revised, and may continue to revise, their eligibility requirements for the types of assets that they are willing to finance or the terms of such financing arrangements, including increased haircuts and requiring additional cash collateral, based on, among other factors, the regulatory environment and their management of actual and perceived risk, particularly with respect to assignee liability.

Moreover, the amount of financing that we receive under our financing agreements will be directly related to our lenders' valuation of the financed assets subject to such agreements. Typically, the master repurchase agreements that govern our borrowings under repurchase agreements grant the lender the right to reevaluate the fair market value of the financed assets subject to such repurchase agreements at any time. If a lender determines that the net decrease in the value of the portfolio of financed assets is greater in magnitude than any applicable threshold, it will generally initiate a margin call. In such cases, a lender's valuations of the financed assets may be different than the values that we ascribe to these assets and may be influenced by recent asset sales at distressed levels by forced sellers. A valid margin call requires us to transfer cash or additional qualifying collateral to a lender or to repay a portion of the outstanding borrowings. If we were to dispute the validity of a margin call from a lender under one of our repo agreements and refuse to deliver margin collateral as a result, a lender could still send us a notice of default. In this situation, such lender will have possession of the financed assets, and might still decide to exercise its contractual remedies, despite the margin dispute. In the event of our default, our lenders or derivative counterparties can accelerate our indebtedness, terminate our derivative contracts (potentially on unfavorable terms requiring additional payments, including additional fees and costs), increase our borrowing rates, liquidate our collateral, and terminate our ability to borrow. In certain cases, a default on one repo agreement or derivative agreement (whether caused by a failure to satisfy margin calls or another event of default) can trigger "cross defaults" on other such agreements. In addition, if the market value of our derivative contracts with a derivative counterparty declines in value, we generally will be subject to a margin call by the derivative counterparty.

Significant margin calls and/or increased repo haircuts could have a material adverse effect on our results of operations, financial condition, business, liquidity, and ability to make distributions to our shareholders, and could cause the value of our common shares to decline. During March and April of 2020, we observed that many of our financing agreement counterparties assigned lower valuations to certain of our assets, resulting in us having to pay cash to satisfy margin calls, which were higher than historical levels. In addition, during March and April of 2020 we also experienced an increase in haircuts on repurchase agreements that we rolled. A sufficiently deep and/or rapid increase in margin calls or haircuts would have an adverse impact on our liquidity.

Consequently, depending on market conditions at the relevant time, we may have to rely on additional equity issuances to meet our capital and financing needs, which may be dilutive to our shareholders, or we may have to rely on less efficient forms of debt financing that consume a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities, cash distributions to our shareholders, and other purposes. There can be no assurance that we will have access to such equity or debt capital on favorable terms (including, without limitation, cost and term) at the desired times, or at all, which may cause us to curtail our asset acquisition activities and/or dispose of assets, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders, or in the worst case, cause our insolvency.

***Hedging against interest rate changes and other risks could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our shareholders.***

Subject to maintaining our exclusion from registration as an investment company under the 1940 Act, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates and, to a lesser extent, credit risk. Our hedging activity is expected to vary in scope based on the level and volatility of interest rates, the types of liabilities and assets held and other changing market conditions. Hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly, or be correlated in the manner desired, with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related assets or liabilities being hedged;
- many hedges are structured as over-the-counter contracts with counterparties whose creditworthiness is not guaranteed, raising the possibility that the hedging counterparty may default on their obligations;
- to the extent that the creditworthiness of a hedging counterparty deteriorates, it may be difficult or impossible to terminate or assign any hedging transactions with such counterparty to another counterparty;
- the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments would reduce our earnings and our shareholders' equity;
- the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments, or "mark-to-market losses," would reduce our earnings and our shareholders' equity;
- we may fail to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the assets in the portfolio being hedged;
- our Manager may fail to recalculate, re-adjust, and execute hedges in an efficient and timely manner; and
- the hedging transactions may actually result in poorer overall performance for us than if we had not engaged in the hedging transactions.

Although we do not intend to operate our non-Agency RMBS investment strategy on a credit-hedged basis in general, we may from time to time opportunistically enter into short positions using credit default swaps to protect against adverse credit events with respect to our non-Agency RMBS, provided that our ability to do so may be limited in order to maintain our exclusion from registration as an investment company under the 1940 Act.

For these and other reasons, our hedging activity could materially adversely affect our business, financial condition and results of operations, our ability to pay dividends to our shareholders, and our ability to maintain our exclusion from registration as an investment company under the 1940 Act.

***Hedging instruments and other derivatives, including some credit default swaps, may not, in many cases, be traded on exchanges, or may not be guaranteed or regulated by any U.S. or foreign governmental authority and involve risks and costs that could result in material losses.***

Hedging instruments and other derivatives, including certain types of credit default swaps, involve risk because they may not, in many cases, be traded on exchanges or cleared on a CCP (as defined below) and may not be guaranteed or regulated by any U.S. or foreign governmental authorities. Consequently, for these instruments there may be less stringent requirements with respect to record keeping and compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. Our Manager is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Furthermore, our Manager has only a limited internal credit function to evaluate the creditworthiness of its counterparties, mainly relying on its experience with such counterparties and/or their general reputation as participants in these markets. Under the terms of many of our derivative transaction contracts, the business failure of a derivative counterparty with whom we enter into a derivative transaction will most likely result in a default under the governing arrangement. Default by a party with whom we enter into a derivative transaction may result in losses and may force us to re-initiate similar derivative transactions with other counterparties at the then-prevailing market levels. Generally, we will seek to reserve the right to terminate our derivative transactions upon a counterparty's insolvency, but absent an actual insolvency, we may not be able to terminate a derivative transaction without the consent of the counterparty, and we may not be able to assign or otherwise dispose of a derivative transaction to another counterparty without the consent of both the original derivative counterparty and the potential assignee. If we terminate a derivative transaction, we may not be able to enter into a replacement contract in order to cover our risk. There can be no assurance that a liquid secondary market will exist for derivative instruments purchased or sold, and therefore we may be required to maintain any derivative positions until exercise or expiration, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. In this regard, we may be required to hold additional cash or sell other investments in order to obtain cash to close out derivatives to meet the liquidity demands that derivatives can create to make payments of margin, collateral or settlement payments to counterparties. We may have to sell an investment at a disadvantageous time or price to meet such obligations.

In addition, some portion of our derivatives, including our future positions, are cleared through a central counterparty clearinghouse, or "CCP," which we access through a futures commission merchant, or "FCM." If an FCM that holds our cleared derivatives account were to become insolvent, the CCP will make an effort to move our futures and swap positions to an alternate FCM, though it is possible that no alternate FCM could be found to accept our positions, which could result in a total cancellation of our positions in the account; in such a case, if we wished to reinstate such derivative positions, we would have to re-initiate such positions with an alternate FCM. In the event of the insolvency of an FCM that holds our cleared over-the-counter derivatives, the rules of the CCP require that its direct members submit bids to take over the portfolio of the FCM, and would further require the CCP to move our existing positions and related margin to an alternate FCM. If this were to occur, we believe that our risk of loss would be limited to the excess equity in the account at the insolvent FCM due to the "legally segregated, operationally commingled" treatment of client assets under the rules governing FCMs in respect of cleared over-the-counter derivatives. In addition, in the case of both futures and cleared over-the-counter derivatives, there could be knock-on effects of our FCM's insolvency, such as the failure of co-customers of the FCM or other FCMs of the same CCP. In such cases, there could be a shortfall in the funds available to the CCP due to such additional insolvencies and/or exhaustion of the CCP's guaranty fund that could lead to total loss of our positions in the FCM account. Finally, we face a risk of loss (including total cancellation) of positions in the account in the event of fraud by our FCM or other FCMs of the CCP, where ordinary course remedies would not apply.

Using derivatives is also subject to operational and legal risks. Operational risk generally refers to risk related to potential operational issues, including documentation issues, settlement issues, systems failures, inadequate controls, and human error. Legal risk generally refers to insufficient documentation, insufficient capacity or authority of counterparty, or the legality or enforceability of a contract.

The U.S. Commodity Futures Trading Commission, or "CFTC," and certain commodity exchanges have established limits referred to as speculative position limits or position limits on the maximum net long or net short position which any person or group of persons may hold or control in particular futures and options. Limits on trading in options contracts also have been established by the various options exchanges. It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our shareholders.

***Our use of derivatives may expose us to counterparty risk.***

We have entered into derivative transactions that have not been cleared by a CCP. If a derivative counterparty cannot perform under the terms of the derivative contract, we would not receive payments due under that agreement, we may lose any unrealized gain associated with the derivative, and in the case of a derivative used as a hedging instrument, the asset or liability being hedged would cease to be hedged by such instrument. If a derivative counterparty becomes insolvent or files for bankruptcy, we may also be at risk for any collateral we have pledged to such counterparty to secure our obligations under derivative contracts, and we may incur significant costs in attempting to recover such collateral.

***We engage in short selling transactions, which may subject us to additional risks.***

Certain of our hedging transactions, and occasionally our investment transactions, may be short sales or short positions. Short selling may involve selling securities that are not owned and typically borrowing the same securities for delivery to the purchaser, with an obligation to repurchase the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale may create the risk of an unlimited loss, in that the price of the underlying security might theoretically increase without limit, thus increasing the cost of repurchasing the securities. There can be no assurance that securities sold short will be available for repurchase or borrowing. Market conditions, including lower liquidity in certain asset classes and derivatives, and increased short sale restrictions imposed by regulators during periods of financial stress, could limit our ability to execute or maintain short positions effectively.

Repurchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***Our investments that are denominated in foreign currencies, domiciled outside the U.S., or that involve non-U.S. assets are subject to risks associated with non-U.S. investing, including in some cases foreign currency risk, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.***

Our investments that are denominated in foreign currencies subject us to foreign currency risk arising from fluctuations in exchange rates between such foreign currencies and the U.S. dollar. While we currently attempt to hedge the vast majority of our foreign currency exposure, we may not always choose to hedge such exposure, or we may not be able to hedge such exposure. To the extent that we are exposed to foreign currency risk, changes in exchange rates of such foreign currencies to the U.S. dollar could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

Further, we also invest in CLOs that hold non-U.S. assets, and we expect that many of the CLO issuers in which we invest will be domiciled outside the United States. Investing directly or indirectly in non-U.S. issuers may expose us to additional risks, including political and social instability, expropriation, imposition of foreign taxes, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, currency fluctuations and greater price volatility. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor's rights in foreign jurisdictions.

**Other Business Risks**

***We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies without notice or shareholder consent, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.***

We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies at any time without notice to or consent from our shareholders. As a result, the types or mix of assets, liabilities, or hedging transactions in our portfolio may be different from, and possibly riskier than, the types or mix of assets, liabilities, and hedging transactions that we have historically held, or that are otherwise described in this report. A change in our strategy may increase our exposure to real estate values, interest rates, and other factors. Our Board of Trustees determines our investment guidelines and our operational policies, and may amend or revise our policies, including those with respect to our acquisitions, growth, operations, indebtedness, capitalization, and dividends or approve transactions that deviate from these policies without a vote of, or notice to, our shareholders.

For example, our declaration of trust provided our Board of Trustees the ability to authorize us to revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determined that it was no longer in our best interests to qualify as a REIT. Our Board of Trustees made that determination and revoked our election to be taxed as a REIT, effective January 1, 2024, and we began investing in corporate CLOs with the approval of our Board of Trustees and without any notice

or consent from our shareholders. These (and similar) changes could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our shareholders. Any such change may increase our exposure to the risks described herein or expose us to new risks that are not currently contemplated.

***We operate in a highly competitive market.***

Our profitability depends, in large part, on our ability to acquire targeted assets at favorable prices. We compete with a number of entities when acquiring our targeted assets, including financial companies, public and private funds, commercial and investment banks and residential and commercial finance companies. We may also compete with (i) the Federal Reserve and the U.S. Treasury to the extent they purchase assets in our targeted asset classes and (ii) companies that partner with and/or receive financing from the U.S. Government or consumer bank deposits. Many of our competitors are substantially larger and have considerably more favorable access to capital and other resources than we do. Furthermore, new companies with significant amounts of capital have been formed or have raised additional capital, and may continue to be formed and raise additional capital in the future, and these companies may have objectives that overlap with ours, which may create competition for assets we wish to acquire. Some competitors may have a lower cost of funds and access to funding sources, such as government funding, that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets to acquire or pay higher prices than we can. We also may have different operating constraints from those of our competitors including, among others, (i) tax-, legal- or accounting-driven constraints, (ii) restraints imposed on us by our attempt to comply with certain exclusions from the definition of an "investment company" or other exemptions under the 1940 Act and (iii) restraints and additional costs arising from our status as a public company. Furthermore, competition for assets in our targeted asset classes may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. The competitive pressures we face could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***An increase in interest rates may cause a decrease in the issuance volumes of certain of our targeted assets, which could adversely affect our ability to acquire targeted assets that satisfy our investment objectives and to generate income and pay dividends.***

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of targeted assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. If rising interest rates cause us to be unable to acquire a sufficient volume of our targeted assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends to our shareholders may be materially and adversely affected.

***Lack of diversification in the number or types of assets we acquire would increase our dependence on relatively few individual assets or asset types.***

Our management objectives and policies do not place a limit on the amount of capital used to support, or the exposure to (by any other measure), any individual asset or any group of assets with similar characteristics or risks. As a result, our portfolio may be concentrated in a small number of assets or may be otherwise undiversified, increasing the risk of loss and the magnitude of potential losses to us and our shareholders if one or more of these assets perform poorly.

***We are highly dependent on Ellington's information systems and those of third-party service providers, and system failures could significantly disrupt our business, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.***

Our business is highly dependent on Ellington's communications and information systems and those of third-party service providers. Any failure or interruption of Ellington's or certain third-party service providers' systems or cyber-attacks or security breaches of their networks or systems could cause delays or other problems in our securities trading activities, could allow unauthorized access for purposes of misappropriating assets, stealing proprietary and confidential information, corrupting data or causing operational disruption, or could prevent us from receiving distributions to which we are entitled, any of which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

Computer malware, ransomware, viruses, and computer hacking and phishing attacks have become more prevalent in the financial services industry and may occur on Ellington's or certain third party service providers' systems in the future. We rely heavily on Ellington's financial, accounting and other data processing systems. Financial services institutions have reported breaches of their systems, some of which have been significant, and Ellington has experienced a data breach, which was not material to its or our operations. Even with all reasonable security efforts, not every breach can be prevented or even detected. It is possible that Ellington or certain third-party service providers have experienced an undetected breach, and it is likely that other financial institutions have experienced more breaches than have been detected and reported. There is no assurance that we, Ellington, or certain of the third parties that facilitate our and Ellington's business activities, have not or will not experience

a breach. It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber-attacks or security breaches of Ellington's networks or systems (or the networks or systems of certain third parties that facilitate our and Ellington's business activities) or any failure to maintain performance, reliability and security of Ellington's or certain third-party service providers' technical infrastructure, but such computer malware, ransomware, viruses, and computer hacking and phishing attacks could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

Additionally, operational failures or cyber incidents relating to our third-party service providers (or their service providers) may negatively impact our business in the future. The number and complexity of cyber-attacks continue to increase over time. While we collaborate with third-party service providers to develop secure transmission capabilities and protect against operational failures and cyber-attacks, we and those third parties may not have all appropriate controls in place to protect from such failures or attacks. If a material operational failure or material breach of the information technology systems of our third-party service providers occurs, we could be required to expend significant amounts of money, be delayed in receiving funds (or not receive them at all) or have to expend significant time and resources to respond to these threats or breaches, each of which could materially adversely impact our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

New technologies also continue to develop, including tools that harness generative artificial intelligence and other machine learning techniques (collectively, "AI"). AI is developing at a rapid pace and becoming more accessible. As a result, the use of such new technologies by us, Ellington, and/or our third-party service providers can present additional known and unknown risks, including, among others, the risk that confidential information may be stolen, misappropriated or disclosed and the risk that we, Ellington, and/or our third-party service providers may rely on incorrect, unclear or biased outputs generated by such technologies, any of which could have an adverse impact on us and our business. See "—Artificial intelligence and other machine learning techniques could increase competitive, operational, legal and regulatory risks to our business in ways that we cannot predict."

***The lack of liquidity in our assets may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.***

Certain of the assets and other instruments we acquire are not publicly traded, including certain corporate debt and equity investments. As such, these assets may be subject to legal and other restrictions on resale, transfer, pledge or other disposition, or will otherwise be less liquid than publicly-traded securities. Other assets that we acquire, while publicly traded, may have limited liquidity on account of their complexity, turbulent market conditions, or other factors. In addition, CLOs from time to time have experienced extended periods of illiquidity, including during times of financial stress (such as during the COVID-19 pandemic), which is often the time that liquidity is most needed. Illiquid assets typically experience greater price volatility, because a ready market does not exist, and they can be more difficult to value or sell if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. We may also face other restrictions on our ability to liquidate any assets for which we or our Manager has or could be attributed with material non-public information. Furthermore, assets that are illiquid are more difficult to finance, and to the extent that we finance assets that are or become illiquid, we may lose that financing or have it reduced. If we are unable to sell our assets at favorable prices or at all, it could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. '

***Our ability to pay dividends will depend on our operating results, our financial condition and other factors, and we may not be able to pay dividends at a fixed rate or at all under certain circumstances.***

Our ability to pay dividends will depend on our earnings, our financial condition and such other factors as our Board of Trustees may deem relevant from time to time. We will declare and pay dividends only to the extent approved by our Board of Trustees.

### **Risks Related to our Relationship with our Manager and Ellington**

***We are dependent on our Manager and certain key personnel of Ellington that are provided to us through our Manager and may not find a suitable replacement if our Manager terminates the management agreement or such key personnel are no longer available to us.***

We do not have any employees of our own. Our officers are employees of Ellington or one or more of its affiliates. We have no separate facilities and are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and execution of our business strategies and risk management practices. We also depend on our Manager's access to the professionals of Ellington as well as information and deal flow generated by Ellington. The employees of Ellington identify, evaluate, negotiate, structure, close, and monitor our portfolio. The departure of any of the senior officers of our Manager, or of a significant number of investment professionals of Ellington or the inability of such personnel to

perform their duties due to acts of God, pandemics such as the COVID-19 pandemic, war or other geopolitical conflict, terrorism, elevated inflation, high energy costs, social unrest, or civil disturbances, could have a material adverse effect on our ability to achieve our objectives. We can offer no assurance that our Manager will remain our manager or that we will continue to have access to our Manager's senior management. We are subject to the risk that our Manager will terminate the management agreement or that we may deem it necessary to terminate the management agreement or prevent certain individuals from performing services for us and that no suitable replacement will be found to manage us.

***There are risks and conflicts of interest associated with the base management fee we are obligated to pay our Manager.***

We pay our Manager substantial base management fees based on our net asset value (as defined in the management agreement) regardless of the performance of our portfolio. The base management fee takes into account the net issuance proceeds of both common and preferred share offerings. Our Manager's entitlement to non-performance-based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for our portfolio, which could result in a lower performance of our portfolio and could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***There are risks and conflicts of interests associated with the Performance Fee we are obligated to pay our Manager.***

In addition to its Base Management Fee, our Manager is entitled to receive the Performance Fee based, in large part, upon our achievement of targeted levels of Pre-Performance Fee Net Investment Income. The Performance Fee payable to our Manager is based on our Pre-Performance Fee Net Investment Income, without considering any realized or unrealized gains or losses on our investments. As a result, (i) for quarters in which a Performance Fee is payable, such Performance Fee will exceed 17.5% of our GAAP net income if we generated net realized and unrealized losses on our investments during such quarter, (ii) our Manager could earn a Performance Fee for fiscal quarters during which we generate a GAAP net loss, and (iii) our Manager might be incentivized to manage our portfolio using higher risk assets, using assets with deferred interest features, or using more financial leverage through indebtedness, to generate more income than would be the case if there were no Performance Fee, both of which could result in higher investment losses, especially during economic downturns.

The Performance Fee is calculated quarterly, treating each quarter in isolation. As a result, the Hurdle Amount does not accumulate from quarter to quarter, and decreases in our Net Asset Value of Common Equity, such as those due to unrealized losses, will reduce the Hurdle Amount, potentially making it easier for our Manager to earn a Performance Fee. We will not have the ability to claw back, delay, or adjust the payment of any Performance Fee based on financial results in prior or subsequent quarters. In addition, over a series of quarters, if our Pre-Performance Fee Net Investment Income is positive in some quarters but negative in others, it is likely, when viewing the series of quarters as a whole, for the aggregate Performance Fee payable to our Manager to exceed 17.5% of our aggregate Pre-Performance Fee Net Investment Income.

There is also a conflict of interest related to management's involvement in many accounting determinations (including but not limited to valuations and calculations of interest income) that can affect our Performance Fee.

Finally, because the Hurdle Rate does not float with overall interest rates, an increase in interest rates will likely make it easier for Pre-Performance Fee Net Investment Income to exceed the Hurdle Amount. The Performance Fee Catch-Up feature (which provides that if the Company's Pre-Performance Fee Net Investment Income for a quarter exceeds the Hurdle Amount for such quarter but is less than or equal to 121.21% of the Hurdle Amount, then 100% of the portion of the Company's Pre-Performance Fee Net Investment Income that exceeds the Hurdle Amount is payable to the Manager with respect to such quarter) may also cause our Manager to capture a disproportionate share of any increase in our investment income resulting from higher interest rates.

***Our Board of Trustees has approved very broad investment guidelines for our Manager and will not approve the decisions made by our Manager to acquire, dispose of, or otherwise manage an asset.***

Our Manager is authorized to follow very broad guidelines in pursuing our strategy. While our Board of Trustees periodically reviews our guidelines and our portfolio and asset-management decisions, including our decision to begin making CLO investments, it generally does not review our proposed acquisitions, dispositions, and other management decisions. In addition, in conducting periodic reviews, our Board of Trustees relies primarily on information provided to them by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our Board of Trustees. Our Manager has great latitude within the broad guidelines in determining the types of assets it may decide are proper for us to acquire and other decisions with respect to the management of those assets subject to our maintaining exemption from the 1940 Act. Poor decisions could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***We compete with Ellington's other accounts for access to Ellington and for opportunities to acquire assets.***

Ellington has sponsored and/or currently manages accounts with a focus that overlaps with our investment focus, and expects to continue to do so in the future. Ellington is not restricted in any way from sponsoring or accepting capital from new accounts, even for investing in asset classes or strategies that are similar to, or overlapping with, our asset classes or strategies. Therefore, we compete for access to the benefits that our relationship with our Manager and Ellington provides us. For the same reasons, the personnel of Ellington and our Manager may be unable to dedicate a substantial portion of their time to managing our assets.

Further, to the extent that our targeted assets are also targeted assets of other Ellington accounts, we will compete with those accounts for opportunities to acquire assets. Ellington has no duty to allocate such opportunities in a manner that preferentially favors us. Ellington makes available to us all opportunities to acquire assets that it determines, in its reasonable and good faith judgment, based on our objectives, policies and strategies, and other relevant factors, are appropriate for us in accordance with Ellington's written investment allocation policy, it being understood that we might not participate in each such opportunity, but will equitably participate with Ellington's other accounts in such opportunities on an overall basis.

Since many of our targeted assets are typically available only in specified quantities and are also targeted assets for other Ellington accounts, Ellington often is not able to buy as much of any asset or group of assets as would be required to satisfy the needs of all of Ellington's accounts. In these cases, Ellington's investment allocation procedures and policies typically allocate such assets to multiple accounts in proportion to their needs and available capital. As part of these policies, accounts that are in a "start-up" or "ramp-up" phase may get allocations above their proportion of available capital, which could work to our disadvantage, particularly because there are no limitations surrounding Ellington's ability to create new accounts. In addition, the policies permit departure from proportional allocations under certain circumstances, including, for example when such allocation would result in an inefficiently small amount of the security or assets being purchased for an account, which may also result in our not participating in certain allocations. In addition, as part of these policies, we may be excluded from specified allocations of assets for tax, regulatory, risk management, or similar reasons.

***There are conflicts of interest in our relationships with our Manager and Ellington, which could result in decisions that are not in the best interests of our shareholders.***

We are subject to conflicts of interest arising out of our relationship with Ellington and our Manager. Currently, all of our executive officers, and two of our trustees, are employees of Ellington or one or more of its affiliates. As a result, our Manager and our officers may have conflicts between their duties to us and their duties to, and interests in, Ellington or our Manager. For example, Mr. Penn, our President and Chief Executive Officer and one of our trustees, also serves as the President and Chief Executive Officer of, and as a member of the Board of Directors of, Ellington Financial Inc., and Vice Chairman and Chief Operating Officer of Ellington. Mr. Vranos, our Co-Chief Investment Officer and one of our trustees, also serves as the Co-Chief Investment Officer of Ellington Financial Inc., and Chairman of Ellington. Mr. Tecotzky, our Co-Chief Investment Officer, also serves as the Co-Chief Investment Officer of Ellington Financial Inc., and as Vice Chairman - Co-Head of Credit Strategies of Ellington. Mr. Smernoff, our Chief Financial Officer, also serves as the Chief Accounting Officer of Ellington Financial Inc. Mr. Herlihy, our Chief Operating Officer, also serves as the Chief Financial Officer of Ellington Financial Inc., and as a Managing Director of Ellington.

We may acquire or sell assets in which Ellington or its affiliates have or may have an interest. Similarly, Ellington or its affiliates may acquire or sell assets in which we have or may have an interest. Although such acquisitions or dispositions may present conflicts of interest, we nonetheless may pursue and consummate such transactions. Additionally, we may engage in transactions directly with Ellington or its affiliates, including the purchase and sale of all or a portion of a portfolio asset.

Acquisitions made for entities with similar objectives may be different from those made on our behalf. Ellington may have economic interests in, or other relationships with, others in whose obligations or securities we may acquire. In particular, such persons may make and/or hold an investment in securities that we acquire that may be *pari passu*, senior, or junior in ranking to our interest in the securities or in which partners, security holders, officers, directors, agents, or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities and otherwise create conflicts of interest. In such instances, Ellington may, in its sole discretion, make recommendations and decisions regarding such securities for other entities that may be the same as or different from those made with respect to such securities and may take actions (or omit to take actions) in the context of these other economic interests or relationships the consequences of which may be adverse to our interests.

In deciding whether to issue additional debt or equity securities, we will rely in part on recommendations made by our Manager. While such decisions are subject to the approval of our Board of Trustees, two of our trustees are also Ellington employees. Because our Manager earns management fees that are based in part on the total amount of our equity capital, our

Manager may have an incentive to recommend that we issue additional equity securities. See below for further discussion of the adverse impact future debt or equity offerings could have on our common shares. Future offerings of debt securities, which would rank senior to our common shares upon liquidation, and future offerings of equity securities which would dilute the common share holdings of our existing shareholders and may be senior to our common shares for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common shares.

The officers of our Manager and its affiliates devote as much time to us as our Manager deems appropriate; however, these officers may have conflicts in allocating their time and services among us and Ellington and its affiliates' accounts. During turbulent conditions in the mortgage industry, distress in the credit markets or other times when we will need focused support and assistance from our Manager and Ellington employees, other entities that Ellington advises or manages will likewise require greater focus and attention, placing our Manager and Ellington's resources in high demand. In such situations, we may not receive the necessary support and assistance we require or would otherwise receive if we were internally managed or if Ellington or its affiliates did not act as a manager for other entities.

We, directly or through Ellington, may obtain confidential information about the companies or securities in which we have invested or may invest. If we do possess confidential information about such companies or securities, there may be restrictions on our ability to dispose of, increase the amount of, or otherwise take action with respect to the securities of such companies. Our Manager's and Ellington's management of other accounts could create a conflict of interest to the extent our Manager or Ellington is aware of material non-public information concerning potential investment decisions. For example, an affiliate of Ellington could participate in a loan syndicate or on a loan borrower's creditors' committee, thereby becoming privy to material non-public information, and potentially precluding our Manager from entering into a transaction involving a CLO that holds the related loan. We have implemented compliance procedures and practices designed to ensure that investment decisions are not made while in possession of material non-public information. However, there can be no assurance that these procedures and practices will be effective. In addition, this conflict and these procedures and practices may limit the freedom of our Manager to make potentially profitable investments, which could have an adverse effect on our operations. These limitations imposed by access to confidential information could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***The management agreement with our Manager was not negotiated on an arm's-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate.***

Our management agreement with our Manager was negotiated between related parties, and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. Various potential and actual conflicts of interest may arise from the activities of Ellington and its affiliates by virtue of the fact that our Manager is controlled by Ellington.

Termination of our management agreement without cause, including termination for poor performance or non-renewal, is subject to several conditions which may make such a termination difficult and costly. The management agreement has a current term that expires on June 25, 2025, and will be automatically renewed for successive one-year terms thereafter unless notice of non-renewal is delivered by either party to the other party at least 180 days prior to the expiration of the then current term. The management agreement provides that it may be terminated by us based on performance upon the affirmative vote of at least two-thirds of our Board of Trustees, or by a vote of the holders of at least a majority of our outstanding common shares, based either upon unsatisfactory performance by our Manager that is materially detrimental to us or upon a determination by our independent trustees that the management fees payable to our Manager are not fair, subject to our Manager's right to prevent such a fee-based termination by accepting a mutually acceptable reduction of management fees. In the event we terminate the management agreement as discussed above or elect not to renew the management agreement, we will be required to pay our Manager a termination fee equal to 5% of our net asset value as of the month-end preceding the date of the notice of termination or non-renewal. These provisions will increase the effective cost to us of terminating the management agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our Board of Trustees in following or declining to follow our Manager's advice or recommendations. Under the terms of the management agreement, our Manager, Ellington, and their affiliates and each of their officers, directors, trustees, members, shareholders, partners, managers, investment and risk management committee members, employees, agents, successors and assigns, will not be liable to us for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence, fraud or reckless disregard of their duties under the management agreement. In addition, we will indemnify our Manager, Ellington, and their affiliates and each of their officers, directors, trustees, members, shareholders, partners, managers, investment and risk management committee members, employees, agents, successors and assigns, with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not

constituting bad faith, willful misconduct, gross negligence, fraud or material breach or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement.

***Our Manager's failure to identify and acquire assets that meet our asset criteria or perform its responsibilities under the management agreement could materially adversely affect our business, financial condition and results of operations, our ability to pay dividends to our shareholders, and our ability to maintain our exclusion from the 1940 Act.***

Our ability to achieve our objectives depends on our Manager's ability to identify and acquire assets that meet our asset criteria. Accomplishing our objectives is largely a function of our Manager's structuring of our investment process, our access to financing on acceptable terms, and general market conditions. Our shareholders do not have input into our investment decisions. All of these factors increase the uncertainty, and thus the risk, of investing in our common shares. The senior management team of our Manager has substantial responsibilities under the management agreement. In order to implement certain strategies, our Manager may need to hire, train, supervise, and manage new employees successfully. Any failure to manage our future growth effectively could materially adversely affect our business, financial condition and results of operations, our ability to pay dividends to our shareholders, and our ability to maintain our exclusion from the 1940 Act.

***If our Manager ceases to be our Manager or one or more of our Manager's key personnel ceases to provide services to us, our lenders and our derivative counterparties may cease doing business with us.***

If our Manager ceases to be our Manager, including upon the non-renewal of our management agreement, or if one or more of our Manager's key personnel cease to provide services for us, it could constitute an event of default or early termination event under many of our repo financing and derivative hedging agreements, upon which the relevant counterparties would have the right to terminate their agreements with us. If our Manager ceases to be our Manager for any reason, including upon the non-renewal of our management agreement and we are unable to obtain or renew financing or enter into or maintain derivative transactions, it could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***We do not own the Ellington brand or trademark, but may use the brand and trademark as well as our logo pursuant to the terms of a license granted by Ellington.***

Ellington has licensed the "Ellington" brand, trademark, and logo to us for so long as our Manager or another affiliate of Ellington continues to act as our manager. We do not own the brand, trademark, or logo that we will use in our business and may be unable to protect this intellectual property against infringement from third parties. Ellington retains the right to continue using the "Ellington" brand and trademark. We will further be unable to preclude Ellington from licensing or transferring the ownership of the "Ellington" brand and trademark to third parties, some of whom may compete against us. Consequently, we will be unable to prevent any damage to goodwill that may occur as a result of the activities of Ellington or others. Furthermore, in the event our Manager or another affiliate of Ellington ceases to act as our manager, or in the event Ellington terminates the license, we will be required to change our name and trademark. Any of these events could disrupt our recognition in the marketplace, damage any goodwill we may have generated, and otherwise harm our business. Finally, the license is a domestic license in the United States only and does not give us any right to use the "Ellington" brand, trademark, and logo overseas even though we expect to use the brand, trademark, and logo overseas. Our use of the "Ellington" brand, trademark and logo overseas is therefore unlicensed and could expose us to a claim of infringement.

