

Ellington Financial LLC  
Form 10-Q  
November 18, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 2010

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 001-34569

**Ellington Financial LLC**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of

**26-0489289**  
(I.R.S. Employer

**Incorporation or Organization)**

**Identification No.)**

**53 Forest Avenue, Old Greenwich, Connecticut 06870**

(Address of Principal Executive Office) (Zip Code)

**(203) 698-1200**

(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one.):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 18, 2010
Common Shares Representing Limited Liability Company Interests, no par value	16,497,092

**Table of Contents**

**ELLINGTON FINANCIAL LLC**

**FORM 10-Q**

<b><u>PART I. Financial Information</u></b>	2
<b><u>Item 1. Consolidated Financial Statements (unaudited)</u></b>	2
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	45
<b><u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u></b>	69
<b><u>Item 4T. Controls and Procedures</u></b>	72
<b><u>PART II. OTHER INFORMATION</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	72
<b><u>Item 1A. Risk Factors</u></b>	72
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	72
<b><u>Item 6. Exhibits</u></b>	73
<b><u>SIGNATURES</u></b>	74

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements (unaudited)  
ELLINGTON FINANCIAL LLC****CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND SHAREHOLDERS EQUITY****(UNAUDITED)**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
	<i>Expressed in U.S. Dollars</i>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 117,712,224	\$ 102,863,164
Investments and financial derivatives:		
Investments at value (Cost - \$1,190,037,209 and \$753,892,552)	1,214,179,036	755,440,869
Financial derivatives - assets (Cost - \$156,135,281 and \$113,567,635)	147,153,313	123,638,023
Total investments and financial derivatives	1,361,332,349	879,078,892
Deposits with dealers held as collateral	18,083,499	23,071,006
Receivable for securities sold	1,026,530,501	513,821,219
Interest and principal receivable	5,243,224	9,297,899
Deferred offering costs	3,139,102	2,533,272
Prepaid insurance	249,005	
<b>Total Assets</b>	<b>\$ 2,532,289,904</b>	<b>\$ 1,530,665,452</b>
<b>LIABILITIES</b>		
Investments and financial derivatives:		
Investments sold short at value (Proceeds - \$894,958,301 and \$509,587,384)	\$ 893,250,608	\$ 502,543,554
Financial derivatives - liabilities (Proceeds - \$26,948,187 and \$8,043,963)	33,054,923	14,045,886
Total investments and financial derivatives	926,305,531	516,589,440
Reverse repurchase agreements	476,723,000	559,978,100
Due to brokers - margin accounts	105,805,269	106,483,358
Payable for securities purchased	707,793,904	41,645,394
Accounts payable and accrued expenses	2,520,190	2,015,547
Accrued base management fee	1,172,513	1,137,018
Accrued incentive fees	2,524,272	2,274,530
Interest and dividends payable	471,850	748,052
<b>Total Liabilities</b>	<b>2,223,316,529</b>	<b>1,230,871,439</b>
<b>SHAREHOLDERS EQUITY</b>	<b>308,973,375</b>	<b>299,794,013</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 2,532,289,904</b>	<b>\$ 1,530,665,452</b>

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**ANALYSIS OF SHAREHOLDERS EQUITY:**

Common shares, no par value, 100,000,000 shares authorized; (11,985,670 and 11,972,113 shares issued and outstanding)	\$ 300,215,321	\$ 292,946,604
Additional paid-in capital - LTIP units	8,758,054	6,847,409
<b>Total Shareholders Equity</b>	<b>\$ 308,973,375</b>	<b>\$ 299,794,013</b>

**PER SHARE INFORMATION:**

Common shares, no par value	\$ 25.78	\$ 25.04
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See Notes to Consolidated Financial Statements

**Table of Contents**

**ELLINGTON FINANCIAL LLC**  
**CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS**  
**AT SEPTEMBER 30, 2010**  
**(UNAUDITED)**