## **Risks Related to our Common Shares**

***Our shareholders may not receive dividends or dividends may not grow over time.***

The declaration, amount, nature, and payment of any future dividends on our common shares are at the sole discretion of our Board of Trustees. Under Maryland law, cash dividends on capital stock may only be paid if, after payment, the corporation will be able to pay its debts as they become due in the ordinary course of business; and the corporation's assets will be greater than its liabilities, plus, unless the charter permits otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights on dissolution are superior to those receiving the distribution. Further, even if we are permitted to pay a dividend under Maryland law, we may not have sufficient cash to pay dividends on our common shares. In addition, in order to preserve our liquidity, our Board of Trustees may not declare a dividend at all or declare all or any portion of a dividend to be payable in stock, may delay the record date or payment date for any previously declared, but unpaid, dividend, convert a previously declared, but unpaid, cash dividend on our common shares to a dividend paid partially or completely in common shares, or even revoke a declared, but unpaid, dividend.

Our ability to pay dividends may be impaired if any of the risks described in this Annual Report on Form 10-K, or any of our other periodic or current reports filed with the SEC, were to occur. In addition, payment of dividends depends upon our earnings, liquidity, financial condition, our financial covenants, and other factors that our Board of Trustees may deem relevant from time to time. There can be no assurance that our business will generate sufficient cash flow from operations or that future

borrowings or other capital will be available to us in an amount sufficient to enable us to make distributions on our common shares, to pay our indebtedness, or to fund other liquidity needs.

Our Board of Trustees will continue to assess the dividend rate on our common shares on an ongoing basis, as market conditions and our financial position continue to evolve. Our Board of Trustees is under no obligation to declare any dividend distribution. There can be no assurance that we will achieve results that will allow us to pay a specified level of dividends or to increase dividends from one period to the next.

***An increase in interest rates may have an adverse effect on the market price of our common shares and our ability to pay dividends to our shareholders.***

One of the factors that investors may consider in deciding whether to buy or sell our common shares is our dividend rate (or expected future dividend rate) as a percentage of our common share price, relative to market interest rates. If market interest rates continue to increase or do not decline from their current levels, prospective investors may demand a higher dividend rate on our common shares or seek alternative investments paying higher dividends or interest. There can be no assurance that we will achieve results that will allow us to increase our dividend rate in response to market interest rate increases. As a result, interest rate fluctuations and capital market conditions can affect the market price of our common shares independent of the effects such conditions may have on our portfolio. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common shares could decrease because potential investors may require a higher dividend yield on our common shares as market rates on interest-bearing instruments such as bonds rise. See also "—Risks Related to our Investments and Investment Activities—Interest rate mismatches between our assets and our borrowings may reduce our income during periods of changing interest rates, and increases in interest rates could adversely affect the value of our assets."

***Investing in our common shares involves a high degree of risk.***

The assets we purchase in accordance with our objectives may result in a higher amount of risk than other alternative asset acquisition options. The assets we acquire may be highly speculative and aggressive and may be subject to a variety of risks, including credit risk, prepayment risk, interest rate risk, and market risk. As a result, an investment in our common shares may not be suitable for investors with lower risk tolerance.

#### **Risks Related to our Organization and Structure**

***Maintenance of our exclusion from registration as an investment company under the 1940 Act imposes significant limitations on our operations. If we were required to register as an investment company under the 1940 Act, we would be subject to the restrictions imposed by the 1940 Act, which would require us to make material changes to our strategy.***

We have conducted and intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. Both we and our Operating Partnership are organized as holding companies and conduct our business primarily through wholly-owned subsidiaries of our Operating Partnership. Investments in subsidiaries that rely on the exclusions from the definition of investment company under 3(c)(1) or 3(c)(7) of the 1940 Act are considered investment securities for the purposes of the 40% Test. Therefore, our Operating Partnership's investments in its 3(c)(7) subsidiaries and its other investment securities cannot exceed 40% of the value of our Operating Partnership's total assets (excluding U.S. government securities and cash) on an unconsolidated basis. This requirement limits the types of businesses in which we may engage and the assets we may hold. Certain of our Operating Partnership's subsidiaries rely on the exclusion provided by Section 3(c)(5)(C) of the 1940 Act. Section 3(c)(5)(C) of the 1940 Act is designed for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55% of the entity's assets on an unconsolidated basis consist of qualifying real estate assets and at least 80% of the entity's assets on an unconsolidated basis consist of qualifying real estate assets or real estate-related assets. These requirements limit the assets those subsidiaries can own and the timing of sales and purchases of those assets.

To classify the assets held by our subsidiaries as qualifying real estate assets or real estate-related assets, we rely on no-action letters and other guidance published by the SEC staff regarding those kinds of assets, as well as upon our analyses (in consultation with outside counsel) of guidance published with respect to other types of assets. There can be no assurance that the laws and regulations governing the 1940 Act status of companies similar to ours, or the guidance from the SEC staff regarding the treatment of assets as qualifying real estate assets or real estate-related assets, will not change in a manner that adversely affects our operations. In fact, in August 2011, the SEC published a concept release in which it asked for comments on this exclusion from registration. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our exclusion from the definition of an investment company under the 1940 Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we monitor the assets of our subsidiaries regularly, there can be no assurance that our subsidiaries will be able to maintain their exclusion from registration. Any of the foregoing could require us

to adjust our strategy, which could limit our ability to make certain investments or require us to sell assets in a manner, at a price or at a time that we otherwise would not have chosen. This could negatively affect the value of our common shares, the sustainability of our business model, and our ability to pay dividends to our shareholders. If we were required to register as an investment company under the 1940 Act, we would be subject to the restrictions imposed by the 1940 Act, which would require us to make material changes to our strategy that could have a materially adverse effect on our business, financial condition, and results of operations.

***Our shareholders' ability to control our operations is severely limited.***

Our Board of Trustees has approval rights with respect to our major strategies, including our strategies regarding investments, financing, growth, debt capitalization, and distributions. Our Board of Trustees may amend or revise these and other strategies without a vote of our shareholders.

***Certain provisions of Maryland law could inhibit a change in our control.***

Certain provisions of the Maryland General Corporation Law, or the "MGCL," applicable to a Maryland real estate investment trust may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then prevailing market price of such shares. We are subject to the "business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns 10% or more of our then outstanding voting shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the shareholder becomes an interested shareholder and, thereafter, imposes minimum price or supermajority shareholder voting requirements on these combinations. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of a real estate investment trust prior to the time that the interested shareholder becomes an interested shareholder. Pursuant to the statute, our Board of Trustees has by resolution exempted business combinations between us and any other person, provided that the business combination is first approved by our Board of Trustees, including a majority of our trustees who are not affiliates or associates of such person. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our Board of Trustees does not otherwise approve a business combination, this statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

The "control share" provisions of the MGCL provide that holders of "control shares" of a Maryland real estate investment trust (defined as shares which, when aggregated with all other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in the election of trustees) acquired in a "control share acquisition" (defined as the acquisition of "control shares," subject to certain exceptions) have no voting rights with respect to the control shares except to the extent approved by the Maryland real estate investment trust's shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, its officers and its trustees who are also employees of the Maryland real estate investment trust. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

The "unsolicited takeover" provisions of the MGCL permit our Board of Trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement certain provisions. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then current market price.

***Our authorized but unissued common and preferred shares may prevent a change in our control.***

Our declaration of trust authorizes us to issue additional authorized but unissued common shares and preferred shares. In addition, our Board of Trustees may, without shareholder approval, approve amendments to our declaration of trust to increase the aggregate number of our authorized shares or the number of shares of any class or series that we have authority to issue and may classify or reclassify any unissued common shares or preferred shares and may set the preferences, rights and other terms of the classified or reclassified shares. As a result, among other things, our Board of Trustees may establish a class or series of common shares or preferred shares that could delay or prevent a transaction or a change in our control that might involve a premium price for our common shares or otherwise be in the best interests of our shareholders.

***Our rights and the rights of our shareholders to take action against our trustees and officers or against our Manager or Ellington are limited, which could limit shareholders' recourse in the event actions are taken that are not in their best interests.***

Our declaration of trust limits the liability of our present and former trustees and officers to us and our shareholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former trustees and officers will not have any liability to us or our shareholders for money damages other than liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the trustee or officer that was established by a final judgment and is material to the cause of action.

Our declaration of trust authorizes us to indemnify our present and former trustees and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each present and former trustee or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us as a trustee or officer or in certain other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former trustees and officers without requiring a preliminary determination of their ultimate entitlement to indemnification.

As a result, we and our shareholders may have more limited rights against our present and former trustees and officers than might otherwise exist absent the current provisions in our declaration of trust and bylaws or that might exist with other companies, which could limit shareholders' recourse in the event of actions not in their best interests.

***Our declaration of trust contains provisions that make removal of our trustees difficult, which could make it difficult for our shareholders to effect changes to our management.***

Our declaration of trust provides that, subject to the rights of holders of any series of preferred shares, a trustee may be removed only for "cause" (as defined in our declaration of trust), and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of trustees. Vacancies generally may be filled only by a majority of the remaining trustees in office, even if less than a quorum, for the full term of the class of trustees in which the vacancy occurred. These requirements make it more difficult to change our management by removing and replacing trustees and may prevent a change in our control that is in the best interests of our shareholders.

#### **Risks Related to our Intention To Convert to a Registered Closed-End Fund / RIC**

***We may not be able to obtain the necessary approvals to convert to a registered closed-end fund to be treated as a RIC.***

On April 1, 2024, we announced our intention to focus our investment strategy on CLOs. In connection with this strategic transition, we have revoked our REIT election effective as of January 1, 2024 and intend to complete the Conversion on April 1, 2025 (the "RIC Conversion"). Our ability to complete the RIC Conversion will be subject to certain conditions and there can be no assurance that the conditions to the RIC Conversion will be satisfied in a timely manner or at all, or that an effect, event, circumstance, occurrence, development or change will not transpire that could delay or prevent these conditions from being satisfied. Accordingly, we cannot provide any assurances with respect to the timing of the RIC Conversion or whether the RIC Conversion will be completed at all.

#### **U.S. Federal Income Tax Risks**

***An investment in our common shares has various U.S. federal, state, and local income tax risks.***

We strongly urge shareholders to consult their tax advisors concerning the effects of U.S. federal, state, and local income tax law on an investment in our common shares and on their individual tax situation.

***We are no longer taxed as a REIT.***

We have revoked our election to be taxed as a REIT effective as of January 1, 2024. Since January 1, 2024, we have been subject to tax as a C-corporation at regular corporate rates.

***Failure to qualify as a REIT in prior years would subject us to federal income tax.***

Prior to our 2024 tax year, we operated in a manner that was intended to cause us to qualify as a REIT for federal income tax purposes. However, the tax laws governing REITs are extremely complex, and interpretations of the tax laws governing qualification as a REIT are limited. Qualifying as a REIT required us to meet numerous income and other tests. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of changes in our circumstances, no assurance can be given that we qualified for any particular year.

If we failed to qualify as a REIT prior to our 2024 tax year and we do not qualify for certain statutory relief provisions, we would have to pay federal income tax on our taxable income for the year of the failure and for the following four years. Our payment of income tax attributable to our failure to qualify as a REIT prior to our 2024 taxable year would decrease the amount of our income available for distribution to our shareholders.

***Our ability to utilize our net operating losses ("NOLs") and other carryforwards may be limited.***

Under the Code, a corporation is generally allowed a deduction for NOLs carried over from prior taxable years, subject to certain limitations. As of December 31, 2024, we had approximately \$39.8 million of gross federal NOL carryforwards available to reduce future federal tax liabilities. We also had NOL carryforwards in certain states available to reduce future state tax liabilities. Our NOL carryforwards are subject to adjustment on audit by the Internal Revenue Service and applicable state taxing authorities.

Our ability to use our NOLs and other carryforwards depends on the amount of taxable income generated in future periods. Should we recognize a deferred tax asset with respect to such NOLs, there can be no assurance that a valuation allowance will not be required with respect to our NOLs should our financial performance be negatively impacted in the future. In addition, the use of NOLs and other carryforwards to offset taxable income is subject to various limitations, which could limit our ability to utilize these tax attributes to reduce our taxes even if we generate sufficient taxable income. For example, federal NOLs can be used to offset only 80% of our federal taxable income for any taxable year, and Connecticut NOLs can be used to offset only 50% of our Connecticut taxable income for any taxable year.

A corporation's ability to deduct its federal NOL carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code ("Section 382") if it undergoes an "ownership change" as defined in Section 382. In general, an "ownership change" occurs if 5% shareholders increase their collective ownership of the aggregate amount of the outstanding shares of our company by more than 50 percentage points looking back over the relevant testing period. If an ownership change occurs, our ability to use our NOL carryforwards and other tax attributes to reduce our taxable income in a future year would be limited to a Section 382 limitation equal to the fair market value of our common shares immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate in effect for the month of the ownership change. An ownership change may severely limit or effectively eliminate our ability to utilize our NOL carryforwards and other tax attributes. Although we do not believe that an ownership change has occurred, no assurance can be provided as to whether an ownership change has occurred or will occur in the future. Limitations imposed by Sections 382 may discourage us from, among other things, repurchasing our common shares or issuing additional common shares to acquire businesses or assets. We have entered into a Rights Agreement with Equiniti Trust Company, LLC, dated as of April 23, 2024 (the "Rights Agreement") designed to preserve shareholder value and the value of certain tax assets primarily associated with NOL carryforwards under Section 382 of the Code. See "Risks Related to our Organization and Structure—The Rights Agreement that we entered into to protect our tax attributes could hinder the market for our Common Shares."

***We have made a mark-to-market election under Section 475(f) of the Code.***

We have made an election under Section 475(f) of the Code to mark our securities to market, on a go-forward basis, effective as of January 1, 2021. There are limited authorities under Section 475(f) of the Code as to what constitutes a trader for U.S. federal income tax purposes. Under other sections of the Code, the status of a trader in securities depends on all of the facts and circumstances, including the nature of the income derived from the taxpayer's activities, the frequency, extent and regularity of the taxpayer's securities transactions, and the taxpayer's investment intent. There can be no assurance that we will continue to qualify as a trader in securities eligible to make a mark-to-market election. We have not received, nor are we seeking, an opinion from counsel or a ruling from the IRS regarding its qualification as a trader. If the qualification for, or our application of, such election were successfully challenged by the IRS, in whole or in part, it could, depending on the circumstances, result in retroactive (or prospective) changes in the amount or timing of recognized gross income, and potentially jeopardize our intention to qualify as a RIC. Finally, mark-to-market gains and losses could cause volatility in the amount of its taxable income. For instance, the mark-to-market election could generate losses in one taxable year that we are unable to use to offset taxable income, followed by mark-to-market gains in a subsequent taxable year that force us to make additional distributions to our shareholders. Hence, the mark-to-market gains and losses could cause us to distribute more dividends to our shareholders in a particular period than would otherwise be desirable from a business perspective.

***Our recognition of "phantom" income may reduce a shareholder's after-tax return on an investment in our common shares.***

We may recognize taxable income in excess of our economic income, known as phantom income, in the first years that we hold certain investments, and experience an offsetting excess of economic income over our taxable income in later years. In addition, in years when we have a capital loss carryforward that offsets current year capital gains, our earnings and profits may

be higher than our taxable income. As a result, shareholders at times may be required to pay U.S. federal income tax on distributions taxable as dividends that economically represent a return of capital rather than a dividend. These distributions could be offset in later years by distributions that would be treated as returns of capital for U.S. federal income tax purposes. Taking into account the time value of money, this acceleration or increase of U.S. federal income tax liabilities may reduce a shareholder's after-tax return on his or her investment to an amount less than the after-tax return on an investment with an identical before-tax rate of return that did not generate phantom income.

***Our investments in corporate CLOs may result in our recognizing taxable income prior to receiving cash distributions related to such income.***

The tax implications of the corporate CLOs in which we invest are complex and, in some circumstances, unclear. In particular, we may recognize taxable income on certain of our CLO investments without the concurrent receipt of cash, or in excess of the actual or anticipated yield generated by such investments.

## **General Risk Factors**

***We, Ellington, or its affiliates may be subject to adverse legislative, regulatory or public policy changes.***

At any time, U.S. federal, state, local, or foreign laws or regulations that impact our business, or the administrative interpretations of those laws or regulations, may be enacted or amended.

We cannot predict when or if any new law, regulation, or administrative interpretation, or any amendment to or repeal of any existing law, regulation, or administrative interpretation, will be adopted or promulgated or will become effective. Additionally, the adoption or implementation of any new law, regulation, or administrative interpretation, or any revisions in or repeals of these laws, regulations, or administrative interpretations, could cause us to change our portfolio, could constrain our strategy, or increase our costs. We could be adversely affected by any change in or any promulgation of new law, regulation, or administrative interpretation.

In addition, political leaders in the U.S. and certain foreign countries have recently been elected on protectionist platforms, fueling doubts about the future of global free trade. The U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate certain existing trade agreements with foreign countries. In addition, the U.S. government has recently imposed tariffs on certain foreign goods and has indicated a willingness to impose tariffs on imports of other products. Some foreign governments have instituted retaliatory tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions, together with any future downturns in the global economy resulting therefrom, could adversely affect our performance.

Changes in U.S. federal policy, including tax policies, and at regulatory agencies occur over time through policy and personnel changes following elections, which lead to changes involving the level of oversight and focus on the financial services industry or the tax rates paid by corporate entities. We cannot predict the ultimate impact of the foregoing on us, our business and investments, or the industries in which we invest generally, and any prolonged uncertainty could also have an adverse impact on us and our investment objectives. Future changes may adversely affect our operating environment, including through increasing competition, and therefore our business, operating costs, financial condition and results of operations. Further, an extended federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, or raise the debt ceiling, and other budgetary decisions limiting or delaying government spending, may negatively impact U.S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets.

***Failure to procure adequate funding and capital would adversely affect our results and may, in turn, negatively affect the value of our common shares and our ability to pay dividends to our shareholders.***

We depend upon the availability of adequate funding and capital for our operations. There can be no assurance that any, or sufficient, funding or capital will be available to us in the future on terms that are acceptable to us. In the event that we cannot obtain sufficient funding and capital on acceptable terms, there may be a negative impact on the value of our common shares and our ability to pay dividends to our shareholders, and shareholders may lose part or all of their investment.

***We, Ellington, or its affiliates may be subject to regulatory inquiries and proceedings, or other legal proceedings.***

At any time, industry-wide or company-specific regulatory inquiries or proceedings can be initiated and we cannot predict when or if any such regulatory inquiries or proceedings will be initiated that involve us or Ellington or its affiliates, including our Manager. We believe that the heightened scrutiny of the financial services industry increases the risk of inquiries and requests from regulatory or enforcement agencies. For example, as discussed under the caption Item 3. Legal Proceedings, over

the years, Ellington and its affiliates have received, and we expect in the future that we and they may receive, inquiries and requests for documents and information from various federal, state, and foreign regulators.

We can give no assurances that, whether the result of regulatory inquiries or otherwise, neither we nor Ellington nor its affiliates will become subject to investigations, enforcement actions, fines, penalties or the assertion of private litigation claims. If any such events were to occur, we, or our Manager's ability to perform its obligations to us under the management agreement between us and our Manager, or Ellington's ability to perform its obligations to our Manager under the services agreement between Ellington and our Manager, could be materially adversely impacted, which could materially adversely effect on our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.

***The Rights Agreement that we entered into to protect our tax attributes could hinder the market for our Common Shares.***

We have entered into the Rights Agreement, which is designed to preserve shareholder value and the value of certain tax assets primarily associated with NOL carryforwards and built-in losses under Section 382 of the Code. The Rights Agreement is intended to act as a deterrent to any person or group acquiring 4.9% or more of our outstanding Common Shares (any such person an "Acquiring Person"), without the approval of our Board of Trustees, until the expiration of the Rights Agreement.

In connection therewith, the Board of Trustees declared a dividend of one preferred share purchase right (a "Right") for each of our outstanding common shares. The dividend was payable to shareholders of record as of the close of business on April 23, 2024. Subject to the terms, provisions and conditions of the Rights Agreement, if the Rights become exercisable, each Right would initially represent the right to purchase from us one ten-thousandth of a Series A Junior Preferred Share for a purchase price of \$40.00, subject to adjustment in accordance with the terms of the Rights Agreement (the "Purchase Price"). If issued, each fractional preferred share would give the shareholder approximately the same dividend, voting and liquidation rights as does one Common Share. However, prior to exercise, a Right does not give its holder any rights as a shareholder, including without limitation any dividend, voting or liquidation rights.

In the event that any person becomes an Acquiring Person, each holder of a Right shall thereafter have the right to receive, upon exercise thereof at a price equal to the then-current Purchase Price, in accordance with the terms of the Rights Agreement and in lieu of Preferred Shares, such number of Common Shares (or at our option, such number of one ten-thousandths of a Preferred Share) as shall equal the result obtained by (x) multiplying the then-current Purchase Price by the number of one ten-thousandths of a Preferred Share for which a Right is then exercisable and dividing that product by (y) 50% of the current per share market price of the Common Shares (determined pursuant to the Rights Agreement) on the date of the occurrence of such event; provided, however, that the Purchase Price (as so adjusted) and the number of Common Shares so receivable upon exercise of a Right shall thereafter be subject to further adjustment as appropriate in accordance with the Rights Agreement. The Rights will generally not be exercisable until the earlier of (i) 10 business days after a public announcement by us that a person or group has become an Acquiring Person and (ii) 10 business days after the commencement of a tender or exchange offer by a person or group for 4.9% or more of the outstanding Common Shares. However, prior to exercise, a Right does not give its holder any rights as a shareholder, including without limitation, any dividend, voting or liquidation rights.

Although the Rights Agreement is intended to prevent an "ownership change" as defined by Section 382 of the Code, we cannot provide any assurance that we will not experience such an ownership change or that we will otherwise be able to use, in full or in part, our NOLs. Additionally, the Rights Agreement may make our Common Shares less attractive to large institutional holders, discourage potential acquirers from attempting to take over our company, limit the price that investors might be willing to pay for our Common Shares and otherwise hinder the market for our Common Shares.

***Future offerings of debt securities, which would rank senior to our common shares upon our bankruptcy liquidation, and future offerings of equity securities which could dilute the common share holdings of our existing shareholders and may be senior to our common shares for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common shares.***

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities, including through the Rights Agreement. Upon bankruptcy or liquidation, holders of our debt securities and preferred shares, if any, and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common shares. Our preferred shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to pay a dividend or other distribution to the holders of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common shares bear the risk of our future offerings, including through the Rights Agreement, reducing the market price of our common shares and diluting their share holdings in us.

***Future sales of our common shares or other securities convertible into our common shares could cause the market value of our common shares to decline and could result in dilution of shares held by shareholders.***

Sales of substantial amounts of our common shares or other securities convertible into our common shares could cause the market price of our common shares to decrease significantly. We cannot predict the effect, if any, of future sales of our common shares or other securities convertible into our common shares, or the availability of such securities for future sales, on the market price of our common shares. Sales of substantial amounts of our common shares or other securities convertible into our common shares, or the perception that such sales could occur, may adversely affect prevailing market values for our common shares.

Further, as discussed elsewhere herein, we adopted the Rights Agreement in order to preserve our NOL carryforwards. If the Rights under the Rights Agreement become exercisable, investor's interests in our common shares may be diluted, though the intent of the Rights Agreement is to only dilute the interests of the Acquiring Person (as defined herein).

***The market for our common shares may be limited, and the price and trading volume of our common shares may be volatile.***

While our common shares are listed on the NYSE, such listing does not provide any assurance as to whether or not the market price reflects our actual financial performance, the liquidity of our stock, a holder's ability to sell our stock and/or at what price such holder could sell our stock. Market prices for our common shares may be volatile and subject to wide fluctuations, including as a result of the trading volume. There can be no assurance that the market price of our common shares will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our common shares, or result in fluctuations in the price or trading volume of our common shares include:

- actual or anticipated variations in our dividends or quarterly operating results;
- changes in our earnings estimates, failure to meet earnings or operating results expectations of public market analysts and investors, or publication of research reports about us or the real estate specialty finance industry;
- increases in market interest rates that lead purchasers of our common shares to demand a higher yield;
- repurchases and issuances by us of our common shares;
- passage of legislation, changes in applicable law, court rulings, enforcement actions or other regulatory developments that adversely affect us or our industry;
- changes in government policies or changes in timing of implementation of government policies, including with respect to Fannie Mae, Freddie Mac, and Ginnie Mae;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by shareholders;
- speculation in the press or investment community;
- adverse changes in global, national, regional and local economic and market conditions, including those relating to pandemics, such as the COVID-19 pandemic, high unemployment, elevated inflation, tariffs, volatile interest rates, concerns regarding a recession, geopolitical conflicts, social unrest, or civil disturbances;
- our inclusion in, or exclusion from, various stock indices;
- our operating performance and the performance of other similar companies; and
- changes in accounting principles.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common shares.

***Climate change has the potential to impact our investments.***

Currently, it is not possible to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions will impact the assets underlying our investments. However, any such future laws and regulations imposing reporting obligations, limitations on greenhouse gas emissions, or additional taxation of energy use could require the owners of assets to make significant expenditures to attain and maintain compliance. Any new legislative or regulatory initiatives related to climate change could adversely affect our business.

The physical impact of climate change could also have a material adverse effect on our investments. Physical effects of climate change such as increases in temperature, sea levels, the severity of weather events and the frequency of natural

disasters, such as hurricanes, tropical storms, tornadoes, wildfires, droughts, floods and earthquakes, among other effects, could reduce the value of our investments.

***We may experience significant fluctuations in our book value per share and quarterly operating results.***

We may experience significant fluctuations in our book value per share from month to month and in our quarterly operating results due to a number of factors, including the timing of distributions to shareholders, fluctuations in the value of our investments, our ability or inability to make investments that meet our investment criteria, the interest and other income earned on our investments, the level of our expenses (including the interest or dividend rate payable on any debt securities or preferred stock that we issue), variations in and the timing of realized and unrealized gains or losses in our portfolio, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, our book value per share and results for any period should not be relied upon as being indicative of our book value per share and/or results in future periods.

***We are subject to risks related to corporate social responsibility.***

Our business faces public scrutiny related to environmental, social and governance (“ESG”) activities. We risk damage to our reputation if we or affiliates of our Manager are viewed as failing to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency and considering ESG factors in our investment processes. Some investors have become more focused on ESG factors, including climate risks, in determining whether to invest in companies. However, regional and investor specific sentiment often differ in what constitutes a material positive or negative ESG corporate practice. Our corporate social responsibility practices will not uniformly fit investors’ definitions, particularly across geographies and investor types, of best practices for ESG considerations. Adverse incidents with respect to ESG activities could impact the cost of our operations and relationships with investors, all of which could adversely affect our business and results of operations.

There is growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement, and disclosure of ESG factors to enable investors to validate and better understand sustainability claims, including an increased regulatory focus on the accuracy of those claims. As a result, we are subject to evolving rules and regulations promulgated by various governmental and self-regulatory organizations, including the SEC, the NYSE, and the Financial Accounting Standards Board. These rules continue to expand in scope and complexity, with new requirements potentially increasing compliance challenges and uncertainty. If we are perceived as, or accused of, “greenwashing” or overstating the extent of our sustainability-related practices, such allegations could damage our reputation, result in litigation or regulatory actions, and negatively impact our ability to raise capital.

At the same time, so-called “anti-ESG” sentiment has also gained momentum across the U.S., with several states having enacted or proposed “anti-ESG” policies, legislation, or issued related legal opinions. For example, certain states now require that relevant state entities or managers/administrators of state investments make investments based solely on pecuniary factors without consideration of ESG factors or have enacted “boycott bills.” If investors subject to such legislation viewed us, our policies, or our practices, as being in contradiction of such “anti-ESG” policies, legislation or legal opinions, such investors may not invest in us, which could negatively affect our financial performance.

If we fail or are perceived to fail to comply with or meet applicable rules, regulations and stakeholder expectations, it could negatively impact our reputation and our business results. Further, our business could become subject to additional regulations, penalties and/or risks of regulatory scrutiny and enforcement in the future. Moreover, the requirements of various regulations we may become subject to may not be consistent with each other. There can be no assurance that our current ESG practices will meet future regulatory requirements, reporting frameworks or best practices, increasing the risk of related enforcement. Compliance with new requirements may lead to increased management burdens and costs.

***We are largely dependent on external sources of capital in order to grow.***

Any material growth in our equity capital base is largely funded by external sources of capital. Our access to external capital will depend upon a number of factors, including the market price of our common shares, the market’s perception of our financial condition and potential future earnings, and general market conditions.

***Periods of heightened inflation could adversely impact our financial results.***

High inflation, whether caused by low unemployment, high corporate demand, supply-chain issues, geopolitical conflicts, quantitative easing, imposition of tariffs by the federal government, or a combination of these or other factors, may undermine the performance of our investments by reducing the value of such investments and/or the income received from such investments. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, significant

effects on interest rates and negative effects on economies and financial markets. See also "— Increases in interest rates could negatively affect the value of our assets and increase the risk of default on our assets."

In addition, actions that the Federal Reserve and other central banks have taken, and could continue to take in response to changes in inflation, could have an adverse impact on the economy broadly and/or on our financial results specifically. See "— Risks Related To Our Investments and Investment Activities—Certain actions by the Federal Reserve could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders."

***Artificial intelligence and other machine learning techniques could increase competitive, operational, legal and regulatory risks to our business in ways that we cannot predict.***

The use of AI by us and others, and the overall adoption of AI throughout society, may exacerbate or create new and unpredictable competitive, operational, legal and regulatory risks to our business. There is substantial uncertainty about the extent to which AI will result in dramatic changes throughout the world, and we may not be able to anticipate, prevent, mitigate or remediate all of the potential risks, challenges or impacts of such changes. These changes could potentially disrupt, among other things, our business model, investment strategies and operational processes. Some of our competitors may be more successful than us in the development and implementation of new technologies, including services and platforms based on AI, to improve their operations. If we are unable to adequately advance our capabilities in these areas, or do so at a slower pace than others in our industry, we may be at a competitive disadvantage.

If the data we, or third parties whose services we rely on, use in connection with the possible development or deployment of AI is incomplete, inadequate or biased in some way, the performance of our business could suffer. In addition, recent technological advances in AI both present opportunities and pose risks to us. Data in technology that uses AI may contain a degree of inaccuracy and error, which could result in flawed algorithms in various models used in our business. The volume and reliance on data and algorithms also make AI more susceptible to cybersecurity threats, including data poisoning and the compromise of underlying models, training data or other intellectual property. The personnel provided to us by our Manager, and/or our third-party service providers could, without being known to us, improperly utilize AI and machine learning-technology while carrying out their responsibilities. This could reduce the effectiveness of AI technologies and adversely impact us and our operations to the extent that we rely on the AI's work product.

There is also a risk that AI may be misused or misappropriated by our third party service providers. For example, a user may input confidential information, including material non-public information or personally identifiable information, into AI applications, resulting in the information becoming a part of a dataset that is accessible by third-party technology applications and users, including our competitors. Further, we may not be able to control how third-party AI that we choose to use is developed or maintained, or how data we input is used or disclosed. The misuse or misappropriation of our data could have an adverse impact on our reputation and could subject us to legal and regulatory investigations or actions or create competitive risk.

In addition, the use of AI by us or others may require compliance with legal or regulatory frameworks that are not fully developed or tested, and we may face litigation and regulatory actions related to our use of AI. There has been increased scrutiny, including from global regulators, regarding the use of "big data," diligence of data sets and oversight of data vendors. Our ability to use data to gain insights into and manage our business may be limited in the future by regulatory scrutiny and legal developments.

**Item 1B. Unresolved Staff Comments**

None.

**Item 1C. Cybersecurity**

As discussed further in "Item 1. Business—Our Manager and Ellington," we are externally managed and advised by our Manager, an affiliate of Ellington. Our Manager does not have any employees and instead relies on the employees of Ellington to fulfill its obligations to us pursuant to a services agreement. We rely on Ellington's information systems in conducting our day-to-day operations. As such, we also rely on Ellington's processes for assessing, identifying, and managing material risks from cybersecurity threats.

Ellington's cybersecurity processes and practices are integrated into Ellington's risk management and oversight program. In general, Ellington seeks to address cybersecurity risks through a cross-functional approach that is focused on preserving the confidentiality, security and availability of the information that Ellington collects and stores by identifying, preventing and mitigating cybersecurity threats and responding to cybersecurity incidents when they occur.

## Ellington's Risk Management and Strategy

Ellington's cybersecurity program is focused on the following key areas:

- *Governance*: As discussed in more detail below under "Governance," our Board of Trustees' oversight of cybersecurity risk management is supported by the Audit Committee of our Board of Trustees (the "Audit Committee"), which regularly interacts with our management team and other professionals who are responsible for assessing and managing material risks from cybersecurity threats at Ellington.
- *Collaborative Approach*: Ellington has implemented a cross-functional approach to identifying and evaluating, preventing, mitigating and remediating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the prompt escalation of certain cybersecurity incidents. Such escalation allows Ellington to make timely decisions regarding its response to such incidents and whether disclosure to senior management, our Audit Committee and/or the public is appropriate.
- *Technical Safeguards*: Ellington deploys technical safeguards that are designed to protect information systems from cybersecurity threats. These systems cover many facets of cyber security including identity protection, anti-virus and anti-malware defense, data loss prevention, endpoint protection (including managed detection and response services), patch and vulnerability management and others. Ellington regularly evaluates new technologies as the cyber security landscape evolves.
- *Incident Response and Recovery Planning*: Ellington has established and maintains incident response and recovery plans that we believe properly address the response to a cybersecurity incident or other business disruption. To the extent feasible, such plans are tested and evaluated on a regular basis.
- *Third-Party Risk Management*: Ellington follows a risk-based approach to identifying and overseeing cybersecurity risks presented by third-parties, including vendors, service providers and other external users of Ellington's systems, as well as the systems of third-parties that could adversely impact Ellington's business in the event of a cybersecurity incident affecting their systems. Third-party service providers are regularly evaluated by Ellington to assess their cyber security posture and general information technology practices to determine if they are suitable partners; where applicable, relevant certifications are obtained such as SOC 2 or ISO 27001.
- *Education and Awareness*: Ellington: (i) provides regular, mandatory cyber security training to all personnel to equip them with tools to identify and address cybersecurity threats; (ii) communicates evolving information security policies, standards, processes and practices to employees via email; (iii) delivers additional training to all users who have access to personally identifiable information on Ellington's processes for handling such information; and (iv) conducts regular, monthly phishing tests to assess user alertness, and retains a separate external cybersecurity vendor to conduct similar tests on an annual basis.

Ellington's technology team assesses the firm's cybersecurity and infrastructure postures regularly with two separate working groups—one group, meeting weekly, focused on IT implementation and one group, meeting bi-weekly, focused on engineering integration. Both groups include senior members of the technology team. These meetings cover a broad range of topics including implementation planning for the deployment of new hardware and software, patch and vulnerability management, considerations for disaster recovery and business continuity, user access controls, data security and more. In such continued monitoring of its cybersecurity posture, Ellington conducts continuous deprecation of obsolete or unsuitable technology, including legacy hardware and software, has a robust patch and vulnerability management process, and has personnel dedicated to the continued monitoring of new developments in threat actors' activities in order to take preventative actions.

Ellington also regularly engages third parties to perform assessments of Ellington's cybersecurity posture, including penetration testing, user access control reviews and independent reviews of Ellington's information security control environment, and operating effectiveness. The results of such assessments, tests and reviews are reported to the Audit Committee and our Board of Trustees, and Ellington adjusts its cybersecurity policies, standards, processes and practices as necessary based on the information provided by these assessments, tests and reviews, including the implementation of new software and technologies.

To date, no risks from cybersecurity threats to Ellington have materially affected or are reasonably likely to materially affect the Company. Cyber criminals do, however, target us, Ellington and Ellington's employees and other third parties.

Ongoing or future attacks such as these could have impacts on our or Ellington's operations. For additional information on these ongoing risks, please refer to "Part 1. Item 1A. Risk Factors—We are highly dependent on Ellington's information systems and those of third-party service providers, including mortgage servicers, and system failures could significantly disrupt our business, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders." and "—Because we are highly dependent on information systems when sharing information with third party service providers, systems failures, breaches or cyber-attacks could significantly disrupt our business, which could have a material adverse effect on our results of operations and cash flows."

While Ellington did experience two business email compromise incidents in recent years, neither had a material impact on our business strategy, results of operations or financial condition.

## **Governance**

Our Board of Trustees, through the Audit Committee, oversees our cybersecurity risk management process. Our Audit Committee receives regular presentations and reports on cybersecurity risks at Ellington, each of which addresses a wide range of topics including recent developments, evolving standards, vulnerability assessments, third-party and independent reviews, the threat environment, technological trends and information security considerations arising with respect to our peers and third parties.

Ellington employs internal or external resources whose responsibilities include oversight of their respective firm's cybersecurity posture.

Ellington's cybersecurity team is led by Ellington's Chief Technology Officer (the "CTO"), who is primarily responsible for assessing and managing material risks from cybersecurity threats to Ellington. The CTO has extensive experience in application development, database architecture, systems design, and third-party software integration. During his tenure at Ellington, the CTO has led large technical efforts such as the development of Ellington's proprietary internally hosted rapid application system and the overhaul of Ellington's engineering infrastructure and development services. The CTO works closely with Ellington's head of Data Platform and Infrastructure (the "DPI Head") to manage Ellington's infrastructure and cybersecurity posture. During his tenure at Ellington, the DPI Head has led several critical efforts such as the revitalization of Ellington's hardware, networking and disaster recovery facilities, major improvements to Ellington's cybersecurity infrastructure, and the development and maintenance of Ellington's Data Engineering infrastructure. Ellington's Senior Systems Administrator (the "SSA") works closely with both the CTO and the DPI Head to implement Ellington's cybersecurity program and infrastructure. The SSA is responsible for all systems and telecommunication design and implementation, with a focus on cybersecurity. The SSA ensures that Ellington's systems are secure and resilient against cyber threats. Prior to joining Ellington in 1997, the SSA was a Senior PC Technical Support at Bear Stearns for seven years. The CTO, after consultation with others, including the DPI Head and the SSA, regularly provides an assessment of Ellington's cybersecurity posture and reviews Ellington's information technology roadmap with the Audit Committee. The CTO's reports cover a range of topics including, at various times, a discussion of the primary cybersecurity risks facing Ellington, an overview of Ellington's cybersecurity program, common attack vectors and types, the primary functions of Ellington's cybersecurity program, how Ellington's cybersecurity programs are applied to critical cybersecurity areas, any recent cybersecurity incidents, Ellington's ongoing focus areas in its cybersecurity program, Ellington's employee education program, management of patches and system vulnerabilities, various threat detection methods, malicious activity monitoring, any new cybersecurity focus areas for Ellington, a review of Ellington's key technologies, Ellington's incident response procedures and Ellington's backup systems and redundancy and disaster recovery processes.

## **Item 2. Properties**

We do not own any properties. Our principal offices are located in leased space at 53 Forest Avenue, Old Greenwich, CT 06870. The offices of our Manager and Ellington are at the same location. As part of our management agreement, our Manager is responsible for providing offices necessary for all operations, and accordingly, all lease responsibilities belong to our Manager.

## **Item 3. Legal Proceedings**

Neither we nor Ellington nor its affiliates (including our Manager) are currently subject to any legal proceedings that we or our Manager consider material. Nevertheless, we and Ellington and its affiliates operate in highly regulated markets that currently are under regulatory scrutiny, and over the years, Ellington and its affiliates have received, and we expect in the future that we and they may receive, inquiries and requests for documents and information from various federal, state and foreign regulators.

We and Ellington cannot provide any assurance that, whether the result of regulatory inquiries or otherwise, neither we nor Ellington nor its affiliates will become subject to investigations, enforcement actions, fines, penalties or the assertion of

private litigation claims or that, if any such events were to occur, they would not materially adversely affect us. For a discussion of these and other related risks, see "Risk Factors—General Risk Factors—We, Ellington, or its affiliates may be subject to regulatory inquiries and proceedings, or other legal proceedings" included in Part I, Item 1A of this Annual Report on Form 10-K.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Shareholders Matters, and Issuer Purchases of Equity Securities

#### Market Information

Our common shares have been listed on the New York Stock Exchange ("NYSE") under the symbol "EARN" since May 1, 2013.

#### Holders of Our Common Shares

Based upon a review of a securities position listing as of the close of business on March 21, 2025, we had an aggregate of 114 holders of record and holders of our common shares who are nominees for an undetermined number of beneficial owners.

#### Unregistered Sales of Equity Securities

Pursuant to our 2023 Equity Incentive Plan, on December 20, 2024, we granted 32,341 restricted common shares to certain of our partially dedicated employees. The restricted common shares are subject to forfeiture restrictions that will lapse with respect to 17,350 of the common shares on December 12, 2025 and 14,991 of the common shares on December 12, 2026. Such grants were exempt from the registration requirements of the Securities Act based on the exemption provided in Section 4(a)(2) of the Securities Act.

#### Issuer Purchases of Equity Securities

On June 13, 2018, our Board of Trustees approved the adoption of a share repurchase program under which we are authorized to repurchase up to 1.2 million common shares. The program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including through Rule 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations. As of December 31, 2024, we had remaining authorization to repurchase up to 725,808 common shares under the share repurchase program.

We did not repurchase any common shares under the share repurchase program during the three month period ended December 31, 2024.

#### Item 6. [Reserved]

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Executive Summary

We were initially formed in August 2012 as a Maryland company and have historically specialized in acquiring, investing in, and managing residential mortgage- and real estate-related assets, while electing to be taxed as a REIT under the Code.

On March 29, 2024, our Board of Trustees approved a strategic transformation, the "CLO Strategic Transformation," of our investment strategy to focus on corporate collateralized loan obligations, or "CLOs." In connection with the CLO Strategic Transformation, we revoked our election to be taxed as a REIT for tax year 2024, rebranded as Ellington Credit Company, and began operating as a taxable C-Corp. As a taxable C-Corp, we conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. This includes holding a core portfolio of liquid Agency MBS pools in order to maintain our exemption from the 1940 Act. During this time, we also plan to take advantage of our significant existing net operating loss carryforwards to offset the majority of our U.S. federal taxable income.

On April 1, 2025, we intend to convert to a Delaware closed-end fund registered under the 1940 Act that will elect to be treated as a regulated investment company (a "RIC") under the Code (such actions, collectively, the "Conversion"). We obtained shareholder approval of certain matters related to the Conversion at a special meeting of shareholders held on January 17, 2025 (the "Special Meeting"). In conjunction with the Conversion, we intend to liquidate the vast majority of our remaining mortgage- and real estate-related assets and, upon the effectiveness of the Conversion, we intend to operate so as to qualify to be taxed as a RIC under subchapter M of the Code. After the Conversion, we would generally not be subject to corporate tax.

Our primary objective is to generate attractive current yields and risk-adjusted total returns for our shareholders by making investments that we believe compensate us appropriately for the associated risks. Following the CLO Strategic Transformation, we now seek to attain this objective by constructing and actively managing a portfolio of corporate CLOs, primarily mezzanine debt and equity tranches, which are typically collateralized by portfolios consisting primarily of below-investment-grade senior secured loans with a large number of discrete underlying borrowers across various industry sectors. CLOs are a form of asset-backed security collateralized by syndicated corporate loans which receive interest and principal cash flows from these underlying loans. Senior debt tranches are paid first, then mezzanine debt tranches, and finally, equity. Additionally, we may also invest in CLO loan accumulation facilities, which are entities that acquire corporate loans and other similar corporate credit-related assets in anticipation of ultimately collateralizing a CLO transaction.

We are externally managed and advised by our Manager, an affiliate of Ellington. Ellington has a longstanding record of investing in the CLO sector. In connection with the CLO Strategic Transformation, on June 25, 2024, our Board of Trustees unanimously approved the Management Agreement where, in addition to carrying over the removal of certain provisions related to the maintenance of our REIT status (which had been made in the prior amendment), our Board of Trustees determined to more closely align the management fee arrangement between us and our Manager with the advisory fee structures of CLO-focused registered closed-end funds.

We currently use leverage in our strategies and to date have financed our assets exclusively through repurchase agreements, which we account for as collateralized borrowings. As of December 31, 2024, we had outstanding borrowings under repurchase agreements in the amount of \$563.0 million with 14 counterparties; 89% of such borrowings were collateralized by Agency RMBS and 11% were collateralized by CLOs. As part of the Conversion, we intend to sell our remaining liquid Agency MBS pools and operate in compliance with 1940 Act requirements.

As of December 31, 2024, our book value per share was \$6.53 as compared to \$7.32 as of December 31, 2023, respectively.

### Trends and Recent Market Developments

#### Market Overview

##### *Federal Reserve Policy*

- In 2024, the U.S. Federal Reserve maintained its federal funds rate target range of 5.25%–5.50% across its first five meetings. At the September meeting, the Federal Reserve cut rates for the first time in four years, reducing the target range by 50 basis points to 4.75%–5.00%. The Federal Reserve cited a balance in risks to its employment and inflation goals.
- Subsequent meetings in November and December brought additional 25-basis-point cuts, bringing the range to 4.25%–4.50%. However, the December Summary of Economic Projections signaled a slower pace of rate cuts in 2025, with only two 25-basis-point reductions anticipated. Chair Powell noted further progress lowering inflation as a prerequisite for additional cuts.

- In June, the Federal Reserve reduced the pace of its balance sheet contraction by lowering the cap on portfolio runoff of U.S. Treasury securities from \$60 billion to \$25 billion, while maintaining the \$35 billion cap on Agency RMBS.

### *Interest Rates*

- Following sharp declines in the fourth quarter of 2023, interest rates rose in the first quarter of 2024 as expectations for Federal Reserve rate cuts shifted later in the year. The 2-year U.S. Treasury yield increased by 37 basis points to 4.62%, while the 10-year U.S. Treasury yield rose by 32 basis points to 4.20%. Interest rate volatility declined, with the MOVE Index reaching a two-year low by quarter-end.

In the second quarter, interest rates rose in April before declining in May and June, ending slightly higher overall. The 2-year U.S. Treasury yield increased by 13 basis points to 4.75%, and the 10-year U.S. Treasury yield rose by 20 basis points to 4.40%. Volatility spiked in mid-April but fell through the quarter's end.

The third quarter saw significant declines in interest rates, particularly short-term rates. The 10-year U.S. Treasury yield exceeded the 2-year yield for the first time since July 2022. The 2-year yield dropped by 111 basis points to 3.64%, and the 10-year yield fell by 62 basis points to 3.78%. Volatility spiked in early August and September before subsiding.

In the fourth quarter, interest rates reversed course again, with the 2-year U.S. Treasury yield rising 60 basis points to 4.24% and the 10-year U.S. Treasury yield increasing 79 basis points to 4.57%. The MOVE Index peaked ahead of the U.S. presidential election but declined by year-end.

For 2024 as a whole, the 2-year U.S. Treasury yield decreased by 1 basis point, while the 10-year yield rose by 69 basis points.

- Mortgage rates closely tracked long-term interest rate movements. The Freddie Mac survey 30-year mortgage rate rose to 7.22% in May before declining to 6.08% by late September. Mortgage rates spiked again in the fourth quarter, ending the year at 6.85%.
- SOFR rates were stable in the first half of 2024 but fell sharply in the second half, reflecting the Federal Reserve rate cuts. For the full year, one-month SOFR decreased 102 basis points to 4.33%, while three-month SOFR fell 103 basis points to 4.31%. SOFR rates drive many of our financing costs.

### *Housing and Economic Indicators*

- Housing price metrics showed modest gains for the full year. The S&P CoreLogic Case-Schiller US National Home Price Index increased by 3.9%, while the National Association of Realtors Housing Affordability Index rose 0.2%.
- The Mortgage Bankers Association's Refinance Index, although still low on an historical basis, rose significantly in the first three quarters of 2024, tripling between the start of the year and September 27<sup>th</sup>. However, the index declined sharply in the fourth quarter, ending 2024 only slightly higher year-over-year.
- Similarly, mortgage prepayment speeds increased during the year but remained at relatively low levels. Prepayment speeds for Fannie Mae 30-year RMBS started at 4.4 CPR in January 2024 and trended upward for most of the year, reaching a peak of 8.3 CPR in October. Prepayment speeds then declined towards year-end, with Fannie Mae 30-year RMBS registering 6.0 CPR in December.
- U.S. real GDP grew at annualized rates of 1.6% in the first quarter, 3.0% in the second quarter, and 3.1% in the third quarter, with an estimated growth rate of 2.3% in the fourth quarter. Unemployment edged up from 3.8% to 4.1% by year-end.
- Inflation trended lower, with the 12-month percentage change in the Consumer Price Index for All Urban Consumers, not seasonally adjusted, falling from 3.1% in January to a low of 2.4% in September before ending the year at 2.9%.

### *Fixed Income Performance*

- MBS returns were mixed, with the Bloomberg U.S. MBS Index posting a full-year positive return of 1.20% and a positive excess return (on a duration-adjusted basis) of 0.37% relative to the Bloomberg U.S. Treasury Index. The performance of both indices was volatile, particularly in the fourth quarter, when returns were sharply negative overall.
- Corporate bonds fared better. The Bloomberg U.S. Corporate Bond Index returned 2.13% with an excess return of 2.46%, while the Bloomberg High Yield Bond Index posted an 8.19% return and 5.02% excess return. Corporate credit spreads tightened, with the Markit CDX North America Investment Grade and High Yield Indices narrowing by 7 and 45 basis points, respectively.

### *Leveraged Loans and CLOs*

- Including \$800 billion in repricings, U.S. leveraged loan issuance reached a record \$1.5 trillion in 2024, per PitchBook|LCD. CLO new issue volume also hit a record, exceeding \$200 billion, according to BofA Global Research.
- Default rates on U.S. leveraged loans declined in 2024. According to PitchBook|LCD the twelve-month trailing default rate on the Morningstar LSTA Leveraged Loan Index fell to 0.80% as of September 30<sup>th</sup>, compared to 1.53% at the start of the year. Default rates rose slightly to 0.91% by December 31<sup>st</sup>, but remained well below the 10-year historical average of 1.62%.
- Additionally, prices on leveraged loans increased, with the Morningstar LSTA US Leveraged Loan Index rising by \$1.10 over the year, reaching \$97.33 as of December 31<sup>st</sup>.
- European leveraged loans followed a similar trend, with default rates declining significantly year over year, to 0.42% from 1.62%. Prices increased as well, with the Morningstar LSTA EU Leveraged Loan Index rising by €1.96 to €98.01.

### *Equity Markets*

- U.S. equities posted another strong year in 2024: the Dow Jones rose 12.9%, the S&P 500 gained 23.3%, and the NASDAQ climbed 28.6%. The FTSE 100 and MSCI World Indexes also posted gains of 5.7% and 17.0%, respectively.
- Equity volatility spiked at several points during 2024, with the VIX reaching, in early August, its highest level since October 2020.

### *Portfolio Overview and Outlook*

Our CLO portfolio expanded nearly tenfold year over year to \$171.1 million as of December 31, 2024, from \$17.4 million, as we rotated investment capital into CLOs in conjunction with the CLO Strategic Transformation. As of December 31, 2024, our CLO portfolio consisted of \$99.1 million of CLO equity tranches, (\$91.8 million dollar-denominated, \$7.3 million non-dollar denominated) and \$72.0 million of CLO notes, specifically mezzanine debt tranches (\$55.2 million dollar-denominated, \$16.8 million non-dollar denominated).

In conjunction with the Conversion, we intend to liquidate the vast majority of our remaining mortgage- and real estate-related assets and rotate all investment capital into CLOs. Moving forward, we expect our CLO holdings to continue to be a blend of CLO equity and CLO debt investments, with the capital allocations fluctuating over time based on market opportunities. In addition, we intend to continue to invest in both dollar-denominated and non-dollar denominated CLO investments, based on relative value opportunities, but expect the majority of our CLO investments will continue to be dollar-denominated.

The size of our Agency RMBS holdings decreased by 30% to \$512.3 million as of December 31, 2024, compared to \$728.0 million as of December 31, 2023, primarily driven by net sales in conjunction with the CLO Strategic Transformation, as well as paydowns. Meanwhile, we sold our remaining non-Agency RMBS and interest only securities throughout the year and held only a de minimis amount at year end.

As of December 31, 2024, our mortgage-backed securities portfolio consisted almost entirely of \$512.3 million of fixed-rate Agency "specified pools," and a de minimis amount of Agency interest-only securities, or "Agency IOs." Specified pools are fixed-rate Agency pools consisting of mortgages with special characteristics, such as mortgages with low loan balances, mortgages backed by investor properties, mortgages originated through government-sponsored refinancing programs, and mortgages with various other characteristics.

Our debt-to-equity ratio, adjusted for unsettled trades, decreased to 2.9:1 as of December 31, 2024, as compared to 5.3:1 as of December 31, 2023. The decline was driven by significantly higher shareholder's equity and less leverage on our CLO investments relative to Agency investments. Our debt-to-equity ratio may fluctuate period over period based on portfolio management decisions, market conditions, capital markets activities, and the timing of security purchase and sale transactions. As of December 31, 2024, 89% of our borrowings were secured by Agency RMBS and 11% were secured by CLOs.

During the year, we continued to hedge interest rate risk through the use of interest rate swaps and short positions in U.S. Treasury securities and futures. We ended the year with a net short TBA position on a notional basis, but a net long TBA position as measured by 10-year equivalents. 10-year equivalents for a group of positions represent the amount of 10-year U.S. Treasury securities that would be expected to experience a similar change in market value under a standard parallel move in interest rates. We also maintained modest credit hedge and currency hedge portfolios at year end.

As of December 31, 2024, we had cash and cash equivalents of \$31.8 million, in addition to other unencumbered assets of \$79.2 million. This compares to cash and cash equivalents of \$38.5 million, and other unencumbered assets of \$22.9 million, as of December 31, 2023.

### *CLO Performance*

In 2024, the U.S. CLO market benefited from strengthening loan fundamentals and robust demand for leveraged loans, as well as from spread tightening across credit risk assets broadly. The trailing-twelve-month payment default rate for the Morningstar LSTA U.S. Leveraged Loan Index (the "U.S. LL Index") declined to 91 basis points at the end of 2024, which was 62 basis points lower year over year, while the balance of loans in the U.S. LL Index rated CCC+ or below declined to 5.3%, the lowest level since October 2022. The U.S. LL Index price rose \$1.10 to \$97.33 at year-end, which combined with interest payments drove a total return for the year of nearly 9%.

Leveraged loan prepayment and repricing rates surged in 2024, with prepayment rates on the U.S. LL Index increasing to 28% from 18% on a trailing-twelve-month basis, as borrowers took advantage of highly accessible capital markets to refinance debt at lower spreads, extend maturities, and increase liquidity. As a result, the broadly syndicated loan market saw gross issuance of nearly \$1.5 trillion for the year, the largest annual issuance amount on record, split between \$650 billion of new loan issuance and refinancings, and more than \$800 billion in repricings. The wave of issuance was met by significant demand for the asset class, driven by a record year of CLO new issuance as well (over \$200 billion in 2024), in addition to nearly \$9 billion of net capital inflows into leveraged loan retail funds. On balance, the U.S. LL Index experienced net issuance of only \$21 billion year-over-year. Net issuance in the U.S. CLO market was similarly limited in 2024.

The European CLO market also enjoyed strengthening loan fundamentals in 2024, benefiting from a full year default rate of just 42 basis points—120 basis points lower than 2023's default rate. However, loan prepayment rates rose less than in the U.S., increasing to 13.1 CPR (+2.6 CPR year over year). As a result of lower loan prepayment rates, the amount outstanding underlying the European leveraged loan index grew by 11%, compared to 2% in the U.S.

In both the U.S. and Europe, declining default rates contributed to strong demand for CLO debt and equity tranches, and along with limited net CLO issuance, drove CLO mezzanine and equity credit spreads tighter over the course of 2024. Additionally, high prepayment rates in the U.S. drove substantial deleveraging in many seasoned CLOs, contributing to incremental credit spread tightening in many mezzanine tranches. However, investors remained wary of credit dispersion and lower-quality loan portfolios in the U.S., driving debt spreads modestly wider for certain CLOs with elevated exposure to such assets. In Europe, while CLO mezzanine tranches did not benefit as much from elevated prepayment rates and rapid deal deleveraging, they were aided by reduced credit dispersion in their underlying loan portfolios relative to U.S. CLOs.

U.S. CLO equity performance, while positive in 2024, was mixed relative to CLO mezzanine performance. While declining default rates contributed to demand for CLO equity tranches and alleviated credit losses, rapid prepayment rates in the loan market led to both price declines for loans trading above par and compression in loan floating rate spreads. This occurred as a result of large volumes of loans trading at premiums to par being refinanced at par and replaced with lower-spread loans, triggering mark-to-market losses in some CLO equity profiles as both their interest payments (due to lower excess interest in the CLO) and underlying asset values declined in tandem. Loan repayment rate effects were somewhat mitigated by tightening CLO debt spreads, which allowed some deals to refinance their debt or reset their debt (which also included reinvestment period extension in addition to debt cost reduction). Deals that were able to exercise refinancing or reset options, typically those with higher existing costs of debt and better-performing portfolios, delivered stronger equity returns in 2024. In Europe, CLO equity performance was generally stronger as a result of slower prepayment speeds, rendering the negative impact of the repayment of premium loans less pronounced, as well as low default rates.

Our CLO strategy had strong results for the year, led by robust net interest income and net gains in our U.S. and European CLO debt portfolios, supported by opportunistic sales, tighter credit spreads on held positions, and redemptions of several of our discount seasoned CLO mezzanine tranches. Performance from CLO equity was modestly positive, with net interest income exceeding net unrealized losses.

### *Non-Agency Performance*

Our non-Agency RMBS portfolio and interest-only securities generated positive results for the year, driven by net interest income and net gains associated with several profitable sales.

### *Agency Performance*

In the first quarter of 2024 Agency MBS underperformed as expectations for a Federal Reserve rate cut were delayed, pushing interest rates higher and yield spreads wider, especially in February. Spreads recovered in March due to lower volatility

and capital inflows, but Agency MBS generated a modestly negative excess return to U.S. Treasury securities overall for the quarter.

In April, renewed inflation concerns and a hawkish Federal Reserve caused Agency MBS yield spreads to widen. However, declining interest rates and volatility in May and June reversed most of the widening, leading to slight underperformance against benchmark indices for the quarter.

The third quarter saw falling interest rates, a steepening yield curve, and tightening Agency MBS yield spreads as markets anticipated Federal Reserve rate cuts. In September, the Federal Reserve reduced the target range for the federal funds rate by 50 basis points and signaled further cuts, leading Agency MBS to outperform benchmark indices in the quarter.

In the fourth quarter, rising interest rates and intra-quarter volatility caused Agency MBS to underperform relative to benchmark indices.

For 2024, the Bloomberg Barclays U.S. MBS Index posted a positive return of 1.20% and a positive excess return (on a duration-adjusted basis) of 0.37% relative to the Bloomberg U.S. Treasury Index. Our Agency portfolio generated positive results for the year as well, with net gains on interest rate hedges exceeding net losses on Agency MBS.

Average pay-ups on our specified pool portfolio decreased to 0.20% as of December 31, 2024, as compared to 1.01% as of December 31, 2023, as we rotated into highly liquid pools with low pay-ups in preparation for the Conversion.

Our net mortgage assets-to-equity ratio—which we define as the net aggregate market value of our mortgage-backed securities (including the underlying market values of our long and short TBA positions) divided by total shareholders' equity—declined year over year. The decrease was driven by significantly higher shareholders' equity and a smaller Agency RMBS portfolio. From time to time, in response to market opportunities and other factors, we increase or decrease our net mortgage assets-to-equity ratio by varying the sizes of our net short TBA position and/or our long RMBS portfolio in relation to the portion of our overall shareholders' equity employed in our mortgage-related strategies. The following table summarizes our net mortgage assets-to-equity ratio and provides additional details, for the last five quarters, to illustrate this fluctuation.

	<b>Notional Amount of Long TBAs</b>	<b>Notional Amount of Short TBAs</b>	<b>Fair Value of MBS</b>	<b>Net Long (Short) TBA Underlying Market Value<sup>(1)</sup></b>	<b>Net Mortgage Assets-to-Equity Ratio</b>
<i>(\$ In thousands)</i>					
December 31, 2024	\$ 61,190	\$ (69,156)	\$ 512,309	\$ (15,175)	2.6:1
September 30, 2024	320,168	(201,374)	473,464	101,202	3.0:1
June 30, 2024	216,728	(173,074)	551,248	29,242	4.0:1
March 31, 2024	66,220	(66,830)	766,954	(3)	5.4:1
December 31, 2023 <sup>(2)</sup>	107,422	(78,285)	756,131	36,679	5.8:1

(1) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of period end.

(2) Conformed to current period presentation.

The following table summarizes prepayment rates for our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) for the three-month periods ended December 31, 2024, September 30, 2024, June 30, 2024, March 31, 2024, and December 31, 2023.

	<b>Three-Month Period Ended</b>				
	<b>December 31, 2024</b>	<b>September 30, 2024</b>	<b>June 30, 2024</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Three-Month Constant Prepayment Rates <sup>(1)</sup>	9.5	7.5	6.7	5.2	6.8

(1) Excludes recent purchases of fixed rate Agency specified pools with no prepayment history.

The following table provides details about the composition of our portfolio of fixed-rate specified pools (excluding those backed by reverse mortgages) as of December 31, 2024 and 2023.

	December 31, 2024				December 31, 2023				
	Coupon (%)	Current Principal	Fair Value	Weighted Average Loan Age (Months)	Weighted Average Coupon	Current Principal	Fair Value	Weighted Average Loan Age (Months)	Weighted Average Coupon
	<i>(In thousands)</i>				<i>(In thousands)</i>				
Fixed-rate Agency RMBS:									
15-year fixed-rate mortgages:									
	2.50–2.99	—	—	—	— %	3,794	3,550	52	2.50 %
	3.00–3.49	—	—	—	— %	4,829	4,645	103	3.00 %
	3.50–3.99	—	—	—	— %	9,960	9,684	92	3.50 %
	4.00–4.49	—	—	—	— %	10,013	9,918	60	4.00 %
	4.50–4.99	—	—	—	— %	51	50	167	4.50 %
	Total 15-year fixed-rate mortgages	—	—	—	— %	28,647	27,847	78	3.46 %
20-year fixed-rate mortgages:									
	2.00–2.49	—	—	—	— %	4,063	3,502	42	2.00 %
	3.00–3.49	—	—	—	— %	1,147	1,045	46	3.00 %
	4.00–4.49	—	—	—	— %	1,255	1,225	41	4.00 %
	4.50–4.99	—	—	—	— %	491	489	63	4.50 %
	5.00–5.49	—	—	—	— %	577	583	64	5.00 %
	6.50–6.99	—	—	—	— %	991	1,019	6	6.50 %
	Total 20-year fixed-rate mortgages	—	—	—	— %	8,524	7,863	41	3.30 %
30-year fixed-rate mortgages:									
	2.00–2.49	—	—	—	— %	4,614	3,687	38	2.00 %
	2.50–2.99	25,728	20,980	37	2.50 %	37,503	32,160	36	2.50 %
	3.00–3.49	—	—	—	— %	76,869	68,695	59	3.00 %
	3.50–3.99	55,966	49,505	32	3.50 %	111,327	104,283	73	3.50 %
	4.00–4.49	93,905	85,833	15	4.00 %	134,317	129,181	72	4.00 %
	4.50–4.99	55,755	52,504	14	4.50 %	124,152	122,062	51	4.50 %
	5.00–5.49	96,309	93,163	24	5.00 %	106,323	105,851	28	5.00 %
	5.50–5.99	94,550	93,457	12	5.50 %	39,423	39,801	19	5.50 %
	6.00–6.49	45,589	45,954	9	6.00 %	18,084	18,478	14	6.00 %
	6.50–6.99	69,146	70,911	12	6.50 %	44,898	46,096	7	6.50 %
	Total 30-year fixed-rate mortgages	536,948	512,307	18	4.86 %	697,510	670,294	49	4.26 %
	Total fixed-rate Agency RMBS	<u>\$536,948</u>	<u>\$512,307</u>	<u>18</u>	<u>4.86 %</u>	<u>\$734,681</u>	<u>\$706,004</u>	<u>50</u>	<u>4.21 %</u>

For the year ended December 31, 2024, we had total net realized and unrealized losses on our Agency securities of \$(16.1) million, or \$(0.68) per share, and net realized losses of \$(24.8) million, or \$(1.05) per share.

For the year ended December 31, 2024, we continued to hedge interest rate risk through the use of interest rate swaps and short positions in TBAs, U.S. Treasury securities, and futures. We had total net realized and unrealized gains of \$24.1 million, or \$1.02 per share, on our interest rate hedging portfolio, driven by the increase in interest rates during the year. These gains exclude net realized and unrealized losses of \$(4.2) million, or \$(0.18) per share, on our long TBAs held for investment.

We ended the quarter with a net short TBA position on a notional basis, but a net long position as measured by 10-year equivalents. Ten-year equivalents for a group of positions represent the amount of 10-year U.S. Treasury securities that would be expected to experience a similar change in market value under a standard parallel move in interest rates. The relative makeup of our interest rate hedging portfolio can change materially from period to period. As of December 31, 2024, we also maintained a modest credit and foreign currency hedge portfolio.

After giving effect to dividends declared during the year ended December 31, 2024 of \$0.96 per share, our book value per share decreased to \$6.53 as of December 31, 2024, from \$7.32 as of December 31, 2023, and we had an economic return of 2.3% for the year ended December 31, 2024. Economic return for a period is computed by adding back dividends declared during the period to ending book value per share, and comparing that amount to book value per share as of the beginning of the period.