Current Principal/ Notional Amount	Description	Rate	Maturity	Value Expressed in U.S. Dollars
<b>Long Investments (392.97%) (a) (b) (I)</b>				
<b>Mortgage-Backed Securities (392.97%)</b>				
<b>Agency Securities (305.62%)</b>				
<b>Fixed Rate Agency Securities (283.48%)</b>				
<b>Principal and Interest - Fixed Rate Agency Securities (112.00%)</b>				
\$ 75,851,728	Government National Mortgage Association 733597 Pool	5.00%	4/40	\$ 81,244,312
25,328,802	Government National Mortgage Association 733660 Pool	4.50%	5/40	26,757,504
24,425,280	Federal Home Loan Mortgage Corporation A93579 Pool	5.00%	8/40	25,719,057
18,587,762	Federal National Mortgage Association 969626 Pool	6.00%	1/38	20,067,522
17,606,359	Federal Home Loan Mortgage Corporation A94009 Pool	5.00%	9/40	18,552,701
13,212,576	Federal Home Loan Mortgage Corporation A94030 Pool	4.50%	9/40	13,775,143
12,409,247	Federal National Mortgage Association AD2376 Pool	5.00%	3/40	13,161,558
12,123,319	Federal National Mortgage Association AD8541 Pool	5.50%	8/40	12,962,480
11,966,028	Federal National Mortgage Association AE5208 Pool	4.50%	9/40	12,478,324
11,188,198	Government National Mortgage Association 697753 Pool	5.00%	6/40	11,983,609
11,158,401	Federal National Mortgage Association AC1210 Pool	5.50%	7/39	11,930,771
9,931,045	Government National Mortgage Association 721342 Pool	5.00%	7/40	10,584,322
9,566,831	Federal National Mortgage Association AC3691 Pool	5.50%	10/39	10,205,118
9,287,545	Government National Mortgage Association 737198 Pool	5.00%	4/40	9,947,831
8,828,798	Federal Home Loan Mortgage Corporation A93613 Pool	5.00%	8/40	9,296,449
8,473,256	Federal Home Loan Mortgage Corporation A85728 Pool	6.00%	4/39	9,135,229

See Notes to Consolidated Financial Statements

**Table of Contents**

**ELLINGTON FINANCIAL LLC**  
**CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS**  
**AT SEPTEMBER 30, 2010 (CONTINUED)**  
**(UNAUDITED)**

Current Principal/ Notional Amount	Description	Rate	Maturity	Value Expressed in U.S. Dollars
<b>Principal and Interest - Fixed Rate Agency Securities (112.00%) (continued)</b>				
\$ 7,216,775	Government National Mortgage Association 741038 Pool	5.00%	8/40	\$ 7,729,842
6,215,459	Government National Mortgage Association 740961 Pool	5.00%	7/40	6,624,319
5,965,655	Federal National Mortgage Association 970853 Pool	6.00%	12/38	6,407,021
5,318,521	Government National Mortgage Association 737176 Pool	4.50%	4/40	5,608,547
4,552,435	Government National Mortgage Association 747137 Pool	4.50%	8/40	4,810,643
4,019,302	Government National Mortgage Association 721317 Pool	5.00%	7/40	4,289,977
3,497,436	Federal National Mortgage Association 934966 Pool	6.00%	1/39	3,756,192
3,232,398	Federal Home Loan Mortgage Corporation A94013 Pool	5.00%	9/40	3,406,139
1,744,056	Federal National Mortgage Association AD1524 Pool	6.00%	1/40	1,873,089
3,482,325	Other Federal National Mortgage Association Pools	6.00%	9/39 - 2/40	3,741,240
				346,048,939
<b>TBA - Fixed Rate Agency Securities (171.48%) (c)</b>				
140,750,000	Federal National Mortgage Association (30 Year)	4.50%	10/10	146,610,918
91,000,000	Government National Mortgage Association (30 Year)	5.00%	10/10	96,900,781
87,500,000	Federal National Mortgage Association (30 Year)	4.50%	10/10	92,025,391
67,500,000	Federal National Mortgage Association (15 Year)	4.50%	11/10	70,943,555
36,000,000	Federal Home Loan Mortgage Corporation (30 Year)	5.00%	10/10	37,822,500
28,000,000	Federal National Mortgage Association (30 Year)	5.00%	10/10	29,478,750
20,000,000	Federal National Mortgage Association (30 Year)	6.00%	10/10	21,479,688
20,000,000	Government National Mortgage Association (30 Year)	4.50%	10/10	21,053,125
13,000,000	Federal Home Loan Mortgage Corporation (30 Year)	4.50%	10/10	13,521,016