### *Financing*

For the years ended December 31, 2024 and 2023, our average repo borrowing cost was 5.48% and 5.18%, respectively, driven by increases in short-term interest rates year over year and the growth of our CLO portfolio, as our CLO portfolio has higher borrowing costs compared to our Agency RMBS portfolio. As of December 31, 2024 and 2023, the weighted average borrowing rate on our repurchase agreements was 4.81% and 5.58%, respectively.

While large banks still dominate the repo market, non-bank firms, not subject to the same regulations as banks, are active in providing repo financing. Most of our outstanding repo financing is still provided by banks and bank affiliates; however, we have also entered into repo agreements with non-bank dealers.

Our debt-to-equity ratio was 2.9:1 as of December 31, 2024, as compared to 5.4:1 as of December 31, 2023. Adjusted for unsettled trades, our debt-to-equity ratio was also 2.9:1 as of December 31, 2024, as compared to 5.3:1 as of December 31, 2023. The year over year decline was driven by significantly higher shareholders' equity and less leverage on our CLO investments (relative to Agency investments), which constituted a significantly larger proportion of our overall portfolio as of December 31, 2024, compared to December 31, 2023. Our debt-to-equity ratio may fluctuate period over period based on portfolio management decisions, market conditions, capital markets activities, and the timing of security purchase and sale transactions.

### **Critical Accounting Estimates**

Our consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," and Regulation S-X. Entities in which we have a controlling financial interest, through ownership of the majority of the entities' voting equity interests, or through other contractual rights that give us control, are consolidated by us. All inter-company balances and transactions have been eliminated.

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our critical accounting estimates are those which require assumptions to be made about matters that are highly uncertain. Actual results could differ from those estimates and such differences could have a material impact on our financial condition and/or results of operations. We believe that all of the decisions and assessments upon which our consolidated financial statements are based were reasonable at the time made based upon information available to us at that time. We rely on the experience of our Manager and Ellington and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates. See Note 2 of the notes to our consolidated financial statements for a complete discussion of our significant accounting policies. We have identified our most critical accounting estimates to be the following:

*Valuation:* We have elected the fair value option for the vast majority of our assets and liabilities for which such election is permitted, as provided for under ASC 825, *Financial Instruments* ("ASC 825"). Electing the fair value option allows us to record changes in fair value in our Consolidated Statement of Operations, which, in our view, more appropriately reflects the results of our operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, the mortgage-backed securities are recorded at fair value on our Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on our Consolidated Statement of Operations as a component of Change in net unrealized gains (losses) on securities. Purchase and sales transactions are generally recorded on trade date. Realized and unrealized gains and losses are calculated based on identified cost.

For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of our financial instruments are not traded in an active market. Therefore, management generally uses third-

party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology.

Summary descriptions, for the various categories of financial instruments, of the valuation methodologies management uses in determining fair value of our financial instruments are detailed in Note 2 of the notes to our consolidated financial statements. Management utilizes such methodologies to assign a good faith fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument. See the notes to our consolidated financial statements for more information on valuation techniques used by management in the valuation of our assets and liabilities.

Because of the inherent uncertainty of valuation, the estimated fair value of our financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to our consolidated financial statements.

The determination of estimated fair value of those of our financial instruments that are not traded in an active market requires the use of both macroeconomic and microeconomic assumptions and/or inputs, which are generally based on current market and economic conditions. Changes in market and/or economic conditions could have a significant adverse effect on the estimated fair value of our financial instruments. Changes to assumptions, including assumed market yields, may significantly impact the estimated fair value of our investments. Our valuations are sensitive to changes in interest rates; see the interest rate sensitivity analysis included in Item 3. Quantitative and Qualitative Disclosures about Market Risk in this Annual Report on Form 10-K for further information.

*Interest Income:* Coupon interest income on investment securities is accrued based on the outstanding principal balance and the current coupon rate on each security. We generally amortize premiums and accrete discounts on our fixed-income investments using the effective interest method. For certain of our securities, for purposes of estimating future expected cash flows, management uses assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macroeconomic assumptions, such as future housing prices, GDP growth rates, and unemployment rates). These assumptions require the use of a significant amount of judgment. Any resulting changes in effective yield are recognized prospectively based on the current amortized cost of the investment as adjusted for credit impairment, if any.

The effective yield on our debt securities that are deemed to be of high credit quality (including Agency RMBS, exclusive of interest only securities) can be significantly impacted by our estimate of future prepayments. Future prepayment rates are difficult to predict. We estimate prepayment rates over the remaining life of our securities using models that generally incorporate the forward yield curve, current mortgage rates, mortgage rates on the outstanding loans, age and size of the outstanding loans, and other factors. We compare estimated prepayments to actual prepayments on a quarterly basis, and effective yields are recalculated retroactive to the time of purchase. When differences arise between our previously calculated effective yields and our current calculated effective yields, a catch-up adjustment, or "Catch-up Amortization Adjustment," is made to interest income to reflect the cumulative impact of the changes in effective yields. For the years ended December 31, 2024 and 2023, we recognized a Catch-up Amortization Adjustment of \$(0.5) million and \$(0.1) million, respectively. The Catch-up Amortization Adjustment is reflected as an increase (decrease) to interest income on the Consolidated Statement of Operations. Our accretion of discounts and amortization of premiums on securities for U.S. federal and other tax purposes is likely to differ from the accounting treatment under U.S. GAAP of these items as described above. See Note 2 of the notes to our consolidated financial statements for more information on the assumptions and methods that we use to amortize purchase premiums and accrete purchase discounts.

*Income Taxes:* We revoked our REIT election for tax year 2024 and currently operate as a taxable C-Corp. We are subject to U.S. federal, state, and local income tax. We may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any such positions, we might be found to have a tax liability that has not been recorded in the accompanying consolidated financial statements. Also, management's conclusions regarding the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. See Note 2 to our consolidated financial statements for additional details on income taxes.

### **Recent Accounting Pronouncements**

Refer to the notes to our consolidated financial statements for a description of relevant recent accounting pronouncements.

## Financial Condition

### Investment portfolio

The following tables summarize our securities portfolio as of December 31, 2024 and 2023:

(\$ In thousands)	December 31, 2024					December 31, 2023				
	Current Principal	Fair Value	Average Price <sup>(1)</sup>	Cost	Average Cost <sup>(1)</sup>	Current Principal	Fair Value	Average Price <sup>(1)</sup>	Cost	Average Cost <sup>(1)</sup>
<b>Credit Portfolio:</b>										
Dollar Denominated:										
CLOs										
CLO Notes	\$ 65,954	\$ 55,157	\$ 83.63	\$ 55,363	\$ 83.94	\$ 16,876	\$ 14,491	\$ 85.87	\$ 14,441	\$ 85.57
CLO Equity	n/a	91,832	n/a	97,267	n/a	n/a	2,926	n/a	2,947	n/a
Total Dollar Denominated CLOs		146,989		152,630			17,417		17,388	
Corporate Debt	1,787	428	23.95	398	22.27	—	—	—	—	—
Corporate Equity	n/a	56	n/a	75	n/a	n/a	—	n/a	—	n/a
Non-Agency RMBS <sup>(2)</sup>	—	—	—	—	—	9,953	9,409	94.53	8,189	82.28
Non-Agency IOs	n/a	—	n/a	—	n/a	n/a	11,310	n/a	8,700	n/a
Total Dollar Denominated Credit		147,473		153,103			38,136		34,277	
Non-Dollar Denominated:										
CLOs										
CLO Notes	17,368	16,835	96.93	17,219	99.14	—	—	—	—	—
CLO Equity	n/a	7,298	n/a	7,995	n/a	n/a	—	n/a	—	n/a
Total non-Dollar Denominated CLOs		24,133		25,214			—		—	
<b>Total Credit</b>		<b>171,606</b>		<b>178,317</b>			<b>38,136</b>		<b>34,277</b>	
<b>Agency Portfolio:</b>										
Dollar Denominated:										
Agency RMBS <sup>(2)</sup>										
15-year fixed-rate mortgages	—	—	—	—	—	28,647	27,847	97.21	28,765	100.41
20-year fixed-rate mortgages	—	—	—	—	—	8,524	7,863	92.25	9,033	105.97
30-year fixed-rate mortgages	536,948	512,307	95.41	519,628	96.77	697,510	670,294	96.10	682,379	97.83
ARMs	—	—	—	—	—	7,127	7,119	99.89	8,060	113.09
Reverse mortgages	—	—	—	—	—	14,406	14,874	103.25	16,589	115.15
Total Agency RMBS	536,948	512,307	95.41	519,628	96.77	756,214	727,997	96.27	744,826	98.49
Agency IOs	n/a	2	n/a	2	n/a	n/a	7,415	n/a	6,607	n/a
<b>Total Agency</b>		<b>512,309</b>		<b>519,630</b>			<b>735,412</b>		<b>751,433</b>	
Dollar Denominated:										
U.S. Treasury securities sold short	(23,603)	(22,578)	95.66	(22,962)	97.28	—	—	—	—	—
Reverse repurchase agreements	23,000	23,000	100.00	23,000	100.00	—	—	—	—	—
<b>Total, net</b>		<b>\$ 684,337</b>		<b>\$ 697,985</b>			<b>\$ 773,548</b>		<b>\$ 785,710</b>	

(1) Expressed as a percentage of the current principal balance.

(2) Excludes IOs.

As of December 31, 2024, 72% of our invested capital, calculated based on risk capital, was allocated to corporate CLOs and 28% was allocated to mortgage-related securities. Substantially all of our mortgage-related securities are Agency RMBS, which include investments in Agency pools.

Our most prevalent method of financing RMBS and CLOs is through short-term repos, which generally have maturities of 364 days or less. The weighted average lives of the RMBS and CLOs that we own are generally much longer. Consequently, the weighted average term of our repurchase agreement financings will almost always be substantially shorter than the expected average maturity of our RMBS and CLOs. This mismatch in maturities, together with the uncertainty of prepayments on the

underlying mortgage or corporate loans, and other potential changes in the timing and/or amount of cash flows, creates the risk that changes in interest rates will cause our financing costs with respect to our RMBS and CLOs to increase relative to the income on these assets over the term of our investments. In addition, changes in the fair value of our RMBS and CLO investments, whether as a result of changes in market conditions, prepayments, or other factors, may trigger changes in margin requirements, in which counterparties to our repurchase agreements may require us post additional collateral to re-establish the agreed-upon collateralization requirements.

#### *Financial Derivatives*

The following table summarizes our portfolio of financial derivative holdings as of December 31, 2024 and 2023:

<i>(In thousands)</i>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Financial derivatives—assets, at fair value:</b>		
TBA securities purchase contracts	\$ —	\$ 654
TBA securities sale contracts	592	—
Fixed payer interest rate swaps	39,125	67,719
Fixed receiver interest rate swaps	1,192	3,622
Futures	170	2,284
Credit default swaps	705	—
Forwards	83	—
<b>Total financial derivatives—assets, at fair value</b>	<b>41,867</b>	<b>74,279</b>
<b>Financial derivatives—liabilities, at fair value:</b>		
TBA securities purchase contracts	(1,363)	(13)
TBA securities sale contracts	—	(1,863)
Fixed payer interest rate swaps	(1,401)	(4,182)
Fixed receiver interest rate swaps	(194)	(576)
Futures	(811)	(63)
Credit default swaps	(1,912)	(632)
<b>Total financial derivatives—liabilities, at fair value</b>	<b>(5,681)</b>	<b>(7,329)</b>
<b>Total</b>	<b>\$ 36,186</b>	<b>\$ 66,950</b>

Pursuant to our hedging program, we engage in a variety of interest rate hedging activities that are designed to reduce the interest rate risk with respect to the liabilities incurred to acquire or hold RMBS. These interest rate hedges generally seek to reduce the interest rate sensitivity of our liabilities or, in other words, reduce the volatility of our financing cost over time attributable to interest rate changes. Our interest rate hedging transactions may include:

- Interest rate swaps (a contract exchanging a variable rate for a fixed rate, or vice versa);
- Interest rate swaptions (options to enter into interest rate swaps at a future date);
- TBA forward contracts on Agency pass-through certificates;
- Short sales of U.S. Treasury securities;
- Eurodollar and U.S. Treasury futures; and
- Other derivatives.

We generally enter into these transactions to offset the potential adverse effects of rising interest rates on short-term repurchase agreements. Our repurchase agreements generally have maturities of up to 364 days and carry interest rates that are determined by reference to a benchmark rate such as SOFR for those same periods. As each then-existing fixed-rate repo borrowing matures, it will generally be replaced with a new fixed-rate repo borrowing based on market interest rates established at that future date.

In the case of interest rate swaps, most of our contracts are structured such that we receive payments based on a variable interest rate and make payments based on a fixed interest rate. The variable interest rate on which payments are received is generally calculated based on various reset mechanisms for a benchmark rate such as SOFR. To the extent that the benchmark rates used to calculate the payments we receive on our interest rate swaps continue to be highly correlated with our repo borrowing costs, our interest rate swap contracts should help to reduce the variability of our overall repo borrowing costs, thus reducing risk to the extent we hold fixed-rate assets that are financed with repo borrowings.

In the case of TBAs, many of our positions are short TBA positions with negative duration, meaning that should interest rates rise, we would expect to profit from these positions. These profits would then serve to offset corollary expected increases in our current and/or future borrowing costs under our repurchase agreements, and so in this manner our short TBA positions serve as a hedge against potential increases in interest rates. While we use TBAs to hedge interest rate risk and certain other risks, we also hold net long positions in certain TBA securities as a means of acquiring exposure to Agency RMBS.

CLOs, on the other hand, generally have less interest rate risk than fixed-rate RMBS, because they are primarily backed by floating-rate loans. As a result, we had no interest rate hedges in place with respect to our CLO portfolio at year end.

#### *Credit Risk Hedging*

We opportunistically enter into short credit positions using derivative instruments to protect against adverse credit events and/or spread widening risk with respect to our CLOs, or other assets, subject to maintaining our exemption from the 1940 Act prior to the Conversion. The derivative instruments that we use for credit hedging purposes may include contracts referencing the secured or unsecured debt or equity of certain corporations, as well as contracts referencing indices comprised of corporate debt and equity. We may also utilize tranches or option contracts on corporate credit or equity indices, as well as contracts referencing various MBS indices and other derivative instruments. Currently, our credit hedges consist of CDS on corporate bond indices, although there are periods of time where we have no credit hedges in place.

The composition and relative mix of our hedging instruments may vary from period to period given the amount of our liabilities outstanding or anticipated to be entered into, the overall market environment and our view as to which instruments best enable us to execute our hedging goals. At year end, we held a modest credit hedge portfolio.

#### *Foreign Currency Hedging*

To the extent that we hold instruments denominated in currencies other than U.S. dollars, we may enter into transactions to offset the potential adverse effects of changes in currency exchange rates. In particular, we may use currency forward contracts and other currency-related derivatives to mitigate this risk. At year end, we maintained foreign currency hedges in connection with our European CLO holdings.

#### *Leverage*

The following table summarizes our outstanding liabilities under repurchase agreements as of December 31, 2024 and 2023. We had no other borrowings outstanding.

Remaining Days to Maturity	December 31, 2024			December 31, 2023		
	Borrowings Outstanding	Weighted Average		Borrowings Outstanding	Weighted Average	
		Interest Rate	Remaining Days to Maturity		Interest Rate	Remaining Days to Maturity
	<i>(In thousands)</i>			<i>(In thousands)</i>		
30 days or less	\$ 538,614	4.78 %	15	\$ 713,678	5.56 %	17
31-60 days	24,360	5.57	43	6,131	6.69	46
61-90 days	—	—	—	9,734	6.47	67
Total	<u>\$ 562,974</u>	<u>4.81 %</u>	<u>16</u>	<u>\$ 729,543</u>	<u>5.58 %</u>	<u>17</u>

We finance our assets with what we believe to be a prudent amount of leverage, which will vary from time to time based upon the particular characteristics of our portfolio, availability of financing, and market conditions. As of December 31, 2024 and 2023, our total debt-to-equity ratio was 2.9:1 and 5.4:1, respectively. Collateral transferred with respect to our outstanding repo borrowings, including net cash collateral posted or (received), had an aggregate fair value of \$0.6 billion and \$0.8 billion, as of December 31, 2024 and 2023, respectively. Our debt-to-equity ratio may fluctuate period over period based on portfolio management decisions, market conditions, capital markets conditions, and the timing of security purchase and sale transactions.

#### *Shareholders' Equity*

As of December 31, 2024, our shareholders' equity increased to \$193.7 million from \$136.2 million as of December 31, 2023. This increase principally consisted of net proceeds from the issuance of shares of \$73.6 million and a net income of \$6.6 million, partially offset by dividends declared of \$23.1 million. As of December 31, 2024, our book value per share was \$6.53, as compared to \$7.32 as of December 31, 2023.

## Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2024 and 2023:

	Year Ended December 31,	
	2024	2023
<i>(In thousands except for per share amounts)</i>		
<b>Interest Income (Expense)</b>		
Interest income	\$ 49,863	\$ 42,549
Interest expense	(34,794)	(45,256)
<b>Net interest income (expense)</b>	<b>15,069</b>	<b>(2,707)</b>
<b>Expenses</b>		
Management fees to affiliate	2,539	1,804
Other operating expenses	6,245	3,731
<b>Total expenses</b>	<b>8,784</b>	<b>5,535</b>
<b>Other Income (Loss)</b>		
Net realized and change in net unrealized gains (losses) on securities	(18,432)	3,171
Net realized and change in net unrealized gains (losses) on financial derivatives	19,908	9,630
Other, net	(665)	—
<b>Total Other Income (Loss)</b>	<b>811</b>	<b>12,801</b>
<b>Net Income (Loss) before income taxes</b>	<b>7,096</b>	<b>4,559</b>
Income tax expense (benefit)	510	—
<b>Net Income (Loss)</b>	<b>\$ 6,586</b>	<b>\$ 4,559</b>
<b>Net Income (Loss) Per Common Share</b>	<b>\$ 0.28</b>	<b>\$ 0.31</b>

## Results of Operations for the Years Ended December 31, 2024 and 2023

### Net Income (Loss)

Net income (loss) for the year ended December 31, 2024 was \$6.6 million, as compared to \$4.6 million for the year ended December 31, 2023. The period-over-period change in our results of operations was primarily due to positive net interest income in the current period, as compared to negative net interest income in the prior period, partially offset by a decline in total other income and an increase in total expenses.

### Interest Income

Our portfolio as of December 31, 2024 consisted of credit investments, primarily CLOs, and Agency RMBS. As of December 31, 2023, our portfolio consisted primarily Agency RMBS, with credit investments including CLOs and non-Agency RMBS. Before interest expense, we earned approximately \$45.4 million and \$38.8 million in interest income on these securities for the years ended December 31, 2024 and 2023, respectively. The period-over-period increase in interest income was driven by higher asset yields in both our Agency and credit portfolios, along with higher average holdings in our credit portfolio which have a significantly higher yield relative to our Agency portfolio.

The Catch-up Amortization Adjustment causes variability in our interest income and portfolio yields. For the years ended December 31, 2024 and 2023, we had a negative Catch-up Amortization Adjustments of approximately \$(0.5) million and \$(0.1) million, respectively, which decreased interest income. Excluding the Catch-up Amortization Adjustments, the weighted average yield of our overall portfolio was 6.57% and 4.09% for the years ended December 31, 2024 and 2023, respectively.

The following table details our interest income, average holdings of yield-bearing assets, and weighted average yield based on amortized cost for the years ended December 31, 2024 and 2023:

	Agency <sup>(1)</sup>			Credit <sup>(1)</sup>			Total <sup>(1)</sup>		
	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield	Interest Income	Average Holdings	Yield
<i>(In thousands)</i>									
Year ended December 31, 2024	\$ 29,047	\$596,906	4.87 %	\$16,341	\$101,009	16.18 %	\$ 45,388	\$697,915	6.50 %
Year ended December 31, 2023	\$ 36,186	\$928,386	3.90 %	\$ 2,645	\$ 22,678	11.66 %	\$ 38,831	\$951,064	4.08 %

(1) Amounts exclude interest income on cash and cash equivalents (including when posted as margin), long U.S. Treasury securities, and reverse repurchase agreements.

## Interest Expense

For the years ended December 31, 2024 and 2023, the majority of interest expense that we incurred was related to our repo borrowings, which we use to finance our assets. We also incur interest expense in connection with our short positions in U.S. Treasury securities as well as on our counterparties' cash collateral held by us. Our total interest expense for the years ended December 31, 2024 and 2023 was \$34.8 million and \$45.3 million, respectively, which primarily consisted of interest expense on our repo borrowings. The year-over-year decrease in total interest expense primarily resulted from lower overall borrowings driven by growth of the CLO portfolio, which carries significantly less leverage compared to Agency RMBS. The decline in our total interest expense was partially offset by higher financing costs stemming from elevated short-term interest rates during the first half of the year. In addition, the growth in our CLO portfolio also contributed to an increase in our average cost of funds, which partially offset the decline in interest expense, as our CLO portfolio has higher borrowing costs compared to our Agency RMBS portfolio.

The following table provides details of our borrowings under repurchase agreements for the years ended December 31, 2024 and 2023:

	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Average Borrowed Funds	Interest Expense	Average Cost of Funds
<i>(\$ In thousands)</i>						
Repurchase Agreements:						
Credit:						
CLO	\$ 26,165	\$ 1,594	6.09 %	\$ 576	\$ 39	6.85 %
Non-Agency RMBS	9,025	614	6.81 %	14,921	976	6.54 %
Total Credit	35,190	2,208	6.28 %	15,497	1,015	6.55 %
Agency RMBS	543,768	29,557	5.44 %	822,543	42,386	5.15 %
Subtotal	578,958	31,765	5.49 %	838,040	43,401	5.18 %
U.S. Treasury securities	23,370	1,235	5.28 %	16,023	849	5.30 %
Total	\$ 602,328	\$ 33,000	5.48 %	\$ 854,063	\$ 44,250	5.18 %

(1) Amounts exclude interest expense on cash and cash equivalents (including when received as margin) and short positions in U.S. Treasury securities.

### *Adjusted Cost of Funds*

Among other instruments, we use interest rate swaps and U.S. Treasury securities to hedge against the risk to our borrowings of rising interest rates. As an alternative cost of funds measure, we add to our repo borrowing cost the net periodic amounts paid or payable by us on our interest rate swaps and the net interest (income) expense we incur on our positions in U.S. Treasury securities, and express the total as a percentage of our average outstanding repurchase agreement borrowings on yield-bearing assets (excluding U.S. Treasury securities).

The following table details the components of our adjusted cost of funds<sup>(1)</sup> for the years ended December 31, 2024 and 2023:

	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Average Borrowed Funds <sup>(3)</sup>	Interest Expense (Benefit)	Average Cost of Funds	Average Borrowed Funds <sup>(3)</sup>	Interest Expense (Benefit)	Average Cost of Funds
<i>(\$ In thousands)</i>						
Repurchase Agreements:						
Credit <sup>(2)</sup> :						
CLO	\$ 26,165	\$ 1,594	6.09 %	\$ 576	\$ 39	6.85 %
Non-Agency RMBS	9,025	614	6.81 %	14,921	976	6.54 %
Total Credit	35,190	2,208	6.28 %	15,497	1,015	6.55 %
Agency RMBS	543,768	29,557	5.44 %	822,543	42,386	5.15 %
Subtotal <sup>(4)</sup>	578,958	31,765	5.49 %	838,040	43,401	5.18 %
Adjustments:						
Net interest (income) expense related to U.S. Treasury securities <sup>(5)</sup>		125	0.02 %		9	— %
Net periodic expense (benefit) paid or payable on interest rate swaps		(19,105)	(3.30)%		(21,078)	(2.52)%
Total Adjusted Cost of Funds	\$ 578,958	\$ 12,785	2.21 %	\$ 838,040	\$ 22,332	2.66 %

(1) This metric does not take into account other instruments that we use to hedge interest rate risk, such as TBAs, swaptions, and futures.

(2) Conformed to current period presentation.

(3) Excludes average borrowed funds related to repurchase agreements collateralized by U.S. Treasury securities.

(4) Excludes U.S. Treasury securities.

(5) Includes interest expense from repurchase agreements collateralized by U.S. Treasury securities and from positions in short U.S. Treasury securities and interest income from reverse repurchase agreements collateralized by U.S. Treasury securities and from positions in long U.S. Treasury securities.

For the year ended December 31, 2024, the weighted average yield on our Agency RMBS and credit portfolios excluding the impact of the Catch-up Amortization Adjustment was 6.57%, while our total adjusted average cost of funds, including interest rate swaps and net short U.S. Treasury securities, was 2.21%, resulting in a net interest margin of 4.37%. By comparison, for the year ended December 31, 2023, the weighted average yield of our portfolio of Agency and credit portfolios excluding the impact of the Catch-up Amortization Adjustment was 4.09%, while our total adjusted average cost of funds, including interest rate swaps and net short U.S. Treasury securities, was 2.66%, resulting in a net interest margin of 1.43%.

### Management Fees

For the years ended December 31, 2024 and 2023, our management fee expense was approximately \$2.5 million and \$1.8 million, respectively. Management fees are calculated based on our shareholders' equity at the end of each quarter. The increase in the management fee period over period was driven by higher shareholders' equity during the year ended December 31, 2024.

### Other Operating Expenses

Other operating expenses, as presented above, includes professional fees, compensation expense, insurance expense, and various other operating expenses included on the Consolidated Statement of Operations incurred in connection with the operation of our business. For the years ended December 31, 2024 and 2023, our other operating expenses were approximately \$6.2 million and \$3.7 million, respectively. The increase in other operating expenses for the year ended December 31, 2024 was primarily due to increases in professional fees, compensation expense, and other operating expenses related to the CLO Strategic Transformation.

### Other Income (Loss)

Other income (loss) consists of net realized and net change in unrealized gains (losses) on securities and financial derivatives. For the year ended December 31, 2024, Other income (loss) was \$0.8 million, consisting primarily of net realized and unrealized gains of \$19.9 million on our financial derivatives, which were partially offset by net realized and unrealized losses of \$(18.4) million on our securities. Net realized and unrealized gains of \$19.9 million on our financial derivatives consisted of net realized and unrealized gains of \$26.2 million on our interest rate swaps and \$0.4 million on our forwards, partially offset by net realized and unrealized losses of \$(4.1) million on our U.S. Treasury futures, \$(1.8) million on our TBAs, \$(0.7) million on our credit default swaps, and \$(0.1) million on Euro FX futures. The net gain on our financial derivatives was primarily the result of rising interest rates during much of 2024, partially offset by net losses in the third quarter driven by

declining interest rates in that period. Net realized and unrealized losses of \$(18.4) million on our securities consisted primarily of net realized and unrealized losses of \$(16.1) million on our Agency RMBS, \$(3.7) million on our corporate CLOs, and \$(0.4) million on our U.S. Treasury securities, partially offset by net realized and unrealized gains of \$1.9 million on our non-Agency RMBS.

For the year ended December 31, 2023, Other income (loss) was \$12.8 million, consisting of net realized and unrealized gains of \$9.6 million and \$3.2 million on our financial derivatives and securities, respectively. Net realized and unrealized gains of \$9.6 million on our financial derivatives consisted of net realized and unrealized gains of \$8.3 million on our TBAs and \$2.6 million on our interest rate swaps, partially offset by net realized and unrealized losses of \$(0.8) million on our U.S Treasury futures and \$(0.4) million on our credit default swaps. The net gain on our financial derivatives was primarily the result of sharply rising interest rates in the second and third quarters of the year. These gains were partially offset by net losses in the first and fourth quarters, driven by declining interest rates. Net realized and unrealized gains of \$3.2 million on our securities consisted primarily of net realized and unrealized gains of \$1.5 million on our non-Agency RMBS and \$1.4 million on our U.S. Treasury securities.

### **Income Tax Expense (Benefit)**

We revoked our election to be taxed as a REIT, effective January 1, 2024, and operated as a taxable C-Corporation during 2024. While we operate as a taxable C-Corporation, we plan to use our existing net operating loss carryforwards (“NOLs”) to offset a majority of our US federal taxable income; to the extent that those NOLs are unable to offset our income, whether a majority or at all, our income is subject to the typical corporate federal and state income tax rates.

For the year ended December 31, 2024, income tax expense (benefit) was \$0.5 million. No such expense was recorded for the year ended December 31, 2023, during which time we operated as a REIT. As a REIT, we generally were not subject to U.S. federal income tax on our REIT taxable income that was distributed to our shareholders.

### **Adjusted Distributable Earnings**

We calculate Adjusted Distributable Earnings as net income (loss) adjusted for: (i) net realized and change in net unrealized gains and (losses) on securities, financial derivatives, and foreign currency transactions; (ii) net realized and change in net unrealized gains (losses) associated with periodic settlements on interest rate swaps; (iii) other income or loss items that are of a non-recurring nature, if any; (iv) Catch-up Amortization Adjustment (as defined below); and (v) provision for income taxes. The Catch-up Amortization Adjustment is a quarterly adjustment to premium amortization or discount accretion triggered by changes in actual and projected prepayments on our Agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on our then-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter.

Adjusted Distributable Earnings is a supplemental non-GAAP financial measure. We believe that the presentation of Adjusted Distributable Earnings provides information useful to investors, because: (i) we believe that it is a useful indicator of both current and projected long-term financial performance, in that it excludes the impact of certain current period earnings components that we believe are less useful in forecasting long-term performance and dividend-paying ability; (ii) we use it to evaluate the effective net yield provided by our portfolio, after the effects of financial leverage; and (iii), we believe that presenting Adjusted Distributable Earnings assists investors in measuring and evaluating our operating performance, and comparing our operating performance to that of our peers. Our calculation of Adjusted Distributable Earnings may differ from the calculation of similarly titled non-GAAP financial measures by our peers, with the result that these non-GAAP financial measures might not be directly comparable; Adjusted Distributable Earnings excludes certain items, such as most realized and unrealized gains and losses, that may impact the amount of cash that is actually available for distribution.

In addition, because Adjusted Distributable Earnings is an incomplete measure of our financial results and differs from net income (loss) computed in accordance with U.S. GAAP, it should be considered supplementary to, and not as a substitute for, net income (loss) computed in accordance with U.S. GAAP.

In setting our dividends, our Board of Trustees considers our earnings, liquidity, financial condition, distribution requirements, and financial covenants, along with other factors that the Board of Trustees may deem relevant from time to time.

The following table reconciles, for the years ended December 31, 2024 and 2023, Adjusted Distributable Earnings to the line on the Consolidated Statement of Operations entitled Net Income (Loss), which we believe is the most directly comparable U.S. GAAP measure:

	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<i>(In thousands except for share amounts and per share amounts)</i>		
<b>Net Income (Loss)</b>	\$ 6,586	\$ 4,559
Income tax expense (benefit)	510	—
<b>Net Income (Loss) before income taxes</b>	\$ 7,096	\$ 4,559
<b>Adjustments:</b>		
Net realized (gains) losses on securities	18,068	58,103
Change in net unrealized (gains) losses on securities	364	(61,274)
Net realized (gains) losses on financial derivatives	(38,487)	(28,562)
Change in net unrealized (gains) losses on financial derivatives	18,579	18,932
Net realized gains (losses) on periodic settlements of interest rate swaps	27,118	7,388
Change in net unrealized gains (losses) on accrued periodic settlements of interest rate swaps	(8,013)	13,690
Strategic Transformation costs and other adjustments <sup>(1)</sup>	2,452	102
Negative (positive) component of interest income represented by Catch-up Amortization Adjustment	491	62
Subtotal	20,572	8,441
<b>Adjusted Distributable Earnings</b>	<b>\$ 27,668</b>	<b>\$ 13,000</b>
<b>Weighted Average Shares Outstanding</b>	<b>23,576,696</b>	<b>14,875,314</b>
<b>Adjusted Distributable Earnings Per Share</b>	<b>\$ 1.17</b>	<b>\$ 0.87</b>

(1) For the year ended December 31, 2024, includes \$1.7 million of expenses incurred primarily in connection with our strategic transformation, \$0.8 million of net realized and unrealized (gains) losses on foreign currency translation, which is included in Other, net on the Consolidated Statement of Operations. For the year ended December 31, 2023, includes \$0.1 million, respectively, of non-recurring transaction-related expenses.

## Liquidity and Capital Resources

Liquidity refers to our ability to generate and obtain adequate amounts of cash to meet our requirements, including repaying our borrowings, funding and maintaining RMBS and other assets, paying dividends, and other general business needs. Our short-term (the 12 months following period end) and long-term (beyond 12 months from period end) liquidity requirements include acquisition costs for assets we acquire, payment of our management fee, compliance with margin requirements under our repurchase agreements, TBA and other financial derivative contracts, repayment of repurchase agreement borrowings to the extent we are unable or unwilling to extend our repurchase agreements, the payment of dividends, and payment of our general operating expenses. Our capital resources primarily include cash on hand, cash flow from our investments (including periodic principal and interest payments received on our securities and proceeds from the sale of securities), borrowings under repurchase agreements, and proceeds from equity offerings. We expect that these sources of funds will be sufficient to meet our short-term and long-term liquidity needs.

We borrow funds in the form of repurchase agreements. The terms of our repo borrowings are predominantly governed by Master Repurchase Agreements, or "MRAs," which generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association as to repayment and margin requirements. In addition, each lender may require that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions include the addition of or changes to provisions relating to margin calls, net asset value requirements, cross default provisions, certain key person events, changes in corporate structure, and requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction. These provisions may differ for each of our lenders.

As of December 31, 2024 and 2023, we had \$563.0 million and \$729.5 million outstanding under our repurchase agreements, respectively. As of December 31, 2024, our outstanding repurchase agreements were with 14 counterparties.

The amounts borrowed under our repurchase agreements are generally subject to the application of "haircuts." A haircut is the percentage discount that a repo lender applies to the market value of an asset serving as collateral for a repo borrowing, for the purpose of determining whether such repo borrowing is adequately collateralized. As of December 31, 2024 and 2023, the weighted average contractual haircut applicable to the assets that serve as collateral for our outstanding repo borrowings was 9.5% and 5.7%, respectively.

The following table details total outstanding borrowings, average outstanding borrowings, and the maximum outstanding borrowings at any month end for each quarter under repurchase agreements for the past twelve quarters.

Quarter Ended	Borrowings Outstanding at Quarter End	Average Borrowings Outstanding	Maximum Borrowings Outstanding at Any Month End
	<i>(In thousands)</i>		
December 31, 2024	\$ 562,974	\$ 522,275	\$ 562,974
September 30, 2024	486,921	526,138	542,365
June 30, 2024 <sup>(1)</sup>	578,503	687,433	700,152
March 31, 2024	683,171	675,226	683,171
December 31, 2023	729,543	781,615	787,217
September 30, 2023	811,180	877,620	900,511
June 30, 2023	875,030	880,957	883,043
March 31, 2023	875,670	876,846	897,629
December 31, 2022	842,455	899,752	881,401
September 30, 2022	938,046	928,942	940,321
June 30, 2022	950,339	1,070,229	1,087,826
March 31, 2022	1,211,163	1,133,738	1,211,163

(1) During this quarter, our borrowings decreased as we continue to transition our portfolio, in connection with our strategic transformation, out of highly leveraged positions such as Agency RMBS to a higher concentration of CLOs, which are typically leveraged at lower levels.

As of December 31, 2024, we had an aggregate amount at risk under our repurchase agreements with 18 counterparties of \$55.7 million. As of December 31, 2023, we had an aggregate amount at risk under our repurchase agreements with 19 counterparties of \$50.1 million. Amounts at risk represent the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repurchase agreements. If the amounts outstanding under repurchase agreements with a particular counterparty are greater than the collateral held by the counterparty, there is no amount at risk for the particular counterparty. Amounts at risk under our repurchase agreements as of December 31, 2024 and 2023 does not include \$3.1 million and \$0.5 million, respectively, of net accrued interest receivable, which is defined as accrued interest on securities held as collateral less interest payable on cash borrowed.

Our derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the "Dodd-Frank Act." We may be required to deliver or receive cash or securities as collateral upon entering into derivative transactions. Changes in the relative value of derivative transactions may require us or the counterparty to post or receive additional collateral. Entering into derivative contracts involves market risk in excess of amounts recorded on our balance sheet. In the case of cleared derivatives, the clearinghouse becomes our counterparty and the future commission merchant acts as an intermediary between us and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral.

As of December 31, 2024, we had an aggregate amount at risk under our derivative contracts, excluding TBAs, with three counterparties of approximately \$31.3 million. As of December 31, 2023, we had an aggregate amount at risk under our derivatives contracts, excluding TBAs, with three counterparties of approximately \$47.1 million. Additionally, we had \$17.1 million and \$21.1 million of initial margin for cleared OTC derivatives received from central clearinghouses as of December 31, 2024 and 2023, respectively. Amounts at risk under our derivatives contracts represent the excess, if any, for each counterparty of the fair value of our derivative contracts plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the financial derivatives plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

We purchase and sell TBAs and Agency pass-through certificates on a when-issued or delayed delivery basis. The delayed delivery for these securities means that these transactions are more prone to market fluctuations between the trade date and the ultimate settlement date, and therefore are more vulnerable, especially in the absence of margining arrangements with respect to these transactions, to increasing amounts at risk with the applicable counterparties. As of December 31, 2024, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with six counterparties of approximately \$1.2 million. As of December 31, 2023, in connection with our forward settling TBA and Agency pass-through certificates, we had an aggregate amount at risk with seven counterparties of approximately \$1.7 million. Amounts at risk in connection with our forward settling TBA and Agency pass-through certificates represent the excess, if any,

for each counterparty of the net fair value of the forward settling contracts plus our collateral held directly by the counterparty less the counterparty's collateral held by us. If a particular counterparty's collateral held by us is greater than the aggregate fair value of the forward settling contracts plus our collateral held directly by the counterparty, there is no amount at risk for the particular counterparty.

As of December 31, 2024, we had cash and cash equivalents of \$31.8 million.

The timing and frequency of distributions will be determined by our Board of Trustees based upon a variety of factors deemed relevant by our trustees, including restrictions under applicable law and our capital requirements. The declaration of dividends to our shareholders and the amount of such dividends are at the discretion of our Board of Trustees. The following table sets forth the dividend distributions authorized by the Board of Trustees for the periods indicated below:

*Year Ended December 31, 2024:*

<b>Dividend Per Share</b>	<b>Dividend Amount</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
<i>(In thousands)</i>				
\$ 0.08	\$ 2,372	December 6, 2024	December 31, 2024	January 27, 2025
0.08	2,304	November 7, 2024	November 29, 2024	December 26, 2024
0.08	2,304	October 7, 2024	October 31, 2024	November 25, 2024
0.08	2,237	September 9, 2024	September 30, 2024	October 25, 2024
0.08	2,160	August 7, 2024	August 30, 2024	September 25, 2024
0.08	2,026	July 8, 2024	July 31, 2024	August 26, 2024
0.08	1,691	June 10, 2024	June 28, 2024	July 25, 2024
0.08	1,638	May 7, 2024	May 31, 2024	June 25, 2024
0.08	1,610	April 8, 2024	April 30, 2024	May 28, 2024
0.08	1,586	March 7, 2024	March 29, 2024	April 25, 2024
0.08	1,586	February 7, 2024	February 29, 2024	March 25, 2024
0.08	1,585	January 8, 2024	January 31, 2024	February 26, 2024

*Year Ended December 31, 2023:*

<b>Dividend Per Share</b>	<b>Dividend Amount</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
<i>(In thousands)</i>				
\$ 0.08	\$ 1,488	December 7, 2023	December 29, 2023	January 25, 2024
0.08	1,332	November 7, 2023	November 30, 2023	December 26, 2023
0.08	1,307	October 6, 2023	October 31, 2023	November 27, 2023
0.08	1,270	September 7, 2023	September 29, 2023	October 25, 2023
0.08	1,258	August 7, 2023	August 31, 2023	September 25, 2023
0.08	1,209	July 10, 2023	July 31, 2023	August 25, 2023
0.08	1,150	June 7, 2023	June 30, 2023	July 25, 2023
0.08	1,115	May 8, 2023	May 31, 2023	June 26, 2023
0.08	1,106	April 10, 2023	April 28, 2023	May 25, 2023
0.08	1,106	March 7, 2023	March 31, 2023	April 25, 2023
0.08	1,103	February 7, 2023	February 28, 2023	March 27, 2023
0.08	1,096	January 9, 2023	January 31, 2023	February 27, 2023

On January 8, 2025, the Board of Trustees approved a monthly dividend in the amount of \$0.08 per share payable on February 25, 2025 to shareholders of record as of January 31, 2025.

On February 10, 2025, the Board of Trustees approved a monthly dividend in the amount of \$0.08 per share payable on March 25, 2025 to shareholders of record as of February 28, 2025.

On March 7, 2025, the Board of Trustees approved a monthly dividend in the amount of \$0.08 per share payable on April 25, 2025 to shareholders of record as of March 31, 2025.

At those times when cash flows from our operating activities are insufficient to fund our dividend payments, we fund such dividend payments through cash flows from our investing and/or financing activities, and in some cases from additional cash on hand. The following paragraphs summarize our cash flows for the years ended December 31, 2024 and 2023.

For the year ended December 31, 2024, our operating activities provided net cash of \$9.1 million and our investing activities provided net cash of \$116.4 million. Our repo activity used to finance our purchase of securities (including repayments, in conjunction with the sales of securities, of amounts borrowed under our repurchase agreements as well as collateral posted in connection with our repo activity) used net cash of \$183.9 million. Thus our operating and investing activities, when combined with such net financing activities, used net cash of \$58.3 million. We also received proceeds from the issuance of common shares, net of commissions and offering costs paid of \$73.8 million and we used \$22.2 million to pay dividends. As a result of these activities, there was a decrease in our holdings of cash and cash equivalents of \$6.7 million, from \$38.5 million as of December 31, 2023 to \$31.8 million as of December 31, 2024.

For the year ended December 31, 2023, our operating activities used net cash of \$10.0 million and our investing activities provided net cash of \$85.7 million. Our repo activity used to finance our purchase of securities (including repayments, in conjunction with the sales of securities, of amounts borrowed under our repurchase agreements as well as collateral posted in connection with our repo activity) used net cash of \$91.4 million. Thus our operating and investing activities, when combined with our net repo financing activities, used net cash of \$15.7 million. We also received proceeds from the issuance of common shares, net of commissions and offering costs paid of \$33.6 million. We also used \$14.1 million to pay dividends. As a result of these activities, there was an increase in our cash holdings of \$3.7 million, from \$34.8 million as of December 31, 2022 to \$38.5 million as of December 31, 2023.

We have implemented an "at-the-market" offering program, or "ATM program," by entering into equity distribution agreements with third party sales agents. On November 14, 2023, we implemented an "at the market" offering program, or the "2023 ATM program," by entering into equity distribution agreements with third party sales agents under which we are authorized to offer and sell up to \$100.0 million of common shares from time to time. During the year ended December 31, 2024, we issued 10,964,023 common shares which provided \$73.6 million of net proceeds after \$0.6 million of commissions and \$0.5 million of offering costs. As of December 31, 2024, we had \$11.2 million of common shares available to be issued under the 2023 ATM program. Subsequent to December 31, 2024, we amended the 2023 ATM Program on January 13, 2025 and again on February 11, 2025 to authorize to offer and sell up to an additional \$90.0 million of common shares from time to time. Between January 1, 2025 and March 28, 2025, we have issued 8,075,118 common shares; as of March 28, 2025, we had approximately \$48.5 million of common shares authorized to be issued under the amended 2023 ATM program.

On June 13, 2018, our Board of Trustees approved the adoption of a share repurchase program under which we are authorized to repurchase up to 1.2 million common shares. The program, which is open-ended in duration, allows us to make repurchases from time to time on the open market or in negotiated transactions, including through Rule 10b5-1 plans. Repurchases are at our discretion, subject to applicable law, share availability, price and our financial performance, among other considerations. We did not purchase any shares under this program during the years ended December 31, 2024 and 2023. Under the current repurchase program adopted on June 13, 2018, we have repurchased 167,476 common shares through March 28, 2025 at an average price per share of \$5.84 and an aggregate cost of \$1.0 million, and have authorization to repurchase an additional 558,332 common shares.

Based on our current portfolio, amount of free cash on hand, debt-to-equity ratio and current and anticipated availability of credit, we believe that our capital resources will be sufficient to enable us to meet anticipated short-term and long-term liquidity requirements.

We are not required by our investment guidelines to maintain any specific debt-to-equity ratio, and we believe that the appropriate leverage for the particular assets we hold depends on the credit quality and risk of those assets, as well as the general availability and terms of stable and reliable financing for those assets.

### **Contractual Obligations and Commitments**

We are a party to a management agreement with our Manager. Pursuant to that agreement, our Manager is entitled to receive a management fee based on shareholders' equity, reimbursement of certain expenses and, in certain circumstances, a termination fee. Such fees and expenses do not have fixed and determinable payments. For a description of the management agreement provisions, see Note 9 to our consolidated financial statements.

We enter into repurchase agreements with third-party broker-dealers whereby we sell securities to such broker-dealers at

agreed-upon purchase prices at the initiation of the repurchase agreements and agree to repurchase such securities at predetermined repurchase prices and termination dates, thus providing the broker-dealers with an implied interest rate on the funds initially transferred to us by the broker-dealers. We may enter into reverse repurchase agreements with third-party broker-dealers whereby we purchase securities under agreements to resell at an agreed-upon price and date. In general, we most often will enter into reverse repurchase agreement transactions in order to effectively borrow securities that we can then deliver to counterparties to whom we have made short sales of the same securities. The implied interest rates on the repurchase agreements and reverse repurchase agreements we enter into are based upon competitive market rates at the time of initiation. Repurchase agreements and reverse repurchase agreements that are conducted with the same counterparty may be reported on a net basis if they meet the requirements of ASC 210-20, *Balance Sheet, Offsetting*. As of both December 31, 2024 and 2023, there were no repurchase agreements and reverse repurchase agreements reported on a net basis on the Consolidated Balance Sheet.

As of December 31, 2024, we had \$563.0 million of outstanding borrowings with 14 counterparties.

### **Off-Balance Sheet Arrangements**

As of December 31, 2024, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide funding to any such entities. As such, we are not materially exposed to any market, credit, liquidity, or financing risk that could arise if we had engaged in such relationships.

### **Inflation**

Virtually all of our assets and liabilities are interest rate-sensitive in nature to varying degrees. As a result, interest rates and other factors generally influence our performance more than does inflation. Our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

However, elevated long-term inflation could adversely impact the performance of our investment portfolio, or the prices of our investments, or both. For example, if higher inflation is not matched by an increase in wages, inflation could cause the real income of the borrowers whose loans underlie our non-Agency RMBS to decline. A decline in the real income of consumers could also cause a decline in consumer spending, which could negatively impact the profitability of many of the corporate borrowers whose loans underlie our corporate CLOs.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

The primary components of our market risk are related to interest rate risk, prepayment risk, and credit risk. We seek to actively manage these and other risks and to acquire and hold assets that we believe justify bearing those risks, and to maintain capital levels consistent with those risks.

#### ***Credit Risk***

We are subject to credit risk in connection with certain of our assets, especially our non-Agency RMBS and our corporate CLOs. Credit losses on real estate loans underlying our non-Agency RMBS can occur for many reasons, including, but not limited to, poor origination practices, fraud, faulty appraisals, documentation errors, poor underwriting, legal errors, poor servicing practices, weak economic conditions, decline in the value of homes, special hazards, earthquakes and other natural events, over-leveraging of the borrower on the property, reduction in market rents and occupancy rates and poor property management services in the case of rented homes, changes in legal protections for lenders, reduction in personal income, job loss, and personal events such as divorce or health problems. Property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional, and local economic conditions (which may be adversely affected by industry slowdowns and other factors), local real estate conditions (such as an oversupply of housing), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors, and retroactive changes to building or similar codes.

Credit losses can occur on our CLO investments. The corporate loans and other corporate credit assets underlying our CLO investments will typically be rated below investment grade and, as a result, involve greater credit and liquidity risk than investment grade corporate credit obligations and hence may carry a greater risk of default, especially during recessionary environments. These underlying assets will generally be floating rate in nature, and as a result, can suffer from weaker abilities to service debt costs in higher interest rate environments, increasing credit risks on the CLO investments.

While most of the assets underlying our CLO investments are expected to be senior secured and first lien in nature, CLOs

also invest, in some cases, in subordinated obligations that do not have first priority claims in the event of a default by their related obligors. Our CLO investments will typically be in subordinated positions within the CLO capital structure with respect to realized losses, and the leveraged nature of the CLO vehicle amplifies the negative impact of any collateral losses.

For our non-Agency RMBS and other mortgage-related instruments with credit risk, the two primary components of such credit risk are default risk and severity risk.

#### *Default Risk*

Default risk is the risk that borrowers will fail to make principal and interest payments on a mortgage loan or other debt obligation. Subject to maintaining our exclusion from registration under the 1940 Act, we may selectively attempt to mitigate our default risk by, among other things, opportunistically entering into credit default swaps. These instruments can reference various MBS indices, corporate bond indices, or corporate entities, such as publicly traded REITs. We also rely on third-party servicers to mitigate our default risk, but such third-party servicers may have little or no economic incentive to mitigate loan default rates.

#### *Severity Risk*

Severity risk is the risk of loss upon a borrower default on a mortgage loan underlying our RMBS or other secured or unsecured debt obligation. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the mortgage loan or debt obligation, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs. We rely on third-party servicers to mitigate our severity risk, but such third-party servicers may have little or no economic incentive to mitigate loan loss severities. Such mitigation efforts may include loan modification programs and prompt foreclosure and property liquidation following a default.

#### *Interest Rate Risk*

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. We are subject to interest rate risk in connection with most of our assets and liabilities. For some securities in our portfolio, the coupon interest rates on, and therefore also the values of, such securities are highly sensitive to interest rate movements, such as inverse floating rate RMBS, which benefit from falling interest rates. Our repurchase agreements generally have maturities of up to 364 days and carry interest rates that are determined by reference to a benchmark rate such SOFR for those same periods. Whenever one of our fixed-rate repo borrowings matures, it will generally be replaced with a new fixed-rate repo borrowing based on market interest rates prevailing at such time. Subject to maintaining our exclusion from registration under the 1940 Act, we opportunistically hedge our interest rate risk by entering into interest rate swaps, TBAs, U.S. Treasury securities, Eurodollar and U.S. Treasury futures, and other instruments. In general, such hedging instruments are used to mitigate the interest rate risk arising from the mismatch between the duration of our financed Agency RMBS and the duration of the liabilities used to finance such assets.

In addition to measuring and mitigating the risk related to changes in interest rates with respect to the generally shorter-term liabilities we incur to acquire and hold generally longer-lived RMBS and CLOs, we also monitor the effect of changes in interest rates on the discounted present value of our portfolio of assets and liabilities. The following sensitivity analysis table shows the estimated impact on the fair value of our portfolio segregated by certain identified categories as of December 31, 2024, assuming a static portfolio and immediate and parallel shifts in interest rates from current levels as indicated below.

*(\$ In thousands)*

Category of Instruments	Estimated Change for a Decrease in Interest Rates by				Estimated Change for an Increase in Interest Rates by			
	50 Basis Points		100 Basis Points		50 Basis Points		100 Basis Points	
	Market Value	% of Total Equity	Market Value	% of Total Equity	Market Value	% of Total Equity	Market Value	% of Total Equity
Agency RMBS, and CMBS excluding TBAs	\$ 11,425	5.90 %	\$ 21,429	11.06 %	\$(12,845)	(6.63)%	\$(27,113)	(14.00)%
Long TBAs	1,825	0.94 %	3,646	1.88 %	(1,830)	(0.94)%	(3,664)	(1.89)%
Short TBAs	(995)	(0.51)%	(1,684)	(0.87)%	1,302	0.67 %	2,912	1.50 %
CLOs	179	0.09 %	358	0.18 %	(180)	(0.09)%	(359)	(0.19)%
U.S. Treasury Securities, Interest Rate Swaps, Options, and Futures	(12,337)	(6.37)%	(25,197)	(13.01)%	11,815	6.10 %	23,108	11.93 %
Corporate Securities and Derivatives on Corporate Securities	(14)	(0.01)%	(28)	(0.01)%	14	0.01 %	28	0.01 %
Repurchase and Reverse Repurchase Agreements	(122)	(0.06)%	(243)	(0.13)%	122	0.06 %	243	0.13 %
<b>Total</b>	<b>\$ (39)</b>	<b>(0.02)%</b>	<b>\$ (1,719)</b>	<b>(0.90)%</b>	<b>\$ (1,602)</b>	<b>(0.82)%</b>	<b>\$ (4,845)</b>	<b>(2.51)%</b>

The preceding analysis does not show sensitivity to changes in interest rates for instruments for which we believe that the effect of a change in interest rates is not material to the value of the overall portfolio and/or cannot be accurately estimated. In particular, this analysis excludes certain of our holdings of CLOs, corporate securities, and derivatives on corporate securities, and reflects only sensitivity to U.S. interest rates.

Our analysis of interest rate risk is derived from Ellington's proprietary models as well as third-party information and analytics. Many assumptions have been made in connection with the calculations set forth in the table above and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. For example, for each hypothetical immediate shift in interest rates, assumptions have been made as to many important factors that can significantly and/or adversely affect the fair value of the instruments in our portfolio, including the response of mortgage prepayment rates, the shape of the yield curve, and market volatilities of interest rates. Furthermore, the fair value of each of the instruments comprising our portfolio is impacted by many other factors, each of which may or may not be correlated, or may only be loosely correlated, with interest rates. Depending on the nature of the instrument, these additional factors may include credit spreads, yield spreads, option-adjusted spreads, real estate prices, collateral adequacy, borrower creditworthiness, inflation, unemployment, general macroeconomic conditions, and other factors. For each instrument, our analysis makes many simplifying assumptions as to the response of these additional factors to shifts in interest rates, including that many if not most such factors are unaffected by such shifts.

The above analysis utilizes assumptions and estimates based on management's judgment and experience, and relies on financial models, which are inherently imperfect; in fact, different models can produce different results for the same instruments. While the table above reflects the estimated impacts of immediate parallel interest rate increases and decreases on specific categories of instruments in our portfolio, we actively trade many of the instruments in our portfolio, and therefore our current or future portfolios may have risks that differ significantly from those of our December 31, 2024 portfolio estimated above. Moreover, the impact of changing interest rates on fair value can change significantly when interest rates change by a greater amount than the hypothetical shifts assumed above.

For all of the foregoing reasons and others, the table above is for illustrative purposes only and actual changes in interest rates would likely cause changes in the actual fair value of our portfolio that would differ from those presented above, and such differences might be significant and adverse. See "—Special Note Regarding Forward-Looking Statements."

### **Prepayment Risk**

Prepayment risk is the risk of change, whether an increase or a decrease, in the rate at which principal is returned in

respect of our RMBS and CLOs, including both through voluntary prepayments by the underlying mortgage or corporate borrowers, through liquidations or other accelerations due to defaults and foreclosures, or through the optional redemptions of such securities by the issuers. Most significantly, our RMBS portfolio is exposed to the risk of changes in prepayment rates of the mortgage loans underlying our RMBS, and our CLO portfolio is exposed to the changes in prepayment rates of the underlying corporate loans. These prepayment rates are affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Mortgage prepayment rates can be highly sensitive to changes in interest rates, but they are also affected by housing turnover, which can be driven by factors other than interest rates, including worker mobility and home price appreciation. Changes in prepayment rates will have varying effects on the different types of securities in our portfolio, and we attempt to take these effects into account in making asset management decisions. Increases in prepayment rates may cause us to experience both realized and unrealized losses on our interest-only securities, or "IOs," and inverse interest only securities, or "IIOs," as these securities are extremely sensitive to prepayment rates. Conversely, decreases in prepayment rates on our securities with below-market interest rates may cause the duration of such securities to extend, which may cause us to experience unrealized losses on such securities. Prepayment rates, besides being subject to interest rates and borrower behavior, are also substantially affected by government policy and regulation. For example, mortgage prepayment rates are generally lower in states with substantially higher mortgage recording taxes.

### ***Liquidity Risk***

To fund our assets, in addition to using equity capital, we may use a variety of debt alternatives, each of which may present us with liquidity risks. Certain of our assets are long-term fixed-rate assets, and we become exposed to liquidity by funding these assets with shorter-term variable rate borrowings. We seek to manage these risks, including by maintaining a prudent level of leverage, implementing interest rate hedges, maintaining sources of long-term financing, monitoring our liquidity position on a daily basis, monitoring the ongoing financial stability and future business plans of our financing counterparties, and maintaining a reasonable cushion of cash and unpledged securities in our portfolio in order to meet future margin calls.

We pledge assets, including MBS and CLOs, as collateral to secure most of our financing arrangements. However, should the value of our collateral or the value of our derivative instruments suddenly decrease, or margin requirements increase, we may be required to post additional collateral for certain of these arrangements, causing an adverse change in our liquidity position. Furthermore, there is no assurance that we will always be able to renew (or roll) our short-term funding liabilities at their scheduled maturities, which could materially harm our liquidity position and result in substantial losses. In addition, in some cases our counterparties have the option to increase our haircuts (margin requirements) on the assets we pledge against our funding liabilities, thereby reducing the amount that can be borrowed against an asset even if they agree to renew or roll our funding liabilities. Significantly higher haircuts would require us to post additional collateral and could reduce our ability to leverage our portfolio or may even force us to sell assets, especially if correlated with asset price declines or faster prepayment rates on our assets.

**Item 8. Financial Statements and Supplementary Data**

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CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31,  
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## Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Ellington Credit Company

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of Ellington Credit Company and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, of shareholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### Valuation of Certain Level 3 Investments in Securities

As described in Notes 2 and 4 to the consolidated financial statements, the Company held \$104.1 million of total level 3 investments in securities, at fair value as of December 31, 2024. The Company has chosen to elect the fair value option for its investments in securities. Management generally uses third-party valuations when available, if third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology. Management's estimate of fair value may be based on several assumptions, including but not limited to management's estimates of yield.

The principal considerations for our determination that performing procedures relating to the valuation of certain level 3 investments in securities is a critical audit matter are (i) the significant judgment by management in determining the fair value of these investments, which in turn led to (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to the valuation of these level 3 investments and the assumptions related to yield; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, for a sample of investments (i) testing the completeness and accuracy of data provided by management; (ii) comparing management's estimate of fair value to independent sources, where available; and (iii) the involvement of professionals with specialized skill and knowledge to assist in developing an independent range of estimates of fair value by applying assumptions related to yield.

**/s/PricewaterhouseCoopers LLP**

New York, New York

March 31, 2025

We have served as the Company's auditor since 2012.

**ELLINGTON CREDIT COMPANY  
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<i>(In thousands except for share amounts)</i>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 31,840	\$ 38,533
Securities, at fair value <sup>(1)</sup>	683,915	773,548
Due from brokers	21,517	3,245
Financial derivatives—assets, at fair value	41,867	74,279
Reverse repurchase agreements	23,000	—
Receivable for securities sold	11,077	51,132
Interest and principal receivable	10,536	4,522
Other assets	340	431
<b>Total Assets</b>	<u>\$ 824,092</u>	<u>\$ 945,690</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Repurchase agreements	\$ 562,974	\$ 729,543
Payable for securities purchased	1,997	12,139
Due to brokers	30,671	54,476
Financial derivatives—liabilities, at fair value	5,681	7,329
U.S. Treasury securities sold short, at fair value	22,578	—
Dividend payable	2,372	1,488
Accrued expenses and other liabilities	1,488	1,153
Management fee payable to affiliate	729	513
Interest payable	1,876	2,811
<b>Total Liabilities</b>	<u>630,366</u>	<u>809,452</u>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares, par value \$0.01 per share, 100,000,000 shares authorized; (1,000 and 0 shares issued and outstanding, respectively)	1	—
Common shares, par value \$0.01 per share, 500,000,000 shares authorized; (29,651,553 and 18,601,464 shares issued and outstanding, respectively)	297	186
Additional paid-in-capital	348,587	274,698
Accumulated deficit	(155,159)	(138,646)
<b>Total Shareholders' Equity</b>	<u>193,726</u>	<u>136,238</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 824,092</u>	<u>\$ 945,690</u>

(1) Includes assets pledged as collateral to counterparties. See Note 6 for additional details on the Company's borrowings and related collateral.

**ELLINGTON CREDIT COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended	
	December 31, 2024	December 31, 2023
<i>(In thousands except for per share amounts)</i>		
<b>INTEREST INCOME (EXPENSE)</b>		
Interest income	\$ 49,863	\$ 42,549
Interest expense	(34,794)	(45,256)
<b>Total net interest income (expense)</b>	<b>15,069</b>	<b>(2,707)</b>
<b>EXPENSES</b>		
Management fees to affiliate	2,539	1,804
Professional fees	2,107	1,132
Compensation expense	1,555	735
Insurance expense	370	382
Other operating expenses	2,213	1,482
<b>Total expenses</b>	<b>8,784</b>	<b>5,535</b>
<b>OTHER INCOME (LOSS)</b>		
Net realized gains (losses) on securities	(18,068)	(58,103)
Net realized gains (losses) on financial derivatives	38,487	28,562
Change in net unrealized gains (losses) on securities	(364)	61,274
Change in net unrealized gains (losses) on financial derivatives	(18,579)	(18,932)
Other, net	(665)	—
<b>Total other income (loss)</b>	<b>811</b>	<b>12,801</b>
<b>Net income (loss) before income taxes</b>	<b>7,096</b>	<b>4,559</b>
Income tax expense (benefit)	510	—
<b>NET INCOME (LOSS)</b>	<b>\$ 6,586</b>	<b>\$ 4,559</b>
<b>NET INCOME (LOSS) PER COMMON SHARE:</b>		
Basic and Diluted	\$ 0.28	\$ 0.31

See Notes to Consolidated Financial Statements

**ELLINGTON CREDIT COMPANY**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Common Shares	Common Shares, par value	Preferred Shares	Preferred Shares, par value	Additional Paid-in- Capital	Accumulated (Deficit) Earnings	Total
<i>(In thousands except for share amounts)</i>							
<b>BALANCE, December 31, 2022</b>	13,377,840	\$ 134	—	\$ —	\$ 240,940	\$ (128,665)	\$ 112,409
Common shares issued <sup>(1)</sup>	5,183,037	52			33,503		33,555
Issuance of restricted shares	47,393	—			—		—
Share based compensation					255		255
Forfeiture of common shares to satisfy tax withholding obligations	(6,806)	—			—		—
Dividends declared <sup>(2)</sup>						(14,540)	(14,540)
Net income (loss)						4,559	4,559
<b>BALANCE, December 31, 2023</b>	18,601,464	186	—	—	274,698	(138,646)	136,238
Common shares issued <sup>(1)</sup>	10,964,023	110			73,448		73,558
Preferred shares issued			1,000	1			1
Issuance of restricted shares	90,229	1			(1)		—
Share based compensation					442		442
Forfeiture of common shares to satisfy tax withholding obligations	(4,163)	—			—		—
Dividends declared <sup>(2)</sup>						(23,099)	(23,099)
Net income (loss)						6,586	6,586
<b>BALANCE, December 31, 2024</b>	<u>29,651,553</u>	<u>\$ 297</u>	<u>1,000</u>	<u>\$ 1</u>	<u>\$ 348,587</u>	<u>\$ (155,159)</u>	<u>\$ 193,726</u>

(1) Net of discounts and commissions and offering costs.

(2) For each of the years ended December 31, 2024 and 2023, dividends totaling \$0.96, per common share outstanding, were declared.

**ELLINGTON CREDIT COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended	
	December 31, 2024	December 31, 2023
<i>(In thousands)</i>		
<b>Cash flows provided by (used in) operating activities:</b>		
Net income (loss)	\$ 6,586	\$ 4,559
<b>Reconciliation of net income (loss) to net cash provided by (used in) operating activities:</b>		
Net realized (gains) losses on securities	18,068	58,103
Change in net unrealized (gains) losses on securities	364	(61,274)
Net realized (gains) losses on financial derivatives	(38,487)	(28,562)
Change in net unrealized (gains) losses on financial derivatives	18,579	18,932
Realized (gains) losses Other (net)—foreign currency translation	(109)	—
Change in net unrealized (gains) losses Other (net)—foreign currency translation	863	—
Amortization of premiums and accretion of discounts, net	3,868	913
Share based compensation	442	255
(Increase) decrease in operating assets:		
Interest receivable	(487)	(1,196)
Other assets	(213)	—
Increase (decrease) in operating liabilities:		
Accrued expenses	357	43
Interest payable	(935)	(1,885)
Management fees payable to affiliate	216	90
Net cash provided by (used in) operating activities	<u>9,112</u>	<u>(10,022)</u>
<b>Cash flows provided by (used in) investing activities:</b>		
Purchases of securities	(1,359,455)	(1,783,926)
Proceeds from sale of securities	1,368,975	1,760,591
Principal repayments of securities	80,805	97,975
Proceeds from investments sold short	247,286	531,019
Repurchase of investments sold short	(224,441)	(531,680)
Proceeds from disposition of financial derivatives	85,935	31,441
Purchase of financial derivatives	(44,457)	(23,533)
Payments made on reverse repurchase agreements	(2,439,903)	(5,977,852)
Proceeds from reverse repurchase agreements	2,416,903	5,978,351
Due from brokers, net	(2,730)	2,009
Due to brokers, net	(12,470)	1,328
Net cash provided by (used in) investing activities	<u>116,448</u>	<u>85,723</u>

See Notes to Consolidated Financial Statements

**ELLINGTON CREDIT COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	Year Ended	
	December 31, 2024	December 31, 2023
<b>Cash flows provided by (used in) financing activities:</b>		
Net proceeds from the issuance of common shares <sup>(1)</sup>	\$ 74,062	\$ 33,805
Proceeds from the issuance of preferred shares	1	—
Offering costs paid	(221)	(231)
Dividends paid	(22,215)	(14,122)
Borrowings under repurchase agreements	9,256,420	7,173,099
Repayments of repurchase agreements	(9,422,616)	(7,286,011)
Due from brokers, net	(6,576)	13,702
Due to brokers, net	(11,108)	7,774
Cash provided by (used in) financing activities	(132,253)	(71,984)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,693)</b>	<b>3,717</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>38,533</b>	<b>34,816</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 31,840</b>	<b>\$ 38,533</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 35,728	\$ 47,141
Income tax paid	829	—
Dividends payable	2,372	1,488
Share based compensation (non-cash)	442	255

(1) Net of discount and commissions.

**ELLINGTON CREDIT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2024**

**1. Organization and Investment Objective**

Ellington Credit Company, or "EARN," (formerly Ellington Residential Mortgage REIT) was initially formed as a Maryland real estate investment trust, or "REIT," on August 2, 2012, and commenced operations on September 25, 2012, with a focus on acquiring, investing in, and managing residential mortgage- and real estate-related assets through its wholly owned subsidiaries. EARN conducts its business through its wholly owned subsidiaries, EARN OP GP LLC, or the "General Partner," and Ellington Residential Mortgage LP, or the "Operating Partnership," which were formed as a Delaware limited liability company and a Delaware limited partnership, respectively, on July 31, 2012 and commenced operations on September 25, 2012. The Operating Partnership conducts its business of acquiring, investing in, and managing targeted assets through its wholly owned subsidiaries. EARN, the General Partner, the Operating Partnership, and their consolidated subsidiaries are hereafter defined as the "Company."

On March 29, 2024, the Company's Board of Trustees approved a strategic transformation, the "CLO Strategic Transformation," of the Company's investment strategy to focus on corporate collateralized loan obligations, or "CLOs." In connection with the CLO Strategic Transformation, the Company revoked its status as a REIT under the Internal Revenue Code of 1986, as amended, or "the Code," and, effective January 1, 2024, conducts its operations as a taxable C-Corp and maintains its exclusion from registration under the Investment Company Act of 1940, as amended, or the "1940 Act." On April 19, 2024, the Company changed its name and amended its declaration of trust and bylaws accordingly. After obtaining shareholder approval of certain matters related to the CLO Strategic Transformation at a special meeting of shareholders held on January 17, 2025, the "Special Meeting", the Company intends to convert to a Delaware closed-end fund registered under the 1940 Act that will elect to be treated as a regulated investment company, or "RIC," on April 1, 2025, or the "Conversion"; see Note 13 for additional details. After the Conversion, the Company will be required to comply with the rules and regulations of the 1940 Act.

Subsequent to the commencement of the CLO Strategic Transformation, the Company, subject to maintaining its exclusion from registration under the 1940 Act prior to the Conversion, is focused on acquiring and actively managing a portfolio of corporate CLOs, primarily mezzanine debt and equity tranches, which are typically collateralized by portfolios consisting primarily of below-investment-grade senior secured loans with a large number of discrete underlying borrowers across various industry sectors. Additionally, the Company may also invest in CLO loan accumulation facilities, which are entities that acquire corporate loans and other similar corporate credit-related assets in anticipation of ultimately collateralizing a CLO transaction. In order to maintain its exclusion from registration under the 1940 Act, the Company also maintains a core portfolio of Agency MBS.

Prior to the CLO Strategic Transformation, the Company focused on acquiring and managing RMBS, for which the principal and interest payments are guaranteed by a U.S. government agency or a U.S. government-sponsored entity, or "Agency RMBS," and RMBS that do not carry such guarantees, or "non-Agency RMBS," such as RMBS backed by prime jumbo, Alternative A-paper, manufactured housing, and subprime residential mortgage loans. Agency RMBS include both Agency pools and Agency collateralized mortgage obligations, or "CMOs," and non-Agency RMBS primarily consist of non-Agency CMOs, both investment grade and non-investment grade. As a result of the CLO Strategic Transformation, the Company intends to gradually liquidate its portfolio of mortgage-related assets and invest its capital in CLOs.

Ellington Credit Company Management LLC, formerly Ellington Residential Mortgage Management LLC, or the "Manager," serves as the Manager of the Company pursuant to the terms of a management agreement, as described in Note 9. The Manager is an affiliate of Ellington Management Group, L.L.C., or "EMG," an investment management firm that is an SEC-registered investment adviser with a longstanding history of investing in CLOs across a wide variety of market conditions. In accordance with the terms of the Previous Management Agreement, the New Management Agreement, and the Services Agreement (each as defined and described in Note 9), the Manager is responsible for administering the Company's business activities and day-to-day operations, and performs certain services, subject to oversight by the Board of Trustees.

**2. Significant Accounting Policies**

*(A) Basis of Presentation:* The Company's consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, or "U.S. GAAP," and Regulation S-X. Entities in which the Company has a controlling financial interest, through ownership of the majority of the entities' voting equity interests, or through other contractual rights that give the Company control, are consolidated by the Company. All inter-company balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material. In management's opinion, all material adjustments considered necessary for a fair statement of the Company's consolidated financial statements have been included and are only of a normal recurring nature.

(B) *Valuation:* The Company applies ASC 820-10, *Fair Value Measurement* ("ASC 820-10"), to its holdings of financial instruments. ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1—inputs to the valuation methodology are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. Currently, the types of financial instruments the Company generally includes in this category are exchange-traded derivatives and equities;
- Level 2—inputs to the valuation methodology other than quoted prices included in Level 1 are observable for the asset or liability, either directly or indirectly. Currently, the types of financial instruments that the Company generally includes in this category are Agency RMBS, U.S. Treasury securities, certain non-Agency RMBS, CLOs, and actively traded derivatives such as TBAs, interest rate swaps, swaptions, credit default swaps, or "CDS", foreign currency forwards, and other over-the-counter derivatives; and
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. Currently, this category generally includes certain CLOs, private corporate debt and equity investments, CDS, and RMBS, such as certain non-Agency RMBS and certain Agency interest only securities, or "IOs," where there is less price transparency.

For certain financial instruments, the various inputs that management uses to measure fair value may fall into different levels of the fair value hierarchy. For each such financial instrument, the determination of which category within the fair value hierarchy is appropriate is based on the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the various inputs that management uses to measure fair value, with the highest priority given to inputs that are observable and reflect quoted prices (unadjusted) for identical assets or liabilities in active markets (Level 1), and the lowest priority given to inputs that are unobservable and significant to the fair value measurement (Level 3). The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The Company may use valuation techniques consistent with the market and income approaches to measure the fair value of its assets and liabilities. The market approach uses third-party valuations and information obtained from market transactions involving identical or similar assets or liabilities. The income approach uses projections of the future economic benefits of an instrument to determine its fair value, such as in the discounted cash flow methodology. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in these financial instruments. The leveling of each financial instrument is reassessed at the end of each period. Transfers between levels of the fair value hierarchy are assumed to occur at the end of the reporting period.

#### *Summary Valuation Techniques*

For financial instruments that are traded in an "active market," the best measure of fair value is the quoted market price. However, many of the Company's financial instruments are not traded in an active market. Therefore, management generally uses third-party valuations when available. If third-party valuations are not available, management uses other valuation techniques, such as the discounted cash flow methodology. The following are summary descriptions, for the various categories of financial instruments, of the valuation methodologies management uses in determining fair value of the Company's financial instruments in such categories. Management utilizes such methodologies to assign a fair value (the estimated price that, in an orderly transaction at the valuation date, would be received to sell an asset, or paid to transfer a liability, as the case may be) to each such financial instrument.

For the Company's investments in securities and TBAs, management seeks to obtain at least one third-party valuation, and often obtains multiple valuations when available. Management has been able to obtain third-party valuations on the vast majority of these instruments and expects to continue to solicit third-party valuations in the future. Management generally values each financial instrument at the average of third-party valuations received and not rejected as described below. Third-party valuations are not binding, management may adjust the valuations it receives (e.g., downward adjustments for odd lots), and management may challenge or reject a valuation when, based on its validation criteria, management determines that such valuation is unreasonable or erroneous. Furthermore, based on its validation criteria, management may determine that the average of the third-party valuations received for a given instrument does not result in what management believes to be the fair value of such instrument, and in such circumstances management may override this average with its own good faith valuation. The validation criteria may take into account output from management's own models, recent trading activity in the same or similar instruments, and valuations received from third parties. The use of proprietary models requires the use of a significant

amount of judgment and the application of various assumptions including, but not limited to, assumptions concerning future prepayment rates and default rates.

Given their relatively high level of price transparency, Agency RMBS pass-throughs, and TBAs are typically designated as Level 2 assets. Non-Agency RMBS, CLOs, corporate debt, and Agency interest only and inverse interest only RMBS are generally classified as either Level 2 or Level 3 based on the analysis of available market data and/or third-party valuations. Furthermore, the methodology used by the third-party valuation providers is reviewed at least annually by management, so as to ascertain whether such providers are utilizing observable market data to determine the valuations that they provide.

Interest rate swaps, swaptions, and foreign currency forwards are typically valued based on internal models that use observable market data, including applicable interest rates and foreign currency rates in effect as of the measurement date; the model-generated valuations are then typically compared to counterparty valuations for reasonableness; These financial derivatives are generally designated as Level 2 instruments.

For financial derivatives with greater price transparency, such as CDS on corporate indices, market-standard pricing sources are used to obtain valuations; these financial derivatives are generally classified as Level 2.

In valuing its derivatives, the Company also considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement.

The Company's reverse repurchase agreements and repurchase agreements are carried at cost, which approximates fair value. Reverse repurchase agreements and repurchase agreements are classified as Level 2 assets and liabilities based on the adequacy of the collateral and their short term nature.

The Company's valuation process, including the application of validation criteria, is directed by the Manager's Valuation Committee ("Valuation Committee") and overseen by the Company's audit committee. The Valuation Committee includes senior level executives from various departments within the Manager, and each quarter the Valuation Committee reviews and approves the valuations of the Company's investments. The valuation process also includes a monthly review by the Company's third party administrator. The goal of this review is to replicate various aspects of the Company's valuation process based on the Company's documented procedures.

Because of the inherent uncertainty of valuation, the estimated fair value of the Company's financial instruments may differ significantly from the values that would have been used had a ready market for the financial instruments existed, and the differences could be material to the consolidated financial statements.

*(C) Accounting for Securities:* Purchases and sales of securities are recorded on trade date and realized and unrealized gains and losses are calculated based on identified cost.

Investments in securities are recorded in accordance with ASC 320, *Investments—Debt and Equity Securities* ("ASC 320") or ASC 325-40, *Beneficial Interests in Securitized Financial Assets* ("ASC 325-40"). The Company generally classifies its securities as available-for-sale. The Company has chosen to elect the the fair value option, or "FVO," pursuant to ASC 825, *Financial Instruments* ("ASC 825") for its investments in securities. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, securities are recorded at fair value on the Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on the Consolidated Statement of Operations as a component of Change in net unrealized gains (losses) on securities.

Many of the Company's investments in securities, such as CLOs, are issued by entities that are deemed to be VIEs. For the majority of such investments, the Company has determined it is not the primary beneficiary of such VIEs and therefore has not consolidated such VIEs. The Company's maximum risk of loss in these unconsolidated VIEs is generally limited to the fair value of the Company's investment in the VIE.

The Company evaluates the cost basis of its securities on at least a quarterly basis under ASC 326-30, *Financial Instruments—Credit Losses: Available-for-Sale Debt Securities* ("ASC 326-30"). When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. The Company must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related factors. In its assessment of whether a credit loss exists, the Company compares the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a "market participant" would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well as incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the

current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in Unrealized gains (losses) on securities and loans, net, on the Consolidated Statement of Operations. If it is determined as of the financial reporting date that all or a portion of a security's cost basis is not collectible, then the Company will recognize a realized loss to the extent of the adjustment to the security's cost basis. This adjustment to the amortized cost basis of the security is reflected in Net realized gains (losses) on securities, on the Consolidated Statement of Operations.

*(D) Interest Income:* Coupon interest income on fixed-income investments is accrued based on the outstanding principal balance or notional amount and the current coupon rate. The Company amortizes purchase premiums and accretes purchase discounts on its debt securities. For RMBS that are deemed to be of high credit quality at the time of purchase, premiums and discounts are generally amortized/accreted into interest income over the life of such securities using the effective interest method. For such RMBS whose cash flows vary depending on prepayments, an effective yield retroactive to the time of purchase is periodically recomputed based on actual prepayments and changes in projected prepayment activity, and a catch-up adjustment, or "Catch-up Amortization Adjustment," is made to amortization to reflect the cumulative impact of the change in effective yield.

For debt securities (generally RMBS and CLOs) that are deemed not to be of high credit quality at the time of purchase, interest income is recognized based on the effective interest method. For purposes of estimating future expected cash flows, management uses assumptions including, but not limited to, assumptions for future prepayment rates, default rates, and loss severities (each of which may in turn incorporate various macro-economic assumptions, such as future housing prices). These assumptions are re-evaluated not less than quarterly. Changes in estimated future cash flows, as applied to the current amortized cost of the security, may result in a prospective change in the yield/interest income recognized on such securities.

Certain of the Company's debt securities, at the date of acquisition, have experienced or are expected to experience more-than-insignificant deterioration in credit quality since origination. If at the date of acquisition for a particular asset the Company projects a significant difference between contractual cash flows and expected cash flows, it establishes an initial estimate for credit losses as an upward adjustment to the acquisition cost of the asset for the purpose of calculating interest income using the effective yield method.

In estimating future cash flows on the Company's debt securities, there are a number of assumptions that are subject to significant uncertainties and contingencies; these estimates require the use of a significant amount of judgment. The Company's accretion of discounts and amortization of premiums on securities for U.S. federal and other tax purposes is likely to differ from the accounting treatment under U.S. GAAP of these items as described above.

*(E) Other Income:* In connection with certain of the Company's CLO equity investments the Company receives distributions from fee letters associated to such CLO equity positions. Distributions from such fee letters are based upon a percentage of the collateral manager's fees. Income from fee letters is included in Other, net, on the Consolidated Statement of Operations.

*(F) Cash and Cash Equivalents:* Cash and cash equivalents include cash and short term investments with original maturities of three months or less at the date of acquisition. Cash and cash equivalents typically include amounts held in interest bearing overnight accounts and amounts held in money market funds, and these balances generally exceed insured limits. The Company holds its cash at institutions that it believes to be highly creditworthy.

*(G) Due from brokers/Due to brokers:* Due from brokers and Due to brokers accounts on the Consolidated Balance Sheet include collateral transferred to or received from counterparties, including clearinghouses, along with receivables and payables for open and/or closed derivative positions.

*(H) Financial Derivatives:* The Company enters into various types of financial derivatives subject to its investment guidelines. The Company's financial derivatives are predominantly subject to bilateral master trade agreements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Company may be required to deliver or may receive cash or securities as collateral upon entering into derivative transactions. In addition, changes in the relative value of financial derivative transactions may require the Company or the counterparty to post or receive additional collateral. In the case of cleared financial derivatives, the clearinghouse becomes the Company's counterparty and a futures commission merchant acts as intermediary between the Company and the clearinghouse with respect to all facets of the related transaction, including the posting and receipt of required collateral. Collateral received by the Company is reflected on the Consolidated Balance Sheet as "Due to Brokers." Conversely, collateral posted by the Company is reflected as "Due from Brokers" on the Consolidated Balance Sheet. The types of financial derivatives that have been utilized by the Company to date include interest rate swaps, TBAs, swaptions, and futures.

*Swaps:* The Company enters into various types of swaps including interest rate swaps and credit default swaps. The primary risk associated with the Company's interest rate swap activity is interest rate risk. The primary risk associated with the Company's credit default swaps and total return swaps is credit risk. The Company is subject to interest rate risk exposure in the normal course of pursuing its investment objectives.

Interest rate swaps are contractual agreements whereby one party pays a floating interest rate on a notional principal amount and receives a fixed-rate payment on the same notional principal, or vice versa, for a fixed period of time.

A credit default swap is a contract under which one party agrees to compensate another party for the financial loss associated with the occurrence of a "credit event" in relation to a "reference amount" or notional value of a "reference asset" (usually a bond or an index or basket of bonds). The definition of a credit event may vary from contract to contract. A credit event may occur (i) when the reference asset (or underlying asset, in the case of a reference asset that is an index or basket) fails to make scheduled principal or interest payments to its holders, (ii) with respect to credit default swaps referencing asset-backed securities and indices, when the reference asset (or underlying asset, in the case of a reference asset that is an index or basket) is downgraded below a certain rating level, or (iii) with respect to credit default swaps referencing corporate entities and indices, upon an event of default of the obligor of the reference asset (or underlying obligor, in the case of a reference asset that is an index).

Swaps change in value with movements in interest rates or total return of the reference securities. During the term of swap contracts, changes in value are recognized as unrealized gains or losses on the Consolidated Statement of Operations. When a contract is terminated, the Company realizes a gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Company's basis in the contract, if any. Periodic payments or receipts required by swap agreements are recorded as unrealized gains or losses when accrued and realized gains or losses when received or paid. Upfront payments paid and/or received by the Company to open swap contracts are recorded as an asset and/or liability on the Consolidated Balance Sheet and are recorded as a realized gain or loss on the termination date.

*TBA Securities:* The Company transacts in the forward settling TBA market. A TBA position is a forward contract for the purchase ("long position") or sale ("short position") of Agency RMBS at a predetermined price, face amount, issuer, coupon, and maturity on an agreed-upon future delivery date. For each TBA contract and delivery month, a uniform settlement date for all market participants is determined by the Securities Industry and Financial Markets Association. The specific Agency RMBS to be delivered into the contract at the settlement date are not known at the time of the transaction. The Company typically does not take delivery of TBAs, but rather enters into offsetting transactions and settles the associated receivable and payable balances with its counterparties. The Company uses TBAs to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for speculative purposes, including holding long positions.

TBAs are accounted for by the Company as financial derivatives. The difference between the contract price and the fair value of the TBA position as of the reporting date is included in Change in net unrealized gains (losses) on financial derivatives in the Consolidated Statement of Operations. Upon settlement of the TBA contract, the realized gain (loss) on the TBA contract is equal to the net cash amount received (paid).

*Options:* The Company enters into swaption contracts. It may purchase or write put, call, straddle, or other similar options contracts. The Company enters into options contracts primarily to help mitigate interest rate risk. When the Company purchases an options contract, the option asset is initially recorded at an amount equal to the premium paid, if any, and is subsequently marked-to-market. Premiums paid for purchasing options contracts that expire unexercised are recognized on the expiration date as realized losses. If an options contract is exercised, the premium paid is subtracted from the proceeds of the sale or added to the cost of the purchase to determine whether the Company has realized a gain or loss on the related investment transaction. When the Company writes an options contract, the option liability is initially recorded at an amount equal to the premium received, if any, and is subsequently marked-to-market. Premiums received for writing options contracts that expire unexercised are recognized on the expiration date as realized gains. If an options contract is exercised, the premium received is subtracted from the cost of the purchase or added to the proceeds of the sale to determine whether the Company has realized a gain or loss on the related investment transaction. When the Company enters into a closing transaction, the Company will realize a gain or loss depending upon whether the amount from the closing transaction is greater or less than the premiums paid or received. In general, the Company's options contracts contain forward-settling premiums. In this case, no money is exchanged upfront; instead, the agreed-upon premium is paid by the buyer upon expiration of the options contract, regardless of whether or not the options contract is exercised. Unrealized gains or (losses) resulting from the options contract being marked-to-market are included in Change in net unrealized gains (losses) on financial derivatives in the Consolidated Statement of Operations. Realized gains or (losses) are included in Net realized gains (losses) on financial derivatives on the Consolidated Statement of Operations.

*Futures Contracts:* The Company enters into futures contract, typically U.S. Treasury futures contracts. A futures contract is an exchange-traded agreement to buy or sell an asset for a set price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either in the form of cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market to reflect the current market value of the contract. Unrealized gains or (losses) are included in Change in net unrealized gains (losses) on financial derivatives in the Consolidated Statement of Operations. Variation margin payments are made or received periodically, depending upon whether unrealized losses or gains are incurred. When the contract is closed, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract. Realized gains or (losses) are included in Net realized gains (losses) on financial derivatives on the Consolidated Statement of Operations.

*Forward Currency Contracts:* A forward currency contract is an agreement between two parties to purchase or sell a specific quantity of currency with the delivery and settlement at a specific future date and exchange rate. During the period the forward currency contract is open, changes in the value of the contract are recognized as unrealized gains or losses. When the contract is settled, the Company records a realized gain or loss equal to the difference between the proceeds of the closing transaction and the Company's basis in the contract.

Financial derivative assets are included in Financial derivatives—assets, at fair value on the Consolidated Balance Sheet while financial derivative liabilities are included in Financial derivatives—liabilities, at fair value on the Consolidated Balance Sheet. The Company has chosen to elect the FVO for its financial derivatives. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. Changes in unrealized gains and losses on financial derivatives are included in Change in net unrealized gains (losses) on financial derivatives, on the Consolidated Statement of Operations. Realized gains and losses on financial derivatives are included in Net realized gains (losses) on financial derivatives on the Consolidated Statement of Operations.

*(I) Repurchase Agreements:* The Company enters into repurchase agreements with third-party broker-dealers, whereby it sells securities under agreements to repurchase at an agreed upon price and date. The Company accounts for repurchase agreements as collateralized borrowings, with the initial sale price representing the amount borrowed, and with the future repurchase price consisting of the amount borrowed plus interest, at the implied interest rate of the repurchase agreement, on the amount borrowed over the term of the repurchase agreement. The interest rate on a repurchase agreement is based on competitive market rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. When the Company enters into a repurchase agreement, the lender establishes and maintains an account containing cash and/or securities having a value not less than the repurchase price, including accrued interest, of the repurchase agreement. Repurchase agreements are carried at their contractual amounts, which approximate fair value due to their short-term nature.

*(J) Reverse Repurchase Agreements:* The Company enters into reverse repurchase agreement transactions with third-party broker-dealers, whereby it purchases securities under agreements to resell at an agreed upon price and date. The interest rate on a reverse repurchase agreement is based on competitive market rates (or competitive market spreads, in the case of agreements with floating interest rates) at the time such agreement is entered into. Reverse repurchase agreements are carried at their contractual amounts, which approximate fair value due to their short-term nature.

Repurchase and reverse repurchase agreements that are conducted with the same counterparty can be reported on a net basis if they meet the requirements of ASC 210-20, *Balance Sheet Offsetting*. There are currently no repurchase and reverse repurchase agreements reported on a net basis in the Company's consolidated financial statements.

*(K) Securities Sold Short:* The Company may purchase or engage in short sales of U.S. Treasury securities to mitigate the potential impact of changes in interest rates on the performance of its portfolio. When the Company sells securities short, it typically satisfies its security delivery settlement obligation by borrowing or purchasing the security sold short from the same or a different counterparty. When borrowing a security sold short from a counterparty, the Company generally is required to deliver cash or securities to such counterparty as collateral for the Company's obligation to return the borrowed security.

The Company has chosen to make the fair value election pursuant to ASC 825-10, *Financial Instruments*, for its securities sold short. Electing the FVO allows the Company to record changes in fair value in the Consolidated Statement of Operations, which, in management's view, more appropriately reflects the results of operations for a particular reporting period as all securities activities will be recorded in a similar manner. As such, securities sold short are recorded at fair value on the Consolidated Balance Sheet and the period change in fair value is recorded in current period earnings on the Consolidated Statement of Operations as a component of Change in net unrealized gains (losses) on securities. A realized gain or loss will be

recognized upon the termination of a short sale if the market price is less or greater than the original sale price. Such realized gain or loss is recorded on the Company's Consolidated Statement of Operations in Net realized gains (losses) on securities.

*(L) Offering Costs/Deferred Offering Costs/Underwriters' Discounts:* Offering costs, underwriters' discounts and commissions and fees, are charged against shareholders' equity within Additional paid-in-capital. Offering costs typically include legal, accounting, and other fees associated with the cost of raising equity capital.

*(M) Share Based Compensation:* The Company applies the provisions of ASC 718, *Compensation—Stock Compensation* ("ASC 718"), with regard to its equity incentive plans. ASC 718 covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. ASC 718 requires that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured based on the fair value, at the grant date, of the equity or liability instruments issued and is amortized over the vesting period. Restricted shares issued to the Company's independent trustees and partially dedicated personnel are participating securities and receive dividends prior to vesting. Fair value for such awards is based on the closing stock price on the New York Stock Exchange at the grant date. The vesting period for restricted share awards is typically one to two years. Shares issued to the Company's independent trustees and partially dedicated personnel are subject to tax withholding upon vesting. The Company's independent trustees and partially dedicated personnel are permitted to forfeit a portion of their vested shares to pay such withholding tax. Forfeited shares decrease the total number of shares issued and outstanding and are immediately retired upon settlement.

*(N) Dividends:* Dividends payable are recorded on the declaration date.

*(O) Expenses:* Expenses are recognized as incurred on the Consolidated Statement of Operations.

*(P) Earnings Per Share:* In accordance with the provisions of ASC 260, *Earnings per Share*, the Company calculates basic income (loss) per share by dividing net income (loss) for the period by the weighted average of the Company's common shares outstanding for that period. Diluted income (loss) per share takes into account the effect of dilutive instruments, such as share options and warrants, and uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding.

*(Q) Foreign Currency:* The functional currency of the Company is U.S. dollars. Assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars at current exchange rates at the following dates: (i) assets, liabilities, and unrealized gains/losses—at the valuation date; and (ii) income, expenses, and realized gains/losses—at the accrual/transaction date. For investments and financial derivatives denominated in a foreign currency, the Company isolates the portion of realized and change in unrealized gain (loss) resulting from changes in the foreign currency exchange rate from the fluctuations arising from changes in fair value (as measured in such foreign currency). Changes in realized and change in unrealized gain (loss) due to foreign currency are included in Other, net, on the Consolidated Statement of Operations.

The Company's reporting currency is U.S. Dollars. If the Company has investments in unconsolidated entities that have a functional currency other than U.S. Dollars, the fair value is translated to U.S. dollars using the current exchange rate at the valuation date. The cumulative translation adjustment, if any, associated with the Company's investments in unconsolidated entities is recorded in accumulated other comprehensive income (loss), a component of consolidated shareholders' equity.

*(R) Share Repurchases:* Common shares that are repurchased by the Company subsequent to issuance are immediately retired upon settlement and decrease the total number of shares issued and outstanding. The cost of such share repurchases is charged against Additional paid-in-capital on the Company's Consolidated Balance Sheet.

*(S) Income Taxes:* The Company has revoked its previous election to be taxed as a REIT under Sections 856 through 860 of the Code and will operate as a C-Corp subject to U.S. federal, state, and local corporate income taxes for the tax year beginning January 1, 2024. The Company's financial results reflect provisions for any current or deferred income taxes.

The Company follows the authoritative guidance on accounting for and disclosure of uncertainty on tax positions, which requires management to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For uncertain tax positions, the tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company did not have any unrecognized tax benefits resulting from tax positions related to the current period or its open tax years (2021, 2022, and 2023). In the normal course of business, the Company may be subject to examination by federal, state, local, and foreign jurisdictions, where applicable, for the current period and its open tax years. The Company may take positions with respect to certain tax issues which depend on legal interpretation of facts or applicable tax regulations. Should the relevant tax regulators successfully challenge any of such positions, the Company might be found to have a tax liability that has not been recorded in the

accompanying consolidated financial statements. Also, management's conclusions regarding the authoritative guidance may be subject to review and adjustment at a later date based on changing tax laws, regulations, and interpretations thereof. The Company recognizes interest and penalties, if any, related to uncertain tax positions, as income tax expense included in Income tax expense (benefit) on the Consolidated Statement of Operations. See Note 11 for additional details on income taxes.

*(T) Segment Reporting:* An operating segment is defined as a component of an entity that (i) engages in business activities from which revenues are recognized and expenses incurred, (ii) has discrete financial information available, and (iii) is evaluated on a regular basis by the Chief Operating Decision Maker (the "CODM") for decision-making purposes, including investment and operating decisions, including capital and resource allocation decisions; and communicates results, strategy, and other relevant information to the Board of Trustees and shareholders. The Company's CODM is, collectively, its Chief Executive Officer and President and its Co-Chief Investment Officers.

The Company operates through a single operating and reporting segment with an objective to generate attractive current yields and risk-adjusted total returns for its shareholders by acquiring, investing in, and managing its targeted assets. The Company's CODM assesses performance and makes investment and operating decisions based on net income reported on the Consolidated Statement of Operations, among other metrics. Significant expenses are separately disclosed on the Consolidated Statements of Operations.

*(U) Recent Accounting Pronouncements:* In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses* ("ASU 2024-03"). ASU 2024-03 requires public entities to provide tabular disclosure of certain expenses including employee compensation, on an interim and annual basis, in the notes to the financial statements. ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods in fiscal years beginning after December 15, 2027, with early adoption permitted. ASU 2024-03 should be applied on either a prospective basis to financial statements issued for reporting periods after the effective date of ASU 2024-03 or retrospectively to any or all prior periods presented in the financial statements. ASU 2023-09 is not expected to have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09") which requires disaggregated information about a reporting entities effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. ASU 2023-09 will be applied on a prospective basis with the option to apply ASU 2023-09 retrospectively. The Company is still assessing the impact of ASU 2023-09 on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting—Improvements to Reportable Segment Disclosures* ("ASU 2023-07") which requires incremental disclosures related to an entity's reportable segments, including identifying significant segment expense categories and any multiple measures of segment profit or loss used by the CODM. Additionally, ASU 2023-07 provides further guidance on interim reporting, disclosures required by entities with a single reportable segment, and recasting of previously reported segment information. ASU 2023-07 became effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, with early adoption permitted. The Company has applied ASU 2023-07 on a retrospective basis, which did not have a material impact on the Company's consolidated financial statements.

### **3. Investment in Securities**

The Company's securities portfolio primarily consists of corporate CLOs and Agency RMBS, and may also include non-Agency RMBS, U.S. Treasury securities, and corporate debt and equity securities. The Company's corporate CLO portfolio primarily comprises mezzanine debt and equity tranches, which are typically collateralized by portfolios consisting primarily of below-investment-grade senior secured loans with a large number of discrete underlying borrowers across various industry sectors.

The Company's Agency RMBS include mortgage pass-through certificates and CMOs representing interests in or obligations backed by pools of residential mortgage loans issued or guaranteed by a U.S. government agency or government-sponsored enterprise, or "GSE." The securities in the Company's non-Agency RMBS and CLO portfolios are not issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or any agency of the U.S. Government and are therefore subject to greater credit risk.

The following tables present details of the Company's investments in securities as of December 31, 2024 and 2023.

**December 31, 2024:**

(\$ in thousands)	Current Principal	Unamortized Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon <sup>(1)(2)</sup>	Yield	Life (Years) <sup>(3)</sup>
Long:									
CLO Notes	\$ 83,322	\$ (10,740)	\$ 72,582	\$ 1,382	\$ (1,972)	\$ 71,992	11.69%	15.05%	2.89
CLO Equity	n/a	n/a	105,262	795	(6,927)	99,130	n/a	12.12%	9.86
Corporate debt	1,787	(1,389)	398	30	—	428	—%	—%	1.32
Corporate equity	n/a	n/a	75	—	(19)	56	n/a	n/a	n/a
RMBS:									
Agency:									
30-year fixed-rate mortgages	536,948	(17,320)	519,628	1,696	(9,017)	512,307	4.86%	5.26%	7.26
Interest only securities <sup>(4)</sup>	n/a	n/a	2	—	—	2	1.20%	11.27%	2.76
Total Long	622,057	(29,449)	697,947	3,903	(17,935)	683,915	5.76%	7.29%	7.17
Short:									
U.S. Treasury securities	(23,603)	641	(22,962)	384	—	(22,578)	4.02%	4.32%	9.86
Total Short	(23,603)	641	(22,962)	384	—	(22,578)	4.02%	4.32%	9.86
Total	\$ 598,454	\$ (28,808)	\$ 674,985	\$ 4,287	\$ (17,935)	\$ 661,337	5.70%	6.50%	7.26

- (1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the weighted average coupon rates on the underlying collateral.
- (2) Total long and total weighted average coupon excludes CLO equity securities, corporate equity, and interest only RMBS.
- (3) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.
- (4) Weighted average coupon is based on a notional principal amount of \$29 thousand, for Agency interest only securities.

**December 31, 2023:**

(\$ in thousands)	Current Principal	Unamortized Premium (Discount)	Amortized Cost	Gross Unrealized		Fair Value	Weighted Average		
				Gains	Losses		Coupon <sup>(1)(2)</sup>	Yield	Life (Years) <sup>(3)</sup>
RMBS:									
Agency:									
15-year fixed-rate mortgages	\$ 28,647	\$ 118	\$ 28,765	\$ 32	\$ (950)	\$ 27,847	3.46%	3.20%	2.90
20-year fixed-rate mortgages	8,524	509	9,033	4	(1,174)	7,863	3.30%	2.21%	5.68
30-year fixed-rate mortgages	697,510	(15,131)	682,379	8,180	(20,265)	670,294	4.26%	4.42%	6.51
Adjustable rate mortgages	7,127	933	8,060	—	(941)	7,119	4.68%	2.74%	4.45
Reverse mortgages	14,406	2,183	16,589	—	(1,715)	14,874	5.92%	2.94%	4.50
Interest only securities <sup>(4)</sup>	n/a	n/a	6,607	971	(163)	7,415	2.77%	15.64%	6.10
Non-Agency:									
Principal and interest securities	9,953	(1,764)	8,189	1,231	(11)	9,409	9.39%	10.72%	5.80
Interest only securities <sup>(4)</sup>	n/a	n/a	8,700	2,610	—	11,310	0.22%	16.69%	9.03
CLO Notes	16,876	(2,435)	14,441	123	(73)	14,491	12.16%	15.26%	5.66
CLO Equity	n/a	n/a	2,947	51	(72)	2,926	n/a	35.84%	5.87
Total	\$ 783,043	\$ (15,587)	\$ 785,710	\$ 13,202	\$ (25,364)	\$ 773,548	4.49%	4.92%	6.32

- (1) Weighted average coupon represents the weighted average coupons of the securities, rather than, in the case of collateralized securities, the coupon rates on the underlying collateral.
- (2) Total weighted average coupon excludes CLO equity securities and interest only RMBS.
- (3) Expected average lives of RMBS are generally shorter than stated contractual maturities. Average lives are affected by the contractual maturities of the underlying mortgages, scheduled periodic payments of principal, and unscheduled prepayments of principal.

(4) Weighted average coupon is based on a notional principal amount of \$83.8 million and \$1.05 billion, for Agency and non-Agency interest only securities, respectively.

### By Estimated Weighted Average Life

As of December 31, 2024:

(\$ in thousands)

Estimated Weighted Average Life <sup>(2)</sup>	CLOs and Other Securities <sup>(1)</sup>			Agency RMBS			Agency IOs		
	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(3)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>
Less than three years	\$ 49,095	\$ 49,341	11.42 %	\$ 6,891	\$ 6,831	6.50 %	\$ 2	\$ 2	1.20 %
Greater than three years and less than seven years	22,312	22,584	11.48 %	193,235	193,439	5.92 %	—	—	— %
Greater than seven years and less than eleven years	1,013	1,055	12.00 %	312,181	319,358	4.23 %	—	—	— %
<b>Total</b>	<b>\$ 72,420</b>	<b>\$ 72,980</b>	<b>11.45 %</b>	<b>\$ 512,307</b>	<b>\$ 519,628</b>	<b>4.86 %</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>1.20 %</b>

(1) CLOs excludes CLO Equity; Other Securities includes corporate debt.

(2) Expected average lives of RMBS, Agency IOs, and CLOs are generally shorter than stated contractual maturities.

(3) Weighted average coupon represents the weighted average coupons of the securities rather than the coupon rates on the underlying collateral.

As of December 31, 2023:

(\$ in thousands)

Estimated Weighted Average Life <sup>(1)</sup>	Agency RMBS			Agency IOs		
	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>
Less than three years	\$ 85,958	\$ 85,990	5.67 %	\$ 1,774	\$ 1,566	2.10 %
Greater than three years and less than seven years	297,251	303,424	4.67 %	1,796	1,570	3.72 %
Greater than seven years and less than eleven years	344,788	355,412	3.58 %	3,845	3,471	3.53 %
<b>Total</b>	<b>\$ 727,997</b>	<b>\$ 744,826</b>	<b>4.25 %</b>	<b>\$ 7,415</b>	<b>\$ 6,607</b>	<b>2.77 %</b>

(1) Expected average lives of RMBS and Agency IOs are generally shorter than stated contractual maturities.

(2) Weighted average coupon represents the weighted average coupons of the securities rather than the coupon rates on the underlying collateral.

(\$ in thousands)

Estimated Weighted Average Life <sup>(1)</sup>	Non-Agency RMBS			Non-Agency IOs			CLOs <sup>(3)</sup>		
	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>	Fair Value	Amortized Cost	Weighted Average Coupon <sup>(2)</sup>
Less than three years	\$ 1,764	\$ 1,749	7.45 %	\$ —	\$ —	— %	\$ —	\$ —	— %
Greater than three years and less than seven years	5,834	5,271	11.39 %	—	—	— %	13,114	13,078	11.99 %
Greater than seven years and less than eleven years	1,217	1,169	6.07 %	11,310	8,700	0.22 %	1,377	1,363	14.06 %
Greater than eleven years	594	—	5.79 %	—	—	— %	—	—	— %
<b>Total</b>	<b>\$ 9,409</b>	<b>\$ 8,189</b>	<b>9.39 %</b>	<b>\$ 11,310</b>	<b>\$ 8,700</b>	<b>0.22 %</b>	<b>\$ 14,491</b>	<b>\$ 14,441</b>	<b>12.16 %</b>

(1) Expected average lives of RMBS are generally shorter than stated contractual maturities.

(2) Weighted average coupon represents the weighted average coupons of the securities rather than the coupon rates on the underlying collateral.

(3) CLOs excludes CLO Equity.

The following tables reflect the components of net interest income (expense) by security type for the years ended December 31, 2024 and 2023:

(\$ in thousands)	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Net Coupon Interest	Net Amortization	Net Interest Income (Expense)	Net Coupon Interest	Net Amortization	Net Interest Income (Expense)
CLOs	\$ 18,670	\$ (3,581)	\$ 15,089	\$ 222	\$ 109	\$ 331
Agency RMBS	29,493	(446)	29,047	38,029	(1,843)	36,186
Non-Agency RMBS	2,242	(596)	1,646	2,883	(569)	2,314
Other securities <sup>(1)</sup>	584	41	625	(339)	(29)	(368)
<b>Total</b>	<b>\$ 50,989</b>	<b>\$ (4,582)</b>	<b>\$ 46,407</b>	<b>\$ 40,795</b>	<b>\$ (2,332)</b>	<b>\$ 38,463</b>

(1) Other securities includes corporate debt and U.S. Treasury securities.

For the years ended December 31, 2024 and 2023, the Catch-up Amortization Adjustment was \$(0.5) million and \$(0.1) million, respectively.

At December 31, 2024, the Company had gross unrealized losses on securities of \$(17.9) million, of which \$(2.0) million relates primarily to adverse changes in estimated future cash flows on CLOs. At December 31, 2023, the Company had gross unrealized losses on securities of \$(25.4) million, of which \$(0.2) million relates primarily to adverse changes in estimated future cash flows on CLOs and Agency IOs.

The Company determined for certain securities that a portion of such securities' cost basis is not collectible; for the years ended December 31, 2024 and 2023, the Company recognized realized losses on such securities of \$(13) thousand and \$(0.5) million, respectively. Such realized losses are reflected in Net realized gains (losses) on securities, on the Consolidated Statement of Operations.

#### 4. Valuation

The following tables present the Company's financial instruments measured at fair value on:

**December 31, 2024:**

*(In thousands)*

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Securities:				
CLOs	\$ —	\$ 67,498	\$ 103,624	\$ 171,122
Corporate debt	—	—	428	428
Corporate equity	—	—	56	56
Agency RMBS:				
30-year fixed-rate mortgages	—	512,307	—	512,307
Interest only securities	—	—	2	2
<b>Total securities, at fair value</b>	<b>—</b>	<b>579,805</b>	<b>104,110</b>	<b>683,915</b>
Financial derivatives—assets, at fair value:				
TBAs	—	592	—	592
Interest rate swaps	—	40,317	—	40,317
Futures	170	—	—	170
Credit default swaps	—	705	—	705
Forwards	—	83	—	83
<b>Total financial derivatives—assets, at fair value</b>	<b>170</b>	<b>41,697</b>	<b>—</b>	<b>41,867</b>
<b>Total securities and financial derivatives—assets, at fair value</b>	<b>170</b>	<b>621,502</b>	<b>104,110</b>	<b>725,782</b>
<b>Liabilities:</b>				
Securities sold short:				
U.S. Treasury securities sold short, at fair value	—	(22,578)	—	(22,578)
Financial derivatives—liabilities, at fair value:				
TBAs	—	(1,363)	—	(1,363)
Interest rate swaps	—	(1,595)	—	(1,595)
Futures	(811)	—	—	(811)
Credit default swaps	—	(1,912)	—	(1,912)
<b>Total financial derivatives—liabilities, at fair value</b>	<b>(811)</b>	<b>(4,870)</b>	<b>—</b>	<b>(5,681)</b>
<b>Total U.S. Treasury securities sold short and financial derivatives—liabilities, at fair value</b>	<b>\$ (811)</b>	<b>\$ (27,448)</b>	<b>\$ —</b>	<b>\$ (28,259)</b>

**December 31, 2023:***(In thousands)*

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Securities:				
Agency RMBS:				
15-year fixed-rate mortgages	\$ —	\$ 27,847	\$ —	\$ 27,847
20-year fixed-rate mortgages	—	7,863	—	7,863
30-year fixed-rate mortgages	—	670,294	—	670,294
Adjustable rate mortgages	—	7,119	—	7,119
Reverse mortgages	—	14,874	—	14,874
Interest only securities	—	4,253	3,162	7,415
Non-Agency RMBS	—	10,443	10,276	20,719
CLOs	—	11,816	5,601	17,417
Total securities, at fair value	—	754,509	19,039	773,548
Financial derivatives—assets, at fair value:				
TBAs	—	654	—	654
Interest rate swaps	—	71,341	—	71,341
Futures	2,284	—	—	2,284
Total financial derivatives—assets, at fair value	2,284	71,995	—	74,279
Total securities and financial derivatives—assets, at fair value	2,284	826,504	19,039	847,827
<b>Liabilities:</b>				
Financial derivatives—liabilities, at fair value:				
TBAs	—	(1,876)	—	(1,876)
Interest rate swaps	—	(4,758)	—	(4,758)
Futures	(63)	—	—	(63)
Credit default swaps	—	(632)	—	(632)
Total financial derivatives—liabilities, at fair value	\$ (63)	\$ (7,266)	\$ —	\$ (7,329)

The tables below include roll-forwards of the Company's financial instruments for the years ended December 31, 2024 and 2023 (including change in fair value), for financial instruments classified by the Company within Level 3 of the valuation hierarchy.

**Year Ended December 31, 2024:**

<i>(In thousands)</i>	<b>CLOs</b>	<b>Corporate Debt</b>	<b>Corporate Equity</b>	<b>Agency RMBS</b>	<b>Non-Agency RMBS</b>
<b>Beginning balance as of December 31, 2023</b>	\$ 5,601	\$ —	\$ —	\$ 3,162	\$ 10,276
Purchases	179,444	400	75	—	—
Proceeds from sales	(42,997)	(5)	—	(3,010)	(10,898)
(Amortization)/accretion, net	(3,045)	—	—	(437)	(428)
Net realized gains (losses)	1,145	3	—	727	3,403
Change in net unrealized gains (losses)	(6,767)	30	(19)	(440)	(2,353)
Transfers:					
Transfers into level 3	14,566	—	—	—	—
Transfers out of level 3	(44,323)	—	—	—	—
<b>Ending balance as of December 31, 2024</b>	<u>\$ 103,624</u>	<u>\$ 428</u>	<u>\$ 56</u>	<u>\$ 2</u>	<u>\$ —</u>

All amounts of net realized and changes in net unrealized gains (losses) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gains (losses) for both Level 3 financial instruments held by the Company at December 31, 2024, as well as Level 3 financial instruments disposed of by the Company during the year ended December 31, 2024. For Level 3 financial instruments held by the Company as of December 31, 2024, change in net unrealized gains (losses) of \$(6.0) million, \$30 thousand, and \$(19) thousand for the year ended December 31, 2024 relate to CLOs, corporate debt, and corporate equity, respectively.

At December 31, 2024, the Company transferred \$44.3 million of assets from Level 3 to Level 2 and \$14.6 million of assets from Level 2 to Level 3. Transfers between hierarchy levels are based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The level designation of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third party pricing sources.

**Year Ended December 31, 2023:**

<i>(In thousands)</i>	<b>Non-Agency RMBS</b>	<b>Agency RMBS</b>	<b>CLOs</b>
<b>Beginning balance as of December 31, 2022</b>	\$ 11,834	\$ 4,085	\$ —
Purchases	4,141	—	5,465
Proceeds from sales	(5,058)	(1,484)	—
Principal repayments	(226)	(382)	—
(Amortization)/accretion, net	(379)	(653)	102
Net realized gains (losses)	(228)	(217)	—
Change in net unrealized gains (losses)	799	276	34
Transfers:			
Transfers into level 3	—	1,848	—
Transfers out of level 3	(607)	(311)	—
<b>Ending balance as of December 31, 2023</b>	<u>\$ 10,276</u>	<u>\$ 3,162</u>	<u>\$ 5,601</u>

All amounts of net realized and changes in net unrealized gains (losses) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gains (losses) for both Level 3 financial instruments held by the Company as of December 31, 2023, as well as Level 3 financial instruments disposed of by the Company during the year ended December 31, 2023. For Level 3 financial instruments held by the Company as of December 31, 2023, change in net unrealized gains (losses) of \$0.4 million, \$0.6 million, and \$34 thousand for the year ended December 31, 2023 relate to non-Agency RMBS, Agency RMBS, and CLOs, respectively.

At December 31, 2023, the Company transferred \$0.9 million of assets from Level 3 to Level 2 and \$1.8 million of assets from Level 2 to Level 3. Transfers between these hierarchy levels are based on the availability of sufficient observable inputs to meet Level 2 versus Level 3 criteria. The level designation of each financial instrument is reassessed at the end of each period, and is based on pricing information received from third party pricing sources.

The following table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 financial instruments as of December 31, 2024:

Description	Fair Value <i>(In thousands)</i>	Valuation Technique	Significant Unobservable Input	Range		Weighted Average <sup>(1)</sup>
				Min	Max	
CLOs	\$ 63,080	Market quotes	Non-Binding Third-Party Valuation	\$7.50	\$99.00	\$63.45
	40,544	Discounted Cash Flows				
	<u>103,624</u>		Yield <sup>(2)</sup>	9.4%	55.4%	17.8%
Agency RMBS–Interest Only Securities	2	Option Adjusted Spread ("OAS")	LIBOR OAS <sup>(3)</sup>	1,007	1,007	1,007
Corporate equity	56	Discounted Cash Flows	Yield	18.5%	22.6%	20.3%
Corporate debt	428	Discounted Cash Flows	Yield	11.1%	50.4%	17.1%

(1) Averages are weighted based on the fair value of the related instrument.

(2) Excludes \$4.3 million of CLOs which have estimated yields greater than 100%. Including such positions our weighted average yield would be 25.1%.

(3) Shown in basis points.

Third-party non-binding valuations are validated by comparing such valuations to internally generated prices based on the Company's models and, when available, to recent trading activity in the same or similar instruments. For those instruments valued using discounted cash flows, such estimates of future cash flows may incorporate projections of interest and principal payments, fee rebates, credit losses, and redemptions. For those assets valued using the LIBOR Option Adjusted Spread, or "OAS," valuation methodology, cash flows are projected using management's models over multiple interest rate scenarios, and these projected cash flows are then discounted using the LIBOR rates (which are calculated by using an assumed spread over projected Secured Overnight Financing Rates, or "SOFR" rates) implied by each interest rate scenario. The LIBOR OAS of an asset is then computed as the unique constant yield spread that, when added to all LIBOR rates in each interest rate scenario generated by the model, will equate (a) the expected present value of the projected asset cash flows over all model scenarios to (b) the actual current market price of the asset. LIBOR OAS is therefore model-dependent. Generally speaking, LIBOR OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.

Material changes in any of the inputs above in isolation could result in a significant change to reported fair value measurements.

The following table summarizes the estimated fair value of all other financial instruments not included in the disclosures above as of December 31, 2024 and 2023:

<i>(In thousands)</i>	December 31, 2024		December 31, 2023	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:				
Cash and cash equivalents	\$ 31,840	\$ 31,840	\$ 38,533	\$ 38,533
Due from brokers	21,517	21,517	3,245	3,245
Reverse repurchase agreements	23,000	23,000	—	—
Liabilities:				
Repurchase agreements	562,974	562,974	729,543	729,543
Due to brokers	30,671	30,671	54,476	54,476

Cash and cash equivalents includes cash held in interest bearing overnight accounts, for which fair value equals the carrying value, and cash held in money market accounts, which are liquid in nature and for which fair value equals the carrying value; such assets are considered Level 1 assets. Due from brokers and Due to brokers include collateral transferred to or received from counterparties, along with receivables and payables for open and/or closed derivative positions. These receivables and payables are short term in nature and any collateral transferred consists primarily of cash; fair value of these items approximates carrying value and such items are considered Level 1 assets and liabilities. The Company's repurchase and reverse repurchase agreements are carried at cost, which approximates fair value due to their short term nature. Repurchase agreements and reverse repurchase agreements are classified as Level 2 assets and liabilities based on the adequacy of the collateral and their short term nature.

## 5. Financial Derivatives

The Company manages certain risks associated with its investments and borrowings, including interest rate, credit, liquidity, and foreign exchange rate risk primarily by managing the amount, sources, and duration of its investments and borrowings, and through the use of derivative financial instruments. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of its known or expected cash receipts and its known or expected cash payments principally related to its investments and borrowings, as well as to mitigate changes in the fair value of its investments that are caused by changes in overall market conditions.

The following table details the fair value of the Company's holdings of financial derivatives as of December 31, 2024 and 2023:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<i>(In thousands)</i>	
<b>Financial derivatives—assets, at fair value:</b>		
TBA securities purchase contracts	\$ —	\$ 654
TBA securities sale contracts	592	—
Fixed payer interest rate swaps	39,125	67,719
Fixed receiver interest rate swaps	1,192	3,622
Futures	170	2,284
Credit default swaps	705	—
Forwards	83	—
<b>Total financial derivatives—assets, at fair value</b>	<u>41,867</u>	<u>74,279</u>
<b>Financial derivatives—liabilities, at fair value:</b>		
TBA securities purchase contracts	(1,363)	(13)
TBA securities sale contracts	—	(1,863)
Fixed payer interest rate swaps	(1,401)	(4,182)
Fixed receiver interest rate swaps	(194)	(576)
Futures	(811)	(63)
Credit default swaps	(1,912)	(632)
<b>Total financial derivatives—liabilities, at fair value</b>	<u>(5,681)</u>	<u>(7,329)</u>
<b>Total, net</b>	<u>\$ 36,186</u>	<u>\$ 66,950</u>

### Interest Rate Swaps

The following tables provide information about the Company's fixed payer interest rate swaps as of December 31, 2024 and 2023.

#### December 31, 2024:

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
<i>(In thousands)</i>					
2026	\$ 39,700	\$ (17)	4.15 %	4.46 %	1.90
2027	38,045	1,296	2.97	4.49	2.70
2028	77,795	2,531	3.34	4.48	3.48
2029	79,000	6,774	2.40	4.49	4.23
2030	47,428	4,300	2.50	4.49	5.42
2031	123,515	17,830	1.81	4.48	6.48
2032	67,510	102	4.04	4.46	7.01
2033	119,310	(990)	3.90	4.49	8.51
2034	39,434	577	3.91	4.46	9.91
2035	10,000	38	4.03	4.46	10.01
2038	17,500	(71)	4.18	4.46	13.72
2040	500	188	0.90	4.33	15.81
2049	3,564	1,354	1.63	4.46	24.83
2050	780	434	0.64	4.46	25.54
2052	10,000	3,307	2.28	4.49	27.30
2054	4,000	71	3.84	4.49	30.00
<b>Total</b>	<b>\$ 678,081</b>	<b>\$ 37,724</b>	<b>3.13 %</b>	<b>4.48 %</b>	<b>6.74</b>

#### December 31, 2023:

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
<i>(In thousands)</i>					
2024	\$ 73,693	\$ 2,161	2.27 %	5.38 %	0.33
2025	100,268	2,960	2.98	5.39	1.72
2027	40,545	1,164	3.01	5.38	3.71
2028	104,647	5,264	2.74	5.39	4.51
2029	65,987	5,528	2.17	5.38	5.25
2030	97,200	7,141	2.50	5.38	6.42
2031	123,515	16,138	1.81	5.38	7.48
2032	104,377	15,932	1.74	5.38	8.13
2033	76,900	(782)	3.69	5.38	9.25
2037	35,000	2,842	2.85	5.38	13.56
2038	39,500	(2,072)	4.01	5.39	14.66
2040	500	165	0.90	5.33	16.82
2041	10,961	3,395	1.33	5.39	17.60
2049	3,564	1,156	1.63	5.39	25.83
2050	780	394	0.64	5.39	26.54
2052	10,000	2,151	2.28	5.38	28.31
<b>Total</b>	<b>\$ 887,437</b>	<b>\$ 63,537</b>	<b>2.54 %</b>	<b>5.38 %</b>	<b>6.68</b>

The following tables provide information about the Company's fixed receiver interest rate swaps as of December 31, 2024 and 2023.

**December 31, 2024:**

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
<i>(In thousands)</i>					
2033	\$ 119,310	\$ 1,192	4.49 %	3.90 %	8.51
2040	500	(194)	4.49	0.84	15.81
<b>Total</b>	<b>\$ 119,810</b>	<b>\$ 998</b>	<b>4.49 %</b>	<b>3.88 %</b>	<b>8.54</b>

**December 31, 2023:**

Maturity	Notional Amount	Fair Value	Weighted Average		Remaining Years to Maturity
			Pay Rate	Receive Rate	
<i>(In thousands)</i>					
2026	\$ 61	\$ —	5.38 %	4.06 %	2.45
2028	10,070	(19)	5.39	3.50	5.00
2029	20,000	19	5.38	3.55	5.01
2030	13,000	(330)	5.38	3.31	6.26
2031	25,700	31	5.38	3.49	7.01
2033	95,829	3,572	5.39	3.96	9.62
2034	23,000	(54)	5.38	3.44	10.01
2040	500	(173)	5.38	0.84	16.82
<b>Total</b>	<b>\$ 188,160</b>	<b>\$ 3,046</b>	<b>5.38 %</b>	<b>3.71 %</b>	<b>8.36</b>

**Futures**

The following tables provide information about the Company's futures as of December 31, 2024 and 2023.

**December 31, 2024:**

Description	Notional Amount	Fair Value	Remaining Months to Expiration
<i>(\$ in thousands)</i>			
<b>Assets:</b>			
<b>Short Contracts:</b>			
U.S. Treasury Futures	\$ (5,400)	\$ 6	3.00
Euro FX Futures	(10,250)	164	2.53
<b>Liabilities:</b>			
<b>Long Contracts:</b>			
U.S. Treasury Futures	134,400	(811)	2.87
<b>Total, net</b>	<b>\$ 118,750</b>	<b>\$ (641)</b>	<b>2.85</b>

December 31, 2023:

Description	Notional Amount	Fair Value	Remaining Months to Expiration
<i>(\$ in thousands)</i>			
<b>Assets:</b>			
<b>Long Contracts:</b>			
U.S. Treasury Futures	\$ 84,600	\$ 2,284	2.69
<b>Liabilities:</b>			
<b>Short Contracts:</b>			
U.S. Treasury Futures	(5,400)	(63)	2.93
<b>Total, net</b>	<b>\$ 79,200</b>	<b>\$ 2,221</b>	<b>2.70</b>

**TBAs**

The Company transacts in the forward settling TBA market. Pursuant to these TBA transactions, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. TBAs are generally liquid, have quoted market prices, and represent the most actively traded class of MBS. The Company uses TBAs to mitigate interest rate risk, usually by taking short positions. The Company also invests in TBAs as a means of acquiring additional exposure to Agency RMBS, or for speculative purposes, including holding long positions.

The Company does not generally take delivery of TBAs; rather, it settles the associated receivable and payable with its trading counterparties on a net basis. Transactions with the same counterparty for the same TBA that result in a reduction of the position are treated as extinguished.

As of December 31, 2024 and 2023, the Company had outstanding contracts to purchase ("long positions") and sell ("short positions") TBA securities as follows:

TBA Securities	December 31, 2024				December 31, 2023			
	Notional Amount <sup>(1)</sup>	Cost Basis <sup>(2)</sup>	Market Value <sup>(3)</sup>	Net Carrying Value <sup>(4)</sup>	Notional Amount <sup>(1)</sup>	Cost Basis <sup>(2)</sup>	Market Value <sup>(3)</sup>	Net Carrying Value <sup>(4)</sup>
<i>(In thousands)</i>								
Purchase contracts:								
Assets	\$ —	\$ —	\$ —	\$ —	\$ 79,722	\$ 78,709	\$ 79,363	\$ 654
Liabilities	61,190	55,214	53,851	(1,363)	27,700	28,398	28,385	(13)
	<u>61,190</u>	<u>55,214</u>	<u>53,851</u>	<u>(1,363)</u>	<u>107,422</u>	<u>107,107</u>	<u>107,748</u>	<u>641</u>
Sale contracts:								
Assets	(69,156)	(69,618)	(69,026)	592	—	—	—	—
Liabilities	—	—	—	—	(78,285)	(69,206)	(71,069)	(1,863)
	<u>(69,156)</u>	<u>(69,618)</u>	<u>(69,026)</u>	<u>592</u>	<u>(78,285)</u>	<u>(69,206)</u>	<u>(71,069)</u>	<u>(1,863)</u>
Total TBA securities, net	<u>\$ (7,966)</u>	<u>\$ (14,404)</u>	<u>\$ (15,175)</u>	<u>\$ (771)</u>	<u>\$ 29,137</u>	<u>\$ 37,901</u>	<u>\$ 36,679</u>	<u>\$ (1,222)</u>

(1) Notional amount represents the principal balance of the underlying Agency RMBS.

(2) Cost basis represents the forward price to be paid (received) for the underlying Agency RMBS.

(3) Market value represents the current market value of the underlying Agency RMBS (on a forward delivery basis) as of period end.

(4) Net carrying value represents the difference between the market value of the TBA contract as of period end and the cost basis and is reported in Financial derivatives-assets at fair value and Financial derivatives-liabilities at fair value on the Consolidated Balance Sheet.

## Credit Default Swaps

The following table provides information about the Company's credit default swaps as of December 31, 2024 and 2023:

Type <sup>(1)</sup>	As of					
	December 31, 2024			December 31, 2023		
	Notional	Fair Value	Weighted Average Remaining Term (Years)	Notional	Fair Value	Weighted Average Remaining Term (Years)
<i>(\$ in thousands)</i>						
<b>Asset:</b>						
<b>Long:</b>						
Credit default swaps on corporate bond indices	\$ 23,825	\$ 705	4.47	\$ —	\$ —	—
<b>Liability:</b>						
<b>Short:</b>						
Credit default swaps on corporate bond indices	(52,886)	(1,912)	4.75	(25,943)	(632)	4.98
	<u>\$ (29,061)</u>	<u>\$ (1,207)</u>	<u>4.66</u>	<u>\$ (25,943)</u>	<u>\$ (632)</u>	<u>4.98</u>

(1) Long notional represents contracts where the Company has written protection and short notional represents contracts where the Company has purchased protection.

From time to time the Company enters into credit derivative contracts for which the Company sells credit protection ("written credit derivatives"). As of December 31, 2024, all of the Company's open written credit derivatives were credit default swaps on corporate bond indices, for which the Company receives periodic payments at fixed rates from credit protection buyers, and is obligated to make payments to the credit protection buyer upon the occurrence of a "credit event" with respect to underlying reference assets. As of December 31, 2024, the Company held written credit derivatives with a notional value of \$23.8 million and a fair value of \$0.7 million. Implied credit spreads may be used to determine the market value of such contracts and are reflective of the cost of buying/selling credit protection. Higher spreads would indicate a greater likelihood that a seller will be obligated to perform (*i.e.*, make protection payments) under the contract. In situations where the credit quality of the underlying reference assets has deteriorated, the percentage of notional values that would be paid up front to enter into a new such contract ("points up front") is frequently used as an indication of credit risk. Credit protection sellers entering the market in such situations would expect to be paid points up front corresponding to the approximate fair value of the contract. As of December 31, 2024, the implied credit spread on the Company's outstanding written credit derivative ranged between 45 and 289 basis points. Total net up-front payments (paid) or received relating to written credit derivatives outstanding as of December 31, 2024 was \$0.7 million.

The table below details the average notional values of the Company's financial derivatives, using absolute value of month end notional values, for the years ended December 31, 2024 and 2023:

Derivative Type	Year Ended December 31, 2024	Year Ended December 31, 2023
<i>(In thousands)</i>		
Interest rate swaps	\$ 972,807	\$ 861,689
TBA's	286,658	289,786
Futures	96,410	67,592
Credit default swaps	39,320	14,989
Forwards	1,803	—
Warrants	1	—

Gains and losses on the Company's financial derivatives for the years ended December 31, 2024 and 2023 are summarized in the tables below:

Year Ended December 31, 2024						
Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
<i>(In thousands)</i>						
Interest rate swaps	\$ 27,118	\$ 15,387	\$ 42,505	\$ (8,013)	\$ (8,321)	\$ (16,334)
TBA's		(2,263)	(2,263)		451	451
Futures		(1,318)	(1,318)		(2,862)	(2,862)
Credit default swaps		(773)	(773)		83	83
Forwards		336	336		\$ 83	\$ 83
Total	<u>\$ 27,118</u>	<u>\$ 11,369</u>	<u>\$ 38,487</u>	<u>\$ (8,013)</u>	<u>\$ (10,566)</u>	<u>\$ (18,579)</u>
Year Ended December 31, 2023						
Derivative Type	Net Realized Gains (Losses) on Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives Other Than Periodic Settlements of Interest Rate Swaps	Net Realized Gains (Losses) on Financial Derivatives	Change in Net Unrealized Gains (Losses) on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives Other Than on Accrued Periodic Settlements of Interest Rate Swaps	Change in Net Unrealized Gains (Losses) on Financial Derivatives
<i>(In thousands)</i>						
Interest rate swaps	\$ 7,388	\$ 12,176	\$ 19,564	\$ 13,690	\$ (30,612)	\$ (16,922)
TBA's		12,385	12,385		(4,126)	(4,126)
Futures		(3,149)	(3,149)		2,303	2,303
Credit default swaps		(238)	(238)		(187)	(187)
Total	<u>\$ 7,388</u>	<u>\$ 21,174</u>	<u>\$ 28,562</u>	<u>\$ 13,690</u>	<u>\$ (32,622)</u>	<u>\$ (18,932)</u>

## 6. Borrowings under Repurchase Agreements

The Company enters into repurchase agreements. A repurchase agreement involves the sale of an asset to a counterparty together with a simultaneous agreement to repurchase the transferred asset or similar asset from such counterparty at a future date. The Company accounts for its repurchase agreements as collateralized borrowings, with the transferred assets effectively serving as collateral for the related borrowing. The Company's repurchase agreements typically range in term from 30 to 364 days. The principal economic terms of each repurchase agreement—such as loan amount, interest rate, and maturity date—are typically negotiated on a transaction-by-transaction basis. Other terms and conditions, such as relating to events of default, are typically governed under the Company's master repurchase agreements. Absent an event of default, the Company maintains beneficial ownership of the transferred securities during the term of the repurchase agreement and receives the related principal and interest payments. Interest rates on these borrowings are generally fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is paid at the termination of the repurchase agreement at which time the Company may enter into a new repurchase agreement at prevailing market rates with the same counterparty, repay that counterparty and possibly negotiate financing terms with a different counterparty, or choose to no longer finance the related asset. In response to a decline in the fair value of the transferred securities, whether as a result of changes in market conditions, security paydowns, or other factors, repurchase agreement counterparties will typically make a margin call, whereby the Company will be required to post additional securities and/or cash as collateral with the counterparty in order to re-establish the agreed-upon collateralization requirements. In the event of increases in fair value of the transferred securities, the Company generally can require the counterparty to post collateral with it in the form of cash or securities. The Company is generally permitted to sell or re-pledge any securities posted by the counterparty as collateral; however, upon termination of the repurchase agreement, or other circumstance in which the counterparty is no longer required to post such margin, the Company must return to the counterparty the same security that had been posted. The contractual amount (loan amount) of the Company's repurchase agreements approximates fair value, based on the short-term nature of the debt and the adequacy of the collateral.

At any given time, the Company seeks to have its outstanding borrowings under repurchase agreements with several different counterparties in order to reduce the exposure to any single counterparty. As of December 31, 2024 and 2023, the Company had outstanding borrowings under repurchase agreements with 14 and 19 counterparties, respectively.

The following table details the Company's outstanding borrowings under repurchase agreements as of December 31, 2024 and 2023:

Remaining Days to Maturity	December 31, 2024			December 31, 2023		
	Borrowings Outstanding	Weighted Average		Borrowings Outstanding	Weighted Average	
		Interest Rate	Remaining Days to Maturity		Interest Rate	Remaining Days to Maturity
Agency RMBS:	<i>(In thousands)</i>			<i>(In thousands)</i>		
30 days or less	\$ 499,701	4.71 %	15	\$ 676,074	5.54 %	17
31-60 days	—	—	—	1,256	6.23	44
61-90 days	—	—	—	2,933	6.23	67
Total Agency RMBS	499,701	4.71	15	680,263	5.55	17
Non-Agency RMBS and CLOs:						
30 days or less	38,913	5.70	17	6,782	6.89	15
31-60 days	24,360	5.57	43	4,875	6.80	46
61-90 days	—	—	—	6,801	6.58	67
Total Non-Agency RMBS and CLOs	63,273	5.65	27	18,458	6.75	42
U.S. Treasury Securities						
30 days or less	—	—	—	30,822	5.53	2
Total U.S. Treasury Securities	—	—	—	30,822	5.53	2
Total	\$ 562,974	4.81 %	16	\$ 729,543	5.58 %	17

Repurchase agreements involving underlying investments that the Company sold prior to period end, for settlement following period end, are shown using their contractual maturity dates even though such repurchase agreements may be expected to be terminated early upon settlement of the sale of the underlying investment.

As of December 31, 2024 and 2023, the fair value of securities transferred as collateral under outstanding borrowings under repurchase agreements was \$611.3 million and \$791.5 million, respectively. Collateral transferred under outstanding borrowings under repurchase agreements as of December 31, 2024 and 2023, includes investments in the amount of \$10.5 million and \$51.0 million, respectively, that were sold prior to period end but for which such sale had not yet settled. In addition as of December 31, 2024 and 2023, the Company posted to/(received from) repurchase agreement counterparties net cash collateral of \$4.2 million and \$(11.2) million, respectively, as a result of margin calls with various repurchase agreement counterparties. Additionally, as of December 31, 2024 and 2023, repurchase agreement counterparties posted/(received) RMBS of \$(3.1) million and \$0.8 million, respectively, to/(from) the Company as a result of margin calls.

Amount at risk represents the excess, if any, for each counterparty of the fair value of collateral held by such counterparty over the amounts outstanding under repurchase agreements. There was no counterparty for which the amount at risk was greater than 10% of shareholders' equity as of either December 31, 2024 or 2023.

## 7. Offsetting of Assets and Liabilities

The Company records certain financial instruments at fair value as described in Note 2. In connection with its financial derivatives, repurchase agreements, and related trading agreements, the Company and its counterparties are required to pledge collateral. Cash or other collateral is exchanged as required with each of the Company's counterparties in connection with open derivative positions and repurchase agreements.

The following tables present information about certain assets and liabilities representing financial instruments as of December 31, 2024 and 2023. The Company has not previously entered into master netting agreements with any of its counterparties. Certain of the Company's repurchase and reverse repurchase agreements and financial derivative transactions are governed by underlying agreements that generally provide a right of net settlement, as well as a right of offset in the event of default or in the event of a bankruptcy of either party to the transaction.

### December 31, 2024:

Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet <sup>(1)</sup>	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral <sup>(2)(3)</sup>	Cash Collateral (Received) Pledged <sup>(2)(3)</sup>	Net Amount
<i>(In thousands)</i>					
<b>Assets:</b>					
Financial derivatives—assets	\$ 41,867	\$ (2,561)	\$ —	\$ (29,768)	\$ 9,538
Reverse repurchase agreements	23,000	—	(23,000)	—	—
<b>Liabilities:</b>					
Financial derivatives—liabilities	(5,681)	2,561	—	1,826	(1,294)
Repurchase agreements	(562,974)	—	558,792	4,182	—

- (1) In the Company's Consolidated Balance Sheet, all balances associated with repurchase and reverse repurchase agreements and financial derivatives are presented on a gross basis.
- (2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative assets and liabilities. As of December 31, 2024, the fair value of financial instruments transferred or pledged as collateral on the Company's repurchase agreements, net of the fair value of any financial instruments received by the Company as the result of margin calls, were \$614.5 million. As of December 31, 2024, total cash collateral (received) pledged on financial derivative assets and financial derivative liabilities excludes \$31 thousand and \$2.6 million, respectively, of net excess cash collateral.
- (3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above table, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

### December 31, 2023:

Description	Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheet <sup>(1)</sup>	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral <sup>(2)(3)</sup>	Cash Collateral (Received) Pledged <sup>(2)(3)</sup>	Net Amount
<i>(In thousands)</i>					
<b>Assets:</b>					
Financial derivatives—assets	\$ 74,279	\$ (6,851)	\$ —	\$ (42,344)	\$ 25,084
<b>Liabilities:</b>					
Financial derivatives—liabilities	(7,329)	6,851	—	374	(104)
Repurchase agreements	(729,543)	—	740,748	(11,205)	—

- (1) In the Company's Consolidated Balance Sheet, all balances associated with repurchase and reverse repurchase agreements and financial derivatives are presented on a gross basis.
- (2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's repurchase agreements and cash collateral pledged on the Company's financial derivative assets and liabilities. As of December 31, 2023, the fair value of financial instruments transferred or pledged as collateral on the Company's repurchase agreements, net of the fair value of any financial instruments received by the Company as a result of margin calls, were \$790.6 million. As of December 31, 2023, total cash collateral (received) pledged on financial derivative assets and financial derivative liabilities excludes \$1.4 million and \$0.1 million, respectively, of net excess cash collateral.
- (3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a particular asset or liability. As a result, in preparing the above table, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

## 8. Earnings Per Share

Basic earnings per share, or "EPS," is calculated by dividing net income (loss) for the period by the weighted average of the Company's common shares outstanding for the period. Diluted EPS takes into account the effect of outstanding dilutive instruments, such as share options and warrants, if any, and uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding. As of December 31, 2024 and 2023, the Company did not have any dilutive instruments outstanding.

The following table presents a reconciliation of the earnings/(losses) and shares used in calculating basic EPS for the years ended December 31, 2024 and 2023:

	Year Ended	
	December 31, 2024	December 31, 2023
<i>(In thousands except for share amounts)</i>		
<b>Numerator:</b>		
Net income (loss)	\$ 6,586	\$ 4,559
<b>Denominator:</b>		
Basic and diluted weighted average common shares outstanding	23,576,696	14,875,314
<b>Basic and diluted earnings per share</b>	<b>\$ 0.28</b>	<b>\$ 0.31</b>

## 9. Related Party Transactions

### Management Agreement

The Company was party to the Fifth Amended and Restated Management Agreement, (the "Previous Management Agreement"). On June 25, 2024, the Company Board of Trustees unanimously approved the Sixth Amended and Restated Management Agreement, (the "New Management Agreement") which replaced the Previous Management Agreement. The New Management Agreement became effective beginning July 1, 2024. The Company is externally managed and advised by the Manager. Pursuant to the terms of the Previous Management Agreement and the New Management Agreement (collectively the "Management Agreement"), the Manager provides the Company with its management team, including its officers, and appropriate support personnel. The Company does not have any employees. The Manager is responsible for the day-to-day operations of the Company.

For periods prior to July 1, 2024, under the terms of the Previous Management Agreement, the Manager received an annual management fee in an amount equal to 1.50% per annum of shareholders' equity (as defined in the Previous Management Agreement) as of the end of each fiscal quarter (before deductions for any management fee with respect to such fiscal period). The management fee was payable quarterly in arrears.

Under the terms of the New Management Agreement, for periods beginning after June 30, 2024, the Manager receives an annual management fee in an amount equal to 1.50% per annum of the Company's Net Asset Value, calculated as the Company's total assets minus its total liabilities (the "Base Management Fee"). The Base Management Fee is payable quarterly in arrears.

For the years ended December 31, 2024 and 2023, the total management fee incurred was \$2.5 million and \$1.8 million, respectively.

In addition to the Base Management Fee, pursuant to the New Management Agreement, the Company will pay the Manager a performance fee (the "Performance Fee"). The Performance Fee is calculated and payable quarterly in arrears based upon the Company's Pre-Performance Fee Net Investment Income, with respect to each fiscal quarter. Pre-Performance Fee Net Investment Income for any fiscal quarter means, interest income (including accretions of discounts, amortization of premiums, and payment-in-kind income), dividend income, and any other income (including any fee income) earned or accrued by the Company during such fiscal quarter, minus the Company's operating expenses for such quarter (which, for this purpose, will not include any litigation-related expenses, any extraordinary expenses, or Performance Fee). Pre-Performance Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. For purposes of computing Pre-Performance Fee Net Investment Income, the calculation methodology will look through total return swaps as if the Company owned the referenced assets directly. As a result, Pre-Performance Fee Net Investment Income includes net interest (whether positive or negative) associated with a total return swap, which is the difference between (a) the interest income and transaction fees related to the reference assets and (b) all interest and other expenses paid by the Company to the total return swap counterparty. In the case of an interest rate swap, Pre-Performance Fee Net Investment Income includes the net payments and net accruals of periodic payments. The Performance Fee is subject to a hurdle rate of 2.00% per quarter, or 8.00% per annum (the "Hurdle Rate"), and is subject to a "catch-up" feature. Specifically:

- If the Company's Pre-Performance Fee Net Investment Income for a fiscal quarter does not exceed the result obtained by multiplying the Net Asset Value attributable to common equity at the end of the immediately preceding fiscal quarter by the Hurdle Rate (the "Hurdle Amount") for such quarter, then no Performance Fee is payable to the Manager with respect to such quarter;
- If the Company's Pre-Performance Fee Net Investment Income for a fiscal quarter exceeds the Hurdle Amount for such quarter but is less than or equal to 121.21% of the Hurdle Amount, then 100% of the portion of the Company's Pre-Performance Fee Net Investment Income that exceeds the Hurdle Amount (the "Catch-Up") is payable to the Manager as the Performance Fee with respect to such quarter. Therefore, once the Company's Pre-Performance Fee Net Investment Income for such quarter exactly reaches 121.21% of the Hurdle Amount, the Manager will have accrued a Performance Fee with respect to such quarter that is exactly equal to 17.5% of the Pre-Performance Fee Net Investment Income (because 21.21% of the Hurdle Amount (which is the Pre-Performance Fee Net Investment Income captured by the Manager during the Catch-Up phase) is equal to 17.5% of 121.21% of the Hurdle Amount (which is the entire Pre-Performance Fee Net Investment Income at the end of the Catch-Up phase)); and
- If the Company's Pre-Performance Fee Net Investment Income for a fiscal quarter exceeds 121.21% of the Hurdle Amount for such quarter, then 17.5% of the Company's Pre-Performance Fee Net Investment Income is payable to the Manager as the Performance Fee with respect to such quarter.

With respect to the Performance Fee, there will be no accumulation of the Hurdle Amount from quarter to quarter, no claw back of amounts previously paid if the Pre-Performance Fee Net Investment Income in any subsequent quarter is below the Hurdle Amount for such subsequent quarter, and no delay or adjustment of payment if the Pre-Performance Fee Net Investment Income in any prior quarter was below the Hurdle Amount for such prior quarter.

The Manager has agreed to waive all of the Performance Fees payable under the New Management Agreement for all periods through December 31, 2024. For the year ended December 31, 2024, the Company incurred a performance fee of \$2.4 million which was fully waived by the Manager.

The New Management Agreement has an initial term expiring on June 25, 2025, unless terminated earlier in accordance with its terms. Thereafter, the New Management Agreement will continue to renew automatically each year for an additional one-year period, unless the Company or the Manager exercise its respective termination rights.

### ***Expense Reimbursement***

Under the terms of the Management Agreement, the Company is required to reimburse the Manager for operating expenses related to the Company that are incurred by the Manager, including expenses relating to legal, accounting, due diligence, other services, and all other costs and expenses. The Company's reimbursement obligation is not subject to any dollar limitation. Expenses will be reimbursed in cash within 60 days following delivery of the expense statement by the Manager; provided, however, that such reimbursement may be offset by the Manager against amounts due to the Company from the Manager. The Company will not reimburse the Manager for the salaries and other compensation of the Manager's personnel except that the Company will be responsible for expenses incurred by the Manager in employing certain dedicated or partially dedicated personnel as further described below.

The Company reimburses the Manager for the allocable share of the compensation, including, without limitation, wages, salaries, and employee benefits paid or reimbursed, as approved by the Compensation Committee of the Board of Trustees, to certain dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, such personnel will devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

For the years ended December 31, 2024 and 2023, the Company reimbursed the Manager \$4.7 million and \$2.7 million, respectively, for previously incurred operating and compensation expenses. As of December 31, 2024 and 2023, the outstanding payable to the Manager for operating and compensation expenses was \$0.3 million and \$0.4 million, respectively, and is included in Accrued expenses on the Consolidated Balance Sheet.

### ***Termination Fee***

The Management Agreement requires the Company to pay a termination fee to the Manager in the event of (1) the Company's termination or non-renewal of the Management Agreement without cause or (2) the Manager's termination of the Management Agreement upon a default by the Company in the performance of any material term of the Management Agreement. Such termination fee will be equal to 5% of Shareholders' Equity, as defined in the Management Agreement as of

the month-end preceding the date of the notice of termination or non-renewal of the Management Agreement. The Company will not be required to pay any termination fee as a result of the CLO Strategic Transformation or the Conversion.

### **Services Agreement**

The Manager and EMG are parties to a services agreement, pursuant to which EMG is required to provide the Manager sufficient personnel, services, and resources to enable the Manager to carry out its obligations and responsibilities under the Management Agreement. The Company is a named third-party beneficiary to the services agreement and, as a result, has, as a non-exclusive remedy, a direct right of action against EMG in the event of any breach by the Manager of any of its duties, obligations, or agreements under the Management Agreement that arise out of or result from any breach by EMG of its obligations under the services agreement. The services agreement will terminate upon the termination of the Management Agreement. Pursuant to the services agreement, the Manager makes certain payments to EMG in connection with the services provided. The Manager and EMG have overlapping ownership and are under common control.

### **Transactions with Affiliates**

The Company may from time to time enter into a purchase or sales transaction of investments with an affiliate of EMG. Pursuant to the terms of the Management Agreement, EMG may enter into such transactions where it acts both on the behalf of the Company and on behalf of the other party to the transaction. Unless approved in advance by a majority of our independent trustees or pursuant to and in accordance with a policy that has been approved by a majority of our independent trustees, all such affiliated transactions must be effected at the then-prevailing market prices. Pursuant to our Manager's current policies and procedures, assets for which there are no readily observable market prices may be purchased or sold in cross transactions (i) at prices based upon third-party bids received through auction, (ii) at the average of the highest bid and lowest offer quoted by third-party dealers, or (iii) according to another pricing methodology approved by our Manager's Chief Compliance Officer.

During the year ended December 31, 2024, the Company entered into transactions with an affiliated entity whereby the Company purchased securities with a principal balance of \$10.2 million at a cost of \$5.3 million. The price of each affiliated transaction was determined using the Manager's current policies and procedures utilizing an average of several bid prices received through auction. As of December 31, 2024 the fair value of such securities purchased from affiliates of EMG had a principal balance and fair value of \$9.8 million and \$4.0 million, respectively. During the year ended December 31, 2024, the Company recognized net income on such securities of \$0.2 million.

## **10. Capital**

### *Preferred Shares*

The Company has authorized 100,000,000 preferred shares, \$0.01 par value per share. The Board of Trustees may authorize the issuance of additional shares.

On December 9, 2024, the Company issued 1,000 Series A Preferred Shares, par value \$0.01 per share, or the "Preferred Shares," with each Preferred Share having 25 thousand votes. Any votes cast by the holder of the Preferred Shares are required to "mirror" the actual votes cast by the common shareholders.

The Preferred Shares were sold to the Manager for an aggregate purchase price of \$1 thousand. The Preferred Shares must vote together with the Company's outstanding common shares as a single class; they only have the right to vote on proposals related to the CLO Strategic Transformation; they are not entitled to receive dividends of any kind; and they must be automatically redeemed, at par, upon the earliest of: (i) if such redemption is authorized and directed by the Board in its sole discretion, automatically and effective on such time and date specified by the Board in its sole discretion, (ii) automatically upon the approval of the Conversion Proposals by the Company's shareholders at any meeting of shareholders, or (iii) immediately prior to the record date of the 2025 Annual Meeting.

As of December 31, 2024, there were 1,000 preferred shares outstanding. The Company did not have any preferred shares outstanding as of December 31, 2023. Subsequent to year end, the Company fully redeemed the Preferred Shares; see Note 13 for additional details.

### *Common Shares*

The Company has authorized 500,000,000 common shares, \$0.01 par value per share. The Board of Trustees may authorize the issuance of additional shares. As of December 31, 2024 and 2023, there were 29,651,553 and 18,601,464 common shares outstanding, respectively.

Detailed below is a roll forward of the Company's common shares outstanding for the years ended December 31, 2024 and 2023:

	<b>Year Ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Common Shares Outstanding (12/31/2023 and 12/31/2022, respectively)	18,601,464	13,377,840
Share Activity:		
Common shares issued	10,964,023	5,183,037
Restricted common shares issued	90,229	47,393
Forfeiture of common shares to satisfy tax withholding obligations	(4,163)	(6,806)
Common Shares Outstanding (12/31/2024 and 12/31/2023, respectively)	<u>29,651,553</u>	<u>18,601,464</u>
Unvested restricted shares outstanding (12/31/2024 and 12/31/2023, respectively)	62,729	53,448

The below table provides details on the Company's restricted shares granted pursuant to share award agreements which are unvested at December 31, 2024:

<b>Grant Recipient</b>	<b>Number of Restricted Shares Granted</b>	<b>Grant Date</b>	<b>Vesting Date<sup>(1)</sup></b>
Independent trustees:			
	23,152	September 11, 2024	January 18, 2025
Partially dedicated employees:			
	7,236	December 14, 2023	December 14, 2025
	17,350	December 20, 2024	December 12, 2025
	14,991	December 20, 2024	December 12, 2026

(1) Date at which such restricted shares will vest and become non-forfeitable.

On May 16, 2023, the Company's 2023 Equity Incentive Plan became effective and replaced the Company's 2013 Equity Incentive Plan. Awards previously granted under the 2013 Equity Incentive Plan remain outstanding and valid in accordance with their terms, but no new awards will be granted under the 2013 Equity Incentive Plan. As of December 31, 2024, there were 1,554,701 shares available for future issuance under the Company's 2023 Equity Incentive Plan.

On June 13, 2018, the Company's Board of Trustees approved the adoption of a share repurchase program under which the Company is authorized to repurchase up to 1.2 million common shares. The program, which is open-ended in duration, allows the Company to make repurchases from time to time on the open market or in negotiated transactions, including through Rule 10b5-1 plans. Repurchases are at the Company's discretion, subject to applicable law, share availability, price and its financial performance, among other considerations. From inception of the current share repurchase program adopted on June 13, 2018 through December 31, 2024, the Company repurchased 474,192 of its common shares at an aggregate cost of \$4.4 million, and an average price per share of \$9.21. The Company did not repurchase any shares during either of the years ended December 31, 2024 and 2023.

On November 14, 2023, the Company implemented an "at the market" offering program, or the "2023 ATM program," by entering into equity distribution agreements with third party sales agents under which it was authorized to offer and sell up to \$100.0 million of common shares from time to time. During the year ended December 31, 2024, the Company issued 10,964,023 common shares, which provided \$73.6 million of net proceeds after \$1.1 million of commissions and offering costs. As of December 31, 2024, the Company's remaining authorization under the 2023 ATM program was \$11.2 million.

### **Distribution Policy**

The timing and frequency of distributions will be determined by the Board of Trustees based upon a variety of factors deemed relevant by the Company's trustees, including restrictions under applicable law and capital requirements of the Company. Distributions to shareholders generally will be taxable as ordinary income, although a portion of such distributions may be designated as long-term capital gain or qualified dividend income, or may constitute a return of capital. The Company will furnish annually to each shareholder a statement setting forth distributions paid or deemed paid during the preceding year and their U.S. federal income tax treatment.

### **11. Income Taxes**

The Company revoked its prior REIT election, effective for the tax year beginning January 1, 2024, and operates as a taxable C-Corp, subject to applicable U.S. federal, state, and local income tax.

Cash dividends declared by the Company that do not exceed its current or accumulated earnings and profits are considered ordinary income to shareholders for income tax purposes. Distributions in excess of the Company's current and accumulated earnings and profits are characterized as return of capital or are treated by shareholders as capital gains.

The following table details the tax characteristics of the Company's dividends declared on its common stock for the years ended December 31, 2024 and 2023.

<b>Tax Characteristic</b>	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Ordinary income	24.1 %	38.0 %
Return of capital	75.9 %	62.0 %
	<u>100.0 %</u>	<u>100.0 %</u>

Certain foreign and domestic subsidiaries of the Company are taxed as corporations for U.S. federal, state, and local income tax purposes. To the extent that those entities incur, or are expected to incur, U.S. federal, state, or local income taxes, or foreign income taxes, such tax expense is recognized by the Company.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*, or "ASC 740." Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities under U.S. GAAP and the carrying amounts used for income tax purposes. For the year ended December 31, 2024, the Company recorded an income tax expense (benefit) of \$0.5 million. No such expense was recorded for the year ended December 31, 2023, during which time the Company was operating as a REIT and generally not subject to income tax.

The Company evaluates its deferred tax assets for recoverability using an approach which considers the relative impact of negative and positive evidence, including historical profitability and projections of future taxable income. As of December 31, 2024, the Company anticipates utilizing deferred tax assets of approximately \$1.2 million, to offset a portion of its taxable income for its 2024 fiscal year; the Company has recorded a valuation allowance of \$11.1 million to fully reserve against the remaining deferred tax assets.

The following table summarizes the Company's (benefit) provision for income tax for the year ended December 31, 2024. The Company did not record any provision for income tax for the year ended December 31, 2023.

<i>(In thousands)</i>	<b>December 31, 2024</b>	
Current provision for income tax		
Federal	\$	238
State		272
Total current provision for income tax, net		510
Deferred (benefit) provision for income tax		
Federal		—
State		—
Total deferred (benefit) provision for income tax, net		—
Total (benefit) provision for income tax	\$	510

The following table details the components of the Company's net deferred tax asset (liability) as of December 31, 2024

<i>(In thousands)</i>	<b>December 31, 2024</b>
<b>Deferred tax asset</b>	
Net operating loss available for carry-back and carry-forward <sup>(1)</sup>	\$ 11,147
Net capital loss carry-forward	—
Basis difference for investments	—
Valuation allowance	(11,147)
<b>Deferred tax asset</b>	<b>—</b>
<b>Deferred tax liability</b>	
Basis difference for investments	—
Valuation allowance	—
<b>Deferred tax liability</b>	<b>—</b>
<b>Net deferred tax asset (liability), net of valuation allowance</b>	<b>\$ —</b>

(1) Includes state net operating losses available for carry-back and carry-forward as of December 31, 2024 of \$2.8 million. These deferred tax assets were fully offset by a valuation allowance.

The Company had a pre-tax U.S. federal net operating loss carryforward ("NOL Carryforward") of approximately \$39.8 million as of December 31, 2024; such NOL Carryforward has an unlimited carryforward period. As a result of the change from a REIT to a taxable C-Corp, as of January 1, 2024, the Company established a deferred tax asset related to its NOL Carryforward, which it can utilize to offset a majority of its U.S. federal taxable income and a portion of its state and local taxable income, as detailed below.

The following table details the reconciliation between the Company's U.S. federal and state statutory income tax rate and the effective tax rate for the year ended December 31, 2024.

	<b>Year Ended December 31, 2024</b>
Federal statutory rate	21.00 %
State statutory rate, net of federal benefit	6.34 %
Change in valuation allowance	(20.15)%
<b>Effective tax rate</b>	<b>7.19 %</b>

Based on its analysis of any potential uncertain income tax positions, the Company concluded that it did not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of December 31, 2024 or 2023. Tax authorities in the relevant jurisdictions may select the Company's tax returns for audit and propose adjustments before the expiration of the statute of limitations. Tax returns filed for the Company's open tax years or any ongoing audits remain open to adjustment in the major tax jurisdictions.

## **12. Commitments and Contingencies**

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. The Company provides current trustees and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Company.

In the normal course of business the Company may also enter into contracts that contain a variety of representations, warranties, and general indemnifications. The Company's maximum exposure under these arrangements, including future claims that may be made against the Company that have not yet occurred, is unknown. The Company has not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. The Company has no liabilities recorded for these agreements as of December 31, 2024 and 2023 and management is not aware of any significant contingencies at December 31, 2024.

### **13. Subsequent Events**

#### *Special Meeting and Conversion*

On January 17, 2025, the Company held the Special Meeting during which it obtained shareholder approval of certain matters related to the Conversion; the Company intends to convert to a RIC on April 1, 2025.

In accordance with the terms of the Subscription and Investment Representation Agreement entered into by the Company and the Manager, the Series A Preferred Shares were fully redeemed at par immediately after the conclusion of the Special Meeting.

#### *Dividends*

On January 8, 2025, the Board of Trustees approved a monthly dividend in the amount of \$0.08 per share paid on February 25, 2025 to shareholders of record as of January 31, 2025.

On February 10, 2025, the Board of Trustees approved a monthly dividend in the amount of \$0.08 per share paid on March 25, 2025 to shareholders of record as of February 28, 2025.

On March 7, 2025, the Board of Trustees approved a monthly dividend in the amount of \$0.08 per share payable on April 25, 2025 to shareholders of record as of March 31, 2025.

#### *Issuance of Common Shares*

From January 1, 2025 through March 28, 2025, the Company has issued 8,075,118 common shares, which provided \$52.2 million of net proceeds after \$0.5 million of commissions and offering costs.

#### *Repurchase of Common Shares*

From January 1, 2025 through March 28, 2025, the Company has repurchased 167,476 common shares at an aggregate cost of \$1.0 million and an average price per share of \$5.84.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

### **Item 9A. Controls and Procedures**

#### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2024.

#### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and trustees; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, our management concluded that our internal control over financial reporting was effective as of December 31, 2024.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2025 annual shareholders' meeting.

Our Board of Trustees has established a Code of Business Conduct and Ethics that applies to our officers and trustees and to our Manager's and certain of its affiliates' officers, directors, and employees when such individuals are acting for us or on our behalf which is available on our website at [www.ellingtocredit.com](http://www.ellingtocredit.com). Any waiver of our Code of Business Conduct and Ethics of our executive officers or trustees may be made only by our Board of Trustees or one of its committees.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of our Code of Business Conduct and Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K by posting such information on our website at [www.ellingtoncredit.com](http://www.ellingtoncredit.com) under the, "For Investors—Corporate Governance" section of the website.

### **Item 11. Executive Compensation**

The information required by Item 11 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2025 annual shareholders' meeting.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters**

The information required by Item 12 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2025 annual shareholders' meeting.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2025 annual shareholders' meeting.

### **Item 14. Principal Accountant Fees and Services**

The information required by Item 14 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2025 annual shareholders' meeting.

## Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. Financial Statements.

See Index to consolidated financial statements, included in Part II, Item 8, of this Annual Report on Form 10-K.

2. Schedules to Financial Statements:

All financial statement schedules not included have been omitted because they are either inapplicable or the information required is provided in our Financial Statements and Notes thereto, included in Part II, Item 8, of this Annual Report on Form 10-K.

3. Exhibits

<b>Exhibit</b>	<b>Description</b>
3.1	Articles of Amendment and Restatement of Ellington Residential Mortgage REIT filed on May 3, 2013 (incorporated by reference to Exhibit 3.1 of the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2013).
3.2	Articles of Amendment (incorporated by reference to Exhibit 3.1 of the Company's current report on Form 8-K filed on April 19, 2024).
3.3	Articles Supplementary (incorporated by reference to Exhibit 3.1 of the Company's current report on Form 8-K filed on April 23, 2024).
3.4	Articles Supplementary of Series A Preferred Shares, dated December 9, 2024 (incorporated by reference to Exhibit 3.1 of the Company's current report on Form 8-K filed on December 9, 2024).
3.5	Third Amended and Restated Bylaws of Ellington Credit Company (incorporated by reference to Exhibit 3.2 of the Company's current report on Form 8-K filed on April 19, 2024).
4.1	Specimen Common Share Certificate of Ellington Residential Mortgage REIT (incorporated by reference to Exhibit 4.1 of the registration statement on Form S-11 (No. 333-187662), filed on April 23, 2013).
4.2	Description of Securities (incorporated by reference to Exhibit 4.2 of the Company's annual report on Form 10-K filed on March 12, 2020).
4.3	Rights Agreement, dated as of April 23, 2024, by and between Ellington Credit Company and Equiniti Trust Company, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of the Company's current report on Form 8-K filed on April 23, 2024).
10.1+	Fifth Amended and Restated Management Agreement between Ellington Residential Mortgage REIT and Ellington Residential Mortgage Management LLC, dated as of March 13, 2018 (incorporated by reference to Exhibit 10.1 of the Company's annual report on Form 10-K (File No. 001-35986), filed on March 14, 2018).
10.2+	2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the registration statement on Form S-11 (No. 333-187662), filed on April 23, 2013).
10.3+	2023 Equity Incentive Plan (incorporated by reference to Appendix A of the Company's definitive proxy statement filed on April 6, 2023).
10.4+	Form of Share Award Agreement (for trustees) (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K, filed on September 25, 2013).
10.5+	Form of Share Award Agreement (for trustees) (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2014).
10.6+	Form of Share Award Agreement (for Ellington employees) (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on December 18, 2015).
10.7+	Form of Share Award Agreement (for Ellington employees) (incorporated by reference to Exhibit 10.6 of the Company's annual report on Form 10-K for the year ended December 31, 2016).
10.8+	Form of Share Award Agreement (for Ellington employees) (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2019).
10.9+	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.7 the registration statement on Form S-11 (No. 333-187662), filed on April 29, 2013).
10.10+	Registration Rights Agreement, dated as of September 24, 2012, by and among Ellington Residential Mortgage REIT, EMG Holdings, L.P. and Blackstone Tactical Opportunities EARN Holdings, L.L.C. (incorporated by reference to Exhibit 10.4 of the registration statement on Form S-11 (No. 333-187662), filed on April 23, 2013).

<b>Exhibit</b>	<b>Description</b>
<i>(Continued)</i>	
10.11	Shareholders Agreement by and among Ellington Residential Mortgage REIT, EMG Holdings, L.P., and Blackstone Tactical Opportunities EARN Holdings, L.L.C. dated May 6, 2013 (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2013).
10.12	Amended and Restated Agreement of Limited Partnership of Ellington Residential Mortgage LP (incorporated by reference to Exhibit 10.6 of the registration statement on Form S-11 (No. 333-187662), filed on April 23, 2013).
10.13	Amendment No. 1 to the Fifth Amended and Restated Management Agreement, dated as of April 1, 2024, by and between Ellington Credit Company (f/k/a Ellington Residential Mortgage REIT), and Ellington Residential Mortgage Management LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on April 1, 2024)
10.14	Sixth Amended and Restated Management Agreement, dated June 25, 2024, by and between Ellington Credit Company and Ellington Credit Company Management LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on June 25, 2024).
10.15	Subscription and Investment Representation Agreement, dated December 9, 2024, by and between Ellington Credit Company and Ellington Credit Company Management LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on December 9, 2024).
19.1	Insider Trading Policy, dated as of November 2, 2023
21.1	List of Subsidiaries
24.1	Power of Attorney (included on signature page)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
97.1+	Policy Relating to Recovery of Erroneously Awarded Compensation (incorporated by reference to Exhibit 97.1 of the Annual Report on Form 10-K for the Year Ended December 31, 2023)
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
*	Furnished herewith. These certifications are not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.
+	Management or compensatory plan or arrangement.

#### **Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELLINGTON CREDIT COMPANY

Date: March 31, 2025

By: /s/ LAURENCE PENN

\_\_\_\_\_  
Laurence Penn  
Chief Executive Officer  
(Principal Executive Officer)

## POWER OF ATTORNEY

We, the undersigned officers and trustees of Ellington Credit Company, hereby severally constitute Laurence Penn, Daniel Margolis, Alaael-Deen Shilleh, and Christopher Smernoff, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K, and generally to do all such things in our names and in our capacities as officers and trustees to enable Ellington Credit Company to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the SEC, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Annual Report on Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ LAURENCE PENN</u> <b>LAURENCE PENN</b>	Chief Executive Officer, President and Trustee <i>(Principal Executive Officer)</i>	March 31, 2025
<u>/s/ CHRISTOPHER SMERNOFF</u> <b>CHRISTOPHER SMERNOFF</b>	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	March 31, 2025
<u>/s/ MICHAEL W. VRANOS</u> <b>MICHAEL W. VRANOS</b>	Trustee	March 31, 2025
<u>/s/ ROBERT B. ALLARDICE, III</u> <b>ROBERT B. ALLARDICE, III</b>	Chairman of the Board	March 31, 2025
<u>/s/ RONALD I. SIMON PH.D</u> <b>RONALD I. SIMON PH.D</b>	Trustee	March 31, 2025
<u>/s/ MARY MCBRIDE</u> <b>MARY MCBRIDE</b>	Trustee	March 31, 2025
<u>/s/ DAVID MILLER</u> <b>DAVID MILLER</b>	Trustee	March 31, 2025